

Economic Policy of Visegrad Countries
on the Way of European Integration

‘The Hungarian Case’
alias
From the TOP to the BOTTOM

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Tbilisi - Georgia



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- ❑ ***Introduction the country and the University of Miskolc***

- ❑ ***Lessons learnt from Hungary***
 - ❑ ***The Socialist heritage***
 - ❑ ***The mission***
 - ❑ ***90es – Crisis management and stabilization***
 - ❑ ***2000es – EU integration***

- ❑ ***Spatial and sectorial aspect of transformation***



Introduction of Hungary and the University of Miskolc

Current Hungary

- Small, mid-sized country in East Central Europe
- Land-locked, but rich in waters (rivers, lakes, thermal springs)
- Mainly flat (2/3 of the country)
- Budapest (metro area) vs. Countryside (Miskolc, 4th city)
- Population: ca. 9.9 Million (ranked 88th)
- Economy: ca. 197 Billion \$ PPP (ranked 54th)
- Development level:
 - GDPpc: ca. 22 000 \$ PPP (ranked 48th)
 - HDI: 0.831 (ranked 37th)



Introduction of Hungary and the University of Miskolc

Current Hungary





Introduction of Hungary and the University of Miskolc

University of Miskolc

- Founded in Selmecbánya (SK) in 1735
- 1919 – Sopron
- 1949 – Miskolc, Technical University
- 1990 – University of Miskolc



Number of students: 13 000

Number of Faculties: 7+1



Introduction of Hungary and the University of Miskolc



University of Miskolc, Faculty of Economics

- Founded in 1987
- 1993 – PHD School
- 1996 – 5-year courses, credit-system
- 2006 – Bologna-conform system



Number of students:

85 >>> 3 000

Number of Institutions:

4 >>> 17



Introduction of Hungary and the University of Miskolc



University of Miskolc, Faculty of Economics

BA courses

- Management
- Trade and marketing
- Financing and accounting
- International Business Economics
- Tourism
- Human resources

MA courses

- Marketing
- Master of Business Administration
- Logistics
- International Business Economics
- Regional and Environmental Economics
- Accounting
- Entrepreneurial
- Management

Economic Policy of Visegrad Countries on the Way of European Integration

The Hungarian case



Visegrad Economies

Just a snapshot... Where are we now?

KOF Index of Globalization

The KOF Index of Globalization measures the three main dimensions of globalization:

- economic
- social
- and political.

2013 KOF Index of Globalization*

country	Globalization Index	country	Economic Globalization	country	Social Globalization	country	Political Globalization
1. Belgium	92.30	1. Singapore	97.64	1. Cyprus	91.81	1. Italy	98.21
2. Ireland	91.79	2. Luxembourg	94.75	2. Singapore	90.99	2. France	97.98
3. Netherlands	91.33	3. Ireland	93.95	3. Ireland	90.79	3. Belgium	97.19
4. Austria	89.48	4. Malta	92.40	4. Austria	89.84	4. Spain	96.68
5. Singapore	88.89	5. Netherlands	92.18	5. Belgium	89.79	5. Austria	96.54
6. Denmark	88.12	6. Belgium	91.33	6. Switzerland	88.81	6. United Kingdom	95.93
7. Sweden	87.63	7. Hungary	89.62	7. Netherlands	88.80	7. Sweden	94.87
8. Portugal	87.07	8. Estonia	89.57	8. Canada	88.59	8. Brazil	94.73
9. Hungary	86.85	9. Bahrain	88.91	9. Denmark	85.82	9. Portugal	94.37
10. Switzerland	86.28	10. Sweden	88.72	10. France	85.78	10. Egypt, Arab Rep.	94.16
11. Cyprus	86.08	11. United Arab Emirates	87.40	11. Portugal	85.44	11. Denmark	94.14
12. United Kingdom	85.39	12. Denmark	86.15	12. United Kingdom	85.19	12. Canada	94.13
13. Canada	85.38	13. Cyprus	85.11	13. Czech Republic	83.21	13. Netherlands	93.74
14. Luxembourg	85.15	14. Czech Republic	85.08	14. Norway	82.67	14. Switzerland	93.63
15. Czech Republic	84.86	15. Finland	84.59	15. Germany	82.23	15. Argentina	93.59
16. Finland	84.85	16. Austria	84.02	16. Slovak Republic	82.06	16. Turkey	93.24
17. Spain	84.21	17. Slovak Republic	83.55	17. Sweden	81.46	17. Germany	92.66
18. France	83.86	18. Portugal	83.47	18. Spain	81.40	18. India	92.21
19. Slovak Republic	83.49	19. Chile	82.52	19. Kuwait	81.29	19. United States	92.21
20. Norway	81.99	20. Montenegro	81.57	20. Finland	81.12	20. Norway	92.17
21. Australia	81.59	21. Panama	81.17	21. Hungary	80.60	21. Greece	92.06
22. Germany	81.08	22. New Zealand	80.55	22. Greece	80.44	22. Hungary	91.88
23. Italy	81.01	23. Georgia	79.08	23. Luxembourg	80.07	23. Australia	91.29
24. Greece	80.31	24. Israel	78.78	24. Australia	79.82	24. Romania	91.03
25. Estonia	79.72	25. Malaysia	78.76	25. United Arab Emirates	78.91	25. Nigeria	90.95

