

Árpád Kovács

Competitiveness and Public Finances

Alternatives for Selecting Action Scenarios

When working in political or social affairs, one is also making decisions about money, the economy, and public financing. To dispel any doubts on whether this is true, it is worth looking up the minutes on budget disputes in the decades following 1867, the year Hungary reached a compromise with Austria that restored a measure of autonomy. Addresses by statesman *Kálmán Tisza*, and by novelist *Mór Jókai*,¹ who was certainly not a financial expert, as well as administrative and finance policy publications of the time illustrate the point. It is actually surprising to see the vehemence behind the words of these respected historical figures and the contemporary character of their rhetoric. They utter scathing words on the “situation:” the chronic budget shortfall² and the political inability to find a path leading to a “solution.” They tabled cries for a “complete” public finance reform, viewed as the generally propitious solution. They pointed out the need to clarify government tasks and, of course, the “unbearable burden” carried by businesses, the demand that it be reduced, and the “shameful” self-interest shown by the behavior of the opposition and/or the government. *Nonetheless, today we look upon those times as an era of progress in state development and modernization.*

There are many similarities between the decades that followed 1867 and 1990. Each of those years marked new beginnings following decades of repression in the wake of failed revolutions. Each entailed the joys and tribulations of building national and “common” institutions, economic integration, opportunities for competition, a new stratum of capitalists coming into existence and advocating their own interests, and many more parallels. We might even find ourselves grinning as co-conspirators, seeing that there is nothing new under the sun in either the nature of the criticism or that of problem

management! There is another common feature, which is the necessity for time to pass so we can more realistically judge our actions. However, this has to be considered with today’s immediate concerns, such as the need for economic gap-reduction that cannot be postponed.

Nevertheless, we could argue that drawing a parallel of this type is an error triggered by an enticement to play with history – the result of simply not understanding economics. The message, we might continue, is not really a good one if the rhetoric of today’s debates by Members of Parliament is excessively similar to that of nearly a century and a half ago. Even though the “spiral of history” may be coming around again, it should be on a higher “curve.” It should be under qualitatively different circumstances and should have goals that demand different applications and new arguments, and they should define the present. Acceleration in technological progress, especially in information technology, a growing concentration of capital, the crisis of the welfare state, intensified economic competition, and the rising power and dominance of globalization have created an unprecedented situation for the world economy and individual national economies alike. This requires new ways of problem management and innovative solutions by leadership.

The late-19th-century model with its administrative (“bureaucratic”) outlook has been replaced *by a contemporary trend dominated by a social self-regulatory mechanism (“management”) that relies on market coordination.* Rapid responses to change permeate all aspects of life. Spontaneous ad hoc actions building on day-to-day empiric experience and impromptu feedback that are aimed at attempting to maximize short-term results actually run the risk of increasing the gap. *Attila Chikán* writes: “*The*

*20th century seems to have brought victory to market coordination. A special issue of Fortune magazine, focused on the future of business, appeared recently and called that century the century of capitalism. In that special issue Paul Krugman ... argues that ... in the final analysis it has been proven that the market is the most efficient of all coordination mechanisms conceivable today and all attempts to deviate from it have failed.*³ To continue with that chain of thought: *we might consider the future of the integration of public finances as a connection to market coordination mechanisms, albeit while maintaining several differing basic characteristics. This means that government and communal institutions and their international integration are institutions that are open to market coordination mechanisms in which they themselves play roles. However, an approach in which market-based coordination is considered the only “modern” 21st century tool is faulty and erroneous. Even the international business conglomerates use models in their internal management mechanisms – as it is made necessary by their sizes and need for coordination – that are based on state organization models, which have a wealth of traditional, “bureaucratic” features (there is plenty libraries full of professional literature on this). Therefore, the most important task is to identify the appropriate elements to fit a given step from among the action tools we have available, once a step has been decided.*

There are two dominant concepts regarding the content of contemporary socioeconomic change. Both are well known. One focuses on the components *of economic growth as definable through quantitative features*, while the other focuses on *the qualitative aspects of sustainable development, for which establishing parameters is more difficult*. Growth and development are not interchangeable concepts. The latter indicates a transformation of content, a maintenance and creation of values that cannot always be described by statistical indicators, *and it means a socioeconomic modernization that is deliberate and offers people more in not only the sense of welfare, but also in respect of values*. Of course, we might ask whether we can speak of any of this without considering the economic foundations. Is it even possible to think in

terms of growth and development in alternatives of and/or? Then again, is it better if we simply recognize that development is, – *although more than economic growth – actually the consequence of growth*. Of course, we might also say that *there is no guarantee that economic growth itself will bring about a livable human society on society-wide scale, in a contrary ...*

Both growth and development incorporate the concept and assume that an economy, a country, or even a social model will be *competitive*. In this context, competitiveness can be interpreted principally as the performance and development of a nation. The concept of national economic competitiveness first appeared in American economics in response to the challenges of the 1980’s world economy.⁴ The cited article deserves attention for its definition of a competitive society in the sociological sense. It says that a society is competitive if *“it is able to attain dynamic equilibrium between the production of wealth and social cohesion.”* The international competitiveness of an economy can be conceived as something even broader, as the creation of an economic structure that has the ability to grow on the long-term and easily adapt to world market requirements.⁵ *The features needed to define competitiveness are closely interrelated and interactive, and some of them can be included in various indicators,*⁶ that form a base for establishing a wide variety of competitiveness gradations. The more factors we consider, the greater the chances of moderating the quantitative and statistical outlook and receiving a subtler image. At the same time, other competitiveness factors *can hardly be measured at all with exact figures*. I do not think I need to offer evidence that the competitiveness foundations of sustainable economic development include not only economic rationalization factors in the strict sense of the term, but also the factors that are more difficult to quantify. Economic, social and even management-administration systems are living human systems. As such, adjustment to change *is influenced not only by the time required to prepare, make decisions, adapt, and begin to apply technical and monetary features, but also by a wide variety of other factors such as abilities, identification, and public confidence.*⁷ In this respect, the willing-

ness of the political and professional elite to adjust smoothly to modernization is a particularly important factor.⁸ In fact, we might even say that *there is no deliberate choice of values without an ideological foundation.*

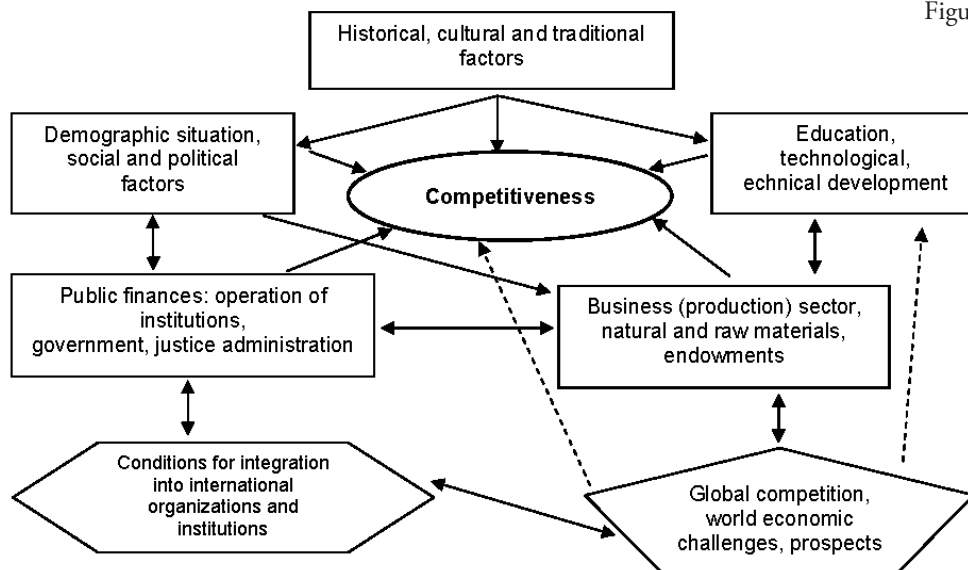
Deliberate consideration of circumstances and opportunities inherent in world flows – in other words, in the *environment* – should be the *foundation* for the various possible *action scenarios*. This leads to the building of *adjustment strategies*. It is best not to be misled by illusions since *the field of motion is very limited* in more than the economic sense. Therefore, acceptance of reality, *preparations combined with foresight, and well-founded actions that are consistent on longer term*, are particularly important for the long-term possibilities of a country.

