

Competitiveness and Growth Forum – Report on the first professional event held by the Competitiveness Section of the Hungarian Economic Association (HEA)*

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On 24 June 2016, the newly established *Competitiveness Section* of the *Hungarian Economic Association* (HEA) held its first official professional event in Budapest entitled *Competitiveness and Growth Forum*. More than 130 people participated at the event jointly organised by the Competitiveness Section of the HEA and the Magyar Nemzeti Bank (MNB) for those who are interested in the field of competitiveness, from various areas of the economy. The well-known presenters at the forum held lectures including evaluation analyses, wide-ranging messages and recommendations in connection with the complex conceptual sphere of competitiveness, discussing subjects such as international and Hungarian experiences of economic convergence, the possibilities of competitiveness reforms in Hungary, recommendations aimed at accelerating growth, challenges and dilemmas in increasing productivity and competitiveness, and practical relations of competitiveness.

The Competitiveness Section of the HEA started its operation, at the initiative of the colleagues of the central bank, with the purpose of contributing to public thinking on sustainable economic growth and competitiveness, as an intellectual workshop. Strengthening competitiveness and ensuring sustainable growth to make economic convergence possible are key issues in terms of the success of Hungary, and thus the Magyar Nemzeti Bank also provided its support for the initiative.

The participants of the Competitiveness and Growth Forum were greeted by *Éva Hegedüs*, representing the leadership of the HEA, secretary general of the organisation and President and CEO of Gránit Bank, who spoke in her welcome address about the relevance of competitiveness, and also about the interactions that can significantly influence the level of competitiveness. Hegedüs mentioned as an example Arie de Geus, former head of strategic planning for Shell, who thought that the sole sustainable competitive advantage may be in the capability

* The views expressed in this paper are those of the author(s) and do not necessarily reflect the official view of the Magyar Nemzeti Bank.

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of faster learning versus the competitors. Moreover, the secretary general of the HEA also spoke in detail about the factors influencing the competitiveness of individuals, companies and the specific country. Amongst other things, Hegedüs called attention to the fact that the competitiveness of individuals and the labour market are essential for the competitiveness of a country, just as efficient and productive companies, with appropriate flexibility, are also necessary. However, a significant role is also played by the state in establishing this environment and ensuring it continuously.

After the welcome address by the presidium of the HEA, *Dániel Palotai*, chief economist and executive director of the Magyar Nemzeti Bank, chairman of the Competitiveness Section of the HEA, opened the Forum. One of the main messages of Palotai's presentation was that, in addition to the successful turnaround in fiscal policy after 2010 and in monetary policy after 2013, the desirable harmony of the two branches of economic policy was created, which results in an exceptional status in terms of economic history as well, concurrently ensuring economic balance and growth; however, in order to achieve sustainable growth ensuring permanent economic convergence, it is necessary to ground it in further reform measures: consequently, a turnaround in competitiveness is also needed. The chief economist of the MNB said that the primary objective of the Magyar Nemzeti Bank is to achieve and maintain price stability, but that, in addition to achieving these goals, supporting other purposes is also among its statutory tasks. The management of the central bank, which came into office in 2013, has proven that the mandate stemming from the Act on the Central Bank can be fulfilled; with its measures it contributes to achieving price stability, it also ensures financial stability and supports the economic policy of the Government with the instruments at its disposal. The easing cycles and the Funding for Growth Scheme have had a significant effect on growth in recent years, but the participation in the conversion of households' foreign currency loans, and the launch of the Self-Financing Scheme, aimed at decreasing the external vulnerability of the country, can also be underlined in terms of the results achieved. Stemming from its mandate, the Magyar Nemzeti Bank also supports the development of Hungarian financial literacy, and, with the tools available to it, it intends to help education in economics, and to widen and strengthen financial literacy. The central bank supports the achievement of this goal using a wide range of devices, a fundamental element of which is the book series on economics and monetary policy launched in 2015. After the first volume of the series, "*Economic Balance and Growth*", the volume entitled "*Competitiveness and Growth*" was published in 2016, which is based on the realisations already outlined above, and thus also includes recommendations with respect to competitiveness reforms, in addition to presenting international and Hungarian experiences of economic convergence. Palotai noted that the initiative from the side of the

