

The Czech and Slovak Republic in 1992: The Process of the Divergence

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Abstract

This is a study to measure the process of divergence between the Czech and Slovak economies. A variety of macroeconomic data is to be presented in order to support a hypothesis of different paths of economic development in 1992. While discrepancies in growth and other variables were negligible or, in fact, immeasurable in the 1970s and 1980s, an observable gap is developing between them in the course of 1992. There are clear signs of an economic recovery in the Czech republic supported by prudential monetary and fiscal policies. One can define Slovak macroeconomic policies as mildly expansionary; at the same time, there are no signs of a rise in aggregate demand. Slovakia seems to be facing a deflationary depression under the narrowing manoeuvring space of the government.