A question I believe we are all concerned with at this time is whether, or for how long, we can still operate a “livable” – or let us put it this way – a “European track” *socioeconomic model* – *which of itself is not coherent in its uniformity?* Is what we hear with increasing frequency true, insofar, as the model *called the social market economy* will become increasingly unsatisfactory in attaining a global perspective that identifies *development essentially as economic growth?* In connection with the government role in organizing the implemen-

tation of social (public) tasks, we often come across opinions – voicing generalities and neglecting to compare their yardsticks – which charge that the “exaggerated” expenditure of the public sector itself has a counter-effect on diverse competitiveness factors and hinders economic growth. Can we say that eventually we will have to give up our hopes since the road chosen by Europe and its order of values (which cannot be narrowed down to a so-called “social model,” and which, itself is incoherent in its uniform) does not contain the brutal performance requirements and methods that devalue human subsistence conditions; which – on short-term – would be necessary to improve economic competitiveness, or at least, to maintain the size of the development gap at a constant (bearable?) level? Alternatively, should we keep our hopes up based on international analyses:⁹ as it relates to macroeconomic data and expenditure levels, from the perspective of competitiveness, microeconomic effects are more important. In other words, how we utilize our resources, for what purpose, with what level of foresight, and which development scenarios are we working with, these are all factors that through social transitions – although difficult to measure – contribute to economic growth. (See Figure 1)

Network of Interactions among Competitiveness Factors

Figure 1



The scope of this article is not broad enough to do more than to touch on many factors that influence development. These include natural resources, culture, history, tradition, interactions of political and social factors, “global asymmetry,”¹⁰ the consequences of demography and migration. There are also other defining factors, such as science and technology, technical and natural resources, and in particular, the business sector and the components of business growth. Of course, when looking at development possibilities, there are times when one cannot avoid citing these factors without going into detail. Summarizing possible scenarios of the future or even outlining a single vision is well beyond my abilities. This article is no more than a suggestion of *the frame of reference for the changes and for several competitiveness-related interactions of public finances*. I shall attempt to offer a few thoughts on choosing a possible course of action that is necessary for adaptation, focused very specifically on the public sector. In some cases I have oversimplified, and in others, I have left things out, which might be considered an arbitrary move on my part that is arguable or even unacceptable. *I freely admit that my intention has been to take advantage of the opportunities inherent in the Public Finance Quarterly to invite everyone with opinions on the issue to join in a debate.*

POSSIBLE COURSES OF DEVELOPMENT¹¹

The (social and economic) environment influencing choices of values and action scenarios is of itself dependent on the various systems. The environment is defined by “major” systems. These systems are the social and economic order, the practical aspects of the political structure, ownership relations, and the economic mechanism. The latter consists of the system of coordination that influences the motion of economic flows (flows that also reflect social tradition, history and development-related endowments). Just barely different is the concept that resources, including natural re-

sources, market distribution of incomes, the chosen or selectable political structure, and technological and scientific progress mold and shape the modern social systems.¹²

The well-known and generally accepted interpretation states that the supreme task of the state *is to create conditions in both the human and the real infrastructures*. Thus, the role of the state appears as *the regulator and owner of the economic role, the articulator of social goals, and the organizer and implementer of the tasks* leading to attainment of these goals.

Any and every action scenario can be considered a pragmatic, general challenge. Each is a management routine or *a system of tools offering an identity* resting on a deliberate choice of values that are stable on long-term, enjoy socio-political support, and can be linked to a national image of future and perspective goals. *If we accept this, it also means that concrete formulation of these modernization goals cannot be postponed any longer.* European integration for us is an unavoidable, *direct environmental fact*, so in choosing our goal we can preclude all opposing models that reflect *a different choice of values in the major principles of societal distribution*. Thus, we can compile a *scenario* of domestic modernization involving development and economic gap-reduction – the two widely known *challenges* within our long-term alternatives, (set in opposition to one another here for didactic reasons) as the *program of action* giving the following response:¹³

- The consolidation of the foundations for sustainable economic growth by improving competitiveness, and
- The maintenance and reinforcement of social cohesion.

Both scenarios require *continuous* choices of values – and on longer term – are to be interpreted in connection with development, *or to be more precise, with the political and social ideas regarding the content of development*. *This also means that it is absolutely necessary to have a socially accepted and politically articulated image of the future in order to choose a long-term value-based scenario.*

There are significant interactions among the various responses that can be given for the challenges. For instance, if an economic and social policy scenario focused on improving economic competitiveness, and therefore on boosting growth potential, is successfully implemented, it may gradually “extend” into resolving social problems. Since social security by itself is an important driving force for development, this, in turn, can have positive repercussions on (future) growth. I do not believe any detailed evidence is needed to prove the fact that one very significant component of the socio-political factors influencing competitiveness and choice of values is demographic trends.¹⁴ The various scenarios carry different feasibility and socio-economic risks which mean that in the context of the political and economic-political field of motion, when establishing some factors in advance, we are forced to remain within limits while determining the foundation on which the scenario is chosen.

An Action Scenario that Relies on Advancing Competitiveness

Choosing a scenario *in which action is centered on conscious socioeconomic action to improve competitiveness* is aimed at *maximizing the individual’s social and financial responsibility*, while at the same time *minimizing or at least significantly reducing government intervention. It narrows down direct responsibility for its services, and for the provisions that are technically performed through its own system of organization, as well as its bureaucratic administrative restrictions.* Consequently, the concentration of income may be more moderate, with the hoped for high level of economic awareness and flexibility coming about, improving efficiency and acting as an effective tool to combat economic waste. The growth dynamics of public finance expenditure will drop from the previous order of magnitude – with the exception of expenditure for education and training – and along with/despite of tax cuts for businesses and consumers, more funding will be available to support development and innovation.

In the final analysis, the attainment of *inflation-free growth* and the attainment of *Henri*

Lepage’s forecast are important targets and requirements for competitiveness.¹⁵ To be successful with anti-inflation measures on a long-term it is necessary to achieve significant results in both improving productivity and cutting costs as quickly as possible. Both *Robert Z. Lawrence* and *Henri Lepage* wrote noteworthy competitiveness scenarios in the latter half of the 1990’s.¹⁶

The *outcome* of a successful scenario focused on competitiveness is *long-term and accelerating economic growth* and, in the final analysis, *the modernization and development* of society. At the same time, it is likely that social uncertainties and tension will rise because of these changes. Differences in opportunity will grow while the increasing output of the business sector will only be able to partially offset them. *These factors work against taking the bigger, but necessary economic-political risks.* This means that in the context, in other words, we need to consider the extent to which the steps planned will limit the short-term interests of the political credit economy (and the social strata accessing the services). Part of that is the extent to which chances for consensus-based measures that go beyond a single term of political office are cut back. Let me note here that from time to time the tools that can reduce the state’s economic role or increase its authority are pulled back. The measures appear to be direct and irrational, but really are ways of seeing to it that international and domestic political and economic interests are served. Very often, the rhetoric surrounding these moves claims that they are serving an opposite purpose.

If we treat external and business-condition-based support from the world economy as a constant, then the *basic condition* for implementation is that *faster domestic growth should be able to offer short-term compensation for the unfavorable impact on residents and institutions resulting from public finance restrictions.*¹⁷ Meanwhile, a situation in which the maintenance of social and welfare tranquility *on short-term* becomes forced upon the system to the extent that it spontaneously cancels out all other aspirations must not be allowed to come about. The risk is particularly high among the countries that changed political regimes and

have joined or are joining the European Union. The credibility of the system of political institutions is paramount in keeping the effects of the process within bearable margins, with hopes of eventually closing the economic gap that increases the level for tolerance. The historical chance for economic growth and gap-reduction that Robert Z. Lawrence calls “*gap-reduction advantage*”¹⁸ offers a favorable perspective as seen in the examples of Europe and Japan during the post-World War II development phase and in the experiences of the Baltic nations today.

Action Scenario that Relies on Reinforcing Social Cohesion

Some views call this scenario *the reincarnation of the welfare state*.¹⁹ I firmly believe that it is somewhat more and somewhat different. This scenario focuses on the maintenance and reinforcement of *social cohesion*, and it trusts in the strength of this choice of values in planning to sustain growth. It aspires to do that by operating a social and welfare model in which *significant public institutions* continue to operate and offer basic welfare and innovative services. This occurs despite that the role of the state as service provider and organizer is reduced and the efficiency of the service provision systems is increased. In the meantime, the private sector obtains the market for services and offers competitive solutions, taking on an increasing role in organizing these services and managing the technical aspects of providing them.

Scenarios offered by *Dennis J. Snower* and *Clam Offe* are built on the reinforcement of social cohesion. Snower concentrates on the technical means of resolving social conflicts, while Offe focuses on theoretical and sociological interactions.²⁰ They both indicate that the “replay” of social distribution is both the stakes and (they claim) the solution. This scenario does not suggest in any ways that obsolete service provision systems do not have to be modernized. In fact, the goal is to make them more efficient, based on the premise that in a modern system social and welfare expenditures bring in a higher social yield. *Increased solidarity and maintenance of a comparatively conflict-free society serve as an economic driving force that increases competitiveness.*

The countries newly joining the European Union might give priority to this alternative *to establish the conditions under which they have a chance to close the gap*. This alternative might be necessary because of social strata that will require special assistance because of the structural transformation (such as people living off agriculture and related fields). Innovative services – research and development support, assistance of small- and medium-size companies to enter the market, etc. – promote competitiveness, and improve the chances for making it within the EU’s internal market.²¹ As far as chances of success are concerned, two types of countries have an advantage. In one type, the measures are those backed by social support resting on strong consensus regarding values that go beyond the tenure of elected administrations. In the other, the people of a nation achieve the kind of joint success that becomes a cathartic experience, such as the winning of sovereignty. The two can be separate or combined.

This scenario works under the assumption that the economy is working well and that the elements of *strong social solidarity, social coordination, and satisfactory finances* (reserves) are in place. In this case, it is possible to rely on the foundation of these values in defining the new values and norms of *participatory democracy*. This will require construction of institutions to handle organization on regional, sub-regional, and settlement level at no small cost, as well as a large number of new and untested arrangements in administration and social organization. It may also affect state systems.²²

One might think that *this type of scenario would definitely receive broad social approval, which would make it easier to implement. In fact, this is not the case.* There are probable risks associated with not only the movement of the private sector in a given national economy, but also with business interests, faulty estimates of world economic prospects (assuming stable business conditions!) or possible unexpected and unpredictable events impacting material foundations (such as natural disasters). Usually, the risks to financing alternatives spotlighted by competitiveness come forth when social tolerance is waning. However, this latter scenario has a higher financing requirement at the outset,

so *the risk involves the ability to access necessary resources right at the start*. Under these circumstances in the pro-competitiveness model, maneuvering is possible by cutting back the development rate – which runs the risk of increasing the development gap or of stagnation.

