

BOOK REVIEW

Győrffy, Dóra – Benczes, István –
Rosta, Miklós (eds.)

**Közgazdaságtan és gazdaságpolitika
Tanulmányok Csaba László 70. születésnapja
alkalmából**

**[Economics and Economic Policy
Studies to celebrate Csaba, László's 70th birthday]**

**Budapest, 2024
Akadémiai Kiadó, 262 p.**



The Rector's Hall was the venue of the conference to celebrate Csaba, László's 70th birthday at Corvinus University. The collection of studies "*Economics and Economic Policy*" published for the occasion was edited by Győrffy, Dóra, Benczes, István and Rosta, Miklós. It includes 19 studies written by 23 authors most of whom are former students or colleagues of Mr Csaba.

You can learn from the Introduction that Mr Csaba received his degree from the University of Economics "Marx Károly" in 1976 and has been an influential member of the economist community in Hungary ever since. He is currently professor at Corvinus University of Budapest as well as at the CEU and has been a member of both the Hungarian Academy of Sciences (MTA) and the pan-European Academia Europaea located in London since 2013. He has become an internationally acknowledged researcher of comparative economics and international political economics working from Hungary with almost no interruption although the basis of his professional success on, he could have continued his work at any leading Western university. He has been a visiting professor at a number of top universities and an editorial board member of leading international journals, active in the professional bodies of his research areas. Like one of his idols, János Kornai, he is primarily interested in understanding Hungarian reality, although he is also inspired to create academic works by the analysis of international processes and current issues in economics.

In addition, he reserves time to meet his teaching tasks. His oeuvre establishing a new school of thought is exemplary. At the conference, several of his former students, who play a decisive part in Hungarian economics today, told stories about how he usually sends back the papers sent to him the next day with his notes and

suggestions. They also said Mr Csaba has been their role model with his professionalism and willingness to work. He is a scholar committed to particular basic values who prizes democracy above autocracy and the free market above central control.

The diversity of topics and multiple ways of approach in the book reflect the multiple colours and layers of Mr Csaba's work. The first set of studies deals the theoretical and methodological questions of economics and economic policy, the second is focused on the economics of the European Union while the third analyses the issues of political economics in Central and Eastern Europe. Due to space limitations, it is not possible to cover all topics in the same depth, so the focus is on those studies that contain analyses and findings related to the Hungarian economy and its research today.

In the first part, the paper "*Engaging in economics in Hungary*" by **Gyórfy, Dóra** is trying to define what being an economist means in Hungary today. She finds the profession of economist in decline for a number of reasons, although there is a need to have scholars penetrating the depths of phenomena, revealing their reasons and offering solutions. But addressing local problems has been a feature of economics in every era. This research has also ensured an international visibility, as there has been a particular interest in the country at various times. The main reason of the decline is a global phenomenon: the arrangement of researchers' incentives has led to the necessity of publishing in leading US journals accepting their methodology and discussing the topics considered relevant there. Nevertheless, analysing local institutions or local economic policies is / would be important not only in this country but elsewhere in Europe too.

The Hungarian situation is even worse, in that the profession as a whole has been pushed back under the new illiberal regime. The Central European University (CEU) was driven out of Budapest with a legislative amendment in 2017; it is operating in Vienna now. ELTEcon has closed down as the extremely low salaries paid at universities were insufficient to recruit teachers. The Institute of Economics of the Hungarian Academy of Sciences has avoided close-down but is facing a serious threat with the disconnection of its network of research institutes. As part of the process, the MNB has announced the replacement of mainstream economics, for which it has set up foundations with hundreds of billions of forints of public money, which operate under no traditional professional control and have no accreditation circumventing the norms of utilising public moneys. It has taken place despite the objections expressed by the Economic Committee of the MTA. As the Corvinus University of Budapest was restructured, the former chair of Mr Kornai and Mr Csaba, the Chair of Institutional and Comparative Economics was merged into the Institute of Economics being one of the eleven institutes of the University. The most important journals (*Economic Review*, *Acta Oeco-*

nomica) depend on the goodwill of the National Bank of Hungary (MNB). The traditional demand for the profession has also shrunk. The research unit of the MNB has been terminated, the Competition Office has become an administrative institution. The situation is further aggravated because the lack of quality due to the erosion of public education has led to a situation where there is hardly anyone to understand what the discourse is about.

