

### **Ten years after the English edition of ‘The Road to a Free Economy’. The author’s self-evaluation**

János Kornai

The book discussed several topics; this paper presents an evaluation of only two issues. As for ownership reform, alternative strategies were being suggested at that time. Strategy A was to recommend organic development: creating favourable conditions for bottom-up development of new entries, preferring the sale of state-owned firms and avoiding give-away schemes; and hardening the budget constraint. Strategy B proposed accelerated privatization, putting the emphasis on quick elimination of state ownership. The main instrument was to give away state property (*e.g.* via a voucher scheme) and shift ownership functions into the hands of managers. ‘Road’ suggested Strategy A, but most of the Western economics profession supported Strategy B. Experience seems to have shown the superiority of Strategy A. However, the author is less satisfied with the suggestions in the book for a stabilization programme. The main weakness was one-sided attention to short-term adjustment measures, without sufficient elaboration of the profound institutional changes needed for sustainable stability.

### **The adaptation of small countries to the world economy**

László Csaba

The article examines whether small countries can remain viable in a world of globalization and mega-mergers, and if so, under what conditions. The author argues that the viability of small national economies is improved by the new direction of technical development and the emerging reform of international financial affairs. This is the basis for successful regional integration by then and not the other way round. Globalization offers the little ones new chances.

### **The break-up of the ownership networks. The role of recombinant ownership forms and the features of the ownership structure of big Hungarian firms at the end of the 1990s**

Balázs Vedres

The study centres on how far the post-socialist (network, recombining, fragmented) forms of ownership noted by economic sociologists at the beginning of the 1990s have remained characteristic of the ownership structure of big companies. The initial hypotheses were tested by analysing the ownership structure of the 500 biggest firms in Hungary. The analysis

showed that although the ownership role of other domestic companies was not negligible, the weight of the recombinant form of ownership had become insignificant, so that organization into the network ownership group was not typical. The hypotheses of the post-socialist forms of ownership can now be discarded. The ownership structure is best characterized by extreme concentration, in which foreign, non-financial firms play a significant part. Foreign corporate owners have a beneficial effect on the efficiency and growth of a company. Ownership by private individuals is the only other type of ownership in Hungary of which the same can be said.

### **European-type regulation of info-communication, in the light of new technological and market developments**

Ferenc Kiss

Hungarians pay a lot of attention to the economic problems that make it difficult for the country to join the European Union. Their attention has been focused on the main trouble areas, such as environmental protection and agriculture. These produce the greatest obstacles to catching up and matching EU norms. Less heed has been paid to problems that appear more soluble; for instance, telecommunications, information technology, the electronic media, and especially the so-called info-communications that are about to emerge from a convergence of these. This is certainly a mistake, for few areas are so vital to the future Europeanism of Hungary as the Internet, electronic business and commerce, the information economy and the information society. The network infrastructure is their technological platform and the info-communications service markets make up their economic basis. As they were in telecommunications in the past, both the infrastructure and the markets of info-communications are likely to become subjects for comprehensive regulation in the future.

### **Foreign-trade integration – estimates for the equilibrium foreign trade of three East-Central European countries**

Zoltán M. Jakab, Mihály András Kovács and András Oszlay

The study covers the foreign-trade integration of three countries in East-Central Europe: the Czech Republic, Poland and Hungary. This was examined using the so-called gravity model. We researched into the extent to which the restructuring of their foreign trade from East to West could be seen as an equilibrium process and how far the foreign trade of these economies has moved towards its equilibrium level. The findings are that Hungary has integrated fastest with the European Union, in exports and in imports. There remain significant untapped opportunities for the Czech Republic, while Poland's exports to the EU have not approached the equilibrium level. There have also been marked differences in the speed with which the three countries have approached the equilibrium level in their trade with other groups. This confirms the hypothesis that these economies have taken very different trading paths during the process of transforming themselves into market economies, despite the similarities between them. These can be explained by differences in the product structure of their exports and by the different effects that foreign direct investment has had in these countries.