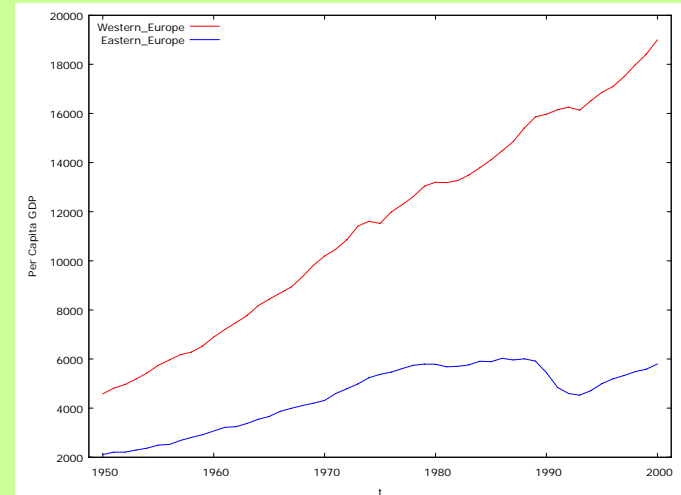


Lessons learnt from Hungary

The Socialist heritage

Divergence

- Lagging Eastern Europe
- Growing development gap between the core and periphery



Name	GDP pc (int. \$, 1990 prices)			GDP pc (Western Europe = 100%)		
	1950	1973	1990	1950	1973	1990
Czechoslovakia	3501	7041	8517	69,84%	57,91%	50,48%
Poland	2447	5340	5115	48,81%	43,92%	30,32%
Hungary	2480	5596	6471	49,47%	46,02%	38,35%
Eastern Europe	2120	4985	5437	42,29%	41,00%	32,22%
Western Europe	5013	12159	16872	100,00%	100,00%	100,00%



Lessons learnt from Hungary **The Socialist heritage**

Special Hungarian features:

- 1956 Revolution
- Kadarism (after János Kádár, General Secretary)
- Goulash Communism (Gulyás-kommunizmus)
- Economic Reforms (New Economic Mechanism, cooperatives for profit, limited western orientation, partly market pricing, taxation; commercial bank)
- IMF – external debt





