

# SUMMARY OF THE ARTICLES

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## **The system paradigm**

*János Kornai*

The notion of paradigm was originally created by T. S. Kuhn and inspired by the history of natural sciences. The introduction of the article explains the interpretation of the notion as used in social sciences. In this context a new paradigm does not necessarily replace the earlier one, several paradigms can operate beside each other.

The milestones of the system paradigm are the works of Marx, Mises, Hayek, Polányi, Schumpeter and Eucken. Although the list is rather heterogeneous as regards the philosophies and political stand of the authors, common to them is the “systemic approach”. They discuss not some detail of the economy, but the system as a whole; not only the economy, but the political, ideological and societal dimensions as well, and they pay particular attention to the interactions among all spheres. It is a great examination task of the system paradigm to research the post-socialist transition. It is indispensable for that; as regards explanatory power, it cannot be replaced by any other paradigm. On the other hand, the users of the system paradigm frequently made grave errors in their forecasts (similarly to those using other paradigms). The predictive power of the system paradigm is restricted and this warns its users to caution.

## **On the methodology of economics and on mathematical economics, under the pretext of the Neumann model**

*Ernő Zalai*

The paper investigates the potential theoretical and methodological sources of inspiration of the von Neumann model, in view of the fact that both the neoclassical and the neo-Ricardian economists claim heritage to it. In the course of that the author assesses the main differences of the classical and neoclassical, the *ex post* and *ex ante* modeling approaches. He also confronts the von Neumann model with the Walras–Cassel and the Schlesinger–Wald models, and with models worked out in the classical tradition *a’la* Ricardo, Marx, Dmitriev and Leontief. He concludes that the Neumann-model is, in fact, nothing but a reformulation of a very old belief in a “just and reasonable economic system” based on the modern modeling approach of contemporary physics and mathematics.

## **The relationship between inflation and some macroeconomic categories**

*Tibor Erdős*

The author takes inflation as given and examines the impact it has on the economy and on some important categories. The topic investigated is the impact of inflation on the balance of public finance. The author emphasizes: the process of collecting the income tax by the state can be examined simply and free from contradictions if this is done in connection with the three different ways of the creation of the monetary base. Accordingly, new concepts are introduced for the concepts of monetary and fiscal seigniorage. The author pays attention to the relationship between inflation and the interest burdens of public finance. He emphasizes that it is the interest burdens of the internal debts existing outside the central bank that affect the balance of public finance intensively, depending, of course, on the changes of the inflation rate. In the second part it is analysed how inflation distorts the picture obtainable about macroeconomic interrelations from statistics and what has to be watched by economic policy for this reason. The third part shows that inflation has a diminishing, not an increasing, impact on profit and the rate of profit and, also on this account, it worsens the prospects of economic growth.

## **Pension system and reforms in the transition economies**

*Mária Augusztnovics*

Populations are demographically younger and ageing less rapidly in the transition countries than in European market economies. Nevertheless, system dependency of pension systems (the ratio of pensioners to contributors) has reached unprecedented levels in the early 1990's, resulting from the dramatic contraction of GDP and employment, accompanied by a massive wave of early retirement. Inherent problems of the existing public, PAYG pension schemes had previously not been substantially different from those of similar schemes in other parts of Europe, but the economic crisis has seriously aggravated earlier failures, endangered financial viability, strengthened impenetrable redistribution by loosening further the link between contributions and benefits, lessened confidence in future pension benefits and stimulated contribution evasion. The need for radical pension reforms has become evident. Influenced by neoliberal, mainstream economics and with considerable support from the World Bank, policymakers in a number of transition countries opted for mixed pension systems: while sustaining a down-sized public, PAYG scheme, privately managed pension funds were introduced as a second, mandatory tier. The scope and financing of transformation costs remained, however, unclear. The recently legislated pension reforms will, therefore, probably lack viability and stability.

## **About the causes of foreign trade disequilibrium**

*Tamás Mellár*

In the years following the change of system one of the determinant economic problems and one of the most important elements marking out the framework of economic policy has been the lack of foreign trade equilibrium and the deficit of the balance of current payments coming about in its wake. The phenomenon is not a quite new one, related to the change of system, but one persisting for several decades, a sphere of phenomena basically determining

the macro-relations of the Hungarian economy. The change of system plays a role only in so far as the liberalization of foreign trade opened a free way to the processes and made the tendencies much more manifest.

### **Comparison of the stability of rational and naive expectations**

*András Simonovits*

In modern economics the assumption of rational expectations is pushing those of naive (or adaptive) expectations more and more into the background. Grandmont [1998] showed with the aid of a relatively simple model that from the viewpoint of stability of a stationary state the naive expectations are generally better than the rational ones. First the study generalises the basic model and, with this, also the results of Grandmont. Then a concrete model is analysed, that of co-existing generations, which does not exactly fit to the basic model but the quantitative results are similar.

### **Short or long cycle? A new forecast for the turn of the century**

*András Bródy*

Annual statistical reports restrict the measurement and interpretation of time series and their fluctuations. As the duration of processes is not an exact multiple of a year, it is difficult to state the length of deemed cycles. In consequence of rare measurements the processes of different lengths get unavoidably mixed up. In the article the quite short cycles are examined. The author also presents a new forecast, relying on short cycles fitted to the time series of GDP.

### **Economics of the EU common agrarian policy. Part I The instruments and impacts of the CAP**

*Imre Fertó*

The EU common agrarian policy (CAP) came under the crossfire of debates almost already when it was worked out. Although the CAP underwent several reforms, the goals and basic instruments have not changed. The study analyses the impact of the most important CAP instruments on income distribution. The results presented point out at the same time why the goals of the CAP could not be unequivocally reached during the forty years of its existence.