

ESSAYS IN ECONOMICS, ETHICS AND HISTORY

INTRODUCTION

The Respectable Reader has a volume of essays and papers in his/her hand. Most of them are written by the Head of Heller Farkas Institute of Economics, PPCU but there are some 'guests' among the authors, too. The papers discuss what ways and means have been characteristic of the history of recent past. Although, basically, the discussion of possible solutions for economic problems is in question, not only analyses of economic history can be found in the volume because the author thinks that no historic epoch can be interpreted without the background of the history of ideas which influence the thoughts and deeds of people of the given age. We may quote the Keynesian statement that we all are the slaves of a dead economist. The paraphrase of this statement may go on like this: We all are committed to a social philosophy. The basic approach to a social philosophy exerts a decisive influence on the constitutional structure of a society. The history of law, the history of politics and even the history of the way of life may be interpreted only in this context. Moreover, the history of culture and that of arts, too, can be related to the aforementioned. To study, learn, teach, read and write history are expedient only in this complex approach.

The 20th century was an epoch of great systems experiments. The 'ghost of communism' in its extreme form with full-scale nationalization and planned economy in the East and in its more moderate form with the increased role-taking of the state in the West walked all over Europe.

The socialist/communist road caused frustration. The elimination of private property led to problems of effectiveness and pushing aside democracy resulted in a terrible kind of dictatorship. Even in

places where the form of the planning of national economy based on iterations was implemented or where there was only partial nationalization, effectiveness deteriorated. The greatest cause of the failure of the Western attempt was that a higher degree of the state's role-taking was associated with democracy. Taking into account the fallible nature of man, this resulted in decisions which led to the purchase of political votes: It created a welfare state which undertook to many things to care for. Thus, an ideological counter-revolution that reversed the process of nationalization, i.e. led to re-privatization and tried to lessen the state's role-taking appeared all over the world. The change occurred everywhere, ranging from the British through the Chinese, the Hindoos, the Bulgarians, Latin-Americans to the Soviet empire. In the Eastern part of Europe, partly, due to this turbulence, and, partly, due to American military expenses the more than seven-decade communist system collapsed. After 1990 the Soviet Union disintegrated and its colonial empire of more than half-a century was liberated.

The two things, i.e. the change of the state's role and the collapse of communism are not independent from each other. In the member-states of the Warsaw Treaty, and first of all, in the Soviet Union the economic bases of military parity weakened, essentially, as a consequence of ineffective production. The pyramid on the top of which there was military technology and industry, had a narrower basis of revenues than that of the great competitor, the USA and/or the NATO countries. In market economies the results of military technology penetrated into the civil sphere quickly, increasing profitability and competitiveness of products. *Capitalists made profits and we made secrets.* (In other words, we classified information (TÜK). These three letters stood for the abbreviation of classified administration.) This was exploited by US policy when with the announcement of the star-war project the US forced

the Soviet empire to partake in a crazy military competition in the field of research for which the latter did not have enough resources. (Truly, the USA, too, was able to increase its military expenses only at the price of over-indebtedness since, in the interest of the reduction of the state's role, skimming of profits was sought to be decreased. Thus, tax revenues did not cover the huge expenses. During the Regan administration the state debt inherited and being of a considerable amount at the time of his election (a volume of 1000 billion) tripled. Today, it is up to \$ 4000 billion.

After this, the Eastern power was unable to hinder the changes which shook the foundations of the socialist system. Private property as part of human rights was rehabilitated. Consequently, however, the possibility of giving direct commands, i.e. to manage centralized planned economy ceased to exist. The institutions of market economy, - namely, the banking system, the capital market, the modern forms of companies and up-to-date taxation - were restored. At the same time, in a certain sense, we slipped into the conditions of the 19th century. The 'paleo-liberal' philosophy of the capitalism of free competition that was non-existent even in the Western part of Europe any more, became dominant in East-European economies.

Where economy follows this way, serious social tensions emerge. Two papers of our essay volume study what responses to the contemporary challenges have been given by the social message of the Catholic Church in the past century. They arrive at the conclusions that responses should be re-formulated under the conditions of globalism. To this the paper with co-authors that includes a partial result of the interdisciplinary research done in the framework of the European Academy of Sciences and Arts, is interrelated. It analyses the development of the financial system with the help of the conceptual system of psychology. Other papers

are concerned with the Hungarian and East-European processes of transition. The author points out what an enormous burden Hungary had been carrying from the past when it started to build up its market economy; what a forced route the succeeding governments had to take because of the huge amount of foreign exchange debt inherited; what a great task for the country it was to assure competitiveness in the international markets where the state had to appear under all conditions in order that the current economy should be able to meet foreign exchange requirements of the debts service accumulated in the past, and what price and exchange rate sacrifices all this was concomitant with.

One of the papers treats the privatization of the banking system, discussing the concrete economic circumstances of the sales of the individual institutions in detail. The series of papers is closed by a brief overview of the statistical data of Hungary joining the EU that follows, or rather, seeks to follow the Lisbon targets. This shows that in spite of Hungary's being a small country, our agriculture may be a serious rival to the agrarian sector of EU member countries. At the same time, although the role of agrarian sector in the accumulation of GDP is relatively small, its economic importance cannot be neglected: Its contribution to the improvement of the balance of payments is high since it is able to produce net foreign exchange. However, statistical analyses direct attention to the fact that in the creation of a science-based society we lag behind both in education and research to a great extent, and thus, it is not surprising that according to recent statistical data Hungarian economy is not ranked favourably among the new EU countries.

This situation cannot be regarded as fate. We must find the proper solutions in economic policy which would guarantee the competitive development of the country besides the assurance of a

social cohesion. The acquirement of historical 'self-knowledge' is one of the steps required to be taken. The present volume also intends to contribute to this goal.