

# Moral Compass

This volume is a selection of the papers presented at the conference held by the Károli Gáspár University of the Reformed Church in Hungary in October 2015, representing the thoughts of the intellectual workers of the long-established alma mater. The moral compass served by György Matolcsy, governor of Hungarian National Bank and László Domokos, chairman of State Audit Office. See the train of thoughts by our guest editors. Our purpose is to create tradition.

In the order of the topics discussed in our issues, we divided the reviewed papers in three groups. Political science. Economic policy, monetary policy, government control. Occasional papers. (*The Editor-in-chief.*)

## **Guest Editor's Foreword by Dr Péter Balla, Rector and Dr Elvira Böcskei, Associate Professor**

On 15 October 2015, the Károli Gáspár University of the Reformed Church in Hungary launched an international conference series to explore Hungarian and international experiences. The first international conference addressed the topic *Ethical Economic Thinking and Competitiveness: Ethics – Economy – Law*. We launched conference series, among others, to invite a wide range of professionals for joined-up thinking. In the future we intend to request scientists and professors of various fields to give us their opinions and ideas about different phenomena determining the economy of our times, like confidence and competitiveness, morals and law, proprietary interest and ethical standards, Christian approach and the economy.

For the time being, the question which direction should be adopted as an economic approach remains unanswered, however, there is mutual agreement that the aim is to develop a competitive economic policy. In addition to thorough economic knowledge, ethical thinking must play at least an equally important role in achieving the above-formulated objectives, with religion appearing as an authentic carrier of values. We believe that moral behaviour, efficiency, probity and competitiveness will become notions reinforcing one another also in 21st-century modern economic approach.

Retrospectively, up to this date there are two axioms in economics that seek answers to the question how the economic participants could use the available scarce resources in the most efficient way. In his book *The Wealth of Nations*, Adam Smith pointed out that individuals' action on their rational self-interest determines markets' efficiency generation ability, and in his book entitled *The General Theory of Employment, Interest and Money*, Keynes emphasized the role played by governmental economic policies.

Although during the past decades these theories developed, economists agreed

that *human resources, natural resources, capital accumulation* and *technology* had indispensable roles in the creation of economic growth.

By now basic terms like GDP, competitiveness, employment and inflation have become part of our daily life. Not long ago, the whole world faced the challenges of the monetary crisis, and there is hardly any family left unaffected by the negative impacts involved in the exchange rate risk.

The monetary and economic crisis gave way to the unfolding of new alternative economic approaches. The theory of the “invisible hand”, the self-regulating free-market force, has proven to be an illusion (György Matolcsy: *Balance and Growth*. Kairosz, Budapest, 2015.).

Although economics cannot dispense with calculations based on mathematical models, factors that cannot be modelled, like moral, ethical, sociological, philosophical and psychological considerations can no longer be disregarded (Tomáš Sedláček: *Economics of Good and Evil*. HVG Kiadó, Budapest, 2012.). Just remember that the coin from 600 B.C. was a matter of confidence and faith. For a long time the approach to debt and interest was the one set out in the Bible: “If you lend money to any of my people with you who is poor, you shall not be like a moneylender to him, and you shall not exact interest from him.” (Exodus 22,25)

In the 21st-century society, money, credit and interest are indispensable economic factors, however, the social values meditated by religion and present in all cultures must also have a role of equal significance.

According to Fukuyama’s basic proposition, the culture of a given region influences its economy and performance. He emphasizes the power of joining forces in the interest of achieving common objectives and the significance of confidence in one another. In cultures where religion does not teach people to trust each other, no large company can be established – and the economy is caught at the level of small and medium-sized businesses –, as nobody but the entrepreneur’s family members are appointed as leaders.

Morals and the economy, religion and the economy are closely interconnected. Perhaps we are not yet completely aware of the power inherent in this relationship, while the compelling force of globalization makes us familiarize ourselves with our export partners’ thinking. Competitiveness proportionate to development determines the pace of growth over the longer-term, and the ethical state of public institutions and companies is a significant element of competitiveness. This facilitates the acceptance of an ethical economic approach, since the inability of a government to efficiently act in order to cement ethical procedures will result in a slower rate proportionate to development, the population will impoverish and emigrate, if they can.

Many different kinds of civilizations can be successful, but there is no genuine growth without good morals - this is the empirically measurable message. We do not yet know if all civilisations are equally suitable for facilitating economic growth, but it can be considered as our initial axiom that efficient growth without morals is impossible.