Can the “grand theory” return to economics? Notes on the theoretical history of the system paradigm

Aladár Madarász

The study starts from János Kornai’s concept of a system paradigm and the list of economists there to lift certain elements from its antecedents in intellectual history. The sociological writers of the 1960s thought it was inopportune to create a grand theory, while the social scientists of the 1980s were busy celebrating the return of the great traditional system-creating process and its mode of narration. Adam Smith presented his economics as part of a comprehensive theory of social organization that would cover the principles and history of law, politics and morality. This is illustrated by his analysis of the paradox of commercial society and his demonstration of how wealth led to the restoration of liberty and the establishment of regular governance. Marx and the German historical school both strove to identify laws of the historical development of society, although they each rejected the other elements of the other’s concept. Schumpeter’s œuvre was marked by an effort to combine theoretical analysis with historical description, so that from an analysis of economic development he could arrive at a theory presenting the interdependence of the various areas of social activity.

Household consumer behaviour and welfare in Hungary since the change of system

Zsombor Cseres-Gergely and György Molnár

The outcome of the economic performance of individuals takes the form of consumption and consequent welfare. Despite this truism, there is relatively little economics-founded information available on household consumption habits in Hungary. The study sets out to fill the gap with an estimate based on the now-basic spending model. The authors apply the results of the estimate to verifying the robustness of the theoretical economic assumptions and then show how this theoretical framework can be used to quantify the effects of price changes. Within limits, the model proves applicable to the situation in Hungary. The results are comparable to those in international literature. The most instructive finding in practice is the one obtained from the examination of welfare; the model can correct significantly the results obtainable from a naive estimate of price changes that ignores adjustment by consumers. It can be concluded from the consumer-unit calculations that applying in Hungary the internationally customary equivalence scales may lead to overestimation of the relative income position of families with children, especially those with several children.
Underlying problems with the current theory of money – the problem of cash-cover limits

Zsolt Gilányi

Mainstream economic theory attempted to respond to the Hahn Problem by placing limits on cash cover to resolve the difficulty of integrating into itself coherently the question of money defined as a means of exchange. The paper shows the biggest problem with such limits is not, as authors have claimed, that it gives the impression that money’s use as a means of exchange impedes trade, but the cash-cover limit is not suited to modelling the means-of-exchange role, in other words, money defined as a means of exchange cannot be slotted into the theory using cash-cover limits.

The rise and fall of Hungary – the Britain of East-Central Europe

László Muraközy

Hungary, once the best-performing socialist country and a leader in the 1990s, now has a rate of economic growth slower than that of the other countries in the region. The present overweight, overspending state and the returning disequilibria derive from the softer dictatorship of the Kádár period, which instated a “quasi-welfare state” to boost its legitimacy. Maintaining this on a macro level has softened the country’s budget constraint and led to indebtedness. This uncovered “welfare policy” has survived in a mutant form under democratic conditions and become one of the main causes of today’s woes. While the micro-level budget constraints of companies have hardened, soft democracy has allowed the macroeconomic budget constraint on the state to remain soft. The two Hungarian characteristics of a state overweight for decades and the continuity of the process of systemic change have between them turned Hungary into a textbook example of the decline of a society ruled by Olson interest groups.

EU accession and Hungary’s strategy for research and development and for technological innovation

Miklós Losoncz

Hungary’s room for manoeuvre in economic policy changed in many areas with its entry into the European Union. Several new dimensions were gained in its system of economic-policy means and institutions: participation in coordinating Community economic policy, adoption of common and Community policy, and joining in its development, or even its elaboration. The study examines what scope Community policy on research and development and on technological innovation gives Hungary and how far the country can meet the Community political requirements. How much does Community and Hungarian R and D and technological innovation policy embody the approaches of latest theory on the subject? What relation do the Community and the Hungarian approach bear to each other? The author begins by presenting the Community system of requirements. Then comes a short assessment, followed by an analysis of the requirements of Hungary’s policy on R and D and technological innovation, and finally a summary of conclusions and proposals.