In contrast, if a model is focused on developing social cohesion, state organizations may turn disproportionately high sums towards users when welfare expenditure is allowed to drift and economic power is insufficient. A state organization can do this even when it is well endowed with financial reserves and has a substantive field of motion, but it feels the need to meet voters' demand in order to maximize in the political credit economy.²³ From this point on, the only way to attempt to return to a track of sustainable growth would be quite traumatic with restrictions *that would destroy society's image of the future*. The social and even the political repercussions of this should not be ignored. Introducing an "econo-political dictatorship" aimed at carrying out the substantive financial restrictions that become necessary would yield a "coerced competitiveness" scenario, which would increase the chances of an alternative or ultimate establishment of a government operating as a narrow center of power and/or based on its reputation. Chances and hazards of this are significant in the post-socialist countries, as we can see examples of this among countries towards the East.

From the point of view of a scenario with these characteristics, not only the countries that recently changed regimes are in a peculiar position, but also the European Union. Historically, the order of values and model that evolved under conditions of peaceful coexistence cannot be considered precisely a "social market economy," or even a "livable country" or a "welfare state."²⁴ Moreover, financing will become increasingly doubtful even in the most advanced European countries, unless they manage to build more competitive, knowledge-based economies in which higher levels of employment trigger more rapid economic growth for the purposes of social cohesion and environmental protection. However, for the moment, no real steps taken in this direction are visible.²⁵

Choices of Value that Interfere with and Form Pathways between the Various Scenarios

Choices of scenarios are based partially on *internal features of the environment*, some of which have already been mentioned (social supports, traditions, system of political and administrative institutions, economic development level, debt level, financial reserves, etc.). The other set of *conditions are external* (the need to adjust to EU and global requirements, NATO and other international commitments, the amount of EU resources that can be included in projects, trends in world economic conditions, etc.). These factors provide a framework *within which* decisions are being made.

We now need to ask whether the choice of scenarios is fully objective and – in agreement with Tamás Mészáros²⁶ – we also need to ask *whether the scenarios are equivalent*. The answer in both cases is an unequivocal "no!"

The choice of target and values cannot be fully objective even if it is scientifically and knowingly sound and if environmental factors, available means, and expected trends in social supports are precisely known. The fact is that *social outlook and ideological* elements, social psychological, and human motivation all play roles in choices of values through political compromises and bargaining mechanisms. Motivation by government and opposition members are all involved in generating these changes, – as will be discussed later²⁷ – by their career paths, socialization, by their economic and professional supports in the background; and at last, but not least, by the nature, intensity and commitments of personal networks, which have a fundamental influence in the way situations are viewed.²⁸

It is worth mentioning the causes of the phenomenon as well. I agree with Tamás Szentes,²⁹ who has pointed out that the demand to adapt to rapidly changing world economic requirements, while improving national competitiveness, paradoxically increases the role of the state and its institutions rather than reduces them. The increase is primarily due to the state's role to attain a more favorable world economic position and to promote the internal integration of the economy and society in that context. In this way, the role of the state is not reduced to, for

instance, influencing the choices of values on a level of “competitiveness” versus “enhancing social cohesion.” Instead, the state and its institutions follow the dominant economic force field in coordinating the operation of the national economy and social movement. The result derives from the three components of the economic role – the regulator, the owner, and the organizer – as the basis of a “vector.” The direction of the vector and the power with which it appears tells us the goals of the given state, the values it chooses, the social and coordination tools it applies, and the effectiveness with which it operates.³⁰ Using this approach, we resolve the dilemma of the “retreat” of the state that would follow from the logic of the regime change, and the maintenance of its role. Following through with the logic of the regime change, *the state is a regulator and implementer of social goals and tasks, therefore it can never vanish. Instead, its operation will receive a new quality.*

The answer to the second question, *regarding the equivalency of the scenarios, also receives a negative response. The only possible primary goal is the reinforcement of social cohesion and secure operation of society.* However, at this point we can state that these features cannot be developed unless there is a satisfactory economic foundation to support them. Moreover, development can be established by improving competitiveness, *but boosting competitiveness or even growth does not automatically lead to increased social cohesion and security.* (We can speak of “growth for growth’s sake,” which reinforces divergence between social groups rather than cohesion, or perhaps creates products that those who create them are unable to obtain. At this point, however, we are no longer speaking of democracy). At the same time, to follow Tamás Mészáros’ chain of thought,³¹ *sustainable development also means that the cohesion and secure operation of society includes intergenerational cohesion. That means no generation has the “right” to “live better” at the expense of succeeding generations.* However, putting that principle into practice is a different matter, as it was already mentioned while discussing demography. The fact is that to provide welfare and healthcare is becoming increasingly difficult as the ratio of the elderly population increases.

The next question is then *whether there is any possible way to combine the components of the various value choices and still manage to have a typical scenario,* based on the fact that we need a democratic state that creates opportunity. That means having an economy coordinated in the interests of international competitiveness with social equalizing mechanisms also built in. *This, I believe, is possible! If its location is set very precisely, it is possible to set up a course of action that reflects “equilibrium,” in that it does not put so much pressure on priority goals so they collapse, and it offers compromise and a consistent choice of values.* A “pure” model that ignores circumstances, and over dimensions the sovereign position and opportunities for action is a mistake. Another model is faulty as well with inconsistent changes of actions that cites the slogan of quick adjustment and reflects a disturbance of values or rapidly changes its action scenarios – which may even have been triggered by its inflexible strategy. In other words, there is no clear black-and-white response. However, it is a fundamental requirement that the choice of scenario need to rest on adequate professional analyses. *As part of this, there must be no attempt to try to simultaneously implement all elements of different scenarios that are very different from one another in their basic principles and in their chosen values.* A series of such measures would be equivalent to delaying a substantive choice of scenario due to the uncertainties in choosing values and the impossibility of reaching consensus. The consequences will be particularly disastrous if the absence of a well-founded, substantive choice is covered up by rigid legislation that lacks financial backing. Such a serious error would be to come forward with promises, from tax cuts through pension hikes, which are irrevocable for political reasons, but are based on scenarios with differing content and points of emphasis.

I firmly believe that if a country operates in a balanced manner and is “guided by reason” in setting its main goals, the design and selection of its scenario and the sequence of its actions will be carefully considered. *That action will be at least as professional as election-term and power-policy-based moves.*

Attempts to Choose a Scenario in Hungary

There are *practical scenarios* in operation that, to a greater or lesser extent, differ from theoretical ones, and very often they result in different courses of development. Many excellent summaries on Hungarian economic history and within that, on the course of development taken by public finances following the regime change of 1990 have been published.³² If we accept the evaluations of these publications on the various changes in scenario, we might say that although building a “social market economy” was a constant political slogan during this period, between the spring of 1995 and the summer of 2000, *the scenario that defined all action was focused on developing competitiveness*. According to György Surányi, between 1995 and 2000, the situation in Hungary was so exceptionally favorable that acceleration of growth and keeping the public finance deficit under control were achieved simultaneously, and at the same time³³ unemployment also diminished. This successful scenario operated over a relatively long period of time. To maintain equilibrium in the social systems, it undertook deliberate restrictions in allowing wage growth – sometimes openly admitting the existence of these and sometimes leaving them unmentioned. However, the *break* came when it became urgently necessary to sidestep the near bankruptcy that evolved following the shake-up of the regime change, when social and economic policy were balancing and drifting on the edge of crisis. *In other words, the scenario was not the result of a deliberate choice of value for the longer term*. Its implementation cannot be linked to one specific term of political office; it ran from about the middle of one term through the middle of the next one.

This action scenario overvalued the results and began to change gradually, starting in 2000. However, even in 2002, it appeared that after the corrections, the high rate of economic growth would continue. At the time, it was more realistic to think in terms of growth that resembled the *Cyber-Euphoria*³⁴ scenario than one with a more gradual nature. During that time, there was a realistic chance of restoring the upset in balance between economic and social policy after unbalance resulted from

structural transformation. *That did not happen. Instead, an attempt was made to implement two scenarios simultaneously.*³⁵ The new program offered society, which viewed the prospective measures as ordinary justice, a chance to finally enjoy the fruits of the regime change. This program of action promised a “social regime change” combined with the promise of improved competitiveness and “reduction of the gap separating Hungary from the European Union,” which was *impossible to carry out*. *The fiasco was not just the result of a fundamental shortage of funds, but also of choices of values that precluded one another, and of the inconsistencies with which various measures were phased³⁶ and connected to one another.*

In the *given structure* of social insurance provision systems, the growing number of elderly people and the overall state of health of residents required increasing inputs, despite the fact that the level of care declined. The original belief was proven to be wrong, according to which the financing to cover the modernization of the government organization could come from upgrading financing techniques and campaigns forcing the system to “go on a diet” – as opposed to planning out the resources required to meet the task. Not surprisingly, a “yo-yo” effect – to borrow a term from those with diabetes – went into effect. Once let off the diet, the “patient” – *the Hungarian public finance budget* – lacked self-control *and generally managed to regain more “weight” faster than what it had prior to going on the “diet.”*³⁷

We all know the consequences. There is consensus in that we are in a worse position than we were two or three years ago. To prevent a widening of the gap, it is agreed that *we must take immediate steps with a scenario that centers on competitiveness, that is willing to rapidly transform the social provision systems, and that does not put the budget balance at risk.*³⁸ In the given situation, measures, some of which included mutually preclusive aspirations, were initiated without appropriate funding. Other benefits were offered, but not linked to performance, and there were promises that steps would be taken to transform obsolete benefit provision systems (some of which never got beyond the promise phase). This is going to be very difficult to

change, for *in the initial and most sensitive phase of shifting to a new course, all the risks that are otherwise connected to one or another dominant choice of values could “backfire.”*

In today’s Hungary there is general agreement that the main role of the state is, on one hand, the fullest possible adjustment to global flows and a successful link to European integration; and on the other, the attainment of the highest possible level of social cohesion.³⁹ The real questions are: what ratios will be required for implementation? What are the concrete steps through which it will be achieved? How realistic are these steps? How much of a risk do these steps entail? The possibilities for rethinking the government tasks that rely on consensus not only deteriorated by socio-political divisions, but also by the worse demographic situation. We cannot pretend to ignore the *moves we are forced to take because of the short-term interests of an aging society that requires social benefits.* In fact, we have to face up to the real danger that any deterioration in the ratio of economically active to inactive citizens in Hungary will not only slow economic growth, but it will specifically hinder economic development. The reason is that an increasing proportion of the national income will have to be spent on citizens who become inactive due to their old age. To simplify this phenomenon, – and following *Elemér Terták’s* chain of thought⁴⁰ – given this demographic trend, even if per capita production of GDP were to remain unchanged, the volume of the social product by economically active age groups – *would have to increase by at least 0.3-0.4 percent per year for decades to come, while all other conditions remaining the same.* When designing political programs, this fact has to be considered as a value-determining factor that underlines the steps to be taken. This includes the need to significantly increase the current 57 percent rate of economically active citizens – *which requires a conscious decision based on a predefined methodology.*

Now, I will briefly touch on coordination mechanisms, organizations that generate change, and choice of value judgements as a frame of reference for the scenarios, focusing on modernizing domestic public finances.