Transition Economies

Required steps

controlled/planned economy → market economy

socialism → capitalism

dictatorship → democracy

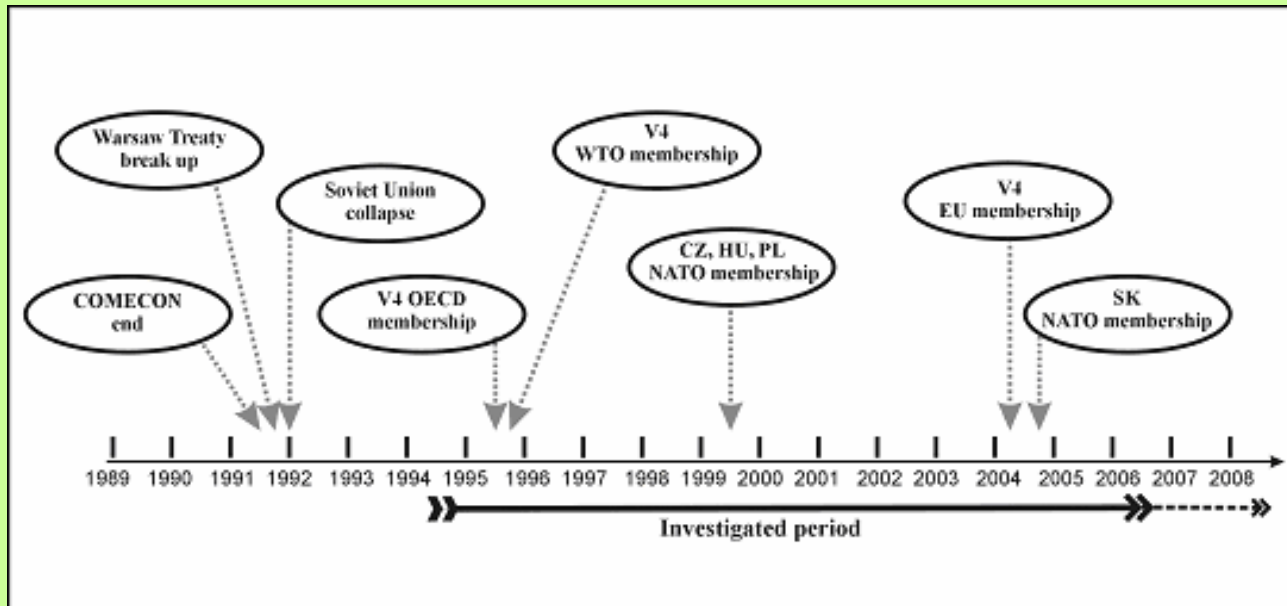
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Transition Economies

