

# THE ROLE OF THE HIDDEN ECONOMY IN THE HUNGARIAN TRANSITION

Mária VÁGÁSI

Department of Economics  
Technical University of Budapest  
H-1521 Budapest, Hungary  
Phone: 463-2243, Fax: (36 1) 463-1906

Received: April 30, 1994

## Abstract

The attention paid to the second economy during the last decade and a half before the end of the former socialist system in Hungary, in the transition period toward market type of economy has given a way to the interest on the hidden economy. This latter has had a vigorous expansion.

This paper analyses the extent and the role of the hidden economic activities stressing their functional role and the economic survival of small businesses. It reviews different means in which questions and dilemmas are put, judgements articulated, corresponding to different interests, as to those of the administration and economy policy, to those of economic and social interpretations.

Is the hidden economy to be prohibited and participants penalised, or should it be tolerated as a regular sub economy with all its costs and fruits? Is the Hungarian new economic pattern a dichotomous one?

*Keywords:* hidden economy, informal economy, savage capitalism, second economy, small business survival, transition toward market economy.

## 1. What is the Matter?

The sphere of the analysed economic activities may be referred to the black economy, underground economy, unofficial economy or informal economy. It is generally considered as

- not or insufficiently accounted in the national production. There are no satisfactory statistical data either about the value of goods produced, services performed, or about the number of people employed. It is difficult to estimate these values due to the lack of reporting;

- neither the processes nor the redistribution of incomes can be controlled or organized institutionally;
- it is impossible for the government to tax these activities in the usual way and to the legal extent.

This paper will not extend to the entire so-called informal economy just to the activities and incomes which legally should be submitted to registration and taxation. These businesses avoid any control or tax payment. The author has opted the term of hidden economy. At the same time it has to be mentioned that in Hungary analyses did not yet gather together information to consider the wider field of hidden activities, incomes and social relationships either as an informal economy or sub economy, unlike some approaches of the international literature [4, 5, 18].

The vigorous expansion of the hidden economy has resulted in serious problems to the government and economy policy makers. It poses a great number of question and dilemmas to economic and social interpretations. The difficulty in gathering and accounting for data and information in the rapidly changing Hungarian economy in the last four years has created many problems in controlling and regulating the economy. The difficulty is not only in the field of the hidden economy but in the official economy, too.

The main changes can be summarized as

- an intensive marketization which has a tendency to overlap and replace the central planning and controlling;
- an extremely rapid development and growth of the private sector at cost of the reduction in the public sector. This is the result of a numerous new start-up of private enterprises and small businesses and the privatization of the former state owned firms, while the share of the foreign proprietorship increased greatly;
- an expressed and prolonged economic disequilibrium that envelops the continuous fall of the GDP and those of the production of almost each of its sectors. This is accompanied by a persistent high inflation rate and unemployment rate and a growing deficit of the government budget. International debts have maintained on the same level in the short range or have continued to increase;
- an expanding differentiation of the personal incomes and the personal consumption, with a sizeable polarization in favour of a smaller upper class, an increasing impoverished social strata and shrinking the middle class as well.

Numerous large state-owned firms as well as co-operatives have collapsed, failed, split or privatized. Many employees have been laid off or put on the early retired list. The average pensions, unemployment benefits and the average net wages do not provide a standard of living on or above the poverty level. The growing number of newly started ventures and small business has hidden the share of unsuccessful, failed and close to bankruptcy ones.

If it is true one cannot help thinking of a secret. How Hungary has managed to survive? Is there a new Hungarian pattern? The answer may be the hidden economy.

## 2. The Extent of the Hidden Economy — the Problem of the Weakness of Accurate Data

By its nature as previously mentioned the central question about the hidden economy is how to account for them. It is not surprising that statistical and administrative concerns would be one of the main approaches in our discussion.

The recent preoccupations aiming to account, to control and tax the entire economy involving the hidden economy present different concerns among which the leading ones can be formulated as the following:

- the 'pure' statistical (methodological) concern. The need to develop adequate methods of data collection and estimation for the hidden economy;
- the need of accurate information to establish macroeconomic policy;
- the concerns of the microeconomic actors (enterprises). The need of accurate information to set up business plan and strategies;
- information is required by international organizations and firms for the promotion of trade with and foreign investments in Hungary;
- the aspects of the administrative and financial control of the government. The largest concern in this area is taxation due to the increased government spending.

