One Book – Three Reviews

”Can Sustainable Growth be Maintained?”

Experiences of Economies in Transition **By László Antal**
Economic Review Foundation; Budapest, 2004

Review by ISTVÁN HETÉNYI

László Antal is a habitual reformer. He dedicated (wasted) half of his life advising on economic policy issues. After getting through numerous difficulties, he continues – sometimes on the field, sometimes on the sideline and sometimes from the distance. His analytical and advising articles are always to the point, and only as passionate as required by the given cause. When he finds econo-political challenges and answers to these are chaotic enough; he tries to set things straight; first in his own head then in others' as well, by writing a lengthy book. That is how his new book was born 14 years after the regime change.

Even the title of the book is descriptive: Can Sustainable Growth be Maintained? The book is a scientific analysis of the new (?) paradigm of sustainable (by maiden name: permanent) growth, based on a wide-range of bibliography – first of all, *Tibor Erdős*'s theoretic work[1] of a similar subject. The title of the book refers to the evergreen dilemma of economic policy, emphasizing that practical attitude is what really matters.

As a result, the reader gets actually two books in one: one about the operations concept (theory + application) and challenges of sustainable growth, and another about the economic history of the one and a half decade during the regime change in Hungary, focusing on the questions of growth.

The main purpose of this review is to make readers interested in reading the book. Therefore, I introduce a short content of the book by taking due care not to give such a complete picture that the reader might think it is not necessary to read it anymore. At the same time, being a reviewer myself who has been sneaking around economic policy for several decades, I cannot avoid evaluating the work as well.

The book consists of five parts. The first part explains the definition and significance of sustainable growth. The second part analyzes the performance – growth, balance relations – of post-socialist countries. After this, the author summarizes the "equation-structure" of sustainable growth and then discusses the role of institutions with utmost attention. The book concludes with an admission and recommendations that prove the author's constructive intentions.

In Part One the author defines the *concept* of sustainable growth by a narrow interpretation of the definitions of fiscal sustainability, sustainable growth, and sustainable development that are frequently applied in international literature. He focuses on the balance of the economy, as in his opinion, this is required in order to manage the new paradigm and seize *economic* analysis. Interpretation of sustainable *growth* is the closest to fiscal sustainability and is related to the state's involvement in financial matters. The author finds – implicitly – the broad definition of sustainable *development* too obscure, because it extends to the less explored fields of ecology and social development. The author would like to stand on firm ground; therefore, he highlights the operational, measurable aspects of economic policy. Actually, during the second half of the twentieth century – after the dethronement of gold, crisis and wars, mass independence of underdeveloped countries, and the establishment of "the two World orders" – most states often followed an overwhelmingly ambitious growth policy, of which, drawbacks gradually became clearer. In addition, globalization created new limits to economic policy aimed directly at economic growth.

Presumably, the spreading of democracy played an important part in the prominence of growth policy, since it encouraged governments – as a side-effect of frequent parliamentary elections – to base their aspiration of power on fast growth, and its alleged counterpart of increasing prosperity. Election-time economic policies did not only incite growth competition, but also hindered – in the opinion of many experts – required reforms to address the changing environment (technology, World economy, demographics). Usually, – except in extreme cases – voters prefer alleged stability to more rapid changes and promises for the future.

The author appropriately describes the political characteristics of sustainable growth in a narrow interpretation when he emphasizes that this is a medium-term, macro-level decision, and that governments must confront their ambitious social objectives with the reality of their constrained opportunities that is often accompanied by diminishing growth. During this process, there is significant temptation to go too far – due to intentions of catching up, and creating a new society – based on certain theories that overestimate the state's involvement and – at last, but not least – due to unreasonable expectations by the voters.

Of course, those definitions chosen by the author that can be used exactly as they are, such as definitions that spotlight finances, can be subject to criticism as they do not have a PR value for politicians. László Antal is fully aware of this, he even lists these self-explanatory definitions as: unsophisticated theory of growth; complicated methodology; not "long enough term;" uncertainty of potential growth and trend valuation; no clear separation from cycle management in occasion; different evaluation of the starting point that could result in uncertainties, etc. He puts less emphasis on the thesis of communal-choice theory, according to which, sometimes governments do not even strive for sustainability and strengthening of stability as they more focus on the element of power. Despite of this, the author believes that uncertainties and limits do not affect his proclamation of handling this narrower, but well quantifiable view as a prominent question, opposed to the distorted short-term and uncertain long-term considerations. The fact that the author did not constrain himself to the narrow-minded policy on process-regulation is evidenced by his later arguments, for example, on the role of institutional policy. From the author's explanations, we can see his optimistic conviction that governments will act according to the principles of fiscal sustainability, if they are aware of them. The accuracy of this view remains to be decided by the reader.