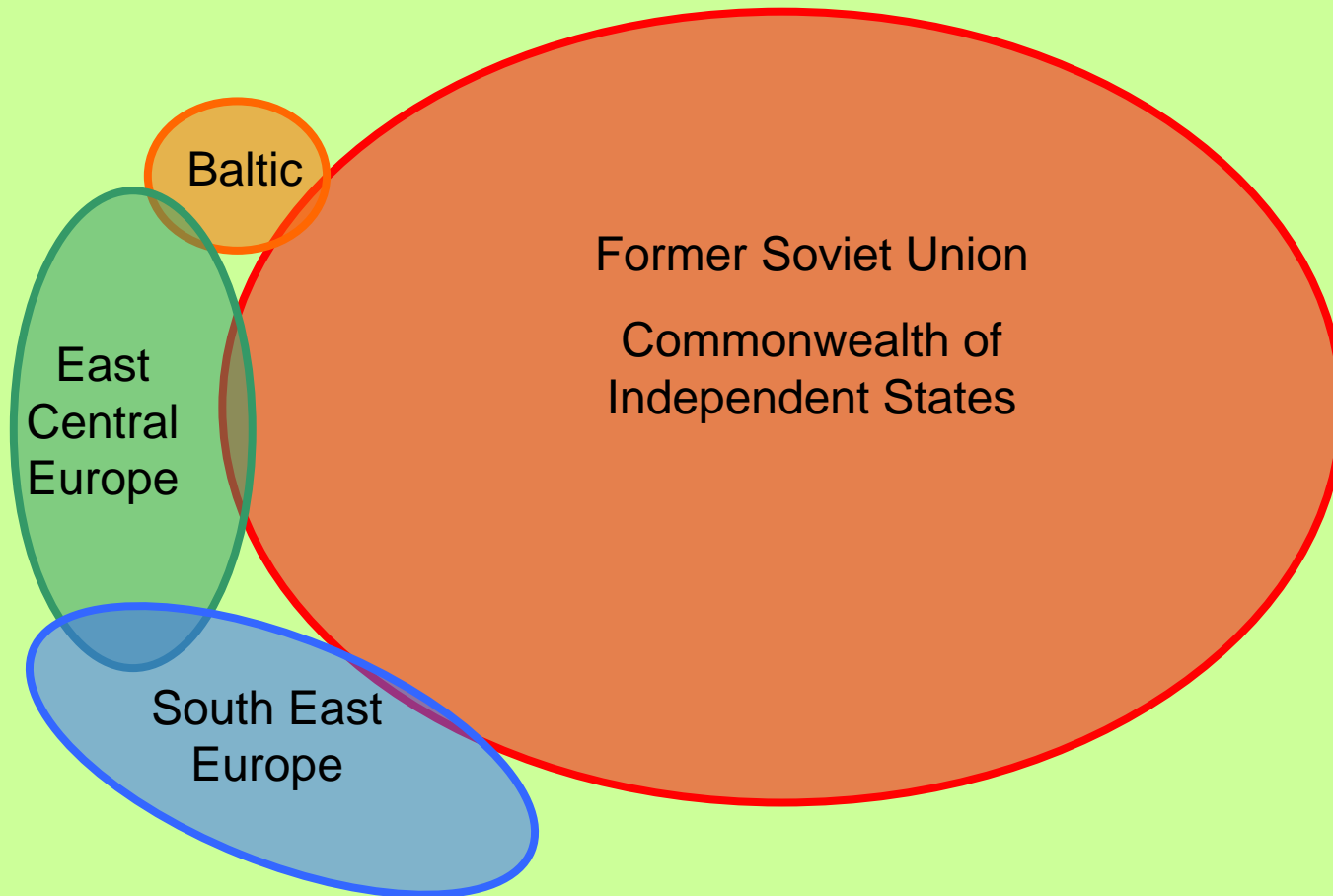
Timehorizon



***Economic Policy of Visegrad Countries
on the Way of European Integration
The Hungarian case***



Transition Economies





Transition Economies

Baltic countries:

- EE – Estonia
- LV – Latvia
- LT – Lithuania

East Central European countries:

- PL – Poland
- CZ – Czech Republic
- SK – Slovakia
- HU – Hungary



South East European countries:

- | | |
|-------------------------------------|---------------------|
| • SI (SLO) – Slovenia | • SRB – Serbia |
| • HR (CRO) – Croatia | • FYROM – Macedonia |
| • BA (BIH) – Bosnia and Herzegovina | • RO – Romania |
| • CG – Montenegro (Crna Gora) | • BG – Bulgaria |
| | • ??? Kosovo |



Transition Economies

CIS (FSU):

- AM – Armenia
- AZ – Azerbaijan
- BY – Belarus
- KG – Kyrgyzstan
- KZ – Kazakhstan
- MD – Moldova
- RU – Russia
- TJ – Tajikistan
- UZ – Uzbekistan