colleagues of the central bank was launched in order to further strengthen public thinking on the subject of competitiveness and sustainable growth, which was aimed at the establishment of a new, independent Competitiveness Section within the Hungarian Economic Association. The Competitiveness Section of the HEA provides an excellent forum not only for those who deal with examining the aforementioned topics and implementing the related measures, but for anyone who is interested in the key future mechanism of economic policy. According to Palotai, one of the most important characteristics of competitiveness is that it means possibilities, however, in order to utilise the opportunities shaping the future, an appropriate framework and public thinking on competitiveness are also necessary. By providing an intellectual workshop, the Competitiveness Section of the HEA mainly targets the strengthening of the latter consideration. The chief economist of the MNB said that another objective of the work of the Section is to find those breakout points – on a professional basis, with consensus – where the Hungarian economy can be made more competitive by implementing further reforms. The leaders of the Section trust that this contribution will also effectively manifest itself in the results of economic policy and the successful convergence of the Hungarian economy. The presentation of the two executive directors of the Magyar Nemzeti Bank outlined the main messages of the volume entitled “Competitiveness and Growth”, which can also be interpreted as the starting point of the work of the Section.

Barnabás Virág, executive director for monetary policy, financial stability and lending incentives of the MNB, board member of the Competitiveness Section of the HEA, delivered a lecture at the Forum on the international and Hungarian experiences of economic convergence. Virág also called attention to the fact that economic growth retaining economic balance may result in permanent convergence. In the examined EU country group, in the last two decades, the rate of convergence was the slowest in Hungary, and the Hungarian economy was also characterised by an unsustainable financing environment prior to the crisis. After the restoration of economic balance and a successful economic turnaround, there is now a need for a turnaround in competitiveness to ensure sustainable convergence, in addition to maintaining economic balance. Discussing the international experiences of economic convergence, the executive director of the MNB underlined that, looking back on the past approximately half a century, relatively few countries succeeded in rising from the moderately developed status. The outperforming countries include some Asian and EU countries as well. If a country intends to bypass the trap of moderately developed countries and make steps towards developed status, a special role is played by innovation activities and investments in infrastructure, but the relevant factors also include higher value added production and services. Empirical findings also verify that a high investment rate in an appropriate structure is necessary for the successful

convergence of a given country. In addition to improving the capability to innovate, there is more chance for success with higher internal savings as well. In light of the international experiences, Virág also mentioned the following among the conditions necessary for convergence: economic openness, macroeconomic stability, future orientation, and the appropriate quality of leadership and governance. According to the executive director of the MNB, however, it is very important that, despite the lessons that can be drawn, there is no uniform solution and the past examples of convergence cannot function as a vision for countries currently intending to converge. Furthermore, independent creativity cannot be disregarded either. As regards Hungarian experiences, Virág identified as a source of progress in recent years the favourable labour market processes, reflected in the increase of activity and employment. In connection with the breakout points, improving the economy's capability of creating value is essential, which also includes improving the productivity of the SME sector compared to large enterprises. The board member of the Competitiveness Section of the HEA added that growth reserves can be identified with respect to labour, capital and productivity; moreover, Hungary should increasingly turn towards the intensive factors of growth. Growth aided by innovation is also important because the global economy is on the threshold of the 'Industrial Revolution 4.0', while the skills necessary for employment are also being fundamentally transformed. In his closing remarks, Virág also noted that the efficient co-operation of the participants of the economy – families and the civil society, companies, the financial intermediary system and the state – is also essential for successful convergence.