Part Two covers about one-third of the book, where the author departs from the theoretical framework of definitions, (he returns to this subject in Part Three) and tries to introduce the decade of regime change in the Central Eastern European countries, relying on data supplied by them. By doing this, the author goes beyond the scope of sustainable growth and fiscal stability. However, for the reader it is clear that there is an objective reason for the existence of this part. This reason is the author's intention to find out how long the stormy period of crisis management and institutional structure policy will last outside of the framework of macro-economic policies, and when and how will the time of that macro-economic policy arrive that provides stable, permanent and sustainable growth.

This chapter has several merits. The first one is its concise form and richness of data. The second one is the wealth of literature used. The third, and for me the most agreeable aspect, is the approach of evaluation from many-angles. This shows that the author does not want to overwhelm the reader with insignificant declarations or collections of recipes.

It is inferable from the book, that the author considers the first-half of the nineties as the crisis-period of transformation, and the second-half as the beginning of dynamic catch-up with the Western-European economies. The second-half is characterized by an export-oriented economy, the inflow of operating capital from abroad, and on-going adoption of the European Union's achievements. Nevertheless, the transformation of the public sector – that primarily operates under political influence – and, especially, fiscal policy remains to be seen.

Before the objective introduction, the chapter primarily focuses on the results of macroeconomic indicators during the transformation and whether these express what is credited to them in more advanced economies. We can see that they hardly express anything before 1995. This is not only due to statistical deficiencies and distortions, but also to the fact that the significance of a deficit is different in a mature financial and credit system than in an immature one. The so-called, "under-the-line" items make the picture fuzzy and the size of state subsidies result in structural distortions. Probably these became clearer after 1995. The figures are more reliable on inflation-rate and the balance of international payments. However, even these figures have shown short-term distortions caused by the state.

The author also analyzes flawed macro-economic decisions made during the first few years of transformation. It is really difficult to explain why politicians qualified the economy as being bankrupt and a pile of garbage on one hand, and on the other hand, they envisioned a dynamic development after "a couple of difficult years." Indifferent to the logic, that might not make sense, it is a valid concern that an objective measure for assessing macro-economic processes during the crisis of the transformation was non-existent, not even mentioning the difficulties of estimating the GDP or growth potential.

The rich content of this chapter is demonstrated by the elaboration on – in addition to the description of macro-economic processes – the "philosophy" of crisis management, a heterodox approach to the "*Bokros*-package," and the state of household savings. It also refers to the importance of the financial sector that is discussed later on. At last, but not least, it describes the roles of multinational, small, and medium enterprises under the transformation of the corporate sector.

After all, the corporate sector was approaching European standards during the ten years of transformation. Internationalism has become powerful – as indicated by the fluctuation of GDP that followed the trend of the European economy. While the public sector has been only partially transformed (e.g., reform of pension regulation), and surrounded by controversy (municipalities etc.). The state financial policy – and perhaps the logic behind it – is election and power-driven and it stuck between comprehensive reforms, small steps, compromises, and political lobbies.

In Part Three the author leaves lively analyses to focus on *the "equation-structure" of sustainable economic growth*. Obviously, the reader expects to find detailed, dry quantitative models full of formulas. However, this expectation is only partially met. First, the author is uninterested in abstract growth-models. Second, what we receive here is an expert selection from the immensely complicated tangle of methodical bibliography that focuses on practical problems. – By the way, he does introduce some real complicated models as well. The main topics are: potential output, growth trends, sustainable fiscal policy, method of accounting by age-groups, and the relationship between sustainable growth and international balance of payments. Besides the aforementioned main topics, he also discusses competitiveness, exchange rates, and the *Balassa-Samuelson effect*. Thus, the chapter goes beyond the methodology of equation-structures, by stating that "it can be easily decided, based on common sense, whether the economic path is sustainable or not." Fortunately, the chapter extensively demonstrates from many angles that this can be true only if fiscal policy is considered in its narrowest sense. The value of the chapter is that it demonstrates the fact that this problem is incomparably more complex for an economic politician. Labor aspects are not fully satisfied within the ideologies of NAIRU; and not only equation-structures matter in respect of sustainable growth, but also the rate of growth. In fact, growth-rate is often politically more important then the requirement of sustainability. The author provides extensive information on the difficulties and uncertainties of potential output and the output gap, including the structural deficit of public finances. Currency appreciation and depreciation also receives a significant scope, which is demonstrated by the large volume of data. The extensive amount of information does not allow much to remain. Perhaps such remainder would be the not drastic enough separation of potential GDP and (trend of) growth potential, supply and demand shocks, or the negligence of automatic fiscal stabilizers. The latter issues do not seem to be part of the scope of sustainable growth, but any economic politician facing growth related questions knows that these are more or less recurring disturbing factors. Their misjudgment can bring about the failure of a consistent policy, which is recently evidenced by the "new economy" and its bubbles, or the separation of cyclical and structural problems in Europe in recent years (i.e., the problems with answers to challenges.)

