

East Central European mosaic – more diverse than ever?

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Abstract

In the last one and half century different intervals of the economic development of East Central Europe can be separated from each other. The significantly changing political, civil systems and the socio-economic orientation have had effects on the spatial distribution of the economic factors and activities, thus on the regional (sub national) development. The main milestones of the 150 years are as follows: the 1st, the 2nd World Wars and the change of regime (at the turn of 1980/90s).

From the mid-19th Century the industrialization reached East Central Europe in waves. The growth of secondary sector's share went together with the improvement of infrastructure (railways, canals) and urbanization. The economic development of East Central Europe continued under capitalist conditions till the end of 2nd World War; even if the treaties concluding the 1st World War basically changed the "status quo ante bellum", thus the market conditions.

Since the 1950s the Soviet Union gained ground in East Central Europe in both political (ideological) and economic spheres. The centrally planned location and management of economy, just as the eastern orientation modified the economic developments and growth paths of the East Central European countries. Although the inner and outer resources and reserves of the socialism continuously shrank since the late 1960s it remained the major economic, politic principle till 1989/90.

The collapse of the Soviet Union and the "Eastern Bloc" created opportunity for the western reorientation in East Central Europe. During the passed two decades the countries got integrated in the EU and the World economy, however the geographically limited presence of FDI and export oriented activities considerably increased the regional disparities in every country of the area.

The paper aims to characterize each session of the economic development of East Central Europe and evaluate the factors influencing the spatial structure. The last interval (namely the age of reorientation or transition) is more detailed introduced with the multidimensional analysis of the regional disparities.

Key words: economic history, East Central Europe, spatial structure of the economy

JEL Classification: N30

Introduction and the theoretical background

The explanation of the actual regional differences of East Central Europe in terms of economic development can not be entire without the knowledge of the historical preliminaries. The aim of this paper is to provide a comparative historical investigation of East Central Europe and an overview and models of the changing spatial inequalities. I wish to identify and present those factors which influenced the spatial distribution of economy from period to period.

The examination of the periodic nature of economic development inspired several researchers in the previous decades. W. W. Rostow identified and described a 5-stage growth theory in his book published in 1960. Later in the 1970s J. R. Friedmann [1] and H. Richardson [2] developed further the Rostow-theory. The former assigned a major role to industry in the process of resource arrangements and in the formation of sites, while the latter author adapted the identified mechanisms to developing countries [3].

It was J. G. Williamson [4] who -following the footsteps of S. Kuznets- started to study the relationship between economic development and spatial development inequalities. According to his view, the degree of disparity varies in the various stages of economic development. The change of disparities over time can be displayed by a reversed U-shaped function. Even today, this Williamsonian view can be considered to be the theoretical basis, despite the fact that the adaptation of the model to emerging and transitional economies remains somewhat contentious [5].

In the economic development of East Central Europe from the mid 19th century until today, the Friedmannian and Williamsonian periods can be clearly identified. The only discrepancy is the appearance of the Soviet socialist power and ideology after the Second World War. In compliance with this, the three main milestones which separate the various periods in my study are the following: the first, the Second World War and the economic and political changes at the turn of the 1980s and 1990s. The article is divided accordingly.

The age of modernisation

The middle of the 19th century, as the starting point of the study is justified by the fact that the industrial revolution started at this time in East Central Europe. Prior to this date in the pre-industrial age, rural societies and predominantly agrarian economies existed in this area. When describing the era before the industrialisation, it is important to point out that the spatial appearance of the population and that of the economic activities showed only limited differences, i.e.: it was balanced and unconcentrated. The disparities were mostly caused by the differences in the natural environment such as the climate, the weather, the soil conditions, the features of the terrain, water courses and vegetation.