After establishing the diagnosis, in his presentation, Dániel Palotai discussed the recommendations which can enhance the competitiveness of Hungary and free up resources, outlining in detail the recommendations of the second main chapter of the volume entitled "Competitiveness and Growth". The chairman of the Competitiveness Section of the HEA emphasised that the measures discussed represent a proposal package formulated from a view from above for the decision makers, and in the course of implementing these it is worth taking into account the timing of the measures, the room for manoeuvre of the budget, and synergies as well. Impulse is necessary for convergence, but so is an appropriate framework, and the state has a definite role in ensuring this. Economic policy can contribute to improving competitiveness in several ways, such as ensuring stability and influencing the quantity and quality of resources, and the operation of the state, but competitiveness has dimensions going beyond economic policy. In separate chapters of the volume, the employees of the MNB discussed the competitiveness of employment, companies, the state, human resources, the banking system and the utilisation of the EU funds, as well as other special subjects. It is important that specific steps have already been taken in the direction of implementing certain

measures by the government, and the lecturer mentioned these separately. In connection with the first topic, he again noted that the Hungarian labour market is in much better condition since the crisis, but that further expansion of employment is still necessary. Stimulus for work must be improved covering everyone; one of the tools for this may be a further reduction of public dues on labour. Moreover, it is important to also focus on groups where employment is especially low and where the connection to the labour market is the weakest. For example, expansion of the Job Protection Action Plan could represent an efficient tool. According to Palotai, the public employment programme can be considered as a success in the sense that groups have been included in employment which used to be inactive or unemployed, but for the time being, the proportion of participants entering the open labour market is lower. In this respect, encouraging education activity and employment on the open labour market may mean a move forward, and measures by the government have already been taken in this regard. As the chief economist of the MNB pointed out, the following actions would be necessary to increase the competitiveness of the labour market: stimulating atypical employment (telecommuting and part-time jobs) and strengthening elements of the pension system which encourage remaining on the labour market. Appropriate operation of the corporate sector is also a prerequisite for sustainable growth, and ensuring innovation-driven development can also be interpreted as an objective, in addition to the activation of resources. In order to ensure that the Hungarian SME sector can retain and increase its competitiveness, increasing productivity is necessary in addition to increasing salaries. Significant results have been achieved with respect to combating the shadow economy (implementation of online cash registers, monitoring freight traffic), but expanding the set of instruments of the National Tax and Customs Administration (NAV) may reveal further reserves. Corporate competitiveness would be improved, *inter alia*, by simplification of the tax system, one element of which may be the reduction of tax evasion, or, in the case of appropriate manoeuvring room of the budget, the annulment of the tax advance top-up or approaching the corporate income tax towards cash-based taxation, which can encourage further investments. Stimulating research and development and increasing funds are definitely important points, and the creation and continuous improvement of the appropriate institutional, infrastructural and business environment can contribute to this significantly, partly by also strengthening the relationship between universities and companies. Since the ratio of companies conducting R+D activity falls short of the EU average, extension of the existing tax allowance should be considered. Companies' competitiveness can also be increased by productive investments, and support for this could be provided by the competing guarantee institutions, a more active Hungarian industrial policy, the adaptation of new technologies, and regional and local economic development. Supporting SMEs is also important because more than two thirds of domestic

