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END OF THE ECONOMIC POLICY. THE CASE OF HUNGARY

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Abstract

The paper discusses the political and economic background of the Hungarian economic policy in the age of globalization. The author calls the attention to the minimum conditions of the sovereign national economic policy. In his opinion, since the second half of 2001 the Hungarian economic policy has been unable to meet the enlisted minimum conditions.

Keywords: economic policy, the role of state, the sustainable growth.

1. Introductory Thoughts

Since the political turn at the beginning of the 90's the economist-researcher – who spent the majority of his life in the period of the Marxist anti-capitalism[1] (socialism) while fighting windmills – has experienced three shocking factors afflicting the grounds of economic policy.

The first one is that globalization's becoming a totality. As the institutions of the market economy were forming in the mid-90's it became fairly obvious that globalization and the totality represented by it, could not be neglected in terms of the presumptions of economic policy.[2] There is no doubt that globalization exerts a reducing influence on the interpretation opportunities and assets of business policies, but increases the responsibilities of business administrations. In any case the business operators of the transformation countries in East-Central-Europe were compelled to face the challenge that the 'international' contents of market and competition categories significantly differed from the practice of even the 70's and 80's. To put it - perhaps roughly - short: the countries under transformation had started to establish an institution system, which proved to be obsolete or at least ineffective upon its completion.

The second factor and the third one, both of them I found shocking, were manifesting at the same time, but they significantly differed from each other. One of

[1] As far as I remember the 'Marxist anti-capitalism' term was first used by Károly Szalai, writer, in his novel titled 'Párhuzamos viszonyok' ('Simultaneous Love Affairs').

[2] Among the studies of the author see for example: 'Globalizáció pro és kontra' ('Globalization: for and against'), Külgazdaság 2001/1, Externalities of Globalization, Periodica Politechnica, 2002/2

them was related to the European Union. As early as in the first years of the transformation each post-socialist country was seriously considering the EU-membership. Among the by-products and wastes of the accession process dragging for a long time, an economic policy-adjusting to the European Union or more precisely to its rules, built on the opening of the economy, was the most well-marked. During the decade-long preparation for the accession, the candidates – among them Hungary as well – got acquainted with the most important rules and the operation mechanisms of the Union as well as the redistribution process in the member states and regions. Though the time of the accession was not cleared - the EU had not made any declaration of intent (contrary to its practice in the past) - the conditions were presumable with the knowledge of the rules of the Union. Confronting with the actual conditions for the accession was the shock itself.

The new members could only count on one-fifth – one sixth of the normative subsidies as compared to the expected or expectable ones. It is unambiguous that the arsenal of the economic policy – that is understandably reducing in any way – may become ineffective or slightly effective even if governmental forces are committed and able to enforce their will.[3]

The third group of the phenomena is of political character. The terrorist attack in the United States in 2001 opened a new phase in the history of mankind. It can be forecasted without any ability to foresee the future that the fight against terrorism (too) in Afghanistan and Iraq has not come to its end yet. It is clear as early as today that for the time the United States, that has successfully aspired for world-hegemony, does not consider the possibility of dividing the world into interest regions, assigning to each region different leading countries having real powers (offshore balancing). It is not by chance that globalization has been able to get the upper hand of the United States the least, therefore the USA, with the capacity of a world hegemonic agent, explicitly pursues a policy in which it groups and categorizes the countries on the basis of their methods of fighting against terrorism, the business implications of which are obvious and significant.

We wish to point out that the former two factors are not independent from each other. The time of the accession and the 'persons' of possible candidates must have been influenced by, among others, the situation after the terrorist attack in 2001.

In addition to the three factors outlined above there is also a fourth one, which has to be discussed separately. Though the three factors mentioned above may generate different opinions implying emotions as well, their existence as factors is unambiguous. However, the examination of the effects of the fourth factor is almost entirely subject to assets.