As it is known a considerable strength of the late years former centrally planned economy was the accurate organizing and gathering of statistical data. The restricted number of economic actors as well as the obligation to report data could result a fairly accurate accounting. Although data sometimes was distorted for various reasons to hide or report

higher returns than the actual ones. Some amounts of benefits and incomes used to be hidden due to the threat of their overconcentration by the government. The reporting of exaggerated profits used to be employed in order to be considered as a rentable enterprise and granted by more of centrally allocated resources, as a public interest to them. Sometimes reasoning was the opposite to the above mentioned cases.

In the period of transition data collection and treatments have to re-established. Actual pragmatic considerations have encouraged and assisted investigations how to find appropriate methods to collect accurate economic data. How to estimate the amount of the production and incomes of the hidden economy. For instance, the Blue Ribbon Report [2] outlines the interests of international organisations (U.N.O., E.U., World Bank, EBRD) those of the actual and potential foreign investors, and those of the national administration (Central Office of Statistics, Office of Taxes and Financial Control).

Need of the administrative control has also stimulated the creation of organisations or departments inside of organisations with the authority to control and penalize all possible violation in hiding of income, employment, black market trade, avoiding of paying tax on incomes, VAT, social insurance and those of customs tariffs, etc. A great number of decrees has been introduced to draw all the economic sphere into a new market-type of economic organisation and control. So, that one cannot help but evaluate costs and expected performances as well as a new type of highly controlled economy and society.

Due to the lack of reporting, one opts for the estimations of data. Different estimations are available with a variation of figures and shares calculated by different organisations and methods. One of the recent ones (Blue Ribbon Report [2]) and shows the extent of the hidden economy as follows.

The proportion of the hidden economy in the GDP:

	Years					
	1980	1985	1989	1990	1991	1992
Proportion calculated on actual market price (per cent)	12	13	14	16	20	23
Proportion calculated on comparative price (per cent)	13	14	16	19	23	27

Source: [2]

As there have been several estimations concerning the share of the hidden economy in the GDP we would like to cite also the highest one which is calculated on the base of a monetary model<sup>1</sup> [15] and which presents the following share of the 'illegal' (not reported) economic activities: they reached 13 per cent in the GDP in 1973, 18 per cent in 1987, 26 per cent in 1988, 31 per cent in 1989 and 34 per cent in 1990.

If the production of the hidden economy is accurately factored in to the indices of the economy it is not surprising that the actual GDP and its dynamics will be different than the official.

Correctional data to the official GDP (decreasing of the GDP):

Years	GDP	
	official	corrected
1990	-3.5	-3.0
1991	-11.9	-10.0
1992	-4.5	-3.5
Total	-19.0	-15 - 16

Source: [2]

The amount of the not assessed taxes has been estimated between 22 and 23 per cent of those actually collected in 1993 [26]. The share of officially unemployed people employed in the hidden economy but not reported is estimated between 20 and 30 per cent [3].

### 3. Is There any Impact of the Former Second Economy in the Free Enterprise's Pattern?

The development of the private sector can be presented by statistics and from the aspect of the role it plays in economic and social modernization.

Sociological analyses attempt to find the origin of the new entrepreneurs in the former second economy and to examine their development from the aspects as follows:

- whether the experiences gathered in the second economy will justify expectations of a better performance in the field of entrepreneur's behaviour in the market-type economy;

---

<sup>1</sup>This estimation considers the demand of money of the households in circumstances of an underdeveloped banking system, when the most of monetary transactions have been realized in cash.

- whether the development of the private sector, the free enterprise and the market mechanism will justify the expectations of the birth and growth of a modern political establishment, based on the aspirations of a wide middle class in a civil society of individual interests.

The second economy is defined as the world of all individual activities (enterprises) outside, against, parallel or inside of the centrally organized first economy. This has become sizeable from the late 1970's of the former socialist system in Hungary [1, 9].

These activities used to be considered mainly as functional ones, either tolerated or integrated in a peculiar Hungarian pattern of the centrally planned economy. The government has liberalised the conditions under which small private or co-operative businesses could be established. Many shops and small services were leased to their managers.

Their main functions can be summarized as follows [24]:

- They offered goods and services which could not be provided by the socialist sectors in the required quantity and choice owing to the lack of capacity or other means (see the concept of shortage, [13]);
- They used to mobilize so-called 'frozen' resources such as individual savings, free manpower in the family, plots of land not cultivated before, etc.;
- They provided supplementary incomes for the social reproduction of labour force. (The incomes acquired in the socialist sectors, together with social benefits, did not cover the normal living expense). For instance, buying a flat or even purchasing and maintaining the consumption of certain goods as cars or country cottages could not be covered by the average legal incomes earned in the first economic sphere;
- A higher than the average standard of living used to be reached by activities and incomes out of the socialist sectors, but mainly by the combination of both of them (e. g. first and second economy);
- Higher indices of the productivity and effectiveness were present compared to the first economy, due to the individual motivation;
- Certain individual needs of independence as creativity and self actualization, were also realised through efforts in the second economy.