- TM – Turkmenistan
- UA – Ukraine

- GE - Georgia



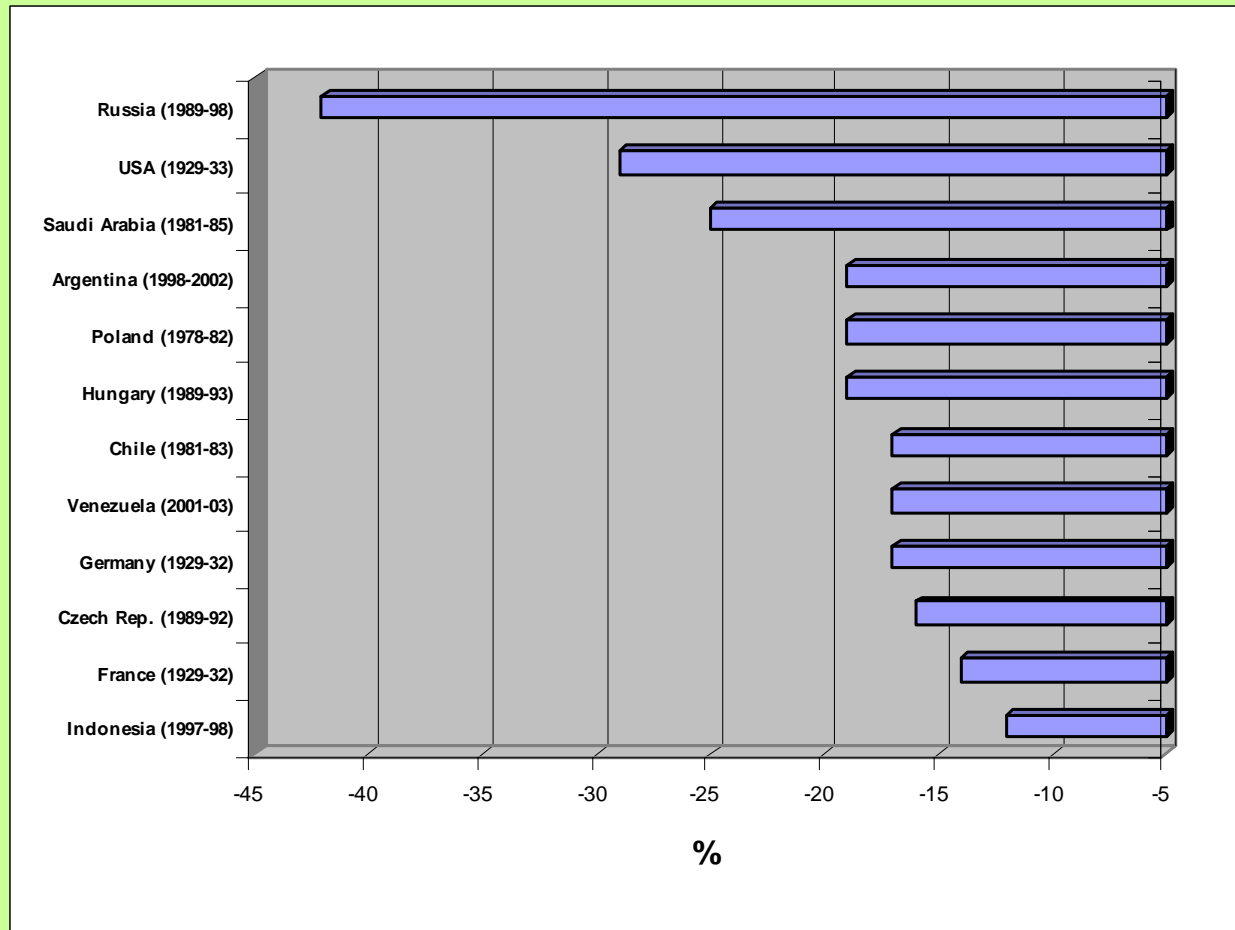
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Transition Economies

The „Shock” (J curve) Falling output (GDP)



Tbilisi - Georgia 2-4 Dec 2013



Transition Economies

The „Shock” (J curve)

The main reasons of serious decrease:

- collapse of Soviet and eastern market (COMECON);
- rising price level generating inflation;
- diminishing state subsidies (5,4% of GDP in 1992, 2,3% in 2001);
- indebtedness and insolvency among companies;
- large external debt (by IMF); receipt to be followed: Washington Consensus >> privatisation;
- non-performing loans (29,6% of total loans in 1993; 20,2% in 1994)



Lessons learnt from Hungary

The mission

Privatisation

Types:

- direct sale for foreigners;
- direct sale for natives;
- MBO, Management-buy-out;
- EBO, Employee-buy-out;
- coupon system (recoup);
- restitution.



Lessons learnt from Hungary

The mission

Privatisation

	Type of privatisation		
	primary	secondary	tertiary
Czech Republic	Coupon	MBO/EBO	Restitution
Hungary	Sale	MBO/EBO	Restitution
Poland	Sale	MBO/EBO	Coupon
Slovakia	MBO/EBO	Sale	Coupon

