

László Práger

The world (economy) and Hungary at the beginning of the 21th century

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László Práger's book offers a novel approach to Hungarian society and the professional public bound to judge the development of the world by looking simply at Western Europe. In his book, the author aims at presenting real global political, economic, social, and ecological processes at work on our planet, and assesses Hungary's situation, and possibilities in the context of these global *fields of force*¹. And he does it by moving beyond the usual political-economic approach, and laying extra emphasis on the social, and ecological consequences and contradictions associated to development and power concentration processes. 'But man suddenly realises that he is not just an actor of the economy: equilibrium in life means not only balances of payment, balances of trade, but also that of the forces of society, and the external environment.' (page 12). The author chooses the turn of the millennium as his period of investigating global political, economic processes, and

assessing the general situation, making it clear that whatever we experience in a given period is the outcome of a long process, which may be only truly understood and appreciated in the light of development tendencies. In an attempt to evaluate the situation, therefore, we must reach back to WWII, and in many cases even further.

The book consists of two main parts: part I investigates the special features of the political, economic, and power reshuffle taking place in the period between WWII and the turn of the millennium, while part II, the shorter one, tries to provide an assessment of the situation crystallising by the turn of the millennium.

The major global characteristics of the last 50 years may be summarised as follows:

■ POWER RELATIONS

► The world has become unipolar: not only the military, but also the economic power of the US is of a magnitude (controlling 30% of

the world's GDP, i.e. 9,000 bn out of 30,000 bn USD) that diminishes both the European Union and East Asia to the role of a challenger. In the bipolar world of the post-WWII period the Soviet Union with its increased military power assumed the role of the counter-pole, until the moment that its relatively weak economic potential managed to support that role.

▶ A typical feature of this period is the formation and strengthening of economic and political integrations (e.g. the EU)

■ ECONOMIC DEVELOPMENT

▶ Over the last 50 years (1950–2000) the world's GDP has grown sixfold (30,000 bn USD), and its foreign trade 18-fold (6,000 bn USD)

▶ Foreign trade has outgrown the pace of development of production, and the changes in the flow rate of operating capital have over the last two decades exceeded multiple times the pace of growth of international trade, which meant that the international movement of goods has been increasingly yielding to the international movement of companies (or capital).

▶ The total volume of operating capital investment reached 1,300 bn USD by 2000, and the value of capital operating abroad amounted to 6,000 bn USD by the turn of the millennium, a sum equal to the full amount of the world's foreign trade. The free flow of capital has given an astonishing impetus to business mobility.

▶ Supranational corporate empires have formed controlling a level of capital exceeding the economic power of small and medium size countries; and transnational companies were born, whose foreign-based subsidiaries had direct sales amounting to 15,860 bn USD, a level 2.5 times greater than the annual value of world trade at 6,000 bn USD.

▶ The really powerful growth of the world economy, however, did not manage to level off

the performance of individual countries, but, instead, resulted in further differentiation.

■ FACTORS OUTSIDE THE REALM OF THE ECONOMY

▶ A process of extreme differentiation of revenues characterises the whole world, and each region and each country, bringing with it an increased number and ratio of poverty, and more specifically the phenomenon of so-called abject poverty as well as a detachment of the medium layers of society. In 2000 as many as 1.2 bn out of the total population of 6 bn lived on less than 1 USD/day meaning that an average citizen of the developed world consumes as much in a day as a poor citizen of the developing world in a whole year. In the US, in the period 1970–2000 the revenue of the poorest 20% dropped by 10 percent, while the revenue of the top 10% doubled up.

▶ There was a continuous deterioration of the natural environment, and of the state of the different elements of nature, and the exhaustion of natural resources necessary for man's subsistence became a real threat.

▶ A general characteristic of the era was that the general pace of life speeded up, and uncertainty, and unpredictability grew in every respect.

Power relations and networks of interest at present may only be represented in a complex matrix. László Práger divides the multi-tier structure of global power of great complexity into three *worlds*. He thus distinguishes the *world of countries*, the *world of corporations*, and the *world of owners and managers*, and categorises the global processes of the post-WWII situation on that basis. The political and economic system was arranged under the control and according to the interests of the United States of America, emerging from the war victorious, and economically strengthened. The designers and the creators of the new world order have clearly strived to establish – in addi-

tion to the two decisive factors of stability and development – a *field of force* of world politics that could ensure the existence, strengthening, and expansion of their sphere of power.' (page 43) The United States, having a crucial influence on that process was interested for its own further development to bring up the countries victim to the destruction of war to a certain level of economic performance. 'It is a unique science of politics and history to strengthen and upgrade the environment of a leading power to a degree which enables that power to further increase its power, involve and cut new resources, but ultimately allow growth only to an extent where it can ensure that the countries recipient to that help and support do not grow to become competitors.' (page 42). The fact that the political and economic superiority of the US is so obviously felt at the turn of the millennium is ascribable to its own economic potential, the expansion and growth of its corporate sector, and, even more significantly, to the international economic and political institutions established under its control (UN, OEEC, IMF, BRD, NATO) whereby it managed to cover for decades

- the whole of international politics,
 - world trade,
 - economic policy
 - the financial world
 - military policy, and military power.
- (page 45)

The socialist world resisting that superiority, and existing largely by virtue of the peace deal concluding WWII could find no better defence than seclusion, and based the operation of its economy on sales contingents controlling production in the framework of the COMECON, bilateral agreements, artificial currency, and a whole artificial economic world, which was uncompetitive clearly and predictably from day one.

