

# Competitiveness

## Welcome by the Editor-in-Chief



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Despite deterioration in the external business environment, the Hungarian economic policy, which was re-organised after 2010, has been performing well. It is capable of maintaining economic growth and the financial equilibrium, while the employment rate is on the constant rise and a 10-12 per cent wage increase is seen year from year and seems to become permanent. This means that the government's financial policy is good, and the monetary policy adopted by the National Bank of Hungary supports stability and growth. These two key financial branches guarantee the country's independence and security. Through its regulatory mechanisms, the central bank is also suitable for driving the complete commercial banking sector according to the interests of the national economy and the society. Under the influence of these concerted efforts, the government debt has been gradually decreasing, there is abundant liquidity in the economy, the living standard of the population is visibly improving, and the government's family protection and home creation measures further promote it. Hungary also well "maps", or in other words, capitalises on, the rearrangements taking place in the global economy, and thus to a very great extent it can offset the mistakes and exaggerated expectations made by the European Union, while involving Russia and the countries of the Far East in the foreign trade and capital investment procedures.

Some time towards the end of the 1980's, when the conditions of the growth pace of the socialist planned economy and the stagnation of living standards were explained at the Budapest University of Economics, reference was regularly made to the fact that it is more difficult to climb further from the achieved high level than to set out from a low level, say from nothing. As we know, this tenet was meant to explain the inertia of the economic policy that was incapable of solving problems on a system level. However, stagnation and recession have not characterised Hungary after 2010, quite the contrary, as our economy is has a momentum, and yet certain elements of the explanation used nearly three decades ago are thought-provoking.

Since 2010, Hungary has been in a growth phase. In both the economic and the social sense of the word. However, we all know that over time this upswing and the

concomitant social expansion may slow down. And we should not wait until it happens, we should not rely on the feed-through of inflation and unfavourable changes in the international conditions, we cannot escape to the fetishism of the past. We need to engineer our economic policy in a way to maintain its competitiveness in 5 or 10 or even more years, and to ensure uninterrupted improvement in the financial welfare of the society. Reference made to the previous high basis (which is the current one) and to the favourable achievements spreading our arms, as it was done thirty years ago, cannot be a solution. The essence of our economic policy should be the ensuring of stability and prosperity for decades. This is the very point of the methodology, practice and science of economic policy.

After nearly a decade of development, we have managed to become the most rapidly developing economy in Europe. The generated fiscal resources are more than enough for wage increases, healthcare and educational tasks. Thus the government “re-distributes”, hoping that the performance of labour, improvement in healthcare and qualifications will increasingly promote the efficiency of the economy and thus the country’s progress. In other words, in Hungary these are not the times seen, for example, during the 1995 economic policy adjustment (i.e. the austerity package adopted by Lajos Bokros), or the 2006 autumn convergence course (i.e. the Gyurcsány package), when funds were withdrawn from local governments, healthcare and educational institutions. For several years we have been living in an abundance of liquidity and in stability, and now our task is to generate the resources for the treasury as efficiently as possible and use them in the most targeted way possible. Perceptibly, the government is seeking the best method of its implementation. It has begun to re-organise academic institutions and expects even higher academic achievements from universities in return for the funds allocated to them. However, all this does not go without a hitch.

This is because we do not have a sufficiently thorough understanding of the challenges of the world after the 2007-2008 crisis. We fail to comprehend that an utter breakthrough in competitiveness cannot be achieved in the absence of a healthier and qualified workforce. And thus the received foreign direct investment will not really be bonded to its environment, to Hungarian companies, and to the society, and if a better opportunity emerges, it may easily move on, and the businesses in Hungarian ownership can also lose ground even within the country, if their production is not more efficient and does not include a higher level of innovation. Hungary is short of healthy and properly trained manpower (being the pivotal support of production) despite the fact that the government spends huge amounts on the improvement of healthcare. New hospitals and hospital wings have been built, and the university infrastructure has also improved immensely. Moreover, in the spirit of health education, numerous sports facilities have been built.

One may rightly ask: What is it, after all, that still separates us from a breakthrough in competitiveness, from closing the gap to the best in the developed world, in other words, from setting up forward-looking economic, social, healthcare and education policies?

According to the 2020 list of the QS World University Rankings, six Hungarian universities are included among the thousand best universities of the world. The highest place has been achieved by the University of Szeged: ranked between 501-510 on the basis of its intellectual capacities. The University of Debrecen is in the 601th to 650th place in the list, ELTE and the University of Pécs are between the 650th and 700th, the Budapest University of Engineering and Economics and the Corvinus University, intended to become a state-of-the-art institution, are ranked between the 801th and the 1000th.

Another international ranking was compiled on the basis of students' opinions, the environment, the ratio of students to teachers, and the marketability of the knowledge transferred. The Times Higher Education (THE) list also includes Szent István University at a place between the 126th and 150th, the Semmelweis University is ranked 41st, and ELTE and the University of Debrecen in the 151-200 bracket.

These 6-8 universities perform excellently, but one may rightly ask: Where are the other 30 universities? Unfortunately, the old, some of the acute problems of higher education have remained unsolved. There are systemic problems, the educational strategy is not the best, teachers are less motivated, the teaching material is obsolete, and the teachers and researchers who embrace it can explain the new economic and social policies are still pushed to the background. Until this is the case, we can hardly talk about competitive Hungarian higher education.

The other sore point is healthcare. The situation has remained unsolved for several decades, despite the huge amounts of money the government spent on the improvement of healthcare and the expansion of healthcare capacities in the past ten years. Nevertheless, hospitals' business management is extremely poor. The regular audits performed by the State Audit Office reveal that in spite of the fact-finding audits conducted and the proposals made by the State Audit Office, there is no effective improvement in the compliance culture, in fighting corruption, in the observation of the accounting rules and in giving account with assets. Already back in 2016, the State Audit Office found that anarchy, scandals and rampant corruption were characteristic. Although the "bankrupt assets" generated by the socialist governments have been regularly supplemented and consolidated by the rightist government, the shortage is constantly re-produced due to the business anarchy, the confused reconciliations and corruption. The situation is, unfortunately, similar in other state-owned institutions, especially welfare institutions, although the legislative framework of business discipline has improved a lot recently. The State Audit Office's audit methods have also been renewed. Audit findings regularly word specific proposals for the restoration of business discipline. However, progress does not seem to be notable. If hospitals took account of at least the improvement actions built in the legislative framework, and implemented SAO's audit proposals, their situation would certainly improve, and the standard of their services provided to the population would improve.

With the intention to improve and look forward, this issue 1-3 of Volume 15 of *Polgári Szemle* rightly focuses on the right directions and good practices in fiscal man-

agement and control as well as monetary policy. Numerous papers discuss the transforming society, public administration and economy regulation.

It is worth reading *Polgári Szemle*. It is worth because it provides a scholarly analysis of the changing economic and social force fields, thus an academic mapping of the procedures that affect daily life. It is worth thumbing *Polgári Szemle* in Hungary, also in Hungarian-speaking communities beyond the current official borders, because it transfers knowledge that lays the foundations for increasing the chance of our survival.

It is also worth reading *Polgári Szemle* in English-speaking territories, where the third issue will be sent in 2019, and our friends in the Far East will not remain without scholarly presentation of changes in the Hungarian economy, society and regulatory environment either, as at the end of the summer of 2019, this journal will also be issued in China in Chinese, to serve the cause of academic and foreign relations between China and Hungary.

Dated: in Budapest, on this 20th of August 2019, to commemorate the founder of the state King St Stephen:

Dr. Csaba Lentner, university professor  
Editor-in-chief of *Polgári Szemle*