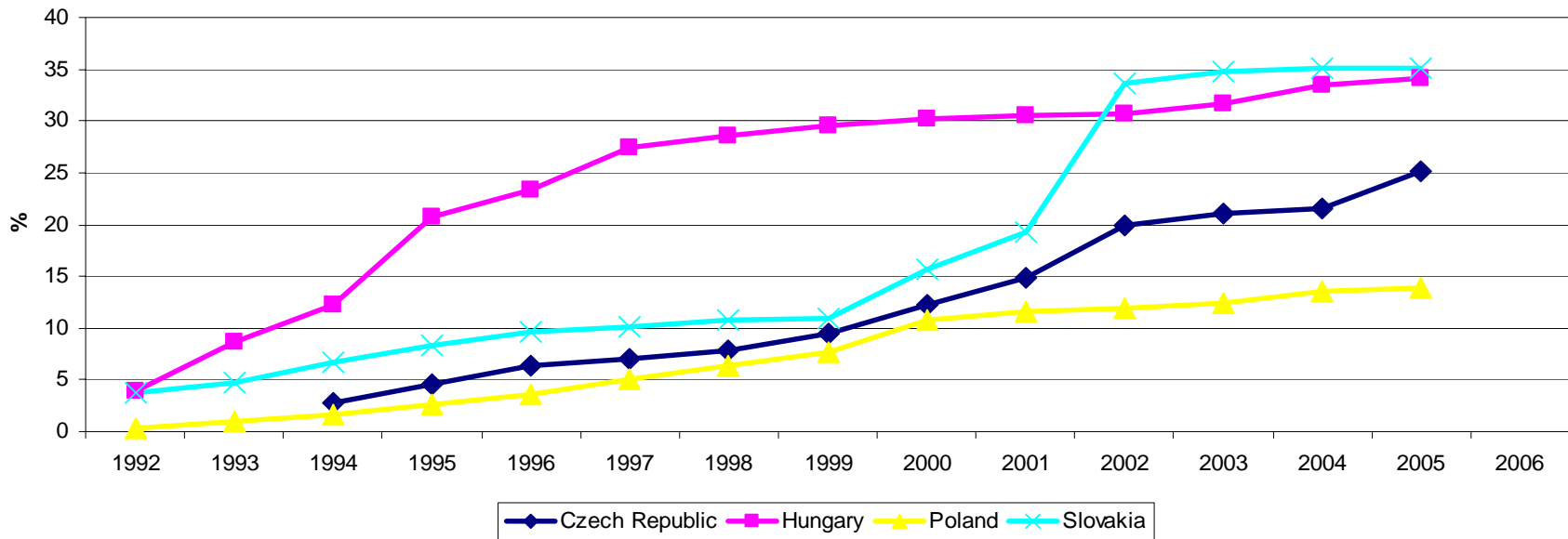


Lessons learnt from Hungary

The mission

Privatisation revenues (cumulative, in per cent of GDP)

The main questions: time and rapidity??



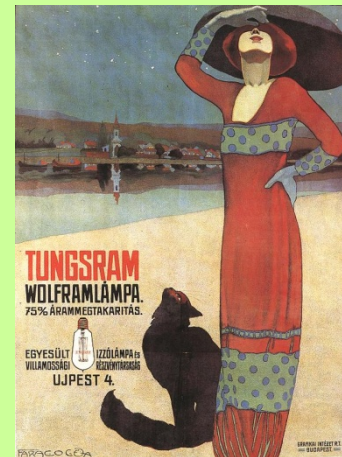
Lessons learnt from Hungary

The mission

Privatisation

Different scenarios, stories:

- positive: TUNGSRAM >> GE;



- negative: IKARUS >> just a few local companies;



- all in all: a great loss within manufacturing, negative effect on labour market and budget revenues.