Yet, over time, starting from the 1870s-1880s until the First World War, the industrialisation progressed at an ever-increasing pace, which -from the point of view of the spatial structure- was accompanied by two important phenomena namely urbanisation and the development of traffic infrastructure especially that of the railway network. It is important to note from a political and economic point of view that the central part of Europe was divided among the three powers of the Holy Alliance, namely the Habsburg Empire (later to be called as the Austro-Hungarian Monarchy), the Kingdom of Prussia (later referred to as the German Empire) and the Russian Empire. Its importance was that -apart from the difficulties arising from the political and cultural oppression- East Central Europe gained access to large and populous markets where it could sell its agricultural produce and industrial products.

In the age of modernisation, the geographical situation and concentration of the societies and as a corollary the economies of East Central Europe changed. Three factors influenced the localisation of the population, the work-force and the economic activities. The first and most important one is the natural increase of the birth-rate, which was the highest in the Polish-Russian territories (76% increase between 1887 and 1910), lower in the Prussian-Polish parts (46%) and the lowest in the Austro-Hungarian Monarchy (35%) [6]. The second one is the phenomenon of urbanisation which -thanks to the increased number of jobs and the ability to cater for the needs of an increased number of people- gave a boost to the number of urban population. First and foremost Budapest, Warsaw and Prague became a metropolis on a European scale, but Łódź, Krakow and Szczecin also exhibited rapid growth rates.

Table 1: The most populous cities in East Central Europe (thousand inhabitants).

<i>Name of the city</i>	<i>1870</i>	<i>1910</i>
Budapest	320	880
Warsaw	308	771
Prague	252	640
Wroclaw	239	512
Lódz	39	352
Szczecin	81	236
Gdansk	98	170
Poznań	66	157
Krakow	50	150
Brno	73	126
Szeged	70	103

Source: Author's compilation by Magocsi [6].

The third factor was the mass emigration to the New World which predominantly reduced the population of rural areas. As a result of the economic development more and more people had achieved a middle-class status, nevertheless besides the process of gentrification until the First World War approximately 3.5 million people had emigrated from the Monarchy, most of them to the United States of America. During the same period, from the Polish territories about 4 million people emigrated to the USA, France or other parts of Western Europe. Parallel to the disparities in population, significant income inequalities emerged. The Austrian Hereditary Lands and Bohemia-Moravia had income levels well above the national average, while other parts of the state lagged behind substantially [7]. Hence, this medium-level development concealed substantial territorial inequalities.

Table 2: Regional differences in the Austro-Hungarian Monarchy (by regional GNP per capita in 1913).

<i>Name</i>	<i>Crown</i>
<i>Austrian lands</i>	790
<i>Bohemia and Moravia</i>	630
<i>Hungary</i>	327
<i>Dalmatic and Slovenia</i>	300
<i>Bukovina</i>	300
<i>Galicia</i>	250
<i>TOTAL</i>	438

Source: Author's compilation by Horváth [8].

Poland showed similar disparities as the Monarchy. The industry was far developed in the Russian parts, while the German parts were dominated by agriculture.

During the period of modernisation East Central Europe was characterised by the first wave of urbanisation and industrialisation, by the migration and growth of population and -as a result of the development in infrastructure- by an unbalanced territorial structure. During this period the spatial socio-economic inequalities increased a great deal which was accompanied by the increasing concentration of economic activities. The largest agglomerations in East

Central Europe by the end of this period were Budapest, Warsaw and Prague, while Łódź Krakow and Szczecin exhibited the fastest growth rates.

The age of integration, disintegration and isolation

By the early 1920s the map of East Central Europe had been transformed a great deal. The new borders drawn up by the peace treaties concluding the First World War initiated the process of integration in the north and disintegration in the south. After more than one century an independent Poland reappeared again on the northern part of East Central Europe; moreover as one of the largest states of Europe. In the south, new states emerged following the disintegration of the Monarchy. The borders which had been altered and multiplied, now offered new political-administrative circumstances. This statement was especially valid for the territories of the former Austro-Hungarian Empire and the newly-born Poland [9].