employment is provided by this sector. The chief economist of the MNB added that the operation of the state itself plays a critical role in the formation of competitiveness: it is necessary to have a state which supports the private sector and also performs efficiently itself, since resources can thus be freed up for the private sector. To this end, a reform of the salary scale, the introduction of wage bill management and the revision of the structure of public administration are also needed. The government has already taken steps in these directions. Among other recommendations, Palotai mentioned the development and back-testing of state services, a tool for which may be the regular measurement of satisfaction and the introduction of e-governance, which has significant reserves, and thus the acceleration of administration. The efficiency of settling legal affairs also affects competitiveness, and thus it is worth making moves forward in the related areas as well. Moreover, a significant competitive disadvantage can be reduced by accelerating the issuance of building permits, and by developing state public utility services. Some results in this respect have already been achieved recently. One of the major elements of long-term growth potential is human capital, the quantitative and qualitative development of which is essential; furthermore, it can result in positive feedback loops as well. There is an unambiguous relationship between human capital and per capita GDP. According to Palotai, active social policy to support starting families is necessary in order to reverse the unfavourable demographic processes; this may feature elements such as an increase in the upper limit of the childcare benefit, a further increase in the family tax base allowance for families undertaking two children, qualitative improvement regarding the places of nurseries and kindergartens, and the establishment of a family-friendly workplace environment. Enhancing the quality of healthcare is indispensable, but at the same time it is also absolutely necessary to raise the amount of available funding – partly by involving private funding more actively – and to strengthen disease prevention and mental health. In connection with the pension system, he made a recommendation, *inter alia*, to further strengthen the role of self-provision. The competitiveness of human resources depends significantly on the performance of education as well: in this regard, amongst other things, it would be necessary to move ahead with structural reforms, increase public and private funding, improve language skills, and further increase the ratio of people with higher education degree. Palotai also called attention to the fact that a development policy based on EU funds also represents an important opportunity to strengthen competitiveness, especially since approximately 60 per cent of the funds that can be achieved in the current budget cycle – a ratio higher than ever before – is available for economic development purposes. However, it would be practical to decrease the costs of accessing EU funds by companies and to make the application system more efficient. With regard to the competitiveness of the banking sector, he explained that a profitable banking system which supports corporate lending is

necessary. By supporting the Growth Supporting Programme, the restoration of market-based lending can be formulated as an objective, which means a 5-10 per cent expansion of corporate, and, within that, SME lending in annual comparison. In connection with financing the household sector, primarily related to home construction, achieving active, but prudent lending can be formulated as an objective, and this is supported by the central bank with macroprudential instruments as well. The solid capital and liquidity situation is also a prerequisite for the long-term competitiveness of the banking sector, and this is also ensured by the regulatory steps taken in the recent past. In his presentation, Palotai also talked about the advantages of the efficient, innovative and competitive banking system, emphasising the perspective role of the revived stock exchange in financing growth. Now that the stock exchange is once again in Hungarian ownership, the objective of the MNB is to expand the activity and capitalisation of the Budapest Stock Exchange, which may contribute to increasing the weight of capital market financing and financial mediation as well. The MNB made a recommendation for both supply and demand side incentives in connection with the development of the stock exchange. Palotai closed his presentation by mentioning that we could already see examples for the implementation of recommendations included in the volume in several cases, for example, the reform of the state institutional system and public education, but welcome measures also include driving back tax evasion, introducing the career path model, shifting towards performance-based wage setting, and implementing a more active domestic industrial policy.

The first block of presentations at the Competitiveness and Growth Forum was closed by *Nika Gilauri*, ex-prime minister of Georgia and founder of the consulting firm Reformatics, who, as a well-known expert,¹ mentioned the competitiveness analysis of Hungary and also made recommendations aimed at accelerated growth, emphasising that the Forum is being held in a very important period. According to Gilauri's assessment, not only has Hungary succeeded in recovering from the crisis with the appropriate combination of unorthodox economic policy measures, but the economy of the country has been set on a growth path in recent years. He believed that Hungary can also become a regional champion, but structural reforms to accelerate growth and growth based on private sector initiatives are necessary for this. From a macroeconomic point of view, favourable processes include the continuous decrease in the public debt-to-GDP ratio and maintaining the budget deficit at a low level, along with the high net lending, the decreasing external vulnerability of the country and the outstanding export performance; but other individual measures, such as the Funding for Growth Scheme and the expanded application of the public employment programme, could be mentioned

¹ Nika Gilauri was Minister of Finance of Georgia between 2007 and 2009, and Prime Minister of the country between 2009 and 2012. According to the World Bank's publication "Doing Business", Georgia produced one of the greatest advances (improving by almost 100 positions) in terms of competitiveness during this time.

