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Motivation and Cooperation*

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Bianka Parragh (ed.):
Ösztönző állam – hatékonyabb vállalatok
(*Motivating State - More Efficient Companies*)
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What should be controlled by the market and what should we entrust to the state? What roles should mutual market relations based on interdependence play, and what should be the weight attached to a state representing the interests of the community? If any, these are certainly fundamental questions of economics. Economists keep revisiting these topics for good reason. State control is undoubtedly necessary as certain tasks cannot be fulfilled by the market. Define the scope of optimal state intervention, however, is not a trivial task. The constantly changing social and state environment renders any fixed and permanent arrangement impossible. Equally, earlier models that were once sound at a certain institution or in a certain country may be ineffective in different formal or institutional contexts (*Tanzi 2011*). This approach is also reflected by the collection of studies *Ösztönző állam – hatékonyabb vállalatok* (*Motivating State – More Efficient Companies*), which undertakes to present a motivation- and cooperation-based model of state operation and its consequent efficiency.

Historically, economic thinking has altered according to the general perception of the state. What the different players would leave to the state largely depends on what they generally think about the state, and also about the state's counterpart, the market. This question is also related to where we can see value creation in the economy (*Mazzucato 2018*). Value theories have been rather dynamic and deep in recent centuries – and typically have given little recognition to state intervention. In the 17th century, trade enabling the accumulation of precious metals was considered the main value creator (by the mercantilists), then the focus was later shifted to agriculture and land (physiocrats). Classic economists believed in the strength of the industrial distribution of work and this belief was followed by the marginalist

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revolution praising the market as the creator of value. This created a rather negative perception of the state that still dominates the mainstream of economics. Since Adam Smith, people have unquestionably believed in the autonomy of the market. Two hundred years ago, the Scottish moralist-philosopher proclaimed that under certain conditions, the state could only boost the economy and create the most wealth by allowing market forces to operate autonomously, and this would help private interest work for the good of public interest.

Mainstream economic thought – mistakenly – classifies government as the "necessary evil", where the state is only capable of correcting the failures of the market (and only in a limited way, as it may quickly hit the wall of some government failure), overall the government is not productive and does not create value. This pro-market attitude has been criticised by many ever since its conception, and it has been fundamentally questioned by events of the past decade. The responsibility of market forces in the 2008 crisis was undisputable. This turned attentions towards the state, as it was the state who finally corrected the chaos of the market. An increasing number of signs indicates that the demarcation line is not between the market and the state, but rather between a well operated or badly operated state.

This novel and fresh attitude is supported by numerous studies in this 330-page collection including nine studies and two corporate governance case studies. Using practical examples and theoretical studies, these findings present an economic-political and public finance renewal of the Hungarian economy since 2010. They showcase the operating model of the Hungarian state taking shape from the changes of the last decade. This model recognises the outstanding role of the state in operating the whole market-economy system, the development of the market, innovations, value creation and the introduction and maintenance of efficient market operation.

The volume edited by Bianka Parragh outlines the theoretical framework of the economic policy followed since 2010, and demonstrates the operation of the model though practical examples. The year 2010 marked a clear demarcation line in Hungarian economic policy. Hungary was in an extremely weak state when it was hit by the global financial crisis in 2008. This was primarily due to severe financing and structural strains in the country in the pre-crisis period, which state economic policy tried to correct with erroneous and unsuccessful measures in the first years of the crisis management. These measures were concentrated on the supply side of the economy and were coupled with restrictions (*Matolcsy 2019*). The upturn in the economy began in 2010 and was implemented through 12 economic breakthroughs, largely built on the cooperation of fiscal and monetary policies (*Matolcsy – Palotai 2016*). This period and practice are embraced by this collection of studies too. The main message here is that the economic policy and public finance renewal since

2010 has raised the operation of the state up to a new conceptual and quality level today. Targeted motivation and trust as well as related cooperation between the state and economic players are at the heart of this new model. This is a motivating and supportive state approach, which at the same time targets predictability, stability and efficiency, supports the alignment of different branches of economic policy, and considers its contribution to sustainable competitiveness and long-term sustainable development to be key.