Part Four discusses the relationship between sustainable growth and *institutions*. Western literature primarily focuses on fiscal sustainability when discussing sustainable growth, and consequently, it most often examines the tax system and welfare expenses from institutional issues. However, it is understandable that in the drift of one and a half decade of regime change, the author gives greater importance to institutional factors, which are more often addressed in connection with sustainable *development* in the West.

The chapter starts with the introduction of globalization and its evaluation, and discusses the changing tasks, opportunities and difficulties of the state from this perspective. The author continues to analyze the roles of the state by showing and justifying the changes of redistribution in Europe. Finally, an insertion (written by *Katalin Mérő*) shows how tight is the relationship between growth and the depth of the financial sector. According to the author, deepening the financial sector is one of the conditions and effective means of dynamic growth.

Part Five bears the modest title of "In Conclusion." The author's three decades of practical experience enables him to provide conclusions and recommendations. The first recommendation is about establishing the practice and ranking of medium-term macro-economic and financial planning. The rest of the chapter describes the process of destabilization between 2000 and 2003, and then draws some conclusions. He emphasizes the structural problems of the budget, the necessity of harmonizing monetary and fiscal policies, and the role of the stability of economic policy in creating international confidence. He finally recommends a policy aimed at increasing the investment rate. He expects a positive effect from the increasing experience of economic politicians and the disciplinary measures of the European Union that accord priority to sustainability.

The extensive database provided in the appendix and the publisher's good work resulted in a nice typographic publication, which also deserve appraisal.

In conclusion, we receive a valuable study analyzing one of the most exciting issues of today's economic policy in accordance with the author's temperament as being "a hundred-percent activist" *(Kornai)*. It is possible that some academic economists will not find this book elegantly theoretical. But my answer to such criticism is that, first of all, they need to read this book in conjunction with Tibor Erdős' theoretical work of "Sustainable Economic Growth;" and second, not to forget that this approach could attract a much larger audience.

Review by PÉTER ÁKOS BOD

László Antal's dissertation and subsequent publication of his book is an important event for those interested in Hungarian economic policy. In view of the author's career, it is justified to expect to read a critically analyzing or analytically criticizing opinion on economic policy, and primarily, on present-day matters of budgetary financial policy. Through this publication, we will understand the "mature Antal's" view of the recent past. I hope that he will not take it personal, but those experts of economic theory and economic policy over a certain age can remember the important messages of László Antal, who is considered a representative of the reform-economists generation in Hungary since the nineteen-seventies. Well, today in a different time, perhaps being farther removed from direct political and econo-political influence, and in possession of the lessons learned during the past decades, the author could provide a perception after the fact.

If this is what the reader expects, he/she will receive plenty of information not only on the topic referenced in the title of the book, but on numerous related economic issues as well. At the same time, László Antal attempts to avoid any side-tracking to discuss personal aspects and self-reflections. This makes the book somewhat "dryer", and more academic than what might be expected by those readers who are familiar with the author's previous work. By avoiding direct points of polemics, the author has deliberately narrowed down the scope of potential subjects for debate that would be otherwise suggested by the selected topic.

However, there are enough topics remaining for debate, as László Antal undertakes not less than summarizing the following extensive topics in one book: What are the financial balance-limits of national economic growth?; Under what kind of external (financial) conditions has economic transformation taken place in Central Eastern European countries and in Hungary?; Which international institutions and market players determine the balance limits, index figures and remainders of economic growth, and in what way do these indicators affect econo-political actions? Or as the author describes it: how the standardized, accepted analytical instruments, criteria, and rules of thumb of financial stability will become adequate for "econo-political mass consumption"? When thinking about the European Union's Stability and Growth Pact (still valid) or the preceding GMU-criteria of Maastricht, it is clear what the author means by unspecified "mass consumption." He means that even those newspaper readers, who are unfamiliar with the nuances of economic policy, know that the annual deficit of public finances (calculated in one way or another) must/should not exceed 3 percent of the gross national product or that national debts (calculated in one way or another) must not be higher than 60 percent of the GDP. In Chapter Three of the book, there is a thorough examination of macroeconomic relations of financially sustainable economic growth, which include the possibilities of financing the balance of current-account payments, the nature of inflation and deflation processes, and the budgetary political prerequisites of sustainability.