The total new political map of East Central Europe drawn by the peace treaties did not create a stabile status, which can be traced back to many reasons. Rothschild [10] named ten among the most important features:

- economic underdevelopment;
- weakly mechanized agro sector;
- overpopulated rural areas;
- significant, poor peasantry;
- insufficient infrastructure;
- weak or missing social middle classes;
- insufficient educated bureaucrats;
- lack of comprehensive literacy;
- limited experience in the field of parliamentary democracy;
- lack of capital investment.

To the above mentioned Rothschildian list at least one point can be added. The borders - especially in the case of the territory of the former Monarchy- separated the resources and the capacities of the processing industry. That is the reason why the successor states should have realised substantial trade in order to maintain or to increase efficiency. Instead, isolation, mutual mistrust dominated the international relations. The reason: the new states were only a little less ethnically heterogeneous than the former ones. The winner states integrated a substantial amount of minorities into their respective countries which implicitly implied a demand for revenge and revision from their part. Unfortunately this led to isolation and competition among the countries of the region which is underpinned by the increasing customs duties presented in the following table.

Table 3: Average extent of custom on manufactured goods by countries.

<i>Name</i>	<i>Manufactured goods (%)</i>	
	<i>1913</i>	<i>1925</i>
Austria	18	16
Czechoslovakia	18	27
Poland	13-18	27
Hungary	18	32

Source: Author’s compilation by WTO [11].

The Great Depression in 1929 had an extremely negative impact on the region of East Central Europe, since it reduced dramatically the already rather meagre amount of capital investment flowing into the region. It is important to note that up to the Great Depression in 1929, the regional disparities in development had not changed fundamentally. Only the economy of Hungary started to decline as a direct result of the substantial loss in the territory of the country and the policy led by the Little Entente aiming to isolate Hungary.

Table 4: Absolute and relative position of East Central European countries by level of development.

<i>Name</i>	<i>GDPpc (int. \$ on 1990 prices)</i>				<i>GDPpc (Austria=100%)</i>			
	<i>1870</i>	<i>1890</i>	<i>1910</i>	<i>1929</i>	<i>1870</i>	<i>1890</i>	<i>1910</i>	<i>1929</i>
<i>Czechoslovakia</i>	1 509	1 912	2 495	3 046	79,8%	83,5%	82,7%	81,8%
<i>Poland</i>	946	1 284	1 690	2 120	50,0%	56,1%	56,0%	57,0%
<i>Hungary</i>	1 179	1 572	2 192	2 473	62,3%	68,7%	72,7%	66,4%
<i>Austria</i>	1 892	2289	3 017	3 722	100,0%	100,0%	100,0%	100,0%

Source: Author's compilation by Maddison [12].

Prior to the Second World War, East Central Europe had increasingly got into the sphere of interest of the Nazi Germany both from a political and economic point of view. The Western powers did not and could not prevent this increase in influence. Hence the several decade-long peaceful development of East Central Europe came to a halt again. These countries drifted again into a new global war, which brought them the squandering of war economies and their subsequent collapse.

Only minor territorial changes took place during the period between the two World Wars due to the limited time-span. Predominantly the modified borders and the protectionist economic policy influenced the changes in the territorial structure. In the case of Poland the integration of the previously unevenly developed regions took place, while in the territory of the erstwhile Monarchy the process of disintegration started to emerge. In all the states the economic importance of the new capitals and regional seats increased, while the role of peripheric and borderline settlements seemed to diminish. The main reasons for the change in territorial disparities are the substantially modified dimension of the countries, the Great Depression and the preparation for the war. The most important economic centre which emerged during this period was Gdynia in Poland and the central industrial region.

The age of the emergence and decay of state socialism

The peace treaties concluding the Second World War more or less restored the „status quo ante bellum” in the western and central parts of Europe. Nonetheless, it was a fundamental change compared to the previous situation that the Soviet Union acquired the possibility of organising the economy and politics of the eastern countries. The Russians dominated the region for nearly half a century until the end of the 1980s. By this time the economic reserves of the „Eastern bloc” had been completely depleted which was accompanied by the collapse of the Soviet Union.

