

INNOVATION IN CENTRAL EAST EUROPE. THE ROLE PLAYED IN INNOVATION PERFORMANCE BY PARTICIPATION IN EU FRAMEWORK PROGRAMMES

Attila Varga and Tamás Sebestyén

The paper investigates whether knowledge networks reaching over long distances can compensate for missing local resources of innovation in Central East European (CEE) regions. Building on the Romer-type knowledge production function, the authors use networks of cooperation under EU framework programmes to evaluate the relation between the quality of inter-regional knowledge networks and regional patenting activity in the information technology industry. Econometric analysis is carried out on two sub-samples: the Objective 1 regions of CEE countries (51 regions) and the non-Objective regions plus the regions of other EU countries (211 regions). Knowledge from the Framework Programme collaboration networks is measured by the ENQ index, while local knowledge transfer is accounted for by systematic spatial-panel econometric methods. The paper reveals important differences between the two sub-samples: while in the CEE regions network cooperation has a positive influence on regional patenting activity, this knowledge does not seem to be a significant input for innovation activity in Western European regions.

SO WHAT IS CAPITAL IN THE 21ST CENTURY? NOTES ON PIKETTY'S BOOK

János Kornai

This study was inspired by Piketty's excellent and important book. Its title and numerous statements in it arouse in readers expectations of a comprehensive analysis of capitalism. By comparison the author of this paper felt things were lacking. The capitalist system has numerous immanent traits and innate tendencies, of which the study properties three: 1. One basic feature is dynamism, innovation, and creative destruction. No picture of capitalism can be full if this basic aspect is ignored. 2. Capitalism inevitably brings about a high degree of inequality; this must be eased by reforms, but cannot be entirely overcome. 3. The basic characteristics of capitalism – private ownership and the dominance of market coordination – give rise to strong incentive mechanisms that encourage but owners and enterprise executives to innovate and to cooperate effectively. One of the main incentives is competition, especially oligopolistic competition. There are strong mutual effects among these three important tendencies. It is impossible to understand well Piketty's main subject, the distribution of income and wealth, if it is divorced from the other two tendencies. The study ends with its author's own value judgements on the favourable and harmful, unjust attributes of the capitalist system.

WHY ARE INTEREST RATES HIGHER THAN GROWTH RATES?

A COMMENT ON THOMAS PIKETTY'S *CAPITAL IN THE TWENTY-FIRST CENTURY*

Péter Medvegyev

The immediacy of this note derives from the fact that Piketty's famous *Capital in the Twenty-First Century* has been recently published in Hungarian. The central issue in the book is that taking the average of 200 years, the mean growth rate g is lower than the average return on capital r . One possible explanation of this famous $r > g$ inequality may be that the standard deviation of r is greater than that of g because of the greater appetite for risk. The implication to draw from this is that financial capital should bear the majority of the taxes being suggested by Piketty.

THE DISMAL MATTER OF OUR DISCONTENT. REASON, SENTIMENT, ECONOMICS

Károly Fazekas

We are naturally inclined to seek stable patterns and meaning in the chaotic world around us. This assists in our efforts to understand the past and forecast the future. The starting point of this essay is the phrase "dismal science", an oft-used epithet for economics. While retracing the origins of this epithet, the author also sheds light on the differences in interpretation of the dominant forces that shape our economy and society. The stories evoked from the age of the industrial revolution, such as the Carlyle-Mill Debate and the Edward Erye-William Gordon Controversy, point out the necessary coincidence of three main ingredients in modern economic growth. One is the essential legal framework of a free market economy, the second the rule of law – one of the main institutional prerequisites – and the third the change in rhetoric over the much-needed requisites of the market economy, such as the principle of private property, free trade, unfettered entrepreneurship and fair labour-market relations. The author emphasizes the dominant roles of the individuals who bear the burden for consistent representation of these values in the academic sphere and in civil society.

SUSTAINING WHAT? SUSTAINABILITY IN TERMS OF THE CAPABILITY APPROACH

Judit Gébert

The notion of sustainability is conceptualized in the literature in many ways. This literature is nowadays so diverse that it has lost its substantive meaning for decision-making. The paper argues that all concepts of sustainability have to answer the question: sustaining what? What must be sustained for future generations? Writers offer four different answers: utility, economic growth, capital and capabilities. The paper analyses these approaches and the difficulties with them, aiming to reveal what dilemmas and contradictions they conceal. It is argued that every concept of sustainability excludes important information from its evaluation. The most adequate definition of sustainability is based on the capability approach of Amartya Sen, which has the widest information base and focuses on the most essential thing for decision-making: human development.