as well. However, there may still be challenges from the side of the banking sector, the ratio of non-performing loans is high compared with the examined regional countries. In addition to presenting the financing situation of the Hungarian state, Gilauri also noted that in May 2016 Fitch Ratings restored the Hungarian debt rating to investment grade category after several years, discussing the evaluation behind this step and the opinions formed by the other large credit rating agencies. Moreover, where Hungary is in the competitiveness rankings was also presented in a regional comparison. Based on a survey conducted in the SME sector, a less optimistic picture emerges among Hungarian SMEs in a regional comparison. While companies judged several measures positively, they also expected further reforms to improve the business environment. According to the founder of Reformatics, confidence in the future is one of the most important trend-setting factors in terms of the success of a country. Based on the results of the survey, however, the confidence of Slovak and Czech SMEs regarding economic developments is stronger than in Hungary. Presenting his experiences up to now, Gilauri thinks that economic growth can also be accelerated easily and significantly by increasing the activity of the SME sector and debottlenecking. On the basis of the analysis of competitiveness, he recommended reform measures in areas such as taxation, the business environment, the labour market, education, and the pension and healthcare system. The reforms complementing each other would, *inter alia*, induce further growth, encourage market initiatives, reduce the share of the grey economy, and may have a favourable effect on the budget as well. It is important, however, in connection with the recommendations that the solutions working in other countries cannot simply be copied: it is necessary to adapt those to the specific environment in every case. The founder of Reformatics made several recommendations in connection with the tax system, such as phasing out tax types with low revenue which are costly in terms of administration; decreasing the tax wedge; application of the dividend tax according to the Estonian model; improving the tax dispute resolution; the introduction of free of charge corporate consulting services to be provided by the employees of the tax authority; and outsourcing certain activities from the tax authority to private accounting and audit companies. The almost 60 tax types are rather confusing for foreigners, and thus it is necessary to simplify the tax system. That said, there have been several progressive reforms in recent years, for example, reducing the corporate tax rate is one of these according to the speaker. The reform of the tax system always represents a task full of challenges, but by selecting the appropriate measures, it can be implemented in such a way that its budget effect could be neutral at least. The reform of the tax system can, at the same time, also contribute to the reduction of the shadow economy, which would further increase the performance of the SME sector and hence bolster economic growth. According to Gilauri, the introduction of the dividend tax according to the Estonian model could indeed represent a challenge in the first years in terms of the budget (since payment of the corporate income tax would take place when the

profit is taken out from the enterprise in the form of dividend), but from the third year, the investments started would already show their positive effect. At the same time, it could be introduced in Hungary also because the share of corporate income tax is very low within total tax revenue, and implementation may be realised in phases as well. Gilauri said that regulatory and structural reforms are also necessary to encourage the activity of the private sector, starting from the simplification of the company registration process all the way to property registration, but as was mentioned, accelerating the issuance of building permits or a significant reduction in the days necessary to connect electricity could also be highlighted. Taking into account the experiences of other countries as well, he thought that the basis of labour market reforms is ensured mostly by a more flexible framework. As regards sectoral recommendations and education, Gilauri considered it important to provide more efficient financing of higher education and research activity, and to ensure an appropriate competitive situation between institutions. In particular, further recommendations included a needs-based social welfare system, the reform of inflation indexation in the pension system, and the quality development of healthcare as well. In summary, Gilauri noted that faster growth based on private sector initiatives can be considered as the guiding principle of the reforms.