I shall recommend several considerations that – I hope – can be put to profitable use by domestic practice.

SCENARIOS – THE METHODOLOGICAL FRAMEWORK FOR CHOOSING VALUES

New management and leadership problems arose starting in the 1980’s. They appeared not only in manufacturing, but also in the operation of government services – including administrative services – demonstrating the mutual impacts of institutional changes and economic performance. We can postulate that the mutual impacts of these factors are generally valid and that they occurred with a particularly high intensity during the transition to a market economy in Central and Eastern Europe.

Coordination Mechanisms and Change Inducing Organizations

According to a method employed in 1997 by the Dutch Central Planning Bureau,⁴¹ the institutions “*in a society the rules people accept, ... [and] the restrictions they set up to shape human relations are equal.*” Within this framework, they distinguished between four mechanisms that were able to coordinate economic behaviors in market economies. They are:

- Competition between economic players, in which the liberalization of prices (rent, transportation, and community services), international trade privatization, and an effective financial feedback system are essential institutional factors;
- *Government leadership:* the transfer capacity of the government’s will to influence decisions, for instance, through government regulation, which assumes that there is a high level of public administration linked to the new role of the government, as well as guaranteed legal security for the private sector, and effective governance in the state sector;⁴²
- *Joint values and norms:* the compatible preferences of a group of economic participants, which fundamentally influence human behavior;⁴³

- The *cooperative transactions* of the economic participants are the result of cooperation attained through bargaining. They include, for instance, three-way cooperation among government, employers, and employees, which are important institutional factors and the foundation for a social partnership.

We will add a few elements of *change theory*, which is part of strategic management, to augment this briefly outlined method of analysis. In the world of institutional changes, it is worth giving particular attention to *agents of change*, which appear in the different interest groups. These organizations – supposing an optimum state – deliberately and continuously monitor and evaluate socioeconomic flows and within that, the activities of one or another institution. They also have the ability to quickly identify desirable changes, and therefore – depending on periods, development level, debt level, etc. – to either directly or indirectly influence the change of the balance between the value choices of two scenarios, and to make appropriate recommendations. We distinguish between *domestic* and *international* agents of change, the latter of which are rapidly growing in significance. Among the latter, we distinguish between global and European agents of change. The main groups of domestic agents of change are party and political organizations; government organizations; and private sector organizations, in which dominant roles are played by non-profits and larger corporations that participate in community services, research institutes, and consulting firms.

The framework of this article does not allow me to offer any analysis of the role of these organizations, as agents of change, for often that would require an organization-sociology effort. Instead, I would like to simply indicate that from the point of view of significance and of forces that generate and influence change; *these groups are also undergoing a restratification. There is a tangible increase in the role of the private sector, particularly in the areas of non-profits and business-research-con-*

sulting. Meanwhile, the financial monitoring organizations are playing an increasing role in the government organizational system in the broader sense of the term, considering that they are quick and among the first to notice shortcomings and problems that need resolution. From that point on, “only” legal authorization, acceptance, and ability for these organizations to become agents of change to varying degrees, – depending on the extent to which they can take advantage of their opportunities to generate change – are needed.

Dominant among the global agents of change – in addition to the transnationals that have gone global, the international banks, the advisory services and large auditing firms – are the UN and NATO. The international financial and economic institutions (IMF, the World Bank, WTO, OECD, etc.) also play defining roles, as well as the global professional organizations (such as the supreme institutions or government control or INTOSAI and IFAC, which form an umbrella for private auditing firms and coordinate the principles of their work). Among the European agents of change, most important are those that spread the ideals of integration, and the institutions of the European Union. Therefore, as far as Hungary is concerned, *an objective and sovereign definition of position* would be inconceivable without adoption of the European Union’s legal and value systems and of its convergency criteria. (It is entirely another matter, that on the long-term, influenced by both our achievements and weak points, we can become shapers of the common system of values and goals as a member of the EU).

Building ties with these agents of change runs the consequence of seeing *certain government functions rise above the level of the nation-state* in exchange for the advantages of integration. The part of this integration in the past decade evidenced by the forefront movement of large business, business group concerns, along with trans-border international corporate empires⁴⁴ when meeting government tasks. This has resulted in a new phase of the cooperating state, which Hungary has never experienced before.

Although, the order of values and willpower of the domestic business world have definitely influenced centralization and redistribution, these are often overwritten by international business interest, multinational companies, and the political-economic alliances of nations and networks representing their own interests. When management systems everywhere are scrutinized to *improve their efficiency*, we see a decisive move towards *separation of decision competencies*, responsibilities and decision-making, and *execution* at a professional level (administration, financial transactions, execution, service provision, etc.) leading to overall decentralization.

The average size of business organizations has been growing in conformity with the above processes. The significance of this development is underlined by the fact that increases in size through mergers and acquisitions have resulted in the evolvement of a mass of global corporations. Thus, alongside the tasks triggered by growth, we see the problems of adjustment to

different business cultures and diverse national regulations and customs.

The Frame of Reference for Institutional Changes

The considerations cited allow us to compile a *frame of reference* for institutional changes – that expresses the consequences of globalization – in the area of institutional change (I) and in trends in economic performance (T). The first table (*Table 1*), suggests that that frame of reference attaches the factors operating in given place and generating change (combining global and European agents of change) to the mechanisms generating the change. It also connects the necessary organizational specifics to the mechanisms, assuming, of course, that they must be characteristic of every single institution and that *the financing of the institutional system corresponds to the tasks and the finance planning mechanism is appropriate for this*.

The Network of Interactions for Change⁴⁵

(Frame of reference)

Table 1

Mechanisms Inducing Change Organization Qualifiers	Competition		Government Leadership		Values and Norms		Cooperative Transactions	
	Domestic	Inter-national	Domestic	Inter-national	Domestic	Inter-national	Domestic	Inter-national
Awareness of goal	A ₁₁		A ₁₂		A ₁₃		A ₁₄	
Awareness of mode	A ₂₁		A ₂₂		A ₂₃		A ₂₄	
Awareness of abilities	A ₃₁		A ₃₂		A ₃₃		A ₃₄	
Awareness of resources	A ₄₁		A ₄₂		A ₄₃		A ₄₄	
Awareness of environment	A ₅₁		A ₅₂		A ₅₃		A ₅₄	

Government Management: Multidimensional Awareness

A requirement, so well known that it is almost a platitude, is that the efficiency of government activity in the broad sense of the term *is the dominant condition for the success of implementation, whether the scenario implemented operates to reinforce competitiveness or social cohesion.* However, opinions do differ on the importance of its various components.

The comprehensive goal, on which updating the *management* mechanism is focused, is attainment of a standard of public management and administration that conforms to the changed role of the state *and is deliberately controlled and operated, and able to generate change.*⁴⁶ The new forms of social activity will not leave this key area untouched. There are traditional measures in line with traditional solutions (organization sociology and/or public administration rationalization) – that we might call efficiency improvement with an “operative economics outlook.” However, other measures that *are philosophically new and open up* public administration have come forward and – as we will see – tend to be a type of environmentally conscious approach.

The essence of New Public Management is that the management outlook becomes a fundamental part of public administration. This means that management must be up-to-the-minute on the costs of the various activities and must be performance oriented. The classic principle under which public administration “has an everlasting presence” and offers stability and predictability is becoming a relative one. “Open system” public administration and, to an even greater degree, public management induce representatives of the business sector to accept public functions.⁴⁷ However, the fundamental issue here is that they must be able to think and act along a horizon that rises above sectoral interests.

Governments and local governments need to evolve a sharing of competencies and the content and forms of possible cooperation with their new partners. This includes establishing a uniform order of procedures containing norms

and guidelines that act as the guiding principles for the central and local government bodies involved, and based on these principles the establishment of monitoring the related financial processes.⁴⁸ In other words, responses to challenges must be *coordinated* consciously, between long-term regulations, institutional systems, management and methodologies, and the tools of implementation (to say it more fashionably, they must all be in harmony). Multi-dimensional government consciousness also includes recognition of the fact that the government tasks, *such as the Hungarian legal system, whether defined appropriately or poorly, define the structure, superstructure, tasks, and even the personnel and qualification requirements of public administration and public service. Unless the content is redefined, as far as staff cuts are concerned, it will not be possible to attain a “proportionate”* (meaning, using downsizing percentages, applying the lawn-mower principle) *and substantive reduction in staff without any further deterioration in the efficiency of public administration and public service.*

According to this and based on current auditing office experience, *government leadership – in the broad sense of the term – will have to ensure that the target systems of the domestic agents of change operating (connecting point A₁₂) on internally consistent regulation that corresponds to the choice of scenario. Budget planning also needs to “think” long-term within the financial systems of public finance, while limiting and changing the methods of government presence and intervention.*

■ The financial system of public finance must have an evolved, internally consistent and *stable system of regulation.* It needs regulation that offers not only a momentary framework for economic operations, but also opens up perspectives and serves as orientation, because,

- It sets the foundations for the reality of medium and longer-term budget planning;
- It improves opinions regarding the economic stability of the country, and serves to attract foreign investors;

- It contributes to improving the quality of financial operations;
- It offers incentives to operate with transparent and accountable – controllable – business management, and requires and facilitates fundamental reforms within information system.