No country (other than China perhaps sometime in the future) can compete with the

weight that the US represents in world power, except economic, political integrations of countries. That explains the creation and enlargement of the EU. The author stresses the point that a significant condition to acquiring functions of economic, political power is the size of the available space and population. That is what one witnesses when keeping track of the EU's enlargement process. The EU's GDP generating capacity comes near the level of the US (at the turn of the millennium the EU generated 8,500 bn USD, and the US 9,200), but lags behind the latter in terms of organisational level and economic competitiveness. '...besides the competition of countries, and the world of countries the corporate world took shape as a new circle of the activities, relationships, and power of trans-national companies.' (page 24). That was enabled by (apart from the enormous internal market) politics of power and of economy which, through its liberal economic policy imposed upon the world, removed the obstacles from the way of capital. 'Presently the capital represented by the most valuable companies of the world amount to several hundred bn USD each on the basis of so-called market capitalisation: General Electric is worth 520, Intell 417, Cisco Systems 395, Microsoft 323 bn USD.' (page 24) All that may be properly appreciated in the light of Hungary's GDP at 50 bn USD (or 100 bn, counted at purchasing power parity). A fact indicative of the US' superiority in the corporate world is that in 2002 out of the 500 most valuable companies of the world 238 were American, 50 Japanese, 41 British, 28 French, and 21 German (cf. page 25).

Liberal economic policy enabled the remarkable increase of wealth and influence of not only companies, but also of owners, and managers behind or at the head of such companies. They could create their own universe by meeting the important requirement of access to information, and managing their network cap-

ital. This is how e.g. *Bill Gates* built up a personal fortune of 58.7 bn USD, and *Warren Buffet* 32.3. Another fact reflecting the US' economic superiority is the fact that 8 out of the 10 richest persons in the world are Americans. The world power of the second (*corporations*) and the third type (*owners, managers*) is derived power, representing the result of the successful power policy, and liberal economic policy of the country. 'Even an apparently independent person can occupy the greatest apparent or actual financial or political posts only if he is member of particular centres of power and intellect.' (page 25)

The processes taking place in world economy are the outcome of liberal economic policy intending to achieve economic growth and the resulting welfare through free competition, markets, and economic and power positions achieved. Contrarily to spectacular economic indicators, the economic lag, impoverishment, and the state of the environment seen and experienced in some parts of the world (north-south), in some countries, and huge social groups tend to prove otherwise. The author makes an interesting statement concerning capital placement. 'On the surface it is always the recipient countries' economic performance (GDP) that benefits, while in fact it is the countries exporting operating capital whose economic and political power increases, and extends from their own land to other countries, eventually to the whole of the (globalised) world.' (page 140). The breaking up of social cohesion, the increase of international tensions resulting from poverty, the critical ecological situation of the world suggest the necessity of the limitation of liberal economic policy, 'the necessity of some central control' (page 154) as the process might be leading to an evolutionary dead-end. Taking account of social and ecological aspects is itself a step closer to the European set of values as represented by the Rhine school endeavouring to realise the more

effective harmonisation of the set of economic and social aspects. Práger's principle is: '... competition must be created, ensured and allowed wherever possible, and (if so required) central, state regulation instituted where necessary.' (page 158)

Following the examination of international processes the author evaluates the progress made by Hungary, of which the period after the political changes deserves particular attention. He writes the following about that period: '...virtually uncontrolled privatisation resulted in a narrow Hungarian, and a much broader, foreign social layer that managed to lay hands on significant financial and the resulting political power, while at the other end social detachment got underway, and began to accelerate.' (page 195) 'Even after 1989/90, the change of régime, Hungary remained in many respects outside the economic, political system of the West' (page 170), which came as a severe economic disadvantage. An oversized foreign ownership ratio was created in the financial and corporate sector (e.g. 52.7% of gross added value, 82% of exports) which never became integrated in the entire economy. The redistribution of revenues, however, took place to the detriment of 80% of the Hungarian society, moving toward the top 10%: '... internal Hungarian space, social and economic, became international while the country was never able to maintain the national *lines of force* even for a single (historical) moment...' (page 166) Therefore the author finds it indispensably important to strengthen the group of large companies, and the small and medium sized enterprises and urges the convergence of social groups now in the process of detachment. Hungary's area constitutes 0.07% of the world's entire surface, and its population equals 0.17% of the world's total population, its export is 0.5% of the world's export, and has a 0.2% share of the world's GDP. That small country has to find its place in a global and

European *field of force* With its European Union membership Hungary has become member of a regional alliance, but whether it will reap the benefits of cooperation and globalism depends on how consciously we will endeavour to represent our national interests, how successfully we manage to harmonise with the European Union, and the global community, and what priority we attach to our social and ecologicalal problems while handling them.

With his book László Práger is not trying to look in the crystal ball. The author, who has a long track record of research, attempts to objectively present, and evaluate the tendencies of development over the last 50 years, and the resulting global situation from as many angles as possible (economic, power-based, political, social, ecologicalal). The author makes a noteworthy observation a number of times whereby the first decade after the political changes

required economic and social sacrifice unjustified in many respects. Yet it qualifies as an achievement that the Hungarian economy of the turn of the millennium is no longer the same as before as our country can be made capable of successfully joining the international economic competition. He supports each of his statements with credible facts and figures. A particularly rich set of information presented in tabulated form, supplemented with diagrams suggest conclusions that may serve as important source of knowledge for researchers, economic experts, and those with an interest in tertiary education. The author's easily readable style, and the abundant illustrations of the book make it an exciting reading experience for all those interested in the political-economic processes unfolding in the world and in Hungary in particular.

Attila Buday-Sántha

NOTE

1 It is just the novelty of László Práger's book and the complexity of its approach that justifies writing in 2006 a synopsis of a book first published in 2003. We likewise regard it our objective in the future to direct our readers' attention to books published some time before but proving to be of lasting value. (the editor)