

Sustainability in a New Geopolitical Power Sector

Welcome by the Editor-in-Chief



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Just as the Western liberal intelligentsia constantly interprets current world events and expected trends, we the bourgeois-conservative thinkers organized around the idea of a sustainable economy, do the same. However, we believe that the principles of a sustainable economy and the sustainable market economy that will emerge from it will be a real alternative to the neoliberal market economy, which has frequent crises and weak resilience. After all, it has been proven time and again that the excessive autonomy of market players, the resulting market under-information, information asymmetry, and the marginalization of cooperation and the state's role as a regulator and controller, often lead to crises. And when there is a crisis, the enterprise that has too much management autonomy, or even demands it, immediately calls for state support. This has been the case since 2020, and after the initial crisis years of 2007-2008, just as it was during the Great Depression of 1933-34. In Hungary, we can see that the over-liberalized, imported mode of production that replaced the four decades of the socialist planned economy system has had harmful effects. It has ensured temporary development. It has ensured social catching-up, but only for a narrow section of society not for all society.

In Hungary, the market economy model based on active state involvement, reorganized after 2010, has delivered results. We experienced the most successful decade of the 100 years after Trianon.¹ There was financial balance, and economic growth associated with it.² A significant part of the national wealth that had disappeared since the 1980s, especially the strategic sectors, returned to national ownership. Furthermore, most importantly, based on all of this there has been a sustained, society-wide rise in living standards.³

But difficulties came. The COVID-19 pandemic and the accompanying pandemic crisis. Shutdowns forced withdrawal of labor from the labor market and other community spaces. But sectoral wage subsidies have been introduced to protect jobs, at a huge budgetary cost to the state.

We might even have overcome the epidemic and the financial difficulties it caused, but in February 2022, the fights between the Russians and the Ukrainians renewed. The war, on the other hand, is more than a fraternal war between two Slavic nations. From the background, through the United States of America to the liberal elite of the European Union, all political

and financial interests intervened, in favor of the Ukrainians. This and the misguided sanctions led to energy supply problems, financial market turmoil and turbulence around national currencies. Input costs in the manufacturing and service sectors are rising sharply, inflation is skyrocketing. If the war drags on, literally. While perhaps unusual on first hearing, a war that hurts everyone may also be a way forward in terms of lifting the veil on the true nature of the neoliberal economic order and the political-financial liberal elite that sustains it.

The status, which the 1944 Yalta Convention projected on Europe, the political-geographic division is collapsing right now. Just as the Bretton Wood structure, which was supposed to ensure the role of the United States of America as a world power after the war, is also crumbling.⁴ A new situation, a new structure of the balance of power is emerging, in which the unipolar world becomes multipolar, and a dual world order is created, which, alongside the United States, will bring China into a position of world power. Thus, in this new world order, the European Union will have no place among the great powers.⁵ Therefore, we must focus on innovation, knowledge, an economic policy based on our own resources, food, and energy self-sufficiency, in other words, a gradual separation from the world order that has prevailed so far. Initially, we must clarify the basic principles of a sustainable economy,⁶ and then establish the political and economic institutions that are subordinate to it. Because now is the time to entrench everything that we have done since the second half of the 2010s, amid our spectacular successes, only without slack.⁷ Now, when energy is more expensive, now is the time to strive for energy independence, now is the time to lay the foundations for a knowledge-intensive economy. Now is the time to value the role of natural, renewable energy. The role of natural, renewable energy has now been appreciated. In addition to the enforcement of environmental protection aspects, the mass adoption of energy-saving and cost-saving technological procedures must be put on the agenda. The liquidity, profitability and capital availability of domestic small and medium-sized enterprises bleeding from a thousand wounds must now be improved. Mainly through their efficiency of scale, they should be put in a stronger role as investors and employers.⁸ And the time has come to increase knowledge capital, human capital, education, and healthy life years spent at work. This is the basis of competitiveness. If these factors were to characterize us more strongly, our economy would be even more resilient to inflation and war-induced recession.⁹

So let us strive for innovation and renewal, let us build on fusions, let us take advantage of the new technologies emerging in the world, the opportunities provided by the Internet and the data-information economy, as the new „tectonic” plates of the 21st century. It is only by building on them that Hungary can be brought into a competitive and sustainable catching-up process.