Following the often violent and illegal acquisition of the control over the political systems of East Central Europe, the Communist economic system was established in these countries. In compliance with the political-economic ideology, the transformation of the state into an industrial-agricultural economy was encouraged with a special focus on heavy-industry. Industrial development and military economy was enforced in the 1950s. As a result of this,

in every country the share of the industry increased in the national income and in the workforce. Regions already having industrial capacity, industrial traditions and the necessary resources (coal, ores etc.) were at an advantage.

Enyedi Gy. [13] focuses on the characteristics and inequalities of the East Central European socialist economy in the 1970s in a detailed study. According to his work the disparities within the countries and among the countries were substantial. The eight East Central European states fell into three categories as far as the levels of development and inequality were concerned. The first category included the German Democratic Republic and Czechoslovakia with the highest level of development and the most equal territorial structure. The second, intermediary category included Poland and Hungary, while the Balkan countries were the least developed countries with the least equal territorial structure. Enyedi Gy. pointed out that there was a strong relationship between economic development and spatial-economic levelling, moreover the economic structure was strongly linked to the level of the economy and the structure of the sector. The lack of microeconomic balance was also expressed in the lack of spatial balance. He pointed out that the rapid and intensive industrialisation characteristic of the era could cause imbalances, since industrial activities were forced to be located in several traditionally agricultural areas, which upset the structure of the settlement and the work-force. Nevertheless spatial imbalances will be mitigated over time, due to the fact that the created production unit will be more and more imbedded in the local economy, will use its resources and will foster the settlement of the service sector in parallel. Yet -according to the author- one should not overestimate these mechanisms. Enyedi Gy. reiterated that in the socialist countries -compared to the capitalist countries- greater efforts were made towards the achievement of a balanced territorial structure, despite the fact that the developed countries also contributed substantial financial resources for this objective. In the case of Czechoslovakia the most important regional disparity existed between the two allied states (i.e.: Slovakia and the Czech Republic) which, unfortunately overshadowed other existing disparities and their solutions (e.g.: disparities between Czechoslovakia and Moravia or within Slovakia). It is true that by the development of the Slovakian parts, predominantly by the settlement of industries, substantial efforts were made towards the mitigation of differences on a national level, which in turn alleviated the inequalities within Slovakia. In an international comparison Czechoslovakia (besides the GDR) had the most balanced economic spatial structure in the region. In contrast, Poland was characterised by a strongly polarised economic structure, despite the fact that the achievement of a balanced spatial structure was a clear priority of the Polish territorial policy. The reason for this: after the Second World War, the newly attached parts of the country had to be integrated. In the 1960s Poland managed to achieve that the six most developed voivodships' (Katowice, Krakow, Łódź, Poznań, Warsaw, Wrocław) share in the GNP decreased.

In the case of Hungary the issue of regional imbalances can be narrowed down to the relationship between Budapest and the country [13]. Efforts after the Second World War managed to reduce the disparity between these two spatial units, but could not eliminate it completely. Budapest's share in the industrial production dwindled, since many production sites were transferred to other parts of the country. The countryside also benefited from the rapid agricultural development which increased the average income. At this time inequalities were not reflected by the different income levels but rather by the different life conditions.

Dusek's [14] statement is closely related to this issue. According to him during the 1960s and 1970s, the degree of spatial inequality was less in the states of East Central Europe than in the similarly developed market economies, i.e.: the socialist countries seemingly had a more balanced regional spatial structure. Therefore it is not surprising that after the change of the

political system a large-scale differentiation took place, these countries adapted to the international trend of the previously described Williamson curve. The diminishing income levels arising from the crisis were coupled with significantly higher disparities.