Antal is right in having analyzed and commented on the econo-political events of the past 10-15 years in Hungary, commenting on similar (or somewhat different) experiences of fellow nations. This is the subject of Chapter Two, and obviously this is the topic that results in most of the debates. I note that even though the author seldom speaks directly to the reader, when he does, his remarks are always interesting and thought provoking. In Chapter One, he writes the following as subject limits of his book: *"My original plan was to discuss the issue of institutional changes only in general, avoiding the detailed examination of the transformation of the institutional system. Moreover, I am not attempting to perform an international comparison in this respect. Eventually, institutional matters received a significantly larger extent of scope than I intended to grant them. It is impossible to appropriately separate issues of quantitative adaptation and institutions."* (Page 54) Accordingly, Chapter Four deals with the state's role and its significance, the range of possible actions by a nation-state within a globalized world, and other associated institutional questions. This part includes an interesting and thorough analysis by *Katalin Mérő* on the relationship between economic growth and financial depth.

As a reviewer, I took notice of and welcomed the analysis of institutional aspects in the required extent, because – although this book does not present the once popular debate of *shock therapy versus gradualism* from the topic of return ("transition") to market-economy – there has been an influential school of thought, according to which transitory countries should and can quicker overcome the crisis of regime change, if they enforce well-set macroeconomic indicators as soon as possible. According to a different school of thought, which is considered more "gradual," the transition (return) to market-economy implied a change of social institutions, assuming changes in norms and customs; while institutional changes (e.g., establishment of a system of Courts of Registration and Land Offices for the protection of proprietary rights) required appropriate timing. Such institutional changes include the use of money, establishment (restoration) of banks and the stock exchange, wide-acceptance of the use of money and the financial culture; and as a consequence, financial deepening. As the author of this review, being an economist myself, I feel closest to the school of thought on institutionalism. As an active economic politician, I have been qualified by (not always objective) Hungarian commentators as a member of the Gradual School of thought; therefore, I have read Chapter Four on the institutions of economic growth and development with special interests. In addition, this part mentions a lot of interesting examples on naturally disputable econo-political, econo-theoretical, and political issues. These are, for example, the so-called crisis of the Swedish welfare-model, the constantly changing meaning of the "chance-giving" state, and the relationship between global economy and a state that is organized on the principle of national sovereignty.

The final Chapter, Five, concludes with lessons learned and comments on the most recent phase of the financial imbalance in Hungary. At about the same period of time when the book was completed, today's financial imbalance worsened with a surprising intensity. The sole existence of this phenomenon contradicts the underlying hypothesis of the book. Specifically, that after great turbulences of the transformation period, – in other words – under "normal conditions" the macro-financial balance requirements of stability appreciate. *"In keeping financial discipline, international agreements play a part of in-*

creasing significance, such as supranational decisions (particularly by the European Union and the World Trade Organization) and statements of the International Monetary Fund that serve as a compass at the international capital market." (Page 21) If this is true, and it is obviously true, that the above listed institutions – by the way, besides the EU the OECD has more decision power in respect to macroeconomic matters then the WTO – attach such great importance to the indicators of the balance of public finances, balanced exchange rates, moderate balance of payment position, when they are supervising ex-socialist countries, then the fiscal imbalance that started in 2001, became more serious in 2002 and has not yet improved in Hungary is really surprising.

In a short paragraph László Antal turns to the reader as follows: *"When I started to write, I had a strong opinion that it is very difficult to get out of a transformation crisis, stabilize the economy and switch over to the track of sustainable growth. However, when this is accomplished, an extreme shock would be needed to affect the economy in order for it to leave its track once again. I supposed that the direct experience of the dramatic crisis was a not-easily forgettable lesson learned by convalescent Eastern-European economies. I was wrong, the memory of the crisis was forgotten in a surprisingly short period of time and it was replaced by a strong belief in rapidly closing-the-gap and the miraculous will-power of economic policy."* (Page 43) Among Hungarians, there are quite evident political explanations for the development of the record-breaking 2002 budget deficit. For a more general examination of the issue, a regional survey will be helpful. By mentioning the recession in the Czech Republic in 1997 and the weakening of the Polish economy during the same period of time, the author refers to the fact that secondary or ensuing crisis seem to be possible. In fact, as he shows elsewhere, secondary imbalances took place in various degrees almost everywhere, perhaps except for Slovenia.

