taxonomy, efficiency and economic growth

Tibor Erdős

The author follows Western economic literature in examining economic efficiency in immediate relation to deadweight loss, while disregarding the other factors behind efficiency. The side of this which the paper examines closely is deadweight loss due to taxation. The magnitude of this depends on flexibility of supply and demand only in terms of microeconomic analysis. On a macroeconomic plane, the magnitude is affected only by the weight and changes of taxation, as a function, furthermore, of the net effect of taxation yields and budgetary expenditures. It is not possible to reduce it directly. The author also discusses the effect of taxation on growth, through the effect on savings made, and on labour supply and investment, while also bearing the tendencies in economic efficiency in mind.

Crisis and crisis management in Greece:
The role of soft budget constraints in the economic collapse

Dóra Győrffy

The main objective is to explain the severity of the financial crisis in Greece. In conducting the analysis, use is made of János Kornai’s theory of soft budget constraint (SBC), whereby one economic actor has expectations of financial help from another actor, and so is not constrained by revenues when making expenditure decisions. After discussing the origins of the Greek crisis and the measures of crisis management, the author examines the presence of SBC at national and international levels. At national level it appears in the various relations between the state, banks, public and private companies, and households. At international level it is examined in the relations among the Troika, the international lenders and the Greek state. After showing the prevalence of SBC, the article turns to the motivations of actors during crisis management. It is argued that the difficulties with hardening the budget constraint at international level contributed to the severity of the Greek crisis both by creating uncertainty and by prolonging the hardening process at national level. The article ends with a discussion on the implications for the Economic and Monetary Union.
“Transitology” and economics. Methodological lessons to be drawn from work in a partial territory
László Csaba

This inaugural lecture delivered on receiving membership of the Hungarian Academy of Sciences seeks, without attempting completeness, to examine what useful lessons could be drawn from study of the post-communist transformation for practitioners in wider fields of economics. It establishes that methodological pluralism, including the rights of historical, institutional and comparative economic approaches, is being relegated by the renewal taking place in world economics. This can be seen to be constricting the approaches that place mathematical formalism to the fore.

The value of silence. An application of benefit-transfer methodology for evaluating noise-control actions
Gábor Harangozó and Zsuzsanna Marjainé Szerényi

The paper offers an overview of the economic valuation of transportation-induced noise and cost-benefit analysis of noise-control measures and actions. Although economic valuation can provide hard, monetized data for decision-makers, it is relatively underused in practice. The study focuses on benefit-transfer methodology, where values obtained in previous cases are used as the basis for current evaluation. A specific application of benefit transfer is presented by a recent pilot project in Hungary, whereby a tool was developed for LGOs, enabling them to make preliminary assessments of the benefits of potential noise-control measures and rank possible options. This can help to optimize the benefits to society using limited resources.

On the borders of economics and sociology
Theoretical questions raised by identity economics
Gábor Király

The paper introduces the approach of identity economics and the theoretical questions raised by its arguments. According to Akerlof and Kranton, individual identity and personal calculations in relation to this identity should be incorporated into the utility function applied in economics, so that people are placed in social categories that involve normative systems. In line with this, if their actions breach the social norms, this affects negatively their self-image, so in turn decreasing their utility. The paper argues that this approach presents humans as “overly socialized” social actors who do not reflect on their situation. Further questions could be raised by experiments in social psychology and behavioral economics conducted in recent years. The results highlight the fact that the norms which serve as the basis for the theory of identity economics depend strongly on the context and given situation.