The Soviet-type location of industry which emerged together with the political and economic influence of the Soviet Union brought about significant changes in the social and economic spatial structure. The most important characteristics of the Soviet-type location of industry were: the state regulated production and economic relations, the strengthening urbanisation, the decreasing role of the western areas coupled with the increasing role of the eastern areas, raw materials as the most important location factor of the industry as opposed to the market. Therefore the main reason for the changing disparities was the change of the traditional geographic orientation of the economy and the Soviet-type location factors. New industrial centres appeared such as Leninváros and Sztálinváros in Hungary; Litvinov and Krompachy in Czechoslovakia and Nowa Huta in Poland [15].

The socialist economic structure described above was characteristic of East Central Europe at the turn of the 1960s-1970s. Two important factors modified this structure in the coming years and decades: the spill over effect of the 1973 and 1979 oil crises and an intensifying political resistance in the socialist bloc (especially in Poland in 1968, in 1970, in 1976 and in 1981).

Table 5: The annual average GDP growth by countries before and after of the Oil Crisis (%).

<i>Name</i>	<i>1950-73</i>	<i>1974-90</i>
Czechoslovakia	3,08%	1,12%
Poland	3,60%	0,85%
Hungary	3,45%	-0,35%
East Central European average	3,79%	0,51%

Source: Author's compilation by Maddison [12].

The large-scale, multi-step hike in the price of oil had several negative effects for the East Central European countries poorly endowed with hydrocarbons. First and foremost it increased the import price of energy resources, hence disturbing the relative balance of foreign trade and the state budget. In most cases the socialist countries financed these imbalances by external credits (main lenders: IMF, West-Germany). Especially the indebtedness of Hungary and Poland increased a great deal. At the same time the crises contributed to the contraction of external markets. As a result of the diminishing revenues due to recession, the Western European countries reduced their import from the countries of the Eastern bloc, which in turn meant a further drop in their revenues. It is important to note that while in the Western countries the significant increase in the price of oil in the medium and long term led to savings, the formation of reserves and a more efficient use of resources, in the COMECON countries this increase in intensity did not take place. (due to the slower, more gradual increase of the Soviet oil prices). The socialist industry's hunger for energy and raw materials and its inefficiency remained, yet the financial and market pressure brought about by the crises strengthened a demand for the reforms.

Yet the lack of reforms and their inefficiency led to the ageing of production technologies and infrastructure, to the lack and inefficiency of the service sector, thus to a diminishing competitiveness and indebtedness (except for Czechoslovakia as far as indebtedness is

concerned). As a consequence, between the Eastern and Western parts of Europe disparities in economic performance and the standard of living further widened.

Table 6: Absolute and relative position of East Central European countries by level of development.

<i>Name</i>	<i>GDPpc (int. \$ on 1990 prices)</i>			<i>GDPpc (West Europe=100%)</i>		
	<i>1950</i>	<i>1973</i>	<i>1990</i>	<i>1950</i>	<i>1973</i>	<i>1990</i>
Czechoslovakia	3501	7041	8517	69,84%	57,91%	50,48%
Poland	2447	5340	5115	48,81%	43,92%	30,32%
Hungary	2480	5596	6471	49,47%	46,02%	38,35%
East European average	2120	4985	5437	42,29%	41,00%	32,22%
West European average	5013	12159	16872	100,00%	100,00%	100,00%

Source: Author's compilation by Maddison [12].

Illés I. [16] based on the dynamics of the national and regional economy divided the “short” twentieth century into two completely different parts. The first part lasts for 40 years from the early 1920s until the early 1960s, in which period one can observe the closing-up of Central and South-Eastern European states, which was in many cases accompanied by an increase in regional differences. From the second half of the 1960s, the economy of these countries starts to fall behind accompanied by the mitigation of regional differences. Nemes Nagy J. [5] - following the footsteps of Enyedi Gy.- used data from a later period; he examined figures from Central Europe (East Central Europe) from the late 1970s and early 1980s. His work focused on the following group of socialist countries: Albania, Bulgaria, Czechoslovakia, Yugoslavia, Poland, Hungary, the GDR and Romania.