It is worthwhile for a researcher to stay in Hungary as an economist - the author concludes - whose research interests are linked to local problems and who has a desire to participate in the local discourse. Hungary has become an interesting topic in international literature, in international social sciences in a wider sense, albeit not in the leading mainstream journals. So, dealing with Hungarian issues will not necessarily lead to international isolation. The profession may have a major task to document how illiberal economic policy is losing steam. It must inform public opinion and prepare for a potential regime change.

In his paper "*Beyond hallucinogenic mainstream*" **Kovács, Olivér** formulates a critique of the general state of the profession, which in some respects coincides with the message of the previous article. He concludes that the process that has led to an obsessive preference for a methodology that gives the appearance of being scientific, but is not necessarily relevant to the analysis of problems, has alienated the expansion of knowledge that seeks to understand the true nature of the socio-economic system. Like Ms. Györffy, he points out the danger that scholars are forced to deal with low-risk fashionable issues instead of engaging in exploratory research not only with respect to Hungarian reality but also relating to the whole discipline. Nevertheless, efforts to describe reality constructively in a multidisciplinary context respecting complexity offers one a real chance to grasp the essence of what is really happening. In the closing chapter he refers to Mr. Csaba's oeuvre, which is a message to him saying "beware of conformism since it is the curse of scholarly minds".

The works by Mr. Kornai, János offer an excellent example of the alternative approach mentioned in the two previous papers. In his paper "*Dichotomous structures in Kornai's philosophy*" **Mihályi, Péter** quotes Kornai's recognition opposing the mainstream, i.e., modern economies are never in equilibrium. Although his work on anti-equilibrium has become widely known, it has not reached a breakthrough even in Hungary. Students are still taught that economic players always behave rationally; there is perfect competition in atomised markets, so the processes of supply and demand result in an equilibrium in all markets.

Kornai has made another important point, i.e., political structures, ownership and mechanisms of coordination interweaving economics in a thousand ways define, in effect, the other features of a system. With reference to Hungary, Kornai sounded the alarm at the break of 2010/2011, stating that the Orban regime

had reshaped liberal democracy operating satisfactorily for two decades into an autocracy in less than a year.

In the rest of the paper, the author raises the question if it is still valid to differentiate three groups of political systems only: democracies, autocracies, and dictatorships. His answer to the question is no. He proposes a more sophisticated set of criteria to result in six types of systems. According to his categorisation, Hungary is an illiberal democracy, which was openly declared by Orbán in 2014. Its main features are that although there is universal suffrage and regular elections, but public and private media are expropriated by the government and thus manipulated by public opinion. The system of checks and balances have been limited and the government intentionally distorts competition in the economy. The main goal of that is to allow bounty hunting for certain pre-defined interest groups. The rights of the individual are replaced in the centre of the theory of state with a vague idea of 'national interest'.

The second part of the book contains papers on globalisation and European integration. Out of many interesting studies - all of which touch upon the position and options of Hungary - a paper by **Székely P. István** is discussed in detail here in accordance with the topic selected. The paper "*Are social solidarity and equity European values?*" is most relevant to this review as the author provides an analysis of how equity advertised as one of EU goals is interpreted differently in certain countries and cultures, how the EU funds provided for the purpose are distributed there and how the inability of those countries to learn from each other has led to divergent consequences.

Despite the noble goals, the differences of social equity, i.e., what kind of life people can live, are significant among the citizens of the European Union. Your life will depend on the Member State you are the citizen of and often on the region you live in. It does not only raise moral concerns, but it can also have an adverse effect on the development of the Union. Hungary belongs to the group of countries where the absence of certain dimensions of equity has triggered large-scale emigration. Hungary belongs to the group of countries where the absence of certain dimensions of equity has triggered large-scale emigration. Other key elements include, for instance, access to quality education and healthcare, the rules governing social life and how they are adhered to. The differences can result in different consequences not only from one country to another but also within a country, for different social groups. In the Czech Republic, for instance, equity has become stronger as the country has been catching up fast. On the other hand, just the opposite took place in Bulgaria: the economy has made a quick start, but equity has not improved. Emigration has been low in the Czech Republic but quite high in Bulgaria.

