The Mixed Blessings of Financial Inflows. Transition Countries in Comparative Perspective


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Abstract

The successful macroeconomic stabilization in Central and Eastern European countries has encouraged inflows of foreign capital badly needed to promote economic development. Strikingly, these countries have found capital inflows in their various forms to be a mixed blessing, threatening the macroeconomic balance that they have recently achieved.

These countries have learned that it is not easy to attract foreign capital and simultaneously reduce its adverse effects on inflation, the exchange rate and the current account, and to contain disturbances resulting from reversals of the flows. This book investigates recent experience in in Central and Eastern Europe and contrasts it with that of Latin America and East Asia, and suggests appropriate policies and lessons to be learned. The authors conclude that many features of, and policy dilemmas faced by, formerly centrally planned economies in Europe are similar to those other emerging economies. However, certain unique characteristics such as data limitations and the fragility of the banking and financial systems, compound the problems faced by policy makers in Central and Eastern Europe.

This book will prove valuable to policy makers and scholars interested in and responsible for international finance in transition economies.
The comparative enterprise is not about the description of sameness, but about variance among similar variables that operate within each system. As Gary Marks has put it, ‘the goal of comparison is to find intelligible patterns of commonality beneath apparent diversity’ (ECSA 1997: 4) Indeed, comparative analysis is an essential step in formulating, testing, or revising theoretical propositions. As one scholar notes, to ‘be effective in developing theory, and in being able to make statements about structures larger than an individual or the small group, the social sciences must be comparative’