In terms of making and implementing their economic policies, the majority of the countries under transformation – among them Hungary – has been maintaining close relations with the prominent international financial institutions, mainly the International Monetary Fund and the World Bank. Without aiming at completeness it is enough to refer to – among others – the negotiations, events related to debt-

[3] However, in our case, this is out of the question, as outlined below.

management, the consultations carried on at the time of the stabilization economic policy, the stand-by credits and the period of the introduction of the pension scheme reform.

It was in the first years of this century that the rightfulness of the philosophy of the business policy recommended from time to time to the developing and transforming countries needing help of the above two institutions in a form considered by the critics[4] a stereotype, offering the blocks of mainstream economics, was increasingly questioned.

From the time being it is unnecessary to express any opinion on the problem outlined, it is sufficient to acknowledge that the fourth factor also considerably reduces the scope for action in terms of the economic policy of a country. However, it has to be pointed out that none of the countries is obliged to establish connections with IMF or even with the World Bank.

When this study is made, there is no boom in any of the leading countries of the 'Triad'. The miracle period of the United States from the second half of the 90's until the beginning of 2001 characterized by high-growth rate, very low inflation and reducing unemployment – called the New Economy for a short time – came to its end, and the forecasts promising an upward trend put the beginning of such an era at a later and later date. The Japanese economy has been stagnating for more than a decade and has been suffering from a permanent deflation process that can be managed with difficulties even in terms of its consequences. The German economy also carries robust loads. The growth rate is low, taxes are high and important company groups are increasingly willing to move – partly or entirely – to other places, what leads to significant tax losses and considerably restricts the opportunities of tax reductions.[5] Germany, one of the main supporters of the EU Stability and Growth Pact, was unable to meet one of the most important criteria in two consecutive years, since the budget deficit had exceeded three percent of the GDP.

The business life of today clearly shows that the biggest multi- or transnational companies, trading chains as well as investment funds having capital powers exceeding – in several cases many times – the powers of the former entities, contribute inputs representing a determining factor to the economic policies of their countries. These business and power formations represent an unimaginable lobbying force even in the non-business spheres. In business life they exert the most apparent influence on competition by destroying its classic (traditional) forms and establishing its new 'forms'. Based on the example of the USA, M. Friedman interpreted the liberty of competition in the following way: the agent who offers the same quality at a lower price or a better quality at the same price cannot be ousted from the market or his entering cannot be avoided. L. Erhard, one of the key figures in establishing the German social market economy, takes a similar stand. He thinks that the main locomotive of the economic progress is competition. Competition is enriched by new agents on the market, since they create a sound rivalry, therefore

[4] see for example: Stiglitz J.E.: 'Globalization and Its Discontents'.

[5] See details in [18].

economic policy should give preference to the liberty of competition.

The spreading of trading chains represents apparently how these principles are altering while everything seems to be formally all right. These agents with huge capital powers can easily meet the Friedman and Erhard criteria; are able to oust the market agents below them in the capital hierarchy as, among others, they have a strong financing background and are capable of maintaining their quotations even for years. Price adjustment may be commenced when the rivals with less capital powers go to bankrupt. Of course, there is a fierce competition among the powerful rivals who survived. Following the negotiations by the lobby networks, the governments, regions and municipalities committed to economic policy are ‘eager’ to assist these agents through advantages, subsidies and tax abatements considered by them as competition conform. Furthermore, over the time the governments and authorities can give assistance to these determining business and power factors by stipulating binding conditions for the market introduction of products and services (ones related to health care, hygiene, packaging, consumer protection, auditing, IT, etc.) which cannot be met by the market agents having no considerable reserves. It is not by chance that more and more experts say and put it in writing that the subsidy competition and tax competition are becoming a determining factor on international markets.

However, the responsibilities of national economic policy are undiminished and unambiguous. It is the duty, what is more, the obligation of the government legitimized by elections and operating the administration organization to define the rules of the game of the economy within the given state borders – taking crystallized determinations also into account – and to compose the strategic and operative elements of the economic policy.

