

ABSTRACTS OF THE ARTICLES

Ten years of post-socialist transition: the lessons for policy reforms

Grzegorz W. Kolodko

The transition to a market economy is a lengthy process comprised of various spheres of economic activities. A market economy requires not only liberal regulation and private ownership, but adequate institutions. For this reason transition can be executed only in a gradual manner, since institution building is a gradual process based upon new organizations, new laws, and changing behaviour of economic entities. The main argument for the transition was a desire to put the post-socialist countries on the path of sustainable growth. It was assumed that the shift of property rights from state to private hands and the shift of allocation mechanism from state to free market would soon enhance saving rates and capital formation, as well as allocative efficiency. Unfortunately, this has failed for several reasons. The incorrect assumption that emerging market forces could quickly substitute for the government in setting up new institutions, investing in human capital, and developing the infrastructure, have caused severe contraction and mounting social stress. These unfavourable results can be ascribed to both the legacy of the previous system and the policies pursued during transition, with the latter obviously of prime importance. These policies were based largely on the so-called Washington consensus. Against the recent experience with the crises of several emerging markets (including the ones in transition countries) the outline of a new, post-Washington consensus can be drawn. It not only points to the need for liberal markets and open economies, but stresses the new role of the state, the fundamental meaning of market organizations and the institutional links between them, and the need for more equitable growth.

The equilibrium conditions for sustainable growth. Part II

Tibor Erdős

The second part of the study deals with the problems of sustainable growth associated with the nature of an open economy. The author points to the ways in which the equilibrium required for sustainable economic growth in an open economy differs from the conditions in a closed economy. He examines the role played by the imports of foreign direct investments, which vary in time. He takes a wholly new approach to the relation between the credit demand from firms and the balance on the current account, showing that it operates in both directions. This means that the credit demand of the corporate sector may rise because the balance on the current account has deteriorated. In other words, it may be a cause of the corporate credit demand instead of an effect of it.

The economic ideas of the opposition parties in 1989*Mihály Laki*

The opposition parties hastily formed in 1989 agreed in radically rejecting state socialism and in identifying most of the institutions, regulations and desirable structural characteristics to be created. Some of the parties defined in workers' self-management terms the sphere of those who should gain property from privatization. Other parties were concerned to transfer the state-owned firms to real owners (capitalists). Opinion polls at the time show that employee ownership was a popular idea, but the parties advocating it failed to gain seats in the 1990 Parliament. This suggests that the parties' economic programmes had limited significance in the competition between them.

Self-employment, unemployment and small family firms in Hungary*Ágota Scharle*

One reason for the recent rise in the rate of self-employment lies in the wider opportunities for it and the increase in the demand for services. The other reason is that mounting unemployment made it harder for some groups of employees to find conventional jobs. There are few empirical data on which to decide which reason predominated in Hungary in the 1990s. The author has applied data from the Central Statistical Office labour surveys when examining the effect of unemployment risk and how far self-employment can help those unable to find paid jobs. The results suggest that the reduction in the supply of jobs may have encouraged women to become self-employed, but not necessarily through family firms. The effect on male self-employment was negligible.

The structure of Hungarian and Spanish manufacturing trade with the European Union*Andrea Éltető*

The product composition of foreign trade is frequently used as an indication of a country's international competitiveness. The study shows that the structure of Hungary's exports to the EU in the 1990s underwent considerable changes, including a rapid improvement in technological composition. The same does not apply to Spain's EU exports. However, intra-industry trade increased strongly in both countries, accompanied by an improvement in product quality. In Hungary's case, these trends have been influenced by the foreign direct investment, whose effects are less evident in Spain.

Correction

The last sentence of the abstract of The fiscal conditions for convergence and accession to the European Union by *Zoltán M. Jakab and Mihály András Kovács*, which appeared in the February 2000 issue, should read, 'The trend in relative prices has been influenced primarily by the supply shocks of the non-tradable sector, which confirms the importance of the Balassa-Samuelson effect.'