Without intending to give a simple answer to questions about economic behavior that is different from the author's hypothesis, it is worth to cite two conditions to contrast findings considered by the author as being evident. One of them is related to the characteristics of the first phase of Hungarian transition. Most Hungarian professionals in the field seem to agree with the opinion that, contrary to the Polish and (maybe) the Czech cases; a more cautious and gradual economic policy was typical in Hungary during the first period, after 1990. In fact, the Antall-government was characterized by delays and postponements that later on led to an opportunity for the development of the fiscal crisis. However, a comparative analysis of countries in our region and national economic facts allow for a completely different interpretation. Namely, – not considering the specific case of East Germany – that the first phase of the economic regime change in Hungary was the most extensive, and most consistent in respect of the real economic structure and institutional transformation. This is well proven by the rapid transformation of the production, employment, and ownership structure as well as the sudden increase of the unemployment rate after 1990. Based upon macro-financial indicators (inflation rate or budget deficit and the extent of redistribution), it is possible to argue beside our gradualness as compared to the rest of the Visegrád-countries. However, it only can be argued if we attribute the Czech and Polish economic recession, which took place at the end of the second-half of the 1990's, to individual factors and not to the consequence of the first-half of the decade. From the perspective of restructuring of the corporate sector, viability of the banking sector, severity of bankruptcy procedures, and absorption of foreign capital, the Hungarian take-off can be considered as "shock-like;" while the other cases mentioned above are rather "gradual." At least the Czech banking crisis and its real economic and growth consequences do allow such an interpretation.

The other related case is the judgment of the 1995 stabilization package. László Antal declared here and elsewhere that from econo-political actions serving sustainability, he can identify himself most of all with the *Bokros-package,* and he accepts the common evaluation that this action was the one that switched the Hungarian economy over to the track of economic balance. In the preface of the book, he mentions his participation in elaborating the 1995 stabilization program as an important part of his practical econo-political career; therefore, it is expected that he uses this program as a good example in the few direct references quoted. As he writes in connection with the government program: *"It is interesting that maybe the Bokros-package was the only concept that could truly be called a program, to the extent that it was a comprehensive and coherent idea, and in an exceptional way it did serve as a compass for macroeconomic decision-making."* (Footnote No. 37, Page 59) In fact, he must have attributed a revolutionary significance to this package, as it can be indirectly understood from another interesting footnote, which also refers to the enormous difficulties for him to recognize important trends: "*For example, I considered – in agreement with many other experts – the introduction of the new economic mechanism in 1968 as a renewal of the central-planned economy and realized the limits of such reforms only several years later, after much struggle. Similarly, responsible decision-makers at the beginning of the nineteen-nineties, till nineteen-ninetyfour, together with many researchers, were not aware of the fact that the economy is almost inevitably running towards a crisis, although in retrospect this is quite evident."* (Footnote No. 3, Page 10)

What is presented here as evidence is not evident for everyone. Here, I do not refer to his political-publicist reception in the past – and maybe even today – being between the extremes of total devotion ("I love Lajos") and possible deliberate evilness. However, on the anniversary of the 1995 stabilization package we heard a lecture that considered – with due regard to the structural changes that just begun at the time – the stabilization program premature or perhaps even unnecessary *(Tamás Mellár)*. Other analysts were led to somewhat deheroizing conclusions in respect to the depth, in particular, the sustainability of the correction. Certainly, the balance of foreign trade and payments data today – since they were corrected and revised by the National Bank of Hungary – show a different picture on the state of the 1994-1995 Hungarian economy and the processes of subsequent years; about which, due to its somewhat dramatic appearance, László Antal could also feel that we were rushing towards a crisis.

The author's emotional situation report is also interesting, because during the years preceding the stabilization package Hungary did go through a crisis. Perhaps, the extent of this crisis quite fits in with regional trends shown by the data in Chapter Two. According to this, the 1993 GDP data is the lowest – about 80 percent – when compared to the 1989 official GDP. At the same time, the lowest point for the Czechs showed 79 percent, the Slovenians 84 percent, and for the Ukrainians 61 percent. However, in order to analyze the real significance of this data, we should learn more about the difficulties of measuring national revenue. Despite of all, a recession of this extent is certainly a serious crisis during and as a result of which, it is impossible to maintain well-tailored financial ratios. Several financial indicators did reach intolerable values in Hungary around 1995 and a correction was then necessary. We could also see, however, that decision-makers of that time used arguments with the potentially dramatic characterization of the situation to make the decisions, and have them accepted by the population. In retrospect, Hungarian econo-political and political governors did not completely identify themselves with the feeling of "we are running to crisis." This is proven by the fact that today, under a similar coalition government, a macro-financial imbalance similar to that of the 1995 proportions could appear once again; but this time under "normal" conditions, without real economic or institutional crisis in the preceding years.