The impressive development of the private sector during the last four years is attributed to the privatisation and mainly to the new start ups of individual businesses. The results are presented by following data:

Year	Number of companies with legal status	Individual enterprises
1988*	10811	196578
1991*	52694	521417
1992 December**	69386	606207
1993 December**	85638	688843
1994 January**	87060	692678

Source: \* [8], \*\* [23]

The Blue Ribbon Report [2] presents the shares of different ownership in the official GDP:

Ownership (per cent to the total)	Years					
	1980	1985	1989	1990	1991	1992
Public (former state owned) ownership	90	85	80	76	70	56
Private (national) ownership	10	15	20	23	27	36
Ownership of foreigners	0	0	0	1	3	8
Total:	100	100	100	100	100	100

The modified data taking in consideration the production and incomes of the hidden economy by estimation will be:

Ownership by percentage	Years					
	1980	1985	1989	1990	1991	1992
Public (former state owned)	83	79	74	70	63	50
Private (national) ownership	17	21	26	29	34	42
Ownership of foreigners	0	0	0	1	3	8
Total	100	100	100	100	100	100

Beside of this impressive data some analyses need to call attention to the spreading of a mentality, of the so-called savage capitalism [8] in the world of entrepreneurs that manifests in a fairly serious deterioration of economics morals, and business ethics.

A significant number of the economic actors do not abstain from avoiding legal tax paying and 'black' employment which can be considered as a general mentality. Economic abuses and frauds extend from the latter ones through briberies in the bureaucratic world, financial schemes

in banking, insurance, Stock market and customs spheres up to Mafia types of crimes, including counterfeiting and the illegal trade of drugs.

These actors abuse not only each other, but government, consumers, too [20]. Uncontrollable low quality of merchandises without accounting and guarantee, abusive advertisements, adulterated drinks and tourists left abroad without lodging and return tickets for transportation — are everyday examples.

One would justify, while others would argue against the inheritance of the former second economy.

It is no doubt, in the period of the marketization the former second economy made way for the hidden economy in the field of its many functions, however, there are essential differences.

In Hungary the second economy, the main areas used to belong to the legal or tolerated sphere, but the total hidden economic activities are considered as illegal ones and just a small share of them is tolerable, and at most temporary (for instance the grey markets).

The wide participation of the population is a very similar feature of both. They give the opportunity to satisfy some basic needs. They both contribute to the national production in a significant manner. However, the second economy gave opportunity of earning more and consuming more through working more, performing overtimes. The hidden activities mean hard working also in many cases, but they will provide higher incomes and consumption by avoiding taxpayment. This latter is obviously connected with the general taxation laws introduced in 1988.

Both of those sectors involve more onerous activities for the members of lower social strata and more profitable ones for the members of the higher strata — while they have protected the lower strata from the impoverishment. At the same time they have contributed to the growth of inequalities, and to the polarization [1].

The participation in the second economy played an important role in both promoting a flexible adaptation to market conditions and in the field of the education of entrepreneurs.

At the same time spontaneous reactions and even conscious behaviours have emerged to profit by illegal acts and businesses. This is probably due to the more rapid and profound changes than expected and to the vast disappointment of the economic deterioration. A significant part of the hidden economic activities or furthermore the phenomena of 'savage capitalism' provide examples of this.



Expectations remain to be proved right in the future about the development of a wide and stable middle class on the base of the private proprietorship and the free enterprise which originated in the second economy, e. g. its conscious need and vocation to create a modern civil society, an appropriate democratic political establishment [14–16].

It is probably persuasive to cite just one of its most eminent theoreticians:

‘This petty bourgeois development, the strategy based on the new stratum of entrepreneurs both and inured in the laboratory of the second economy ... is the only one which could direct the Hungarian political development on the democratic path ... ’ [1].

‘But in the light of the spectacular developments during the last months it may seem that this embourgeoisment is the internal affairs of intelligentsia ... ’ [22].

#### 4. The Survival of Small Businesses — or the Small (Hidden) Business as Individual Strategies in Surviving

Within the extremely extended area of the hidden economic activities those of the small businesses deserve special attention.