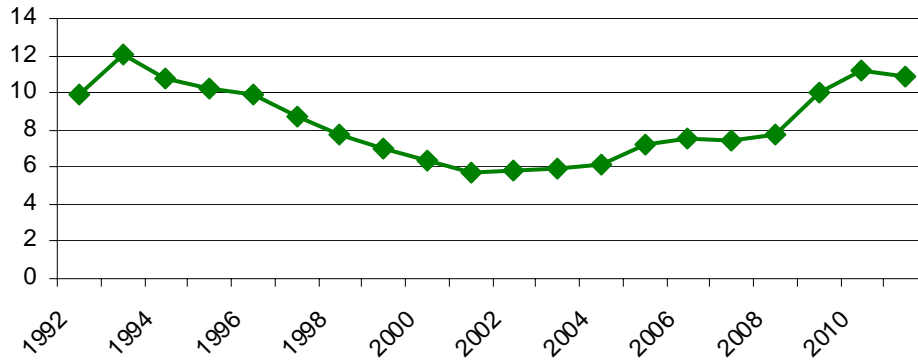
Lessons learnt from Hungary

The mission

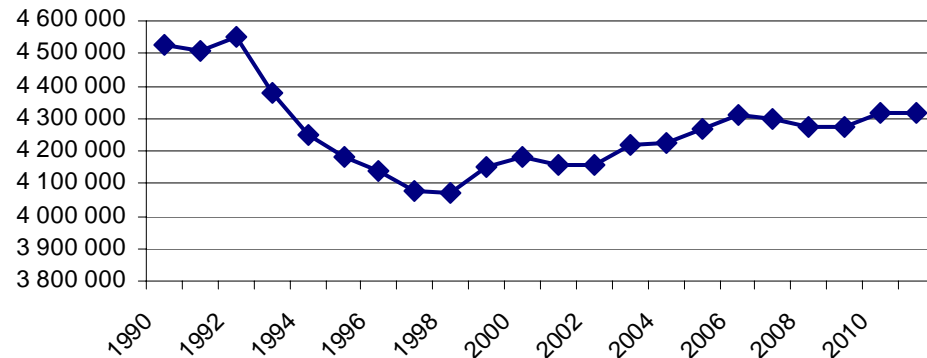
Privatisation

Unfavourable changes on labour market:

Unemployment, total (% of total labor force)



Labor force, total

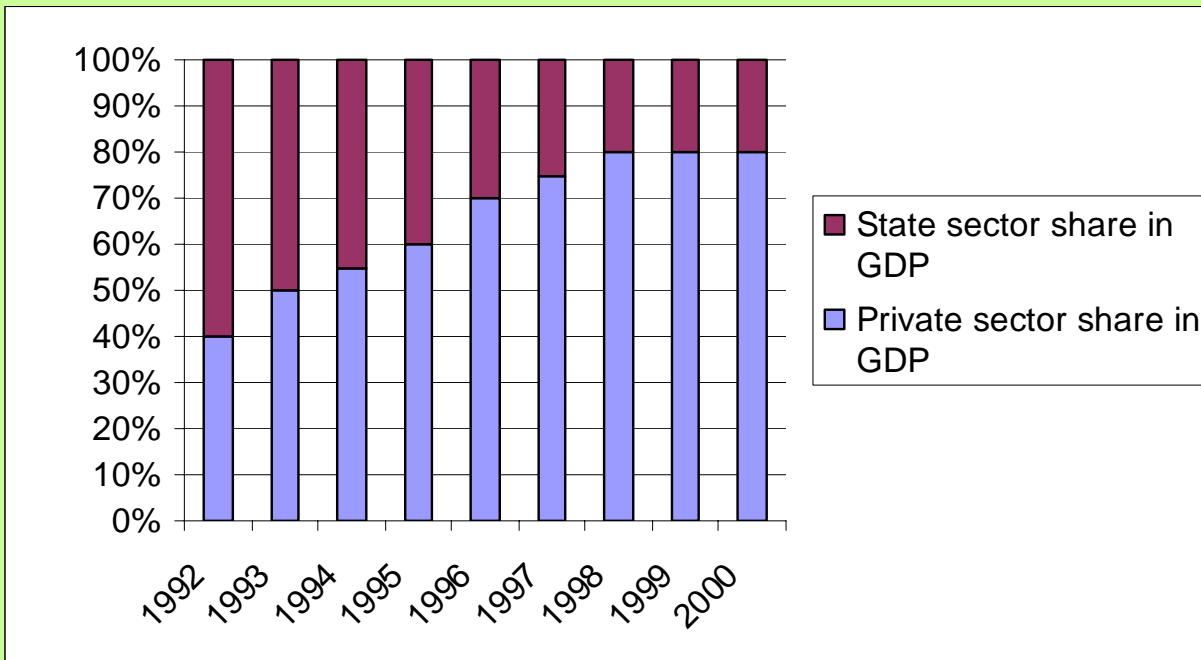




Lessons learnt from Hungary

The mission

New political elite had fears from turning back (to socialism)!