In the era of globalization the three most important duties of national economic policies[6] are as follows:

- Making and implementing a ‘healthy’ economic policy, minimizing weak points.
- Optimal placing of the economy of the country concerned in the radically changing production and service fields, technology and innovation field, within the frameworks of the global markets.
- Managing, supporting and (in certain respects) establishing sectors, profiles and researches which mean or may mean a forefront in the world, and as a result may represent the outstanding and differentiating (in the good sense) features of the country concerned.

In this study I consider ‘healthy’ economic policy as a synonym in terms of the mainstream interpretation of ‘balance keeping’ growth. The conditions for the so-called ‘balance keeping’ growth were defined during the Hungarian stability program in 1995. Accordingly, the growth can be considered as keeping the balance (sound) if mainly exports and investments are its main resources. The increase in real wages cannot exceed the improvement of productivity, furthermore, the budget

[6]See details in [14].

deficit (in proportion to GDP) cannot be higher than the growth rate. Since 1990 the Hungarian economy was able to meet the above criteria only in three years – in 1998, 1999 and 2000 –, i.e. in the last years of the past century.

At the end of this introduction I wish to revert to the ‘persecution mania’ as well as to the establishment and creation of an *ab ovo* weak institutional system.

The economic, political and social transformation the countries in East-Central-Europe have undergone is a unique phenomenon in the history of the world economy. The modernization deficit that national states have tried to eliminate with desperate efforts is a huge challenge. History should have been more gracious – the adjustment to the traditional model of capitalism would have been a grandiose duty in itself. This has not been the case and there is no place for lamentation. However, as regards the continuation of the story, clearing the term of ‘institutional system’, ‘constitutionality’ and ‘legal security’ is of utmost importance. According to the above statement the countries under transformation are not sufficiently prepared for the effects of the ‘totalitarian’ globalization[7] also because the organizational and institutional transformation that had commenced at the beginning of the 90’s gave – understandably at that time – preference to the market economy model desired by many (the political forces in Hungary unanimously considered the German social market economy as the sample). However, now the question is what characteristics and abilities of the Hungarian agents gaining a decisive role in transformation can (were able to) show.

To put it simple once again, I wish to point out that in the era of socialism behavior orientation was stronger than performance orientation. I know that this is a summary statement and the said combined feature was manifesting with different intensities in time. In any case, the conduct of the political and business agents working in key positions was led by the experience that a great majority of the problems and duties can actually be managed behind the scenes in the wings, during background negotiations, and when the curtain rises there remains a low risk, if any. These types of behavior were and are characterizing the coming generations as well, a long time would be needed for their overwriting, but time is so short that it may have already passed.

Following the collapse of the socialist system a decisive part of the political, business and – as called today – media elite retained or even strengthened their positions, mainly as a result of the usability of their information assets and the privilege of being informed. (This is not a unique feature as regards post-socialist countries.)[8] The business and political networks – which nowadays are present in different spheres of life as market economy agents – were contributing to the inevitable and, as a result, reasonable inflow of foreign capital from the side of public administration and that of business in the strictest sense.

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[7] Of course, the beginning of globalization may be traceable even to the terrain of historical ages. This is the very reason why I consider the defining of total globalization as significant.

[8] If one reviews the list of the Russians considered as the richest and frequently cited in the Hungarian press as well, he/she may convince himself/herself of the truth of the statement ‘many times’.

Recently it is the most important to state that the leaders and representatives of the business and power organs outlined above are invulnerable internally (from domestic side) – only the prevailing cycles of the political rotation economy may represent a pressure to modify the strategy – but they are very vulnerable externally (from foreign side). They are vulnerable or, what is more, suitable for forced change in mind as a result of their readiness to adjust and because the partners, politicians and mainly their background institutions are well aware of their conduct and behavior orientation, etc. rather than because of the differences in development. All this can be traced the best in foreign policy and foreign economy affairs.