However, topics exposed above do not belong to the mainstream of László Antal's work, so much so that most of them appear only in footnotes. It might have been more valuable to discuss these explicitly, as I am certainly not the only one who considers these as important subjects for debate. I can also see other problems in the prominence. The concept giving title of the book is sustainable growth, but it much rather means – *sustainable development* has a similar meaning as well – coexistence with the natural environment and problems associated with natural resource management within the mainstream of economics and sociology, than the narrow financial interpretation of "sustainable growth" that is verbiage used primarily by the IMF. Of course, László Antal knows this well and yet the distinction is only expressed under Footnote 6 on Page 11. Ecological aspects are excluded from the analysis the attached criteria are considered as less exact than those of financial sustainability. (Pages 30-32) It is, of course, understandable that László Antal restrains his research to the financial balance, but the argument given for the exclusion of ecological sustainability – that it cannot be as exactly measured as the balance of the budget or payments – is just not convincing enough. Particularly, knowing that the rate of the annual budget deficit of a country could be by 2 percent higher or lower of the GDP, depending on the methodology used, as it is also argued by the author himself. (Footnote No. 19, Page 38)

However, let us get back to the underlying topic of the book. Do national and regional developments that are contradicting to the starting hypotheses of László Antal's book weaken his statements on the present importance of macro-financial planning or on the increasing econo-political weight of financial balance? Since the book begins with the – somewhat paradox, when first heard – statement that market economy is the right environment for planning (referring to fiscal planning in this case). By reading through the book and thinking on what they have read, the readers will conclude that the underlying base-thesis of the book is very appropriate. By financial deepening and participation in the international flow of financial means and capital, each ex-planned economy experiences that a government's real economic regulatory apparatus is fiscal and (if it remains) monetary policy. Institutions in control of these are the real possessors of public econo-political power, even if their scope of control over the apparatus is restricted via various indicators, ratios, factors and measurement points by the visible, and invisible hands of the international world of finance. Therefore, the indicators of financial sustainability do have to be included in the common interpretation of economic policy. Unfortunately, due to our present circumstances, it appears that decision-makers interpret national economic policy quite "voluntarily". Consequently, introducing and attaining acceptance for the concepts of the book is an important mission of Hungarian economics; acknowledgements are due to László Antal for publishing his work.

Review by ZOLTÁN TÖRÖK

László Antal, an outstanding figure of Hungarian economics for decades, published a remarkably up-to-date book in 2004 under the title "Can Sustainable Growth be Maintained?" It is an enjoyable, high quality reading providing plenty of information in the fields of both theoretical economic issues and the analysis of the econo-political history of the past one and a half decade that is not reduced to only the economics of transition. However, the author intends to tell more than that in his book. As an economist who feels at home in practical issues of elaborating on economic policy as well as in theoretical questions of macro-economics (in fact, he admits that he enjoys the most when he can take part in theoretical and practical activities simultaneously), Antal is looking for an answer on whether or not considerations had been given in Hungary to carry out a disciplined economic policy that ensures sustainable growth (and in other new EU member states that have a similar, successful economy in transition); in other words, whether sustainable growth can be maintained or not.

▫ In Chapter One ("Sustainable Growth: a Brand-new Paradigm or Just a Slogan? Hypotheses") the author exposes his assumption of sustainable growth being a nascent new paradigm, an accompanying phenomenon of changes in the nature of economic development (i.e. globalization and its results). The author focuses on the connections between sustainable growth and econo-political planning (or rather on economic policy of which the output is sustainable growth).

