

# ABSTRACTS OF THE ARTICLES

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## **Analytical framework for deciding the underlying principles of future reform of the public-finance system**

*Péter Pete*

Reforming the system of public finance was one of the central problems of economic policy in the 1990s. In recent years, however, there has been a distinct slackening of the flow of government measures and professional debates about concepts and methods to do with modernizing this country's budget system. This paper outlines a general analytical framework for ordering the questions about budget reform and thinking about them in an orderly fashion. It addresses four groups of questions: 1. the division of responsibilities between the market and the state, 2. the economic consequences of the democratic decision-making process, 3. the principles for selecting ways of performing state tasks, and 4. the role and importance of incentives and controls.

## **Budgetary harmony. From dictatorship to democracy?**

*István Csillag*

The author sees the best prospects of relaunching the reform in compiling a new collection of proposals that combines the general balance and growth-theory aspects with definition of the possible scope and set of available methods for budget policy. 'Budgetary harmony' in this sense means applying to government the scientific basis and requirements for high-level corporate governance, in other words 'government governance'. The paper explores the conditions required for a near-equilibrium budget and the 'natural sources' available to cover the accumulation expenditures of the budget. As an opening lecture, it takes positions on aspects of constraining the state, of democratic budgetary decision-making and of transparency.

## **Detours in ten years' history of public-finance reform (1988–1997)**

*Csaba László*

A new expression arose during the Hungarian parliamentary debate on fiscal reform, one of the most important events in the years preceding the change of system: budget reform. At that time, the relevant committee of Parliament became the first to propose that reform of the revenue side of the budget should be followed by reform of the whole budgetary system, including the expenditure side. This study aims to outline briefly the ten-year history of public-finance reform between 1988 and 1997, pointing out the obstacles and the

achievements. It concentrates primarily on the progress with the reform, but an understanding of that calls also for references to the decision-preparing and decision-making process and to the political aspects, to make the processes involved more comprehensible.

### **The macroeconomic and economic-policy frames that influence the budgetary policy of modern states**

*László Békesi*

Radical changes are occurring in the budgetary policy of developed countries and the familiar frames for resolving macro-financial conflicts (for instance, between growth and equilibrium). This article identifies the main features of these changes. It looks at the change in the roles of the state and its 'withdrawal' as owner, redistributor and service provider. Of the consonant 'admonitions' of budgetary policy, it mentions the disciplinary force and role of equilibrium indices and the easing of the concentration on revenues, and within the latter, the greater inclination towards linear income taxes or the spread of money-market methods.

### **Budgetary harmony from the microeconomic point of view**

*Mihály Kopányi*

The local-government sector is integral to the public-finance system from the fiscal and the provision and financing points of view. The central and local-government budgets, therefore, are concurrently in parallel and in superior-subordinate relations with each other. This situation is sanctioned by the local-government act of 1990. The fiscal-stabilization measures and the micro-managerial efforts of the ministries instituted a process of centralization. By contrast with this, the way to further development is through consistent decentralization—professional reinforcement of local-government authorities and market-compatible forms of financing, which the local-government sector needs to implement through modernization, accomplished as part of a comprehensive public-finance reform.

### **Faculty earnings and knowledge-developing higher education**

*István Polonyi and János Timár*

The authors follow up their book, which appeared in June this year, by presenting in more detail two main factors behind the weak standard of higher education: the slump in lecturers' relative earnings since the change of system, and the formal, quantitative development policy adopted in the 1950s. They point to the main lines of quantitative and structural changes required and show that the funding for these is available. Indeed they would assist in easing the present shortage of funds.