After calculating an average for these countries, he divided the countries into ten categories. Based on the development level of the 236 “counties”, the distribution of the region's population of 130 million showed an asymmetric, lognormal shape. Two-fifths of the population lived in a highly developed area (25% above the average), one-third of the population lived in an area with average development, while the rest, approx. one quarter of the population lived in backward areas (25% lower than the average).

By examining the territorial structure of the region the author explored some fundamental relationships. The economic development decreased on a Northwest-Southeast axis. The author concluded that national borders did not alter fundamentally the above described logic in territorial structure. Based on their level of development, he identified some groups of counties. E.g.: a North-eastern Polish “cluster” with low development figures and the geographically dispersed yet clearly identifiable group of highly-developed big cities. These zones existed like islands in an underdeveloped environment.

Nemes Nagy J. also focused on the changes of the 1980s and he concluded that the regional rankings did not change except for some Polish regions which fell back as a result of the social and economic crisis in Poland.

The decline of state socialism was brought about by the depleting resources of the political and economic order, which was partly the result of an unfavourable international and national political climate. This period's impact on spatial structure was the alleviation of development inequalities. The reasons behind this levelling were the following: attenuation in the impact of

state mechanisms, stagnating urbanisation, reforms with low intensity. As a consequence new centres and concentrations did not emerge.

The age of transition and reorientation

The collapse of the political and economic system of the “Eastern bloc” was unexpected both in its speed and in its scale. By the mid 1990s the slow economic decline of the East Central European countries had accelerated to a dramatic level. These economic depressions can be compared to the biggest ones of the 20th century. Despite the large-scale economic downturn - thanks to the collapse of the political systems in parallel- the reorientation of the East Central European region to the west began.

The changes started in 1989, the modification of the geopolitical situation, the process of democratisation, the change in the property system and the structural change in the economy did not leave the spatial structure of these countries unchanged.

In the transition period, between 1995 and 2006, the macro-level economic growth in the Four Visegrád Countries was coupled with mezzo-level polarisation. At the national and regional territorial levels simultaneous convergent and divergent processes were taking place. By this the Visegrád Countries verified the Williamson hypothesis about the increasing territorial inequalities of the transformation period.

The convergence examinations of the regions of the Four Visegrád Countries refuted the hypothesis of spontaneous levelling of the endogenous growth theory, while at the same time proved the existence of ‘convergence clubs’ formed by regions with similar economic structures and level of development.

Globalisation and integration into the European Union of the Visegrád Four resulted in the intensification of economic openness. The appearance of foreign direct investment and, closely related to it, the geographical establishment of export-oriented economic activities showed in each of the four countries examined a high level of concentration in the period 1995-2006.

The increased emphasis on the trade relations and foreign direct investment gaining ground strengthened the process of regional differentiation and polarisation.

The analysis of the macro-economic relations of regional disparities verified the validity of the mechanisms of the export-basis theory regarding the Visegrád Four.

The regions of the Visegrád Countries showed a large extent of heterogeneity in terms of production factors. The ample or scarce availability of the factors affected the growth capabilities of the regions, and thus the emergence of regional inequalities [17].

The research findings concerning the relations between production factors and economic development assigned outstanding significance to human resources and research and development activities. According to the correlation calculations, the primary task is to moderate the regional differences in the distribution of human capital and research and development in order to reduce the extent of development gaps and to achieve a territorially balanced economic growth.

The political and economic changes of the past two decades transformed the economic and social structure of the Visegrád Countries. The spatial structure imbalances and inequalities were intensified both in terms of centre-periphery and western-eastern relations during the period.

Clusterisation of the regions in various terms made it possible to identify the winner and loser regions of the period. Next to the capitals, regions with diversified economic and labour market structures and favourable geopolitical locations were able to adjust more rapidly and

efficiently to the constraints of national and international competition and the opportunities for cooperation.

As a result of territorial polarisation, the largest development gaps emerged along the borders of the central region by the end of the period. At the same time, the division and gap-forming role of the national borders decreased in the economic sense.