The second block of presentations was opened by *László Turóczy*, deputy state secretary of economic planning and competitiveness at the Ministry for National Economy (MNE), with his presentation entitled “Productivity and Competitiveness – Challenges and Dilemmas”. According to Turóczy, the examination of productivity as an aspect of competitiveness is important because improvement in productivity generates an increasingly large part of global growth and is critical in terms of economic prosperity; moreover, the more developed an economy, the smaller the role of the traditional factors of production. In ensuring convergence, the group of issues of productivity consequently represents an unavoidable factor. Meanwhile, it must also be taken into account that growth in productivity slowed down around the world after the crisis. At least in part, this was caused by structural factors, and this overshadows the long-term growth outlook as well. According to the deputy state secretary of the MNE, Hungary’s lag behind in comparison with developed countries can be explained mostly with the difference in labour productivity. Whereas the per capita number of hours worked is higher than in the developed economies, in terms of GDP per hours worked, there is a serious lag, as in the other countries of the region. Similarly to the previous lectures, Turóczy also emphasised that there has been a significant improvement on the labour market in recent years, and that the increase in the employment rate has had a clearly visible effect on economic growth. However, this occurred in conjunction with stagnation in productivity. According to Turóczy, one of the important dilemmas faced by Hungary is how to continue activating labour market reserves with low productivity in such a way that productivity also improves. One possible solution is to improve the productivity of

employees with lower education, perhaps via adult education programmes. This dilemma, however, exists at the global level as well, especially since labour can already be replaced with automation in more and more production phases and in the case of services as well, which is an important characteristic of the development of technology. Turóczy noted that, in terms of economic policy, another challenge may be the technological diffusion, i.e. the group of issues of how – via what channels and how quickly – innovations reach the other participants and sectors of the economy. At the same time, it is worth examining knowledge transfer within the framework that the ratio of foreign-held companies of high valued added is extremely high. According to the lecturer, there has been a turnaround in the trends starting from the second half of the decade, when we could witness the increase in the difference among the companies leading and following globally with regard to the productivity improvement, respectively. Thus, the spill-over of new technologies has slowed down, which is not a favourable process in terms of Hungary. Turóczy added that the difference is even more spectacular in the service sector, which is all the more important because the weight of the sector is increasing continuously all over the world. Consequently, the dilemma is how technological diffusion, which is slowing at the global level and which does not yet operate optimally at the Hungarian level, can be stimulated. The third area mentioned by the deputy state secretary of the MNE is that the Hungarian economy has integrated into global value chains very closely and is one of the most open economies in the European Union, but the question is what value added Hungary can obtain from the value chains. It can be stated generally that the region has low value added, whereas the ratio of foreign value added within total exports in Hungary is outstanding at the EU level. An example of favourable changes is the appearance of service centres, but it would be optimal if domestic value added could also increase in other production processes. Among the most important conclusions, Turóczy mentioned that it is becoming increasingly prevalent that human capital should be developed as well, in addition to involving unused workforce reserves to the labour market. The measures taken by the government – for example, the introduction of the dual training system, and making higher education more efficient – point to this direction, but naturally there are further tasks at all levels within education. Another important conclusion was that the constraints on productivity, which delimit growth potential, can be decreased with innovation. In terms of R+D expenditures, there has been significant progress in recent years, but the involvement of further funding is necessary in order to reach the EU average. Meanwhile, it is not practical to limit innovation to technological developments: in addition to the development of production technology, an increasingly large role is played in the improvement of productivity by market organisation, organisational and corporate management innovations as well. As a third important conclusion, it is extremely relevant that adaptive innovation and the flow of knowledge should also be realised among the participants of the economy. Recognising this challenge, the government allocates

significantly more funds for this purpose. Finally, Turóczy said that competition, co-operation and flexible market regulation are all factors that encourage productivity. In addition to the results achieved up to now, these are the fundamental directions that fit in well and, concurrently, provide a framework for the recommendations presented by the lecturers of the MNB as well.