This is where he explains that *"institutional adaptation is not a result, but rather the cause of consistent rapid growth".* (Page 52) The definition of institutions is wide; it includes state organizations, rules, business organizations, and customs of social behavior. The ability of institutional adaptation can develop mainly as a result of necessity. (Page 53) Consequently, *"the pace of sustainable growth is primarily determined by the ability of institutions to adapt,"* or rather *"if the process of institutional adaptation is slow or hindered for some reason, the growth process will be broken and the previous path of development will immediately become unsustainable".* (Pages 53-54) Sustainable growth requires sustainable economic policy. (The author does not examine economic policy in general, only as an issue relevant to the topic discussed, such as *"the essence of economic policy is an activity of harmonizing revenues available at a given time with the major directions of utilization which is full-scale, continuous, practical, and which must be carried out under uncertain conditions".* (Page 66)

However, the author considers economic policy – relying on his obvious practical experience of several decades – as rather an organized drifting than a deliberate and foreseeing activity. According to László Antal, the recipe for sustainable growth is that economic policy becomes capable of adopting its drifting characteristics to external compulsion in accordance with the goals of sustainable growth. In this way, the criteria of sustainable growth become part of financial planning and econo-political practice of decision-making, which makes the deviation from this growth/path even more difficult. It is ironic (particularly for an economist who lived for decades in a central-planned economy) that genuinely efficient macro-planning develops under the conditions of market economy. Yet, this can be considered as the most important and irreversible transformation in the economy – paradigm change – of our time.

Chapter Two ("Performance and Balances as Reflected in Numbers of Countries in Transition that are Admitted by the European Union") contains a comparative analysis of economies in transition. This is one of the chapters that offers, best reading; László Antal introduces the long decade of the nineties with deep knowledge and detectable pleasure. These 130 pages are a brilliant example of his publications on the economy in transition that could even stand alone. It can provide new information even for those readers who are familiar with the issue and its novelty is exactly the central question of the selected topic, i.e. the presentation of transition from the perspective of sustainable growth. One of the corner stones of economic policy in the pursuit of sustainable growth is operation. The author sincerely admits this problem being an obstacle of analyzing (and comparative analysis of) transition: *"we must accept the fact that indicators of economies in transition do not necessarily mean the same as those in advanced market economies – that are implicitly used for comparison – and this naturally leads to different results originating from econo-political intervention that are the same or somewhat different…"* (Page 95)

The author divides the conditions of successful transition into the following three categories: prompt participation in the order of international division of labor; forms of behavior and rules enforcing financial discipline; moderate fiscal policy. László Antal demonstrates macro-economic connections reflected by the economic processes of the recent past in an ingenious way. (Pages 170-177)

Chapter Three ("The Equation-structures of Sustainable Growth") is a theoretic excursion back to the basics flavored with numerous practical case studies. After having drafted the requirements of sustainable growth he attempts to introduce the relationships between potential output, growth trend and output gap in a lengthy description of sustainable fiscal policy (explaining theories such as the system of accounting by age-groups) as well as the criteria of financeable external debts and the current deficit. The part dynamizing the equation-structures of sustainable growth (by an extensive analysis of the validity of the *Balassa-Samuelson effect*) is especially exciting. The author is exceptionally well prepared in theory and relies on a wealth of literature. This chapter obviously does not intend to carry out a self-contained theoretical analysis, rather a pragmatic attempt to take us closer to imagining the economic policy required for sustainable growth, specifically, to the equation-structures of sustainable growth. In other words, he is looking for the answer to whether the criteria of sustainable growth can be specified in such details that economic policy could rely on them. The issue of the constraints of statistical data application is mentioned here as well. (Pages 230-235) The author also asks such up-to-date questions as the rate of sustainable growth in Hungary, the necessity of cooperation between fiscal and monetary policy, the possibility of reducing inflation to a permanently low level, and the ideal schedule for introducing the euro.

Chapter Four ("Institutional System and Sustainable Growth") consists of two sub-chapters. The author demonstrates the adequate transformation of the institutional system under the conditions of globalization from the perspective of sustainable growth focusing on the areas of state role and the financial sector as a liaison. After all *"institutional adaptation is not a result or requirement of permanent rapid growth; it is its provoking factor."* (Page 306) Typical tendencies and not a specific institutional system is the subject of analysis. The author takes his time to examine globalization in which the limitation or relativization of the econo-political role of the state (Page 308) appears in conjunction with global convergence (Page 309) and the acceleration and globalization of capital flow. (Page 310) In his evaluation, globalization has made world economy sensitive to crises (a "crisis epidemic" has appeared for which he cited the Russian crisis as an example). It is true that even the author is cautious. This is due to the fact that periods of recession have shortened and they are less deep as a result of globalization.

The author is admittedly subjective when he emphasizes these two fields (transformation of the role of the state and financial depth).

Transformation of the role of the state, the inevitable reform of the model of a welfare state is demonstrated by citing appropriate examples (such as the transformation of the Swedish model) and the author goes as far as outlining a superficial draft of the chance-providing state.