The economic reciprocal effect of the regions was proved by the modelling potential method: the similarity of the spatial structures of the Czech Republic, Hungary, and Slovakia, from which Poland shows a considerable difference. In the first three countries the western-eastern division is typical, while the centre-periphery relation is predominant in the last one.

In the four Visegrád Countries the transition period resulted in a more intensive concentration of production and a somewhat moderate spatial concentration of labour. The intensity of the forces inducing agglomeration grew in the second half of the 1990s and following the accession to the European Union.

The agglomeration process increased primarily the economic-social-scientific weights and roles of the capitals (Budapest, Prague, Bratislava and Warsaw) and of the Polish regional centres (Gdansk-Gdynia-Sopot, Cracow, Łódz, Poznan and Wrocław). In the future these growth poles may exert a decisive influence on the total economic performance and competitiveness of the region of East-Central Europe in a wider sense [18].

Conclusions, recommendations and outlooks

Accordingly the Friedmannian and Williamsonian periods have been clearly identifiable during the last one and a half century of the East Central European economic development. A number of internal and external incidents however significantly have influenced or rather deformed the lengths and effects of the intervals.

The capitalist development and the industrialisation, which began in the second half of the 19th century, lasted fundamentally till the end of the Second World War. Although the peace treaties concluding the First World War modified the economic, politic conditions to the greatest extent in the centre of Europe. The multiplication of borders, the increase of their dividing function, as well as the nationalism and protectionism pursued by the governments during the interwar period disrupted the former, traditional economic relations and spatial structure.

The Soviet expansion after Second World War made an even larger impression on the spatial distribution of economic activities. The Soviet economic policy, which deviates from the capitalist in many respects, brought new characteristics and east orientation to the East Central European states. Since the 1960s the effects of this policy continuously weakened till the 1980s, when it ended.

Thereafter the reintegration and globalisation of East Central Europe began under the conditions of capitalism, market and competition. The transition has had twofold effect and resulted rising extent of inequalities. Some regions have performed well, i.e. showed rapid economic growth and convergence; others have stagnated or lagged behind [19].

With the comparison I intended to set the effects of transition of the last two decades into historical perspective. Accordingly I consider the transition period unique due to its rapidity and dimension. Just the ages of modernisation and the emergence of state socialism have resulted such significant changes in spatial structure of economy of East Central Europe as the transition in the last decades.

In line with the findings of the research, recommendations were formulated in terms of the macro- and mezzo-level convergence and the territorially balanced, sustainable development

of the Visegrád Countries. The recommendations are tailored to the various spatial elements and regional groups arrived at as a result of the cluster analysis:

As for the regions of the capitals ('absolute winners') emphatic priority is awarded to international integration and entry into European and global networks.

- This requires that as many as possible multinational and trans-national companies and international organisations be established in the cities and their attraction areas.
- In terms of income generating capacity and competitiveness, further expansion of the research and development profile and the innovation capacities are of priority importance both in infrastructure and human resources. For this purpose, the establishment and subsequently improvement of the international prestige of the education and training (primarily vocational and higher education) institutions are to be promoted.
- The infrastructure of the regions around the capitals can be said to be good, but the depreciation of the railway network and the lack of rapid rail system may later cause a bottleneck in transport and transportation. Access to the West-European markets is provided by the motorways and airports, however, the network needs to be developed towards the internal peripheries and the East-European markets. These developments are indispensable for strengthening the beneficiary (spread) impact of the central regions.

As for the secondary beneficiary ('potential closer-up') regions, dynamisation of the established propulsive industries and locations is needed (particularly in the current crisis situation).

- Therefore there is a primary demand for developing the human capital and for investment in the knowledge- and capital-intensive manufacturing and production industries, particularly in the processing industry. These measures will contribute to an improvement of regional competitiveness and capital-attracting capacity, and maintaining and re-gaining the foreign trade potential and exports volume.
- It is a cardinal issue of the future whether it will be possible to strengthen the income- and labour-retaining capacity. Developing the weak, rudimentary R&D infrastructure and human resource background as well as organising the local economic players and enterprises into clusters and operating them may efficiently assist in achieving the above objectives.