Within regulations, it is necessary to organize the various *levels* of information. This refers to Parliament, the cabinet, the ministries, the local government bodies, and the management and control of budget-sponsored institutions and so on. In order for valuable usage of the data between the various levels, it has to be ensured that the information needed to make a decision on a given level is available. This reduces the burden on data providers while having the optimum amount of transparent and unambiguous data available to make well-founded decisions, and to prepare and report on the budget. This will also restore the prestige of data providers and their sense of responsibility for the reliability of the data they provide. I need to mention that the State Audit Office has been lobbying for years, and considers it timely even today, to replace the diverse regulations – with their many contradictions – with a uniform *state accounting act* that is in a closed and integrated system. However, preparations of such system *must be preceded by a new public financing act that better adapts to state tasks and can offer a stable and long-term framework.*

Transparency and accountability⁴⁹ are vital and closely interconnected basic requirements needed not only for the accounting and auditing of public organizations, but also for national economic actions, the operation of the state organization and public finances, as well as for international relations. Achieving transparency and accountability provides a necessary guarantee and fulfills security requirements of a democratic nation functioning under the rule of law, and for international financial relations as well. Demand for the complete achievement of these principles is growing throughout the World and *they are fundamental to the operations of various alliances such as the European Union.*

Transparency is key to effective – or let us say “accountable” – governance. The best reflection of its reality content and the extent to which it operates is the public finance budget of a given country and within that, as a priority issue, *the level at which its budget planning and accountability system operates.* The best way to determine the transparency of the budget is to expose periodically, in a methodical and consistent manner, all relevant revenue and expenditure information. We generally describe four main elements regarding the transparency we expect of the government. Based on the IMF transparency codex,⁵⁰ they are:

- The clear specification of tasks, authorities, and responsibilities;
- Accessibility to information by the broad-scale public;
- Public budget preparation and execution;
- Assuring fair economic practices.

In relation to the latest, – as a consequence of the changes in concept and content touching on the regulatory, management and control of the state – besides the traditional controls focused auditing, there is an increasingly powerful presence of financial auditing that focuses on performance-based financing, direct management support, analysis and evaluation, and decision-maker assistance, while providing conclusions and recommendations on these as well. As far as operations are concerned, if regulations are not in place there is no sense in investigating performance. We also know that simply measuring efficiency is sufficient to trigger improvement.

Increasing competitiveness and evolving responsible public administration requires the predictability and transparency of monetary flows and *overall and itemized accountability* as an organic part of it. Here, I should mention that the issue of *accountability* has recently come up on EU level, with respect to large and complex systems.⁵¹

■ *Budget planning that “thinks” over longer horizons must be provided.* In terms of public finance budget operations, this type of planning

- Makes budget decisions and their effects transparent and easily to follow for Parliament, which exercises regulatory authority over the budget;
- Offers satisfactory information to decision-makers at all levels related to future consequences of decisions made today, and on existing determining factors;
- Offers incentives for quality-based development and for conservative financing, after creating the opportunity to establish reserves and after the surpluses of funds that are allocated for development appear in the annual budget;
- Creates an opportunity for increased security in planning long-term development concepts, and understanding the costs associated with their implementation.

A budget designed in this way and the financing that relies on it will improve coordination of tasks and resources. This not only turns the question of “a larger or smaller public finance budget” into one that can be interpreted in the context of choosing a scenario, *but* it will also help to resolve current transparency and accountability problems of budget planning and operation. It is indifferent whether a government in office utilizes a *decentralized planning mechanism* (which organizes the concepts of the organizational system through bargaining mechanisms) or a *centralized one* (which sets up a framework and then distributes funds). In neither case will it be able to avoid *submitting proposals for the tasks undertaken along the lines of an action scenario thought out in terms of long-term feasibility, and defining the requirements, performance indicators and algorithms on that basis.*

A budget adjusted after tasks have been clearly defined, planning has been transparent, and targets and performance requirements have both been set will make performance more measurable. This will (can) lead to an improvement in accounting, analysis and evaluation, as well as in correction, and – at last, but not least – in auditing opportunities.

Government operation becomes more transparent to the “public,” which results in a higher level of political confidence and more stable government. A long-term budget that is “thinking” in perspective, and the planning of such a budget assumes and requires the operation of a macroeconomic financial planning system that is more robust than the current one – and in conformity with the “nature” of the contemporary market economy.⁵² When preparing to choose a scenario it is expedient to count with a situation in which economic developments will differ from assumptions, and the socio-political medium will not offer the favorable climate that had been expected and considered probable. If there are alternative “emergency scenarios” and “crisis management plans” available, the risk level will go down, since less time will be needed to find a way out from an unfavorable situation.

■ It should be possible to *restrict government presence and intervention* once large-scale redistribution and the related high taxes and contributions are reduced. This includes:

- Defining and limiting the circle of tasks to be financed by the state;
- Initiating shifts in the proportions of the goals that are financed to give priority to factors that boost international competitiveness, education and training, and environmental requirements as opposed to expense that is directly related to production.

*Restricting the presence and intervention of the state assumes that the role of the state has been reconsidered⁵³ and the contents of government tasks has been clarified – something that will require social and political consensus and new compromises.⁵⁴ Clearly, the different action scenarios require public finance budgets that differ in structure, focus, and income centralization. In addition, the interactions of the different scenarios call for government roles that differ in content and coordination mechanisms. However, what is certain is that *the tasks of a future state cannot be treated as identical to what is financed at present.* (See Table 2)*

Details of Public Finance Expenditure as % of GDP

Table 2

Country	Government Operations*	Welfare Functions	Of this:			Economic and Other	Total
			Education	Healthcare	Social Insurance and Culture, Housing		
EU 15							
2000	9.8	31.7	5.0	6.2	20.5	4.6	46.1
2001	10.1	31.9	5.1	6.3	20.5	5.1	47.1
2002	10.2	32.5	5.2	6.5	20.8	4.9	47.6
2003	10.2	33.1	5.2	6.7	21.2	4.9	48.2
EU 25							
2003	10.2	32.9	5.3	6.6	21.0	5.0	48.1
NM10							
2003	10.2	29.7	5.8	4.4	19.5	6.3	46.2
Hungary							
2000	14.0	27.9	5.7	4.6	14.7	6.7	48.6
2001	13.8	28.1	5.9	4.6	17.6	7.1	49.0
2002	12.4	29.6	6.2	4.8	18.6	11.5	53.5
2003	11.6	32.1	6.1	5.7	20.3	6.5	50.2
2004 (estimate)	11.2	31.0	5.7	5.6	19.7	6.7	48.9
2005 forecast (estimate)	10.2	30.2	5.5	5.2	19.5	7.5	47.9

Source: EU15 (2000-2002); Eurostat database

2003 international data: General government expenditure by function in the EU in 2003, Eurostat

Hungary: IMF data until 2002, Eurostat data for 2003, 2004-2005 self-estimate based on Ministry of Finance final cash-flow accounts, and forecasts

* Includes expenditure for national debt management (interest, etc.)

In today's Hungary, re-thinking the content of state tasks (primary and secondary education, healthcare, care for the elderly and disabled, and so on) and re-defining the framework of these tasks in a more concrete manner are fundamental to competitiveness and modernization.⁵⁵ A clear definition of tasks, authorities, and responsibilities assumes that there are delineated boundaries between the government sector and the other players in the

economy. It also assumes that there are "generally comprehensible" mechanisms that control and coordinate activity within the government and that there is a clear order of expedient division of responsibilities within the government, which includes a division between the legislative, executive, and judicial branches. In addition, a clear definition of the content of government tasks, that is: "what and how much" is also essential. On that

basis, it becomes possible to define *the manner of financing* tasks, and the matter of “how.” Then, adjusted to and reflected by this, *it becomes possible* for the government to separate *tasks and authorities*, and clarify *the contents of accountability*, in other words: organize the answers for “what, why, how much, for whom.”

This listing alone is enough to indicate the complexity of the tasks. However, for the most part, that is a matter of indifference to the person receiving the service. For the user of a service the essence is how it may be available and at what quality it is being offered at. The interest of the state in providing services and its responsibility is to pay the least possible amount for delivery of qualitatively satisfactory services. If the person requesting the service has a choice of where and in what form the service may be delivered, the interests of the state and the person receiving the service can be brought closer together. The state has to decide on the manner in which it provides the given service. This means it chooses the organizational structure that runs the lowest financing costs while guaranteeing a specific quality of benefits.

■ *Forms of Awareness*

In addition to focusing on the factors generating the changes and learning what is essential to meet the tasks, it is also necessary to recognize and identify the *motivational factors of cooperation within* the organizations serving as the agents of change in all three – domestic, European and global – sectors. In addition, *organizational qualifiers* of decisive importance in managing institutional change must be paid very close attention based on *the five types of awareness*. On that basis, the activity of the organizations generating the change is successful if there is:

- *Awareness of value and goal*: goals are clearly defined and choices of value are straightforward;
- *Awareness of mode*: goals are implemented through clear measures and programs;
- *Awareness of ability*: the abilities of the members and organizational departments

are known, appropriate measures are taken to eliminate shortcomings;

- *Awareness of resources*: economic operations conform to available resources; and
- *Awareness of environment*: participating partners and environmental endowments are kept in mind when taking measures.

