

Shortage economy – surplus economy

A study on market theory II

János Kornai

Mainstream economists recognize that the socialist system was marked by chronic shortage, but they consider that the capitalist system exhibits market equilibrium, give or take some greater or lesser fluctuations. This study, however, contrasts two market states. One is dominated by phenomena of excess demand, though instances of excess supply appear as well; this the author calls a shortage economy. The other is dominated by phenomena of excess supply, though instances of excess demand appear as well; this the author terms a surplus economy. Part II of the study starts by summing up its main propositions. Just as the shortage economy is an intrinsic, immanent trait of the socialist system, so the creation and continual reproduction of the surplus economy is an intrinsic, immanent trait of the capitalist system. Such genetic traits may be strengthened or weakened by state intervention, but not eliminated by it. The study reviews the favourable and detrimental effects of the surplus economy. Of the favourable effects, it is emphasized that without surplus there cannot develop among producers or sellers the rivalry that provides the main impetus for the innovation process. Having examined the general case of the surplus economy, the study turns to various special cases: to the trade-cycle fluctuations of the economy, the war economy, the historic changes appearing in modern capitalism, the market-oriented reforms that appear within the socialist system, and the post-socialist transition.

Corporate reactions to the economic crisis, 2008–9

János Köllő

The study examines the degree to which Hungarian firms in the first year of the crisis resorted to mass redundancies, or whether they chose softer methods of shortening working hours or reducing wages. The corporate and panel data for May 2008 and May 2009 show that the distribution of wages hardly changed (discounting for the rise in minimum wages), while reductions in working hours probably did not occur outside the sphere of firms that received job-saving subsidies. The cost of adjustment in the commercial sphere was borne mainly by employment – the study also takes into account the changes in workforce composition when examining the differences between firms. The predominance of extensive adjustment may be related to the absence of institutions to encourage the use of softer methods, to the minimum-wage regulations, and to the fact that many firms were also able to reduce their workforces by cutting back on hiring.

On the peculiar relevance of a fundamental dilemma of minimum-wage regulation in post-socialism – apropos of an international investigation

István R. Gábor

To the extent that minimum-wage regulation is effective in fighting against the excessive earnings disadvantage of those at the bottom of the earnings distribution scale, it may have the side-effect of worsening employment prospects for them. The paper, based on a supply-and-demand interpretation of data on the relative employment rate and earnings position of the least educated in the EU27 in the year 2006, contributes to the debate by pointing out that this inherent dilemma of minimum-wage regulation may be particularly relevant to post-socialist countries, including Hungary.

Development or growth?

András Bródy

The task of economics is changing. As it meets the limits of growth, interest, methods, lines of thinking, and even the words and concepts used begin, slowly but surely, to alter. Examination of “equilibrium” gives way to discussion of a “sustainable growth path”. Instead of “production increase”, it seeks “fine”, “cheap”, “durable”, “reusable” products. Labour-saving innovations these days tend to elicit changes in the working week or working life, rather than extra production. It is perceptibly easier for overproduction to appear on consumer markets in the developed countries, and the crises are deeper than they were. This appears also in the increasing stridency and virulence of advertising campaigns. It is time to re-examine the old thinking and old methods of calculation and analysis. This leads on the one hand to clarification of the old concepts and a desire for innovation, and on the other to the need for the planned, orderly, and above all thrifty business methods of the future.

Phase blindness

György Boda and Virág Imre

Acceleration of economic growth in the long term can primarily be achieved only through a short period of consolidation, in which the growth rate of growth by recession or made up for by growth potential neglected for other reasons. But this is far from equivalent to an acceleration of the long-term growth rate. The phenomenon was described first by Ferenc Jánossy, whose conclusions remain valid to this day: after a substantial slump and a period of stagnation, the growth rate recovered after 2005 the long-term rate of 1.5 per cent that had set in after 1980. Jánossy’s trade structure factor amounts to capital in knowledge: the personal know-how, expertise and motivation of the able-bodied population. These factors are the human constituents of a newly formulated production function, along with numerous new and previously known factors. The registration of human resources is competence-based and so it cannot explain the low level of the long-term growth rate either. People tend primarily to see failures and achievements of economic policy behind the failures and achievements of economic policy, when the real problem is inadequate human investment, which will not resolve itself automatically under the weight of the past and present burdens. The Hungarian economy is on the brink of a new period of recovery, and the basic task of economic transformation is to activate the employable population, without which any acceleration of growth will amount only to a temporary period of recovery.