The development of both of them (e. g. hidden economy and small business) presents the most significant phenomena in Hungary, as it was shown by statistics concerning their number and importance, respectively.

At the same time they are closely connected with each other. There is a large economic segment in which their interaction can be considered as a relevant fact for evaluating the hidden economy as the sphere of surviving preoccupations.

Even the ‘forced character’ of small individual businesses can be also diagnosed. It is proved by the following data.

The number of nearly 700 thousand individual enterprises is higher than a sixth of the number of households in 1993 [19, 23]. In 1993 the number of individual entrepreneurs relative to (every) 100 thousand people of the population equalled 7754, while, for instance this relative number was not more than 3380 in the German Federal Republic in 1987 [21].

The 44 per cent of individual entrepreneurs perform their activity as a primary activity, 43 per cent as a supplementary activity to their main job and 13 per cent of are in pensioner status.

The importance of the hidden economy can be more relevant by citing further statistical data about the 'official' economy, e. g. the number of the registered economic organisations/institutions.

These latter ones reached the amount of 932.655, the share of the individual entrepreneurs equalled nearly three quarters (Calculation on the base of data from [23]), while the number of the population equalled 10.3 million. There is one registered economic organisation relative to every 10 citizens.

Furthermore, the hidden economic activities (false reporting of productions, incomes, employment the flourishing of black and grey markets of commodities and labour force, etc.) have become an everyday preoccupation, an individual conscious or unconscious private business for a fairly vast population without formal enterprise, sustained by a simple instinct of surviving or making living.

From this consideration a more general concept of the small business in a transitional economy like Hungary means all individual informal economic practices which serve to earn or economise money, to consume or save more, to turn to profit any resources and opportunities even just like information, relationship, complicity are necessary for survival.

The periods of economic recessions usually produce spontaneous reactions in order to survive as in the world of households and sphere of businesses [11, 12, 24]. In Hungary the recession has been ensued as a distressing and painful experience due to the decreasing social security and to the exaggerated expectations about the rapid beneficial results of the free market mechanism.

A common citizen cannot help to be extremely disappointed by his personal experiences about the continuous and serious decreasing of the real incomes; the unusual high inflation rate, that erodes the present incomes and savings, too; the unusual growing of the unemployment rate; the decreasing share of social benefits and public services in spite of augmented needs, in front of the increased centralization of incomes in the government budget . . .

Some data for illustration:

Indices	Years			
	1990	1991	1992	1993
Real income development (per cent)	-3.7	-8.0	-1.4	cca. -1
Unemployment rate (per cent)	1.9	7.5	12.3	12.1
Deficit of the government budget as per cent of the GDP	0.05	2.03	6.2	6.3

Source: [10] p. 10.

The exaggerated taxation of any incomes by governments usually brings about the mentality to hide incomes as in households as in small businesses and enterprises. In Hungary the share of centralized entrepreneur's incomes into the government budget (social security fund ... ) reaches often 80 per cent, but even sometimes 92 per cent [7-8].

The taxation rates on incomes are usually defined depending on the government expenditures. This includes the increasing bureaucratic and prestige type of expenditures, as well as costs of the democratic political establishment that let a decreasing share to social security type of expenditures.

The burden of the taxation has been heavily set on the wages and salaries gained in the official sectors, which are easily controllable ones. Its impact on economic mentalities often manifests in wide spread intentions of firms to increase the shares of untaxed services to employees. These are mainly in the world of business services and administration (contributions to transport fees of employees, reimbursements of everyday lunches or costs of formal dresses, special insurance effected to managers, official use of company cars, ..., etc.) [7-8, 21]. Many companies are seeking to find peculiar compensation to employees in forms of company shares and stocks.

The taxation and financial administration is developing strategies and legislation from one year to the other in order to control these kinds of mentalities and to collect all of the legal and possible taxes on personal incomes.

Administration requirements about any kind of enterprise (keeping accounts, reporting monthly or quarterly to the Office of Taxes and Financial Control, as well as to Direction of Social Security, regular payment to the latters even in the case when there were not any returns during months, the need of following with attention frequent changes in regulation ... ) constitute other types of barriers mainly to small entrepreneurs. They often have not enough profit to pay an accountant and they are not able

to do it themselves, so they often choose not to register their business. A very important share of illegal businesses has been realized as casual work, subcontracts or moonlighting.