During its own legitimization the elite characterized above has already reached the point where it frequently urges the distinction between morale and law when counter-interested parties question the origin of huge private properties. Even the participants of the highest governmental forums are eager to express: the 90's saw in Hungary the era of private accumulation of capital. However, one should remember a difference that is not minor at all: In the 'outside', western 'wild' capitalism goods possessed by ones other than the state or the community of a country were distributed on the basis of positional resources.

2. The Latest Labyrinths of the Hungarian Economic Policy

The post-socialist history of the Hungarian economy and economic policy may be summarized relatively briefly.[9] The first half of the 90's was characterized by the survival of the stop-go cycles 'inherited' from the 80's and the establishment of the institutional system of the market economy while the winners and losers of the transitory period were gradually showing up. The expansion of the privatization and foreign direct investments (FDI) is a marked feature of transformation. The expansion of the latter was considerably facilitated by the relative development of the Hungarian financial infrastructure (e.g. the existence of the stock exchange). For a long time most of the foreign capital had been landing in Hungary in absolute terms as well and later, for years, 'only' the per capita capital amount was the highest in the region. In the first years of this century many countries (primarily Poland and the Czech Republic) are ahead of us in terms of new capital inflow.

Since the stability economic policy of 1995 Hungarian economic policy makers have been obviously focusing on the Maastricht (EMU) Convergence Criteria, which manifests in almost all of the major measures. Of course, all this is related to the 'sound' economic policy but the main locomotive is our forced role resulting from our openness and indebtedness.

The stability program has two consequences, which are 'forgotten' by both the trade journals and political papers (for different reasons, depending on the consequence and the press type). The first is that following the program there is (was) no room any more for the discussion of the growth v. equilibrium dilemma by the help of the old clichés that had been dominating the disputes for long years.

[9] In this respect I consider as basic the paper [2].

The professional criteria, as frameworks, had been declared, which could not be neglected any more by the parties emphasizing different assets.

The other consequence is actually a virtual one. This consequence is that a very important momentum is not taken into account as a result of the heat of the debates over the necessity and/or success of the stability program and the simplification of opposite opinions: the original goals of the program included the intention to invest the financial resources saved in public expenses during the months of the stability program into the business sphere in a market-conform way, so that undertakings may be strengthened and expanded. However, in the meantime this intention had changed, what is more, the amounts saved through cost reductions were utilized, together with the incomes from a new wave of privatization, for the decrease of the state debt. The strengthening of the real economy was pushed into the background or postponed, in the best case.

Statistical figures unambiguously show that export-oriented, multinational companies active in Hungary have been reaching actual success in the transforming Hungarian economy, while domestic small and medium (by international standards) enterprises have been stagnating since 1995. This issue was first addressed by the leftists, the liberal government and the economists supporting it only in 2002, following the elections, mainly because of the closeness of the election results and in a demonstrative way to a high extent (e.g. Smart Hungary and its outcomes, Europe Plan, etc.).

Our rightist and conservative governments and the economists supporting them – who, I think, have never asked during the debates over the stability program, declining several times even to slanders, why resources originating from the program were spent on the reduction of the state debt – made actual steps only through the 2002 ‘Széchenyi Plan’. These steps were too far from the implementation of an economic philosophy which may have met the three criteria of a modern business policy outlined above. However, as from the second half of 2001, the will to prove at any price, the nearing elections and the expectations concerning very close election results paved the way for a reflex well-known in economic policy theories, according to which with the elections nearing the guards of the state budget are not reluctant to close one of their eyes or even both of them now and then.

The strict requirements set by mainstream economics concerning balanced growth are well known. These requirements, which were first enlisted by Lajos Bokros in Hungary following the first year of the economic policy named by him, can be summarized as follows:

The main locomotive of growth is export and/or investment, some over-expenditure in the budget may be viable but the budget deficit/GDP rate shall not exceed the dynamics of GDP, furthermore, the improvement of productivity shall not be lower than the dynamics of real wages. (In the case of an equilibrium-deteriorating growth the main power of growth is import and/or consumption, the over-expenditure in the budget is considerable, and consumer demand is represented by a growth in real wages that is not covered by efficiency.) The criteria of a balance keeping growth correspond to ‘sound’ growth and the economic policy target mentioned above, too.

