

### **From restricting regulation to incentive regulation. Transport regulation in the European Union and Hungary**

*Iván Major*

The article analyses the efficiency problems of transport systems in the EU and Hungary and how they relate to regulation of the sector. The low efficiency and distorted structure of transport in the EU countries and Hungary is one of the main sources of economic loss at the turn of the millennium. The paper shows, based on incentive theory, that the economic efficiency of transport can be markedly improved by means of incentive-giving regulation.

### **How high can Hungary's sustainable growth rate be? II. Problems of sustainable economic growth at the time of the change of system**

*Tibor Erdős*

The investment demand of the economic growth rate in Hungary is a starting point for estimating growth potential. Data for 1991–2001 as such suggest a sustainable growth rate of about 4.5 per cent. The realistically expectable rate will be much lower, as it is essential to modernize the infrastructure and alter the agricultural structure, while increasing environmental investment and overhauling education and the health service. Future contributions from foreign funds will be smaller than they were in the second half of the 1990s. The proportion of net savings by households will also ease. A fall in the calculable macro-level efficiency of investment will coincide with a reduction in the funds available for investment. These factors may be offset only partly by the resource-increasing and efficiency-improving effects of EU accession, so that the longer-term, sustainable growth rate can hardly exceed 3.0–3.5 per cent. Even that will be attainable only if the post-accession advantages provided by the EU are well utilized, if reforms are carried out in the great distribution systems and the growth is investment and export-led. Catching up with the EU average will take much longer than politicians had hoped, but the 3.0–3.5 per cent growth still counts as fast, although it will only be attained if unhampered by disputes over domestic political power.

### **The hidden economy and taxation-related behaviour, 1996–2001**

*András Semjén and István János Tóth*

Based on an empirical survey in 1996, 1998 and 2001 of 300 medium-sized and large firms each in the manufacturing, construction and commercial sectors, the study analyses developments in contract and fiscal discipline and the prevalence of some phenomena in

the hidden economy. It is found that the range of the hidden economy lessened in these segments of the Hungarian economy between 1996 and 2001, while contract and taxpaying discipline improved and the soft budget-constraint syndrome continued to retreat. A part was played in this by the improving business prospects and by the increasing integration into the European economy. The improving prospects and growing GDP raised the incomes expected from the legal economy, while tax inspection was also improving. The latter raised the costs of participating in the hidden economy for registered business organizations. The opinions of entrepreneurs on fiscal policy and tax administration also improved strongly between 1996 and 2001. Tax laws were felt to be more transparent and comprehensible and the tax system more predictable. Small firms showed much greater sensitivity than large to complexity and frequent change in tax regulations, which were more likely to upset small firms' business plans and thereby their commercial prospects. The findings support the supposition that transparency of the tax system influences competitiveness, and that the introduction of simplified taxation forms for small firms will promote efficiency and competition on an equal footing.

### **The running of universities. Where is Europe heading?**

*Károly Barakonyi*

Globalization has been producing a radical new environment for institutes of higher education as well. The relations between universities, the state and the knowledge market have changed, which has caused universities in the developed countries to change as well. The changes in higher education reached Hungary at the turn of the millennium. The spread of mass education has produced organizations so complex and massive that the old models of governance no longer apply. New philosophies and forms of administration have appeared, applying to the specific conditions of higher education models of power distribution already existing in other fields. The study examines the environment changes and responses to them and the new management model for administering a modern university, with special regard to issues of institutional reform in Hungary.