Only in rare cases does the entire value-goal-program-ability-resource-environment awareness series operate in a truly harmonic manner. Among the agents of change in the domestic world, we most often come across awareness of goal and of mode. Sometimes the two are combined with an appropriate awareness of ability. Experience has shown that it is far more difficult to create an awareness of resources, but perhaps the most difficult factor is awareness of environment. This is the case; despite that the significance awareness of the environment is vastly enhanced by increasingly frequent and closer cooperation with international agents of change.

The choices of values connected to the various scenarios must include the clearly defined *goals* of the government as the agent of change (A₁₂ point of connection), which must be in an appropriate chronological and hierarchical order. The definition of a goal always reflects some professional or political will and if it is clear, it has a powerful influence on the choice of action scenario. (In this respect, the experience of the State Audit Office is not very favorable. The consequences have already been mentioned in the first part of this article, when discussing domestic scenario choices).

Improving the efficiency of public finance operations requires *a high level of awareness of mode* (A₂₂ connection point) in both budget policy and planning. Since the State Planning Office has quite extensive experience on this matter, I will go into a bit more detail in recommending the changes to consider, namely:

- Through the authority of Parliament, the regulations need to be shifted in such a way that Parliament has an oversight of the finances during the time of budget preparation, as well as during the period

of execution. It should not be possible to use technical tricks to extract funding or supports from the budget. It should not be possible to force Parliament into a situation where there are no alternatives and they need to approve, after the fact, already made government level decisions and implemented measures.

- There does not appear to be any way to avoid not only the re-examination of tasks financed by the current budget, but also the content of institutional operations, their organizational and human resources aspects. Here, special interest needs to be given to the exact placement of tasks within the scope of the central budget and of the local governments.
- The local government financing system needs to be re-examined. A priority issue here is whether it is really necessary to hold to a rigid redistribution of funding with capitation rules that cover just about everything and which are very hard to glean an overall picture of, given the responsibility of the local governments for handling certain tasks.
- The practice of separating the rights of the bodies maintaining institutions from those financing them – particularly in the financing of social insurance – needs to be revisited, because it creates serious tension in budget operations.
- State guarantees, acceptance of obligations, debt write-offs, and acceptance of debt transfers need to be re-examined. These types of supports carry the risk of being unpredictable both in time of occurrence and in amount; they are impossible to plan for, and put an unexpected burden on the budget.
- The justification for providing assistance to the media, sports, and the private sector needs to be re-examined, keeping in mind that today these entities are dominant agents of change. It is necessary to introduce a stringent financing practice in this areas that is linked to specific goals.
- It is necessary to revisit the place and role of institutional revenues; the maintenance of these within the institutional sphere has

to be either terminated or clear and strict procedures have to be established that govern them.

- The organization system that produces revenues for the public finance budget needs to be re-evaluated in connection with its tasks and operation. This is not simply a matter of increasing or reducing taxes.

The effectiveness with which government development programs are implemented depends to a great degree on *the level of awareness of ability* (A₃₂ point of connection). Experience with financial auditing have proven that there are consequences if one does not consider how a change that is initiated in one of the underlying areas – no matter how rational – will affect the public sector, public financing as a whole and its subsystems, or even employment conditions. In this area, it is absolutely necessary to systematically address the demands and requirements – while considering their interaction as well – that the public sector had to face since joining the European Union, which it is still far from fulfilling.

As far as *awareness of resources* is concerned, I think it is necessary to stress the need to better meet the requirement of a more efficient operation in all sectors of public financing (A₄₂ connection point). The profound changes in the operation of the public sector have resulted in a decline in centralized incomes. The paradox of a “welfare state” without an economic foundation cannot be maintained. However, it must be seen that *the transfer of government tasks to the private sector is, of itself, not equivalent to narrowing government tasks; it is just one technical solution, and not necessarily a cheaper one.*

In essence, the first part of this study was about a choice of an action scenario based on *awareness of environment* (A₅₂ connection point) and questions surrounding government. Here, I will only reiterate that awareness of environment is an expression of an ability to cooperate and conform. Since it is based on reality, it is *capable of integrating all the goals, action techniques, abilities, and resources as the foundation of efficient basis for (competitive) action.*

A FEW SUMMARIZING THOUGHTS

My introductory thoughts were, partially, connected to the budget debates of the decades following the Compromise Agreement with the Habsburg monarchy of 1867, but they were really related to the question of whether one should rely on old and worn pillars when building a bridge to the future. At the same time, in connection with the groundwork for the possible action scenarios, I spoke briefly of the fact that besides the statistical figures that portray competitiveness there are other indicators of development.

In concluding this study, I want to return to those thoughts and remain within the circle where I work as a professional, for the content of the goal of financial auditing is the service and reinforcement of the security of public financing. Auditing convinces us that things are either secure or that some intervention is necessary, if it finds there are shortcomings or risks. The experience gained from investigations always report on the past or present, but really speak about and to the future. The professional and political preparations for choosing a scenario and, in particular, the related decisions and government measures are – by law – outside of the authority of an auditing office. It is, however, the responsibility of the supreme financial supervisory authority to report on its direct investigatory experience as well as to go beyond that and tell of the conclusions it reached, of where it sees risks, and where it thinks that corrections are necessary. By doing this, it is offering advice and a method to conduct a situation analysis and to make choices on the courses to follow.

In conclusion, there is a single question I would like to ask, because I believe that the method of analysis outlined justifies asking it. *I would like to stress the need to move beyond an*

outlook and rigid system of goals *that sets up time horizons and parameters, and describes goals in terms of “catching up and moving beyond.” This way of thinking* and the related choice of scenario bears a striking resemblance to the directives of the two World Orders of the 1950’s and 1960’s; while at the same time, *if we look at the European Union as a whole, we can see – that it is in trouble.* I firmly believe that we need to think about this when speaking of shaping concepts that go beyond single government terms of office. I think that this is an answer to one of the questions I have raised earlier in the introduction. *In Europe and at home we have to become competitive with the other regions of the world, but we also have to remain true to ourselves. We have no other alternative.*

Under current circumstances, the political players and the professionals working in our public institutions bear a particularly great responsibility. The fact is that we need a firm professional background that does much more than simply supports ideas. It is obvious that if the members of the political and administrative networks that form the state are open to cooperation and improvement, regulatory problems during the transitional period will be fewer and preparations towards the next steps can be taken. I cannot resist once again quoting from an address by 19th century novelist Mór Jókai. He made the following comment on the subject of the budget 125 years ago, while he was a government representative: *“I do not believe in political geniuses, I am suspicious of financial geniuses, and I am terrified of national economic geniuses. ... Anyone in this respected House that seriously wants to see the regeneration of the administration must take into account the human material available; because whether the representative body is the result of election or appointment, that body must itself be healthy.”*⁵⁶

NOTES

- 1 Légrádi Brothers, “*Kálmán Tisza’s address to Parliament on February 3, 1875.*” [in Hungarian] (Budapest: OSZK, 1875). “*Mór Jókai’s address to the House of Representatives on budget issues, February 26, 1880.*” [in Hungarian] (Budapest: ATHENEUM & Co. Book Publishers, 1880). Lajos Láng, “*The Hungarian and Austrian Public Finance Budget 1868-1877.*” [in Hungarian] (Budapest: Publishing House of the Hungarian Academy of Sciences, 1881).
- 2 The budget showed a marked deficit for fifteen years following 1867. The “overspending” was due to investments made to build a system of national institutions, and personal and miscellaneous expenses.
- 3 Artila Chikán, “*Globalization of the Economy and Differences in Civilizations,*” [in Hungarian] in “Magyar Tudomány” (June 2002). Sometimes, when drawing the outlines of the terrain in which market coordination is efficient, we need to do some additional surveying and fine-tuning. Krugman, referred to above, called attention to this in a recent article criticizing the government of the United States for its inability to act, in connection with the tragedy of New Orleans. He believes that the roots of the problem lie in the fact that the federal government took areas, for which it bore a primary coordination responsibility, and turned them over to the market for coordination. See “*Killed by Contempt,*” in The New York Times (September 5, 2005).
- 4 See Annamária Artner, “*National Economic Competitiveness and Attracting Capital – Ireland,*” [in Hungarian] in “Külgazdaság” 11 [in Hungarian] (2004): p. 58.
- 5 See above, page 59.
- 6 Competitiveness is typically approached from both the supply and demand sides. It may be made up of a wide variety of complex synthetic indicators or in some cases, “backed” by related descriptions and explanations. They include nature and the environment, geopolitical resources, skills, technical and IT development, the economy, performance of the “competitive” sector, ability to innovate, power of the banking system, extent to which infrastructure level or community supply systems exist, and their capacities, efficiency. Boosting competitiveness is the alpha and omega of the adjustments we absolutely must make as EU-members, which is, – as it is known – of primary importance from the point of view of EU convergence requirements. In this context, it is worth looking among the indices and pulling out the evaluation published annually by the Swiss Institute for Management Development in its World Competitiveness Yearbook. The institute bases its grades on the business environment and infrastructural development indicators, while including the components of nominal convergence (inflation, public finance budget balance, national debt) and real convergence (per capita GDP, wages, prices).
Another concept that deserves attention, as expressed for instance by Károly Fazekas in his opinion of the article dated September 19, 2005, that implicit use of the concept of competitiveness leads to a very broad interpretation while using and giving priority to a more limited interpretation should be considered. Therefore, instead of the concept of competitiveness as expanded to cover national economies and social systems, it might be possible to use expressions such as “ability to develop” or “ability to attain sustainable growth.”
- 7 These factors include history, traditional features and the power of social cohesion, as well as society’s general willingness to accept the new, its “tolerance,” and its ability to adjust and its sensitivity to preserve value. Other features are the effectiveness/cooperation of politics, culture, and management (the governing and professional conditions of public administration stemming from the system of institutions), global competition, the effects of the operation and integration of the world economy, and that of international organizations.
- 8 *A politician is moved simultaneously by the political philosophy and worldview he or she espouses, the interests of the group or stratum represented, and his or her own interests vis-à-vis power (often financially based). This is why he or she cannot view any rule or action of a newborn nation with indifference. He or she will try to intervene and influence the course of events, whether in office or opposition.* See János Kornai, “*What Countries on the Road to Post-socialist Transformation can Learn from the Transition up to This Point,*” [in Hungarian] in “Közgazdasági Szemle” 10 [in Hungarian] (2004): p. 903.
- 9 See “*Rethinking the Role of the State Based on the New Public Management Concept,*” [in Hungarian] in Summary Study, Management Summary – Manuscript [in Hungarian] (Budapest: Prime Minister’s Office 2003): p. 2.
- 10 György Matolcsy, “*American Empire.*” [in Hungarian] (Budapest: Válasz Publishers, 2004): p. 198.
- 11 The author has focused on this set of problems in chapter 8.1 of his publication entitled “*Financial Controls in a Changing Force Field.*” [in Hungarian] In part, I am keeping to the chain of thought included in the book, published in 2003, but partially, I have added new thoughts and compared my own opinion – my hopes – with earlier ideas. (Perfekt, 2003).
- 12 This latter description comes from Ágnes Heller. See Ágnes Heller, “*What is Modernness?*” [in Hungarian] in “Mindentudás Egyeteme” 4 [in Hungarian] (Budapest: Kossuth Publishers, 2005). While the former corresponds to the views of János Kornai. *The “major”*