Sub-chapter with the title "Economic Growth and Financial Deepening" is written by *Katalin Mérő*. Her assumption is that financial deepening is not the result or accompanying phenomenon of a relatively fast and stable growth; it is its cause. Consequently, diminishing of the economic lag and economic gap must imply a significant financial deepening. For example an economic policy intending to maintain growth must enhance financial deepening. The sub-chapter, is well-written, theoretically solid, well reasoned and correct, and makes use of the tools of practical analysis in line with the mentality of the whole book.

In Chapter Five, the last chapter, the author summarizes his opinion on economic policy based on macro-planning that is required for sustainable growth, and analyzes the derailment of the Hungarian economy from these tracks that started in 2001.

Sustainable growth is not only a subject of research in developed countries; it is also present in some form in the practice of macro-financial planning. The author is interested in whether or not the assumptions and considerations expressed in the concept of sustainable growth have an influence on macro-level (econo-political) decision-making, and if they do, than by what kind of mechanisms this takes place. His attention is focused on income processes, financial balance relations, inflation and evaluation of the financial problems of economic growth, and related monetary and fiscal questions; moreover, the recurring reasons for departing from the sustainable growth path and the common characteristics of financial crises. Sustainable growth is after all a collection of criteria and rules of thumb created for econo-political mass consumption – attempting not only to determine the desired directions of change or preferences, but also the critical measures. Planning of macro-level processes is the result of revolutionary changes that took place in the widely interpreted system of institutions – which is globalization. The major question of the book is whether sustainable growth has relevance in present day practice of decision-making in Hungary, in other words, whether considerations inciting a disciplined economic policy that ensures sustainable growth are enforced to some degree in Hungary (and in countries in a similar situation).

It is inevitable to homogenize data so that they become operational and comparable. The European Union's regulation for preparing economic statistics is very strict. Nevertheless, events of the recent past (loosening of Stability Pact requirements this year, subsequent revision of public finance deficit in Italy, Portugal and Greece, significant exceeding of the permitted budget deficit in France and Germany in recent years, continued damage to the transparency of Hungarian fiscal statements) suggest that the stipulated criteria might not be able to serve their purposes completely, while even those purposes are judged by the author – with good reason – as limited. Consequently, it can occur to a practicing economic analyst that the statements of the book idealize to some degree the practice of advanced countries carrying out a planned economic policy in the interest of sustainable growth. For example, the statement according to which *"it is almost impossible to deceive the ESA – European System of Accounts – transparency requirement,"* (Page 43) might be considered as somewhat exaggerated.

László Antal finished the book one and a half years ago, before Hungary's accession to the European Union. Consequently, we can find some conclusions or statements that have become obsolete by now, but these are, in my opinion, issues of minor significance in most cases (such as his skeptical opinion about the possibility of reducing the Hungarian inflation rate to 2-3 percent in a short time on Page 277). In practice, the task and possibilities of Hungarian monetary policy fall short of the requirements of both standard economics and those of the author, as – due to globalization – opportunities are much more limited than desired in the fields of interest transmission and exchange- rate management. In my opinion, it is not necessarily useful to spotlight financial deepening. Despite of Katalin Mérő's excellent analysis, and even in agreement with her conclusion, I think that there are such extensive structural obstacles of financial deepening in Hungary, due to which our lagging behind more advanced countries will be permanent, and thus the real extent of development will remain obscure. Partially I mean that our capital market has serious limitations of economies of scale – it is simply too expensive and uncertain for the great majority of companies to enter the stock-market; and partially that multinational companies with a significant presence in production mostly do not borrow from the banking sector, but rather from their parent companies. On the other hand, I mean that the author did not have an opportunity to analyze the residential credit expansion that took place just in recent years.

Possibly one of the most exciting questions is what the author thinks about derailment from the sustainable growth path in Hungary with regards to growth rates between 2001 and 2005 (and especially the drastic improvement in the growth structure in the last two years) and the well-known, not particularly disciplined economic policy.

It is impossible not to agree with László Antal's final conclusions. Hungarian economic policy has no alternative to active promotion of institutional transformation that would serve a sustainable growth path. There are existing external incentives (membership in the European Union and fulfillment of the strict requirements needed for the introduction of the euro in Hungary as soon as possible). Globalization requires long-term economic planning not only from companies, but national economic policy must also take steps in that direction. The sooner decision-makers recognize that budgetary operations (public institutions) must also be transformed, the more efficient sustainable growth will be, thus improving social welfare. This is what László Antal's book primarily serves.