

ABSTRACTS OF THE ARTICLES

What can countries embarking on post-socialist transformation learn from the experiences so far?

János Kornai

The article, prepared at the request of an American university institute specializing in Cuban studies, asks what Cuba can learn from the Eastern European transformation when it eventually takes the post-communist path. The author broadens this into the enquiry outlined in the title. There is no universal prescription. The order and speed of tasks and specific methods employed depend on the country's specific situation. It would be a mistake to follow mechanically the path of any other country. However, there are common features in the approach to preparing the transformation programme. The strong political charge in any essential change must not be forgotten. It is illusory to expect tasks to be purely professional and 'politics-free'. The ethical aspects of the changes planned have to be conscientiously considered. The study analyses the experiences with representative democracy, creation of a state of law, privatization, price reform and liberalization, and reform of the welfare state. Finally, something is said about the responsibility of foreign advisers and norms of behaviour applicable to them.

The closed dynamic Leontief model. Solutions and interpretations

András Bródy

The paper describes three solutions to the closed (homogenous) dynamic model, all leading to an identical growth rate and the same price and quantitative proportions. However, the different operations performed with the data for the current and capital-outlay coefficients mean that the three versions produce dissimilar matrices. Three disparate, but not mutually contradictory economic and theoretical interpretations are possible. It also emerges that calculation of the equilibrium position does not rest on maximization in the case of any of the methods. Efforts to maximize profits or growth depart from the equilibrium path instead of approaching it. For this reason, disproportionate capacities accumulate.

General analysis of the new Austrian school

Antal Máttyás

The study sets out to give a clear, comprehensible, systematic account of the teachings of the founders of the new Austrian school: Mises, Hayek, and its present leading figure, Kirzner. The new Austrian economists do not follow their Neoclassical peers in focusing on equilibrium price. Their concern is with the market processes maintained endogenously

and kept in ceaseless motion by resourceful, innovative, creative entrepreneurs. The conditions for their activity are not prior conditions; the entrepreneurs themselves strive to acquire the knowledge required for their economic decisions, through trial and error. They exploit price differences caused by imperfection in the discernment of agents on local markets, shape consumer preferences, and introduce new production techniques. Entrepreneurs are pushed into ceaseless innovation to gain advantage in their competitive battles. New knowledge displayed by resourceful entrepreneurs then spreads slowly through the operation of the price mechanism, obliging market agents to make ceaseless adjustments and keeping the market in continual motion. The study compares Neoclassical and New Austrian teachings, identifying the new ideas and the shortcomings in the latter: market order and regularities can be explored only on the level of current knowledge, not in the economy in ceaseless motion.

The ‘moribund’ welfare state in the 1990s

László Szamuely

The paper examines in the light of international statistics the degree of validity in the assertion of today’s neo-liberal mainstream that the welfare state is dying and its redistributive role retreating and regressing. It looks into the percentage shares of GDP taken by welfare spending in 29 countries in the period 1980–98 and the tendency in social spending in the 15 EU member-countries in 1991–2000. It examines the increase in the health-spending component of welfare spending in 1991–2001 in the OECD countries, distinguishing within them between publicly and privately financed expenditures. Based on the OECD statistics, the author shows also the trend, in the second half of the 1990s, in the development of publicly and privately financed education spending. The most important conclusion is that there has been no dismantling of the welfare state in the last twenty or the last ten years. The last third of the paper is devoted to examining the likely reasons for this.

Problems of implementing the stability and growth pact and the outlines of a possible solution

Margit Rácz

The Economic and Monetary Union is a curious formation in terms of two components of monetary policy. While monetary policy is placed on the supranational plane, fiscal policy remains within national frames. According to the original concept of EMU, it was enough to regulate the extent of the current deficit. However, it emerged in 2003 that this kind of regulation is not capable of compelling member-states continually to keep their current-account deficit within 3 per cent of GDP. This has placed EMU in legal uncertainty and institutional tension. It has become clear that confinement of the budget deficit—in line with the rules—is growth dependent. GDP growth provides grounds for constant concern in these countries, as such and in comparative terms. The European Commission and the finance ministers of member-states have to find out rapidly how to devise adequate regulation, in practice and in terms of penalties for non-compliance.

Beginnings and new beginnings. The new *Közgazdasági Szemle* series, 1954*Katalin Csató*

Közgazdasági Szemle (Economics Review), this country's oldest journal for economics, is 130 years old. It began as the *Nemzetgazdasági Szemle* (National Economic Review) relatively early in world terms, in 1874, under the auspices of the Hungarian Academy of Sciences. The first number of its American sister, the *American Economic Review* did not appear until 1911, 37 years later. The history of the *Közgazdasági Szemle* exemplifies how journals, like books, take on a life of their own. The journal has been relaunched three times, and not only that fact, but the motives of founders and re-founders reflect plainly the age in which they repeatedly set about providing a high-standard forum for economics in this country. The article presents circumstances of the third launch that have hitherto been largely unknown to readers. It shows how, paradoxically, it was a proposal from the 'hard-line' party chiefs that altered to *Közgazdasági Szemle* the all-too-revealing name of *Magyar-Szovjet Közgazdasági Szemle*, which the journal had borne from 1948 to 1954. Nonetheless, the revamped journal struggled from its very first issue to promote economic rationality, amidst highly unfavourable outside circumstances.