- systems are distinguished from one another by three main characteristics: 1) the political structure and the related dominant political ideology, 2) ownership relations, and 3) the coordination mechanisms (the relative volume of market coordination, bureaucratic coordination and other mechanisms). The order they were placed in is not arbitrary for it reflects their order of importance as the three main components determining social systems. Once these three characteristics are given, they will determine the other, also important characteristics of the system: the regularity of behavior, long-term power relations on the market, etc. Kornai also points out “there are many types of capitalism. In one, the state plays a more important role, while in another, its role is less important. In one, the inequalities in the distribution of power, rights, property and income are greater; in the other, they are smaller. In one, incentives for technical development are stronger, while in another; they are weaker and so on. The real issue is not whether the change in political regime has been completed, but the type of concrete manifestation of the new system towards which the transformation flows are moving. Connected to this is the question of norms: in what direction would we like to move. And at this point we have come to a value judgement.” See János Kornai, “With the Power of Thought - An Irregular Autobiography.” [in Hungarian] (Budapest: Osiris Publishers, 2005): pp. 388 & 390.
- 13 Choice of values may be conceived as one dimension of econo-political decisions. Here, choice is not based on optimization or on establishment of an order of effectiveness as opposed to defining the field of econo-political range of motion (resource allocation, macro-level demand, regulation). See Antal, László Antal, “The Economic Policy of the 1990’s,” [in Hungarian] in *Chapters on Economic Policy*. [in Hungarian] Ed: József Veress (Budapest: Aula Publishers, 2004): p. 183 & 185.
 - 14 Unfavorable trends in the demographic age pyramid are a serious and growing problem not only in Hungary, but in almost all members of the EU, and in many advanced OECD countries as well. The real problem everywhere is not so much the decline in population as the aging of the population. Consequences manifest not only in chances for innovation, labor market problems, the ratio of economically active to inactive strata, and in related effects, but also in the political decision-making mechanism. Political forces wanting to count on the votes of senior citizens have to consider this when choosing their values.
 - 15 Henri Lapage, Institute Euro 92, “Un Scenario Socio-Economique Liberal a l’Horizon du 21-ème Siècle.” (OECD Forum for the Future, December 1996).
 - 16 For details, see Gusztáv Báger, “Three Possible Economic Policy Responses to the Challenges of Globalization” [in Hungarian] in Paper on Habilitation [in Hungarian] (Budapest, 2000).
 - 17 It is important for the efficiency of services to offset the narrowing of the supply system; that people dismissed from the public sector not become jobless, but be able to find work in a booming real economy. They must not consider the transformation of management, control, and administrative systems as something destined to destroy their personal existence and families from which there is no escape.
 - 18 Robert C. Lawrence and John F. Kennedy, School of Governance at Harvard University, “Current Economic Policies - Social Implications over the Long Term.” (OECD Forum for the Future, December 1996).
 - 19 László Szamuely says: “The sector called “welfare” for the sake of simplicity is one of the biggest employers of the post-industrial economy ... and ... the “welfare sector” financed by the state, for the most part, works to stabilize business overall, because its activity is only indirectly connected to market forces which exert far less of an influence on it. Its appearance marked the birth of a built-in stabilizer as was recommended by Keynes during the economic crisis of the 1930’s. The advanced industrialized countries, for the most part, have the “welfare sector” to thank for the mildness of recessions in the past quarter century.” See László Szamuely, “The “Dying” Welfare State in the 1990’s,” [in Hungarian] in “Közgazdasági Szemle” 51/10 [in Hungarian] (2004): pp. 948 & 967-969.
 - 20 Important building blocks in designing the alternative strategies, some of which were suggested by Dennis J. Snower, can be as follows: the introduction of support invoices to which the government also contributes in the lower income categories and a benefit transfer program to reduce regional unemployment. See Dennis J. Snower, University of London, “Challenges to Social Cohesion and Approaches to Policy Reform.” (OECD Forum for the Future, December 1996). Clam Offe believes that the social contract has lost a great deal of its organizational significance as a force of both production and distribution. He argues that there is a dual system of norms, a “left” management of demand and a “right” management of supply. Clam Offe, Humboldt University, Berlin, “Toward a New Equilibrium of Citizens’ Rights and Economic Resources?” (OECD Forum for the Future, December 1996).
 - 21 According to a study by the State Audit Office (ÁSZ): “The growth and innovation capacity of a country depends not only on its research and development sector and its “knowledge industry.” It also depends on its ability to absorb, apply, and disseminate the output of that knowledge industry and of new technological processes, as well as on the intensity of the demands made on the knowledge industry. For a country in the phase of economic gap-reduction, increasing the mechanisms and system of institutions for the dissemination of knowledge and the absorption capacity are of key importance in the productivity race involving continents, regions, and countries.” Gusztáv Báger, István Goldperger, György Varga, “From Research to Innovation - The Situation of R+D and Several Effectiveness and Financing Interactions in

- Hungary.*" [in Hungarian] Ed: Gusztáv Báger (ÁSZ FEMI, 2005).
- 22 These factors, taken together, may suggest a need to re-design the constitution as happened in neighboring Austria. The chairman of the auditing office was called upon to coordinate the elaboration of the concept and once his term of appointment was concluded (in 2004) this activity became his main pursuit. The goal was to establish an *affordable* constitution. The concept was submitted in Hungary at the beginning of the year.
 - 23 In the countries that changed political regimes, the erosion of the social insurance benefits offered by the paternalist state triggered particularly painful social disillusionment. This was due to the high level of welfare benefits defined in the modern - western - sense did not exist in any country of the region (meaning that there was no and is no reserve). In fact, society was (is) really hoping that the change in economic system will bring about the building of a social market economy. Gusztáv Báger, Árpád Kovács, *"Privatization in Hungary."* (ÁSZ FEMI, 2004).
 - 24 László Szamuely draws some very interesting comparisons in the study already mentioned. He shows that expenditure for education, healthcare, and other factors tend to take up a growing portion of the GDP in the developed world, generally amounting to about 30 percent. He demonstrates that, based on OECD statistics, there has been no decline in the welfare state in the past 20 or even the past 10 years. This argument is supported by majority attitudes, as well as by statistics. According to the author, the role of the welfare state will increase in the decades to come. It will occur partly for demographic reasons which push up the costs of healthcare and welfare, and partly because science is becoming one of the most important production factors, boosting the role of the state in education and training. See László Szamuely, *"The 'Dying' Welfare State in the 1990's,"* [in Hungarian] in "Közgazdasági Szemle" 51/10 [in Hungarian] (2004): pp. 967-969.
 - 25 In 2000, the Council of Europe initiated a program that became known as the Lisbon process. The strategic goal is for the EU to become the most competitive knowledge-based economy in the World by 2010. In 2002, the Council specified that the way to do this was to push up R&D expenditure to 3 percent of GDP, in such a way that two-thirds comes from the business sector. In February of 2005 the EU Commission evaluated the by then five-year-old process, by saying that, *"Europe will have to Renew its Concentration to Charge the Engine of an Economy that has been Performing in a Lackluster Manner."* Statement by J. M. Barroso in Financial Times (February 18, 2005).
 - 26 Tamás Mészáros stated his opinion on a draft of this article in a letter dated September 13, 2005.
 - 27 Factors can include ideological or political convictions and/or rhetorical attitudes, which restrict movement, or even considerations based on age and experience.
 - 28 Factors can include personal and group relations, the economy and/or the state, scientific life or the private sector and the international and domestic participants it is linked to, including relationship with members of the opposition.
 - 29 Tamás Szentés, *"The Problems of National Development in an era of Accelerated Globalization and regional Integration,"* [in Hungarian] in "Fejlesztés és Finanszírozás" 2 [in Hungarian] (2005): p. 31.
 - 30 This is also related to the fact that a growing business sector tends to base its businesses on reaching the market of central and local government orders, using the abilities of the businesses to exert a political influence and to network. To promote its business, the sector counts on expanding markets and thus it exerts political pressure and uses its networking capital to modulate the market flows connected to the social supply systems and public expenditure. It is worth thinking about these issues when discussing the number of public employees or determining the size and the location of the headquarters of businesses that get such orders, and the profile of the profit rate in the area when compared to other parts of the business sector, etc.
 - 31 See as cited letter above.
 - 32 István Hetényi, *"Public Finance Flows in the Early 1990's,"* [in Hungarian] in "Közgazdasági Szemle" 5 (1994). Ákos Bod Péter, *"Changes in Color Following the Hungarian Regime Change. Friendly Discourse on Present and Future,"* [in Hungarian] in "Valóság" 40/6 [in Hungarian] (1997). Béla Kádár, *"Hungary, How do We Stand? Prior to the Change in Administration,"* [in Hungarian] in "Figyelő" 41/29 [in Hungarian] (1997). László Csaba, *"Counterpoint - A Decade Since the Hungarian and Russian Regime Changes,"* [in Hungarian] in "Külpolitika" 6/1-2. [in Hungarian] (2000). László Akar, *"Thoughts on the Budget,"* [in Hungarian] in "Bank & Tőzsde" 10/16 [in Hungarian] (2002).
 - 33 See the written lecture by György Surányi, *"Financial Summit: The Bokros-Package, Now Ten Years Old,"* [in Hungarian] in "Bank & Tőzsde" 3-4 [in Hungarian] (2005): Appendix.
 - 34 The imagined system suggesting huge opportunities for economic growth in the USA based on, what was briefly called an electronic revolution, triggering a "new economy."
 - 35 An attempt was made to cut taxes and contributions on employment (to boost employment and the ratio of economically active persons) and at the same time to increase expenditure to improve the lot of the elderly and other population strata that relied on pension-like benefits. The two together only would have been possible without upsetting economic balance and public