The volume of studies investigates the complex macro and micro level impacts of the motivating state attitude established since 2010, and the authors also outline of the possible directions of fine-tuning the state model. The list of names guarantees an overview of the players who were actually involved and shaped the events: along with Bianka Parragh and Gusztáv Báger, members of the Monetary Council of the Central Bank of Hungary (Magyar Nemzeti Bank, MNB), other authors have contributed some chapters to this specialised volume, e.g. László Domokos, President of the State Audit Office, László György, State Secretary of the Ministry of Innovation and Technology, Richárd Végh, CEO of the Budapest Stock Exchange, and Joerg Bauer, Owner and President-CEO of the Tungsram Group.

The opening study by Bianka Parragh presents the development of state models and the changing phases of the role of the state. It details the model change of the Hungarian state after 2010 and the related crisis management steps in Hungary. The editor-author points at the various visible signs of the fruitfulness of the economic policy turnaround aimed at a more efficient harmonisation with the market. One of these signs is the increased impetus of economic growth based on a sustainable economy. In this regard, the fundamentals of growth are reduction of sovereign debt, increase of employment, development of education, intensification of investment projects, lending, research & development, equity investments and divestments, the moderation of the difference between GDP and GNI and the increasing level of community well-being. The volume of studies presents the role of the Fundamental Law of Hungary and its effects on public finance. In addition to theoretical premises, this volume offers numerous examples pertaining to a harmonious relationship between the state and the market. The best known examples of these are probably the tax and tax administration reforms, the shift in attitude to employment and family policies, the monetary policy breakthrough, the phasing out of the population's loans in foreign currency, motivation towards lending incentives of the central bank, development of the capital market, strengthening of the chamber system, making competitiveness an overall economic strategy objective, and the renewal of the attitudinal and methodological renewal of the State Audit Office. There is a detailed analysis on the conditions of corporate governance in the service of public interest in relation to the control of state-owned enterprises. On this topic, László Domokos concludes that servicing public good requires an ethical governance system elaborated from a state management perspective. Gusztáv Báger takes on this train of thought in saying that the attitude and methodology of integrity can be effectively used by the private sector, i.e. by companies and financial institutions. László György and Dániel Oláh argue for a patriotic rather than a protectionist economic policy stating the objective that Hungary by 2030 should be in the five countries of the European Union where it is the best to live and work. László Parragh analyses the cooperation between the state, the enterprises, and mainly the SME sector, and highlights that a motivating state can equally be characterised by the provision of a predictable framework system for enterprises amidst a changing environment and striving for all the market players to be part of the cooperation. In this regard, the author identifies seven key areas affecting the prosperity of Hungarian small- and medium-sized enterprises: digitalisation, innovation, lack of labour, generational change, presence in the export market, productivity and corporate awareness. A separate chapter deals with integrity as a new concept and means of control, its role in state innovation, the role of the state in encouraging corporate innovation in the areas of knowledge management and digitalisation. A study by Richárd Végh details the opportunities of a motivating state in the context of the stock exchange and economic competitiveness, and it discusses the aspects of competitiveness of the capital market, while a separate chapter discusses the role of the Széchenyi Card Program in corporate lending. As a practical "imprint" of the formation of an efficient and diversely motivating state, the examples of two economic operators (the aforementioned Tungsram led by Joerg Bauer and Megakrán, a mid-sized company with a successful IPO) were presented.

This volume of studies describes the economic policy changes after 2010, which apart from being exact can also be easily used for research purposes and can dispel erroneous state-related stereotypes. Mainstream thinking has caused severe damage in public thought. The propagation of the omnipotence of the market and the failure of the state resulted in economic policy solutions directly leading to the financial crisis. The ethos of the public sphere has been largely eroded over recent decades, and the self-evaluation of the state has deteriorated significantly. In the meantime, as a result of the challenges that we are confronted with – increasing demographic pressure, geopolitical transformation, technological development, the transformation of money and climate challenges (*Virág 2019*) – the state has to undertake the task of solving the issues that the private sector cannot or is unwilling to solve. All this is especially and sadly topical against the background of the raging COVID-19 pandemic. Even though the development of the eagerly awaited vaccine is also contributed to by market players, proper state financing and a development strategy are fundamental and indispensable success factors.

This volume of studies is at the same time a profound professional work and an accessible document of our age. It also addresses the dilemmas of medium- and micro-level economic control, presenting the reader with a prospective multi-level analytical framework. I can sincerely recommend this volume to economists, and to those outside this profession but who are interested in the model change of the past decade.

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