One of the features of inequality in Europe is that the difference between the countries with respect to dropping out of school is much higher in the EU than in the US. But what can be more unfair than children getting no chances for education! On the other hand, there are positive examples. Not only northern countries but also Slovenia, Czechia and Estonia are on the right path: they are exemplary as they provide for their citizens in the areas of social solidarity and economic, social, and institutional equity. In cases where the latter has not been the case, populist parties against European integration have come to the fore. In this respect, equity can be regarded a condition of sustainability of European integration.

The author offers two proposals to improve equity, which could be implemented even in the current legislative and political environment. One is to strengthen the role the EU plays in promoting knowledge transfer and distribution among the member states. He believes it could significantly improve results at the current level of welfare spending. The other proposal is about priorities. It suggests welfare programmes should be devised so as to prioritise those most in need. Other groups should only be supported if the society in question is willing to spend on welfare projects on top of spending on the needy.

The third part of the book includes studies on political economics in Central-Eastern Europe. **Berend T., Iván**, who joined the conference online, was not only watching us from the screen but also from another wall of the Rector's Hall on a portrait of the former rectors of Corvinus University. In his paper "*Differences and similarities: European regions*" he analyses the countries of Europe including the position of Hungary from the aspect of the differences and similarities of the economic development they have achieved.

He points out although the European regions carry a thousand burdens and also a treasure trove of their history, there are examples of how to break out of a traditional deadlock. The southern, central, and eastern regions have always been lagging greatly behind the countries of Western Europe, which has become permanent - mainly from west to east - over the centuries of modern history. Today, however, one can see that Finland, which could only change her former underdeveloped, subjected state following WW II, has successfully risen to become a high-income northern country. Ireland is another example. It used to be a kind of internal colony of England at the economic level of the Central-Eastern European region, then as it accessed the EU, it has become one of the richest countries in Europe overtaking her former colonists two and half times with her spectacular rise. The third example can be seen in the three Baltic states (Estonia, Latvia and Lithuania), which only became independent in 1991 but have well overtaken most Central-Eastern European countries by now.

And what about Hungary, the author asks. Our country has fallen back among the poorer countries of the region. With its average per capita income of USD 20 thousand it is at 80% of the average of the Central-Eastern European region. Slovakia, which started off from a worse position, has already overtaken Hungary. Although Hungarian GDP reach half of the average income in the European Union, average salaries are a mere one third of those in the EU. Even Romanians earn somewhat more, and, out of the twenty-seven EU member states, Bulgaria on the Balkan is the only one worse off. The striking difference is that the countries of the rich Western-European region are solid democracies while most of the poorest countries in the Eastern region are autocracies, dictatorships just like some Central European ones.

The lesson suggests determination is not an unbreakable barrier, but you need good politics for the change. If that is missing, you can easily lag behind or slide down.

The same train of thought is followed in the paper "*In partnership with Putin: The Orban regime and Russia's war in Ukraine*" by **Ádám, Zoltán** and **Hadi, Noémi**. The authors, on the one hand, analyse the factors that made it possible for the Orban government to change anti-Russian feelings having deep historical roots in the Hungarian people into a sympathy for Russia; and in the context of the Ukrainian war - defying the West - to accept that the country is supporting autocratic Putin. On the other hand, the authors raise the question why "opening up to the East" was in the government's interest initially and what kind of short- and long-term goals are served today by committing this country to dictatorships.

The authors are of the opinion the policy of sovereignty was probably a rational political strategy in short and mid-term for Orban and his government. They wanted to increase their political and economic playing field vis a vis the EU, the IMF and global money markets, they wanted to break ties with the dominant external actors of the earlier period. That was the origin of the policy of "opening up to the East" but in such a way that the country should remain part of the Western economic and political integrations as well. Ever since FIDESZ regained victory in 2010, the Orban government has shifted towards taking a different road relying on the economic and political support of China, Russia and other autocratic regimes in the East including Azerbaijan, Kazakhstan and Turkey.