### 5. Is the Transition to Market Economy Able to be Directed?

As it has been analysed, the different forms of the hidden economic activities can be categorized on the one hand as activities which offend both the administrative and financial interests of the government, those of its budget policy and the general interest of the population and the business ethics due to unequal conditions in the field of taxation, earning of incomes, competition. The main item in this category consists of practices to deny or not report totally or partly some businesses, incomes, and employment ... The aim is sometimes to be granted unlawfully by subventions, social incomes, unemployment benefits, other several benefits, ... special loans ... On the other hand there are legally prosecuted crime type activities — that have also developed in the period of transition — but this paper does not extend to their analyses.

With a special attention to the first ones, opinions about a more tolerated and sophisticated attitude of the government and economic policy makers should be accepted. An important part of the population and the business (mainly small business) world have been involved in. Actual basic and temporary economic difficulties have constituted a great part of their reasons. Actual personal difficulties in surviving and heavy burdens of the taxation system have stimulated their emergence. The question is should a taxation system be built to encourage new business development rather than discourage it?

The problem has probably more of economic character, so it should be solved on the base of consideration of both economic development and generating tax revenues.

Statistics, analyses, experiences have proved the existence of an extended hidden economy. It has operated with informal rules, special behaviours of actors and with appropriate functions in individual and business survival. It has generated through actual economic and administrative circumstances, as well as through traditional mentalities and experiences in the former second economy.

Its contribution to the national production and income generation is significant, while not accurately accounted in the GDP. It plays a complementary role to the 'official' economy.

So the question may be put whether it may be considered as 'regular' subeconomy in the Hungarian transition to a modern market economy.

The further question concerns its future in the expected development of the market economy. Whether it will be drawn into the official structure or remain a subeconomy. There are experiences about this kind of dichotomous structures (for example the cases of Italy and many developing countries).

### References

1. ANDORKA, R. (1991): The Importance and the Role of the Second Economy for the Hungarian Economy and Society. Beyond the Great Transformation. Project No. 1. *Research Review on Hungarian Social Sciences Granted by the Government*. Budapest, pp. 11-29.
2. ÁRVAY, J. - VÉRTES, A. (1994): A magánszektor és a rejtett gazdaság súlya Magyarországon (1980 - 1992). (The importance of the private sector and the hidden economy in Hungary. 1980 - 1992. Recapitulation) Budapest, GKI Gazdaságkutató Rt. 1994. January (In Hungarian).
3. DURST, J. (1993): A nagyhalakra kell vadászni! (Big fish should be caught!). *Figyelő*, Budapest, 1993. March 11th, p. 28. (In Hungarian).
4. Économie informelle et au-delà. *Dossier Les Nouvelles de l'écodéveloppement. CIREDE-MSH*. Paris, no. 31. décembre 1984. pp. 13-54.
5. Économie souterraine, phénomène mondiale. Problèmes politiques et sociaux. *La Documentation Française*. 4. mai 1984.
6. ÉKES, I. (1993a): Rejtett gazdaság — Láthatatlan jövedelmek. Tegnap és ma. (The Hidden economy — Unvisible incomes. Yesterday and today). *GKI*, Budapest (In Hungarian).
7. ÉKES, I. (1993b): A rejtett gazdaság az átmenet időszakában. (Hidden economy in the period of transition) *Közgazdasági Szemle*, 1993. Vol. XL. pp. 1086-1098. (In Hungarian).
8. FALUSNÉ, SZIKRA, K. (1993): Vadkapitalizmus? (Hawk capitalism?) *Közgazdasági Szemle*, 1993. Vol. XL. pp. 680-693. (In Hungarian).
9. GÁBOR, R. I. - GALASI, P. (1981): A második gazdaság. (The second economy). *Közgazdasági és Jogi Kiadó*. Budapest (In Hungarian).
10. *Heti Világgazdaság* (1994) (World Economy Weekly). Budapest, May 6, p. 10.
11. JUHÁSZNÉ, VÁGÁSI, M. (1981): Az informális szektor és a rejtett munkanélküliség Afrikában. (Informal sector and clandestine employment in Africa) *Közgazdasági Szemle*. Vol. XXVIII. 1981. November, pp. 1374-1385. (In Hungarian).
12. JUHÁSZNÉ, VÁGÁSI, M. (1983): A 'fekete' és informális gazdaság a tőkés országokban. (The 'black' and informal economy in some capitalist countries.) *Társadalmi Szemle*. Vol. XXXVIII. 1983. August-September. pp. 81-87. (In Hungarian).

