

# ABSTRACTS OF THE ARTICLES

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## **The origin of the present inconsistencies in the Hungarian economy**

*Péter Mihályi*

The title is a tribute to Ferenc Jánossy, who died ten years ago. Successful economic policy is the exception, not the rule in the globalized world economy. It is easier to reach a position close to crisis than to battle one's way out of it again. The 2007 stabilization in Hungary failed to change real-sphere behaviour. Stagflation threatens. The causal explanation of this is multi-factorial, but the most important lead back to the tax structure inherited from the period before 1989. 1. Employers and employees have common interests against the state. 2. A welfare net woven too finely provides a disincentive to legal employment. 3. Small and medium-sized firms under specific post-communist conditions are incapable of absorbing the less-qualified employees. 4. The strategy of Hungarian families for decades has been to accumulate capital in the form of housing, while everyone expects the state to supplement the income of the aged and finance health care. 5. Undercover payment of wages in the corporate sphere is partly a cause and partly an effect of the massive number of unaccounted transactions. 6. We have no clear picture of real personal incomes in relation to each other or the situation of households. This blunts the effects and undermines the credibility of welfare measures accomplished through taxation, and ultimately narrows the government's room for manoeuvre.

## **The political economy of budgetary deficit**

*István Benczes*

Neither Keynesian nor Neoclassical theory managed to explain adequately the increasingly typical state of chronic budgetary deficit found in developed industrial countries since the 1970s. But the new political economy seems to have revealed the causes of the chronic deficit and mounting indebtedness and of the reasons for the marked differences in fiscal-policy performance between countries and periods. The success can be ascribed primarily to the fact that the new political economy turned to the political and institutional constraints on the formation of budgetary policy, with the unconcealed aim of broadening the bounds of mainstream economics and building the policy-making process into it. The study examines four comprehensive explanations: 1. strategic use of debt stock, 2. postponement of stabilization, 3. differences of political and electoral systems, and 4. weak or fragmented executive power, with the clear intention of complementing the customary positive analysis with a normative examination.

**Critique of a critique. A response to Mihály András Kovács's article***Tibor Erdős*

The author examines and takes issue with the arguments and contentions found in Mihály András Kovács's polemic. For it does not follow from the article Kovács criticizes that its author opposes the independence of the bank of issue. He did not state that economic growth might have been faster *because* of faster inflation or that the rate of inflation per se would fall without budgetary and monetary restriction. He shows that the costs of the inflationary target are significant under the conditions of an expansive income and budgetary policy and consequent political strife. He emphasizes the way that the real revaluation of currencies may initiate processes with radically different effects in different countries, and so that the same degree of revaluation may have very different effects on each.

**Corporate culture in Hungary seen through two daily newspapers***László Szerb and Orsolya Kocsis-Kisantal*

Although the economic and institutional-regulation concept of the success of companies is widely accepted, ground is being gained by theories that emphasize the effects of the social and welfare environment and cultural milieu. The Global Entrepreneurship Monitor (GEM) survey shows that Hungary comes near the bottom in an international comparison of corporate culture. The article draws on the 2005 articles in two daily newspapers and on frequency statistics and content analyses to examine the image that has developed of Hungarian entrepreneurs and businesses. Negative news presenting entrepreneurs in a bad light were in a majority, so that the press was mirroring the popular belief that entrepreneurs are criminals and tax evaders getting rich on the backs of others, rather than promoting them as key figures in job creation and development, whose efforts are successful and exemplary, even without state support.

**Privatization of higher education—higher-education enterprises or enterprising higher education?***István Polónyi and Enikő Szilágyi*

Starting from possible theoretical approaches to privatizing education and the Hungarian legal framework, the article examines the options in principle for privatizing higher-education institutions in Hungary. It ranges the main factors leading to the present situation, covers the possibilities raised so far in theory and in public life, and summarizes the feasibility of these, without presenting a specific scenario for future transformation. The analysis is centred mainly on matters of operation and management.