The relative majority of Hungarian society, breaking with its earlier antipathy - presumably not independently of government propaganda - has increasingly repositioned itself from its former pro-Western position to a pro-Russian and pro-China stance. Government measures are propagated and made credible for the public by the, which is loyal to the government and is mostly maintained from public monies whether they are in private or public ownership. All that correspond to the theory of informational autocracy according to which one can renew

the democratic legitimacy of an autocratic power by having multi-party elections from time to time without resorting to open political oppression. The key is to use centralised forms of information. It has caused many economic and political handicaps for the country (loss of EU funds, the highest rate of inflation in Europe, high debt, and increased debt service costs and, partly caused by the former, high budgetary deficit). However, it is explained for the population by saying the EU and its sanctions against Russia are to be blamed for all their misery. The whole of the opposition, on the other hand, is shown to be a pro-Ukraine group, which is ready to take Hungary to war.

There is no clear answer to the question why an autocratic populist regime is motivated to shape public opinion in that way. One - partly true - answer can be a traditional aversion to Ukraine because of recurrent tensions around the linguistic-cultural self-rule of Hungarian national minorities living in Transcarpathia. A second potential answer is that businesses close to the Hungarian government (e.g., the oil giant MOL) were for some time beneficiaries of the special political and economic relations maintained with Russia. A third possible reason is to promote other business interests (e.g., expansion of the Paks nuclear power plant) of the Hungarian government and business enterprises loyal to it.

However, all the above has a domestic political message in the Orban regime. As Orban is presenting Putin's system, which has changed from a populist autocracy into an open dictatorship, as something politically legitimate and acceptable, one feels the urge to decode it as preparations for a transformation into an open dictatorship as a possible strategy of survival. The Parliament first announced an emergency situation offering Mr Orban special rights at the time of Covid-19, then similar restrictions were introduced because of the war limiting, for instance, the rights of the local municipalities.

Finally, the book is closed with the study "*Successes and failures of development: a comparative analysis of developmental state models in East Asia and Latin America*" by **Benczes, István** and **Ricz, Judit**. The authors' objective is to explain to the public what institutional environment can assist the success of a developmental state model and what circumstances will exert an opposite impact. The authors also state the East Asian developmental state model cannot be simply transplanted into another country, despite populist rhetoric.

One of their important findings is that institutions and the related models of development depend on context, i.e., they cannot be automatically applied under different circumstances. One of the main reasons why the historical Latin American model of development failed was that - because of historical traditions and geo-political characteristics - government subsidies were mostly made independent of business performance, while strong interest groups endangered policymaking. The classical developmental state in East Asia was able to surpass

– the otherwise development-oriented – Latin American model in the long run because the dominant measures were market-compatible and market friendly while government subsidies were subject to strict criteria of export performance. This has led to high growth rates and improved social well-being at the same time. Investments into human capital, mainly healthcare and education have become in focus. The quality of state institutions also far surpasses those in Latin America because of their meritocracy, integrity, and professionalism.

The (formal and informal) increase of the influence of the state is also quite emphatic in our region and our country. Market forces are distorted and restricted, prices are interfered with, formal and informal barriers to entry are applied to the point where ownership is interfered with, and non-market-type coordination mechanisms are given preference. Further characteristics include collusions between the state and certain enterprises, the use of selective and discretionary measures to ensure or to limit the competitive advantage of certain players or industries. The role of political and personal relationships has become dominant; it has led to widespread well-embedded corruption and rent-seeking. As all it is linked to political hierarchies and people, the insiders' loyalty is guaranteed.

The above can be increasingly regarded to be systemic. The worst patterns of a classical development state have been adopted while the state-capitalist regime makes no efforts to internalise real and effective characteristics for future success.

*Mária Dunavölgyi*¹

¹ *Mária Dunavölgyi*, assistant university professor, Corvinus University of Budapest. E-mail: maria.dunavolgyi@uni-corvinus.hu.