In the last lecture of the Forum, *Balázs Szepesi*, founder and strategic director of the HETFA Research Institute, talked about the practical context of competitiveness. Szepesi started his presentation by stating that willpower is primarily necessary to improve competitiveness, in addition to the recommendations. According to Szepesi, the competitiveness problem of the Hungarian economy was best demonstrated by the difference in productivity between the SME sector and the large enterprises. The labour productivity of smaller companies lagged behind even the average of the Visegrád countries. As Szepesi noted, when discussing the topic of competitiveness, it is explicitly important to not only discuss the objectives: instead, we must also talk about how and with what approach the specific objectives can be achieved. Individuals and companies can operate competitively if they want to and are capable of prevail(ing) on the basis of value creation, co-operation and seeking challenges. In order to strengthen competitiveness, according to the strategic director of the HETFA Research Institute, we should be capable of formulating the areas in which we want something different and better. We should go beyond desire-based thinking and critical approach – the task is not to correct a couple of accidental errors, instead we should be able to change. Szepesi said that in many cases we just do not have strong enough momentum for this. A large part of economic participants has a stable position in the international economic networks which is difficult to change, and the role of the economy is not primary in strengthening the international weight of the country, it must also be taken into account that a large part of the society does not feel pressure for growth, and despite the uncertainties and tensions, the average standard of living has never been as high as currently. Moreover, there are only a few “national champions”, i.e. outstanding companies, that have both the opportunity and the calling to strengthen their competitiveness. At the same time, there are strong arguments for why further improvement of competitiveness is necessary. The importance of the position in the global value chains is increasing, the balance of Europe has been upset (as proven by Brexit as well), and power considerations are more important internationally. The flow of capital, people and incomes is becoming increasingly easier at the global level. There is momentum also because the duality present in the Hungarian economy is very strong, which may also cause serious social fault lines in the future. The possibility of improving competitiveness is greatly increased by the fact that more significant budgetary manoeuvring room is available after years of the crisis. All in all, Szepesi thinks that currently there is no strong momentum for starting a large competitiveness programme, but this momentum can be

fostered. Creative and innovative steps would be necessary for this by the affected parties. He emphasised that, in the case of state steps serving competitiveness, we must take into account not only the costs and time period of those, but also the guarantees necessary for the implementation of the reform measures. At the same time, improving competitiveness is a collective task: the economic, civil society and intellectual spheres can do much, in addition to the state. State measures can only be successful if the participants of the economy are partners – there should be a stable economic and social coalition in the background. Szepesi recommended the following principles in order to strengthen competitiveness. First, supporting successfully operating companies and models is important – their progress must be supported. Second, supporting the strengthening of the formal institutional system is important, and so is the establishment of flexible platforms of co-operation and guarantees going beyond personal interdependence. Third, we must take into account the structure of the Hungarian economy – the large enterprises fitting organically into the global networks, and the small companies, mainly operating in the local market, function differently, according to different rules. Based on these, the presenter recommended the following economic policy focuses: removing the obstacles restricting small companies; strengthening the economic viability of certain regions; retaining the conditions of the production-oriented economy connected to global chains; and promoting the establishment of economic systems outstanding in certain niches, technologies and brands. The strategic director of the HETFA Research Institute formulated recommendations for governing, such as more stable operation in rule-setting, competitiveness-focused policy approach, public policy innovation, potential-based sectoral and regional policy, and combating the shadow economy. The last point is also important because the economy becomes more transparent as a result of this, which could contribute to the development of the credit market and capital market as well. According to Szepesi, the common will and action of the state-economic-social participants are necessary for improving competitiveness. Szepesi closed his presentation with recommendations aimed at the analysts, for which an appropriate frame may be provided by the further work of the Competitiveness Section of the HEA.

The best opportunity of strengthening public thinking about competitiveness and sustainable growth is to involve the widest possible sphere of parties affected by and interested in these areas, and this is also why the leaders of the Competitiveness Section of the HEA decided to hold their first professional event in the framework of a forum. In closing the Competitiveness and Growth Forum, after the comprehensive lectures, Dániel Palotai, chairman of the Competitiveness Section of the HEA, called attention to the fact that the analytical-assessing evaluation of the topic of competitiveness cannot only continue in the future, but it can further deepen as well, within the framework of intellectual workshops, and for this they expect the connection of the interested parties in the future as well.