Table 1. Type and 'mark' of growth in the years of transformation

1994	1997	1998	1999	2000	2001	2002	2003
I	E, In	E, In	E, In	E, In	c	Oe	Oe+
c	–	–	–	c	i, e	C	C+
oe	oe	oe	–	oe	oe	I, e	I, e
2	8	8	9	8	7	6	5

where: I, i: import; E, e: export; Oe, oe: over-expenditure, C, c: consumption, In: investment.

In the above table we tried to outline and assess the growth processes of previous years. The obviously subjective evaluation, however, takes into account the developments in the world economy, too. As to the marks from 1 to 10 the higher ones reflect better results. The change in the growth type can be traced and the table shows when investment (In) and export (e) began losing their importance, and when consumption (c) and over-expenditure (oe) came to the fore.

It has to be pointed out that as far as the strict GDP – budget deficit and the productivity increase – real wage increase criteria are concerned, only 1998, 1999 and 2000 met the requirement. The deficit of the state budget lagged behind the GDP dynamics and productivity increased faster than real wages only in these three years.

As to 2002 it can be stated that it was a complicated year from several respects and the type of growth was greatly influenced by the Hungarian specialties of Parliamentary elections.

The role of the circumstances of Parliamentary elections is unambiguous. The former government – in a grounded way to some extent – thought that it would win the elections and be able to make corrections later, necessitated by the 'losing hold' of macroeconomic parameters in the last 18 months of its governing. Incidentally, international experience also confirms the advantageous effects exerted by budget loosening on citizens anywhere in the world, before elections, which do have an effect for some time.

The professional and political forces behind the present government could not be sure of victory, therefore they had to take risks. They simply overbade their rivals. (As early as in the first quarter of 2002 more than one economist backing the inwardness of the present government put it that it was not possible not to keep the 100-day promises (the first 100-day promises – J.V.) though they were unacceptable in terms of economic policy.)

The amount of HUF 164 bn of the program of the so-called first 100 days as well as the further HUF 110 bn allocated to agriculture and health care clearly showed that the 'traditional' tools had to be utilized for the success of the following municipality elections. Furthermore, it became obvious that for this very reason the government started to make the necessary corrections with a delay with an arsenal that it had definitely refused before the elections.

In 2003 the economic situation became even more complicated and dangerous from many respects. The consolidation of the macroeconomic parameters was out of question. In the jungle of promising, accounting and accusing each other the chance for making an economic policy backed by a strategy reduced to the minimum. Instead of a real economic policy the 'economy of politics' of the governing elite is implemented.

In my interpretation the 'economy of politics' means that the government's conduct, actions – in which the signs of a conscious economic policy should show up – are drained and a permanent campaign policy is implemented as a result of the intensity of the fight in internal politics. The solution or presumed solution of certain current or not so current business (economic) problems – which theoretically belong to the field of economic policy – is led by daily politics, the impressionability of voters as well as the utilization of the opportunities offered by communication.

2003 saw several examples for this from social policy and housing policy to energy prices. Their analysis would far exceed the limits of this study, therefore only the tax debates grounding the 2004 budget are worth mentioning as an example.

The basic problem is more than simple. As a result of the conflict in the internal politics macroeconomic parameters showed a serious disequilibrium in 2003 (with the exception of inflation, unemployment rate and partly the indebtedness indicators). The declared will to join the Euro zone in 2008 as well as the efforts to reach a transparent equilibrium considered as a basic requirement in international economy, made the significant reduction of the budget deficit indispensable, obviously hampering any effort to reduce taxes. Of course, there may be a marginal tax reduction, e.g. in the field of the personal income tax, but the aggregate burdens on the population have to be amended in this case, presumably to the direction of restrictions. This is known by everybody, no matter whether he/she is a conservative or liberal person. Despite all this the governing coalition was taking part in 'hot' debates for weeks before the scenes. The public had to see how the minor, liberal party insisted on the election promises. To make a subdued remark: the minor governmental party has to make every effort for the success of the EU Parliamentary elections in 2004 as the risk of their failure is quite high.