13. KORNAI, J. (1980): A hiány. (The shortage). Közgazdasági és Jogi Kiadó, Budapest (In Hungarian).
14. KUCZI, T. – LENGYEL, G. – NAGY, B. – VAJDA, A. (1991): Entrepreneurs and Potential Entrepreneurs. (The Chances of Getting Independent.) *Research Review on Hungarian Social Sciences Granted by the Government*. Project No. 1., Budapest, pp. 57–71.
15. LACZKÓ, M. (1992): Az illegális gazdaság aránya Magyarországon 1970 és 1989 között. (The proportion of the illegal economy in Hungary between 1970 and 1989.) *Közgazdasági Szemle*. Vol. XXXIX. pp. 861–883. (In Hungarian).
16. Polgárosodás Magyarországon (1991) (Embourgeoisment in Hungary). *Századvég*, Budapest, 1991. No. 2–3. (In Hungarian).
17. Polgárosodás (1993). (Embourgeoisment). *Replika*, Budapest, No. 11–12. (In Hungarian).
18. SACHS, I.: L'économie cachée: esquisse d'une problématique. *Dossier FIPAD* 22. mars/avril 1981. CIRED, Paris.
19. Statistical Yearbook of Hungary, 1992. Központi Statisztikai Hivatal, Budapest, 1993.
20. SZABÓ, K. (1993): Koronázás később. Fogyasztói szabadság. (Coronation later. The consumer freedom.) *Figyelő*, Budapest, 1993. March 18th. pp. 1–18. (In Hungarian).
21. SZATMÁRI, L. (1994): Néhány gondolat az adókikerülés okairól és jellemző megnyilvánulási formáiról. (Some ideas about the reasons of avoiding taxpayment and its forms.) *Pénzügyi Szemle*, 1994. No. 3. pp. 214–219. (In Hungarian).
22. SZELÉNYI, I. (1991): A magyar polgárosodás esélyei. (The chances of the Hungarian embourgeoisment.) *Századvég*. Budapest, 1991. No. 2–3. pp. 202–211. (In Hungarian).
23. Tájékoztató (1993) December. Központi Statisztikai Hivatal. (Information. Central Office of Statistics). Budapest, 1994. február 24. (In Hungarian)
24. VÁGÁSI, M. – MARTON, I. (1989): Az urbanizáció, az informális szektor és a marginalizálódás a harmadik világban. Átalakulások. Társadalmi tendenciák a harmadik világban. (Urbanization, informal sector and marginalization in the Third World. Transformations. Social tendencies in the Third World.) Ed. Gáthy, V., Kossuth. Budapest, pp. 365–492. (In Hungarian).
25. VÁGÁSI, M. (1992): A kisvállalkozói szektor és az informális gazdaság. (The small business sector and the informal economy). Paper for Conference 'Műszaki fejlődés, társadalmi modernizáció'. Budapesti Műszaki Egyetem, 1992. September 28–30. (In Hungarian).
26. VÉRTES, Cs. (1994): A fekete gazdaság adja a GDP egynegyedét. (The black economy provides one quarter of the GDP). *Figyelő*. 1994. March, 14th. p. 12. (In Hungarian).

## INDEX

SZLÁVIK, J.: How to Apply Economic Instruments in the Hungarian Environmental Policy . . . . .	3
GELLÉRI, P. – KARVALICS, L.: Three Theses on the Culture <i>Informatique</i> . . . . .	17
TÓTH, É.: Turn of the Century: End or Beginning? . . . . .	25
BENDER, K.: Reflection and Questions Concerning the Interpretation of Natural and Social Space-time . . . . .	33
GRABIŃSKA, T.: Is the Context of Discovery a Subject of Methodology? . . . . .	45
ZABIEROWSKI, M.: Substratum, Granularity, Changeability and Evolution in the Universe . . . . .	59
PATAKI, B.: Zero-one Allocation of Substitutable Resources . . . . .	71
KERÉKGYÁRTÓ, GY.: Presentation of the Department of Economics . . . . .	81
KERÉKGYÁRTÓ, GY.: The Role of Privatization Process in the Transitional Period to Market Economy in Hungary . . . . .	83
DÉVAI, K.: On some Macroeconomic Effects of FDI in Hungary . . . . .	99
PETRUSKA, I.: Quality: EU's Top Priority. Can Hungary Profit from Trade Liberalization? . . . . .	115
MATHEIKA, M.: On the Privatization of the 'Three of Visegrád' . . . . .	131
VÁGÁSI, M.: The Role of the Hidden Economy in the Hungarian Transition . . . . .	147