- finances on long-term if efficiency and productivity were improved significantly.
- 36 Analysts say that, for instance, the socioeconomic affects of the wage measures introduced in 2002, 2003 were quite modest, and that this was partly because phasing and the performance requirements were ignored.
 - 37 Lajos Bokros, "130 Points: Outline of the Econo-political Turnaround and Structural Reforms Essential for Hungary if it is to Close the Gap with the EU," [in Hungarian] in "Élet és Irodalom" 47/51-52 [in Hungarian] (2003): Appendix.
 - 38 From the point of view of a scenario with these features, not only the countries that recently underwent regime changes are in peculiar positions, but also the European Union. Historically speaking, the model of the "social market economy" and the "welfare state" evolved during the era of peaceful coexistence as satisfactory model. However, even the most advanced countries in Europe have doubts now about whether they can finance it, unless they can come forward with more competitive, knowledge-based economies and manage to both increase employment and accelerate economic growth to benefit social cohesion and the environment. We all know that the Lisbon process and the Partnership for Growth and Employment were initiated and are now underway for this end.
 - 39 See Péter Szigeti, "Globalization and Nation-State Governance," [in Hungarian] in "Stratégia Füzetek" 13 [in Hungarian] (Budapest: Prime Minister's Office, Center for Strategic Analysis, 2003): p. 74.
 - 40 Elemér Terták's written comments on the manuscript of an article by the director of the EU Commission. (Letter, September 8, 2005).
 - 41 Springer-Verlag, "Challenging Neighbors: Rethinking German and Dutch Economic Institutions." (Central Planning Bureau, 1997).
 - 42 *State (financial) monitoring* plays an important role in implementing all of the above, particularly in Central and Eastern Europe, where exercising the rights included in existing legislation is particularly weak. For that reason, this function should not simply be interpreted as something within government management, but should also be treated as an autonomous mechanism operating alongside government management and closely related to it.
 - 43 By helping with the self-sustaining processes, the rules play an important role in facilitating economic transactions. A self-sustaining process resting on mutual understanding and goodwill is a very important quality factor, often manifest in lower costs. Joint values and norms further reinforce confidence in civic society, too, as the third partner within the state, whose members seek responses to problems resolvable by community decisions reached by cooperation between each other.
 - 44 This affects the economy. Although for some time there were major illusions regarding the economic power of the small- and medium-size companies, in the past three years the dual structure of the Hungarian economy has continued to open wider, meaning that the big companies have become bigger, while the market share of small and medium-size companies has declined. See Ákos Bod Péter, "When the State Spends Money," [in Hungarian] in "Bank & Tőzsde" 3/4 (2005): Appendix.
 - 45 This is the model used by the State Audit Office when elaborating its medium term development strategy. The organization is treated as a separate factor that generates change, which is independent of government leadership.
 - 46 The tasks of public administration are defined by three major factors which - in line with *István Bibó* - can be described as follows if we want to be a bit symbolic: *Power, Office, and Life*. These concepts are not meant to describe social organizations or groups, but rather, to portray different modes of behavior. For the concept of power, public administration is just a tool that serves its purpose. For people who live and think within the professional organization system, public administration is primarily a profession. Life wants to see its own world and the conditions and framework for self-fulfillment within public administration. Collected works of István Bibó, "On Hungarian Public Administration in Manuscript Fragment" 1946 [in Hungarian] (Bern: European Protestant Open University, 1981).
 - 47 There can be no rigid demarcation in government or even in local government, between a salaried manager who works in public administration, even at the very top, and the business leader who also undertakes a public function. One might say that government operates better and more effectively, if it is not managed by mediators, career bureaucrats, people who work at politics to make a living, but by people who became what they are through their own talents and resources. If, however, the teams operating in alternating political economies - another global phenomenon - do not sufficiently consider the interest relations of the participants who define the economy, the latter will eventually appear in the political arena and may even become a "third" power.
 - 48 At this time, financial auditing is not only the "built-in stabilizer" for the operation of the network of budget-sponsored institutions. Most recently, it has also become the guarantee for the regulated and effective cooperation of the public sector and the private ventures affected by the business relations generated by the public sector. It is neither one-sided nor an exaggeration to say that if these institutions operate appropriately, they become unique guarantees of the security of the state organization.
 - 49 The accountability of the public finance budget means that it becomes possible to identify the actions of pub-

lic participants and call them to account. Transparency means that reliable, relevant, and current information on government activity becomes accessible to public opinion. Transparency makes it possible for interested parties - taxpayers and businesses - to see through government tasks and structures, including political intents and financial and economic undertakings. This is one condition for making people accountable for their decisions and actions. Within the concept of accountability, we generally distinguish between vertical and horizontal accountability. Vertical accountability refers to the pyramidal structure of the government and really means (internal) accounting by the upper levels for actions taken at the lower ones. Horizontal accounting (social) refers to the accountability of the cabinet and the legislature towards public opinion.

- 50 "Revised Draft Manual on Fiscal Transparency." (Washington, D.C.: IMF, 1999).
- 51 This means that it would be necessary to see the EU's authorities and responsibilities in accounting, for instance, in an official gazette. The same issue has come up on national, regional, and local level as well. The Nice Summit supported the idea of establishing and publishing a catalogue of competencies that would in part promote transparency. See, Ferenc Miszlivetz, "New Sovereign is Born - a European Construct." [in Hungarian] (Szombathely: Savaria University, 2005): p. 67.
- 52 This shows features that are similar to the concept that a planned market economy relies on comprehensive fiscal plans is not utopia, but a not-too-distant reality. See László Antal, "Can Sustainable Growth be Maintained?" [in Hungarian] (Budapest: "Közgazdasági Szemle Alapítvány" [in Hungarian], 2004): p. 397.
- 53 The New Public Management concept, already used as reference, says that all public administration and supply tasks and functions should be put to what it calls a "prior option" test. The essence of this is to ask whether the given task is necessary and if so, who undertakes the responsibility for it, who needs to satisfy its terms, and within what form of organization. I would note that István Csillag, who at one time was concerned with renewing the budget system, had asked similar questions. It is hardly an accident that he asks the same thing in his 2005 report to the Hungarian European Business Council. See István Csillag, "Budget Coordination Science and Budget Operation Economics." [in Hungarian] (Budapest: "Pénzügykutató Rt." [in Hungarian], 2001): p. 25. Also, see "Road to the Euro" [in Hungarian] (Budapest: Hungarian European Business Council (MEÜT), 2005): p. 41.
- 54 The significance and diversity of the question and the "traditions" of related debates can be sensed if we look at a volume of studies published several decades ago. In this, the authors (Éva Erlich and Gábor Révész), in their recommendations to the Hungarian government, consider it necessary to separately note that "the constitution and the laws enacted on its basis ... set the tasks of the state and the various professional organs within the state to influence the macro economy, and ensure equilibrium and the general advance of the infrastructure..." See Éva Erlich, Gábor Révész, Péter Tamási, "Central Eastern Europe: From Where to Where?" [in Hungarian] (Budapest: Akadémia Publishers, 1994): p. 159.
- 55 Hungary is not alone in that the definition of a state task is not specified in any law or other legal material on the operation of public finances. They do not tell us where the tasks begin or where they end, or why government financing has been pegged to a given task or benefit or why it is the size that it is. There are many nations that operate quite smoothly (UK, Israel) without itemized rules, for centuries of democratic common law has polished them or objective existence has controlled them. In Hungary, we have a different situation. The state organization was constructed along German-Austrian lines, after the country reached a compromise agreement with the Habsburg Empire in 1867, allowing it a measure of autonomy. A change here would be a watershed in that it would put an end to a point of departure currently used in planning and spoken of in budgetary circles. It is said in these circles with a justified level of cynicism that the decision itself is sufficient and the decision will "make" the money come about. In other words, if 50% + 1 vote in parliament says it is a state task, then that's what is becomes!
- 56 Jókai, Mór's Address to the House of Representatives on the Budget. From the session of February 26, 1880. (Budapest: ATHENEUM & Co. Book Publishers, 1880): pp. 20 and 25.