In order to ease and abolish the negative consequences of the large-scale differentiation in the past two decades, it is indispensable to support the loser regions of the transition ('potential laggards-behind').

- Priority is to be given to improving the labour market conditions and improving the economic activities. For this purpose it is essential to establish labour-intensive production industries and to boost the income-generating capacity of the agriculture and the rural areas.
- The issue of access is not solved for these regions ('Eastern wall'), thus there is a realistic threat of economic-social marginalisation and isolation. In order to avoid this, and to play a kind of bridge-head role at the Eastern wall of the EU, the transportation and telecommunication infrastructure needs to be developed. Since several of these threatened regions do not have any growth poles, improvement of accessibility towards the further national centres is also of importance.

- For the modernisation and restructuring of the local economies and improving the quality of services it is essential that R+D activities and funds as well as FDI are oriented into the regions.

The analysis of territorial inequalities and regional convergence processes was performed for the period 1995 to 2006. Due to a lack of mezzo-level data it was not possible to examine the years after 2006 numerically. Nevertheless, or perhaps for this reason, it is considered important to mention some of the factors that may have influenced the development of the regions of the Visegrád Countries in the period since then.

Proceeding in time, first the accession of Romania and Bulgaria to the European Union at the beginning of 2007 is highlighted, which is another important milestone in the economic and political integration process of East-Central Europe. The accession of the two Southern-Eastern European countries has a direct impact on Hungary, bordering Romania, its Eastern regions, and an indirect one on the complete macro-region of East-Central Europe, for it further increases the weight of the new member states in the Union. It is an element of essence that these countries – leaving their historical prejudices behind – should comprehend their value and interest community.

Another important event of the year 2007 was the Visegrád Countries becoming members of the Schengen zone in December. The ‘elimination’ of border control contributes to strengthening regional mutual effects and relations as well as to a freer flow of the factors. The latter may carry some threats as well. It is sufficient to think of the considerable volume of active labour migrating from the region to the countries in Western Europe.

Last but not least, the global credit crisis erupting in the fourth quarter of 2008 is mentioned. The negative impacts of the crisis reached fast and with great intensity the economically open Visegrád Countries, with their unstable central budget positions. The crisis – similarly to 1929 and 1973 – affects critically East-Central Europe along two mechanisms. One is the tightening of the Western markets, and thus a decrease in export opportunities, which exerts a negative effect on the labour market and the income level. The other is the capital withdrawal and a reduction in the amount of FDI entering the region. These processes affect primarily the regions with export-oriented economies, but with time spread to the subordinate regions as well. Development disparities are not expected to decrease significantly, for the wealth and society of the regions around the capital will suffer the negative effect of the recession to a smaller extent than those in the peripheries.

The thoughts on the impacts of the crisis have already touched upon the issues of future growth and development chances of the regions. The prospects of the years to come will be largely determined by the crisis and the efficiency of the responses given. Reference must be made to the role of the regional policy of the European Union in forming the future. The middle-range development of the economic-social spatial structure of the Visegrád Countries largely depends on whether increasing the competitiveness or improving cohesion will come to the foreground and carry more emphasis within structural and cohesion policy. The first version may result in a more polarised, but faster macro-economic growth, while the latter may lead to a more balanced and moderate one. Both scenarios assign important roles to the impact study of regional policy measures and interventions, which appreciates the regional development and spatial economic activities.

Finally, attention is to be drawn to the importance of the decentralisation of political power. This is a lengthy process, which in the Visegrád Countries was started with extreme caution, and may bring positive political and economic returns for the regions. For local decision making with its greater degree of freedom offers opportunities for strengthening civil society, widening the democratic system and protecting the rich historical past, cultural heritage and

minorities. And these factors may represent guarantees for the harmonic development with a complementing character of the regions and peoples of the Visegrád Countries in the future.

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