The problems connected with the management of the EU accession in terms of economic policy arose again under the above conditions. However, simplified these issues are, the aggregate costs and benefits of the accession are core issues. According to estimates in the mid-90's the gain from the annual net EU subsidy was assessed to be EUR 2.4 bn (current value) by then government officials and experts of that time.

Referring to interior information from the European Union the news in the past months and weeks did not exclude that the net 'gain' for Hungary might reduce to even EUR -0.5 bn without special compensations. It is clear that the effects of numerous factors are mixed up in the statements. We are all aware of the main steps of the (accelerated) story of the EU expansion in the period following the terrorist attack. At the WTO congress the United States made it clear that the

European Union had to change its agricultural subsidy mechanism. Following this the EU suddenly decided to expand its membership by ten members but the budget established in 1999 in connection with the expansion remained unchanged and the new members could rely on no or very low agricultural subsidies. However, the rigid decision-making and organization structure of the EU remained unchanged not only because of inertial forces but also owing to red-tape. The official data of the 2003 Hungarian Pre-accession Program [9] are unambiguous. In EUR million the expectable Hungarian net transfer is 320, 180 and 280 for 2004, 2005 and 2006, respectively. In other words: one-seventh, one-thirteenth and one-eighth of the expected net transfer may be given to Hungary as compared to the former normative data. (To make it simple, let's neglect the EU tendering efficiency of Hungary.)

While the price of the EU accession is becoming clearer and clearer, its remuneration is less and less clear. Signs of EU skepticism had presented themselves in the candidate countries much earlier than in Hungary where this fact became obvious only in the past one-one and a half years. Under these new circumstances the economic policy has to make clear to everybody the priorities of the real economy connected with our unambiguously positive accession. On the day of our accession each competition limit was lifted – which is a natural implication on the one side and is not new to anybody on the other. The intensification of the debates connected with the EU is natural but I have to definitely point out that the dilemmas outlined above should be solved or eased at the least through foreign policy rather than interior policy as well as by business diplomacy and mainly by an authenticated economic strategy.

3. Conclusions

The scope of action and sovereignty of the Hungarian economic policy have been influenced or rather reduced by the following factors in the past ten years:

- world politics, a factor determined by power, i.e. the effects resulting from a single-centered world;
- globalization as a totality;
- the economic policy and decision-making mechanism of the European Union;
- the features of the Hungarian transformation;
- the parameters of the Hungarian internal politics on the millenary that have not changed since then;
- the self-liquidation of the economic policy, the subordination of its own interests to the daily targets of politics;
- the political 'elite' which establishes and implements the economy of politics under the auspices of economic policy.

There is no doubt that the above representations are serious statements but it is highly regrettable that they are true. However, paradox it is, globalization or the aggregate of the powers in the world reduces the interpretation scope of economic policies to a much greater extent than internal factors, still these latter are the more dangerous and represent a higher risk.

The explanation can be found in responsibility or more precisely in its interpretation. Though exterior changes objective in terms of some countries – such as globalization's becoming a totality – reduces the scope of action, they increase the responsibility of economic policy. The distorting effects exerted by interior factors on economic policy and their omission mean the forfeiture or rather the neglect of the responsibility mentioned above.

Table 2. General efficiency conditions of Hungary = f (A; B; C)

A/A_1A_2/	
A_1	Business cycle in Western-Europe, which is influenced by the business cycle in the USA (as well).
A_2	Relocation-allocation policy of the multinational companies operating in Hungary
B/B_1B_2/	
B_1	Efficiency of domestic supply to multinational companies
B_2	Competitiveness parameters of the Central-East-European countries
C/C_1C_2/	
C_1	Strictness of the fiscal policy
C_2	Foreseeable character (transparency) and credibility of the monetary policy on the basis of the relation between the government and the central bank.

