Dear Reader!

This autumn's third issue of the seventy-year-old Public Finance Quarterly will again cover many interesting, valuable, and exciting topics.

In our first paper, you can read Magdolna Csath's wide-ranging thesis, in which she summarised the new elements of the understanding of competitiveness (sustainability, resilience, digitalisation, innovation, knowledge) by reviewing the relevant international literature, and presented the specific Hungarian characteristics of the MNB Competitiveness Report. Although Hungary is ranked 11th among OECD countries in the ITIC (International Tax Competitiveness Index), thanks to a 9% corporate tax rate and a single rate personal income tax system, it is only 30th out of 64 countries in the IMD Global Competitiveness Ranking. Our competitiveness can be improved by a harmonious expansion of all elements of our national wealth, with a focus on areas with weak competitiveness performance.

At the time of submitting the manuscript (June), the author had not yet read the 400-page Draghi report published on 8 September, so unfortunately we cannot know what emotions the former banker's gloomy diagnosis and proposed solutions (joint borrowing of 800 billion euros a year, a sharp increase in investment - including in the arms industry - climate protection, cutting red tape, faster and more centralised decision-making, majority voting, common regulation, protective tariffs) evoked. Europe's innovation and competitiveness, business dynamism, productivity and efficiency have been in decline for years, lagging the US and China, due to an ageing workforce, increasing export competition and lack of competitiveness in advanced technologies.

The authors of our second study (Veronika Deák and Zsuzsanna Novák), examining the accumulation of public debt in eleven emerging Central and Eastern European countries over the past fifteen years, conclude that the level and structure of public debt does affect the stability and vulnerability of the state, as the high public deficit financed by high repayment and interest burden significantly reduces the room for manoeuvre of the budget, but there is no close correlation between economic development and the level of public debt. Moreover, neither the common monetary policy nor euro area membership has a clear positive impact on countries' budgets. For euro area economies, crises unfolding in a low-inflation environment have posed a serious challenge to the sustainability of public debt, in contrast to crises with high inflation, when euro area membership and a common moderate interest rate level have moderated the dynamics of public debt.

The authors of our third paper (András Giday and Szilvia Mária Szegő) examine the impact of growth, inflation and interest rate developments on government debt, GDP growth and financial indicators of public finances. They compare the results of estimations on a sample of eleven emerging market countries with those of all EU member states and a sample of fifteen member states and conclude that while in the euro area, inflation was minimal, in the countries using national currencies it was large, with the biggest losers being the financially deprived classes, whose growth potential was significantly reduced. Inflationary macro-prudential regulation (raising interest rates) is holding back financing. The liquidity trap could be broken if the marginal benefit of household wealth growth were greater than the marginal benefit of consumption growth.

In our Forum column, we continue - and conclude - our analysis of the causes of the exceptionally high domestic inflation (consumer prices up 24.5% in 2022 and 17.6% in 2023), taking Katalin Botos' conclusions one step further.

The first trio of authors propose fiscal solutions to avoid the side effects of high inflation, rather than monetary tightening, which could lead to recession. They argue that the MNB's anti-inflationary interest rate policy has worsened demand, welfare levels, the ability to finance fiscal policy, and has contributed to rising inequality, the deterioration of our poverty indicators, our small, open, euro-less, risky economic position.

The second duo reflects not only on Katalin Botos's suggestions, but also on the response of István Ábel and his team. In addition to listing further influences, factors, and interlinkages on inflation, they also highlight why they believe inflation has increased more in Hungary than in neighbouring countries with similar structures (social age structure, profit inflation, agricultural consumption) and make suggestions for economic policy makers to develop a more resilient inflation policy.

The authors of our fourth study (Bálint Házi and Balázs Tóth) point out that the subjective pricing of playing rights may present the wealth, financial and income situation of football clubs in a much more favourable light than the reality. At Juventus, players were sold above the real market price, exploiting a loophole in the logic of the transfer system, whereby the football market is not a normal trading space where players are priced objectively but subjectively, i.e. they can be evaluated on the basis of many different criteria. Of course, the manipulation and inflation of transfer fees is only a short-term solution, but in the longer term it exacerbates the economic difficulties and threatens the functioning of clubs and thus the sustainability of the ecosystem. It remains important to maintain strict controls and to create a regulatory environment that encourages clubs to operate sustainably.

In our interview column, you can read the fascinating conversation with 82-year-old Katalin Botos (née: Krebsz), a Doctor of Economics, professor at several universities, former minister without portfolio, and a pillar member of our editorial board, prepared by one of our young doctoral students, Szabolcs Grébel, containing a very colourful biography and lessons learned.

It is with great pleasure and pride that we announce the five-day Mechanisms and Institutional Design Conference, hosted this summer at Corvinus University of Budapest. Alongside three Nobel Prize-winning economists, the conference featured presentations by nearly three hundred researchers from economics, finance, computer science, law and policy in areas related to mechanisms and institutions: game theory, auction, market and information design, admissions and electoral systems, public goods provision, nonlinear pricing, law and litigation, tax systems, school choice, cryptocurrency, incentives in the labour market, information, and learning. The conference also celebrated the 75th birthday of Vincent Crawford, Professor at the University of Oxford, and the University of California.

Finally, for once, we conclude with reviews of not one, but two books. The first is on the model of populism, an adaptive system compatible with any economic and political institutional structure, and the second is on the accounting of local government. I am particularly pleased that the latter, a book by a young researcher who has just completed his doctorate, is recommended to the Honourable Reader by a distinguished and respected member of our Editorial Board.

In each of the last four issues of this journal, we have looked at the issue of inflation. Thank you for your activity and your contributions, which have been very useful and enlightening.

Let's hope that Magdolna Csath's study on competitiveness, and even more so the Draghi report, will arouse similar passions and a desire to speak out among our readers. We look forward to hearing your views on this issue with excitement and interest. We would like to encourage and encourage everyone to write their thoughts and upload them to the Public Finance Quarterly's digital study management platform:

https://journals.lib.uni-corvinus.hu/index.php/penzugyiszemle/about/submissions

All further communication about the manuscripts will also take place on this interface. User accounts can be registered in the interface below:

https://www.uni-corvinus.hu/ninja-forms/1738beld

János Lukács
Editor-in-Chief