In the Hungarian-language issues 1-3 of Volume 18, members of the Polgári Szemle's intellectual workshop, including several young researchers and PhD students, deal with the nature of crises, the Hungarian value model, the links between governance and growth, the natural history of Hungarian science, budgetary issues, the mechanisms of financial culture and the effects of the coronavirus crisis. Our articles on a wide range of disciplines continue to seek answers to the new challenges of a changing world and propose solutions.

It is worth reading the Polgári Szemle!

And we look forward to the publication in Hungarian of György Matolcsy's book „On the Edge of Times”¹⁰ which provides a comprehensive overview of the classical economic thinking of the Western liberal elite and the sustainability-focused mindset that has been built up in contrast to it. A new book on systemic economics is thus awaited, interpreted by the President of the National Bank, who for decades has been the leader of the school of thought that has been preaching unconventional doctrines and, whether as a minister or as Governor of the Magyar Nemzeti Bank, has been its practical implementer.

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NOTES

- ¹ For a chronological comparison of the results, see: Barnabás Virág (ed.) (2020): Ten Years in Numbers. The Economic History of Hungary Over the Past 100 Years [Az eredményeket kronológiai összehasonlításban lásd: Virág Barnabás (szerk.) (2020): Tízszáz év számokban. Magyarország elmúlt 100 évének gazdaságtörténete]. Hungarian National Bank (hereinafter: Magyar Nemzeti Bank)
- ² György Matolcsy (2020): ECONOMIC BALANCE AND GROWTH 2010-2019. From the last to the first 2nd revised edition. Hungarian National Bank (hereinafter: Magyar Nemzeti Bank)
- ³ Csaba Lentner (2019): A magyar állampénzügyek fejlődéstörténete a dualizmus korától napjainkig. Nyugattól keletre, Kelettől nyugatra [The Development of Hungarian Public Finance from the Dualism Era to the Present Day]. L'Harmattan kiadó (publishers)
- ⁴ The inflation unleashed after the lost wars in Southeast Asia was the trigger in the USA, that they could not guarantee the conversion of dollars and dollar reserves into gold. With this, faith in the stability and value of the dollar was shaken from the beginning of the 1970s. This was the first blow for the United States. The current one, catalyzed by the Russo-Ukrainian war, will be the second one, which will permanently weaken the role of the United States, while it will lead to the permanent appreciation of the Far East region, including China. The Chinese type of socialism, the political system that operates it, the relative prosperity compared to previous centuries and decades, and last but not least, China's achievements, which closely approach the production of the United States' GDP and which are growing exponentially after the turn of the millennium, represent a real challenge for the USA.
- ⁵ A couple of decades ago, we expected that the European Union would drop out of the ranks of competitive world economic regions, but its security, cultural environment, its relatively hegemonic nature, its industrial culture, and its relatively consolidated „management” of the workforce, and its rights had a special charm. can give to the region. It's all gone now. Migration has swept the western half of the EU, and its technology is likely to become without energy coverage, which strongly weakens its economic competitiveness and the sense of comfort of its society.
- ⁶ Új fenntartható közgazdaságtan. Globális vitairat [New Sustainable Economics. Global Discussion Paper]. Magyar Nemzeti Bank, 2022.
- ⁷ I am referring to the extensive competitiveness program launched by the Magyar Nemzeti Bank in 2017, of which many things were implemented under the government's authority, but numerous counter-critical statements from the Chamber of Commerce representing entrepreneurs prevented its full development.

- ⁸ Retaining the workforce, especially in the SME sector, is a major challenge, as the war-induced crisis will also reduce demand for construction investment and services, while the government's safety net around SMEs is under pressure. It is now a matter of social and national economic interest. The mass unemployment should be prevented and reduced as much as possible, wherever possible.
- ⁹ It should be emphasized that the government's measures to protect more and more households are effective, as well as the regulation of utilities, or the official price regulation planned for a wider range of foodstuffs. Just as the Magyar Nemzeti Bank and the Government are successful in their defense of speculations against the HUF.
- ¹⁰ György Matolcsy (2022): On the Edge of Times: The Return of the 1940s and the 1970s. Pallas Athena Könyvkiadó