In the first three years of this century the Hungarian economy was compelled to stand the nearly trendy deterioration of general efficiency conditions since each of the factors mentioned is characterized by deterioration and weakening rather than improvement. It is enough to refer to the highly disadvantageous effect the switch of the forint exchange rate target zone in 2003 and its speculation and central banking implications exerted on the credibility of the Hungarian economic policy abroad.

The Hungarian economic policy – if this term can be used for 2002 and 2003 which is doubted by the author – is still not dealing with the issue of what Hungary – as a new member – should be presented to the European Union. In the case of Austria, England and Sweden the reply was obvious. As to Portugal, Ireland, Spain and Greece the Union was gradually given the answer since the marked strategy of each of the above countries was producing more and more tangible results over the years.

Therefore the question is what a Hungary should be presented to the European Union? Should it be a country which, based on a sound strategy, tries to reach a higher fixed capital level in the soonest possible time? Or a country which does its best to catch up organically with the technical-technological level of the developed world? A country which tries to reduce regional disparities? One that is interested in lifting the dual economic structure? A country which is able to harmonize competitiveness and wage increase interests on the basis of efficiency? Or one that clearly prefers the development of infrastructure?

We know nothing about these questions from the documents presented to the EU organizations compulsorily, made as homework and approved by the government.

Owing to all the above it is worth trying to put it in words: what are the minimum conditions of national economic policies? Which is the level below which we cannot speak of an economic policy? When can we tell that the economic policy is suspended as its steps are continuously overwritten by daily politics and as a result the developments should rather be called the economy of politics?

I willfully disregard the debates over the background relations between economy and politics, that were seen even by the socialist era (Marxist anti-capitalism). Since the basic aim of this study is to restore the reputation of economic policy, to call people's attention to this fact and to underline the absence of economic policy in Hungary, I do not hereby deal with the context that otherwise belongs to this topic.

First of all the minimum conditions for a sovereign economic policy can be enlisted as follows:

- having a dynamic vision based on a strategy, at least for the middle run;
- sequential (coming one after the other in time sequence) parameters of business regulations should comply with the requirements of the strategy at least in terms of their trend;
- legal and competition conditions should be stable and transparent that can be reckoned with by the actors of business life;
- in the government-business relation rent-seeking lobbies should not play a decisive role in either of the sectors and profiles;
- assuring sovereignty which, with some exceptions, is given preference compared to the generally unclear requirements of daily politics.

Since the second half of 2001 the Hungarian economic policy has been unable to meet the minimum conditions (to put it short: none of them), this is why one has to speak of the end of economic policy.

The train of thoughts and analysis included in the present paper demonstrates that there was not and is not any strategic thinking therefore the regulation system and its creators can better dance attendance on current politics resulting from the implications of election cycles. The main pillars of legal frames are undoubtedly stable but the effective range of direct rules afflicting the business sphere is very short because of frequent changes. Lobbies are gaining a decisive role in more and more sectors (planning and building of motorways, water conservancy, etc.), what is more, in the so-called big distribution systems (pension, healthcare, education, etc.) and 'wangling' proves to be increased successfully. As mentioned above, in the period described economic policy is unable to prevail against the events of daily politics. To be more precise: politics is much stronger than economic policy.

There may be two reasons for this.

The first reason may be that the key actors of politics represent a higher intellectual level than that of economic policy or the same one, but to manage the Hungarian interior politics is very difficult, indeed.

The second reason may be that the Hungarian determination – not only in terms of economic policy – is higher than presumed by me, for which a well adjusting Hungarian political and "economic policy" management is an undoubtedly good companion.

I do not believe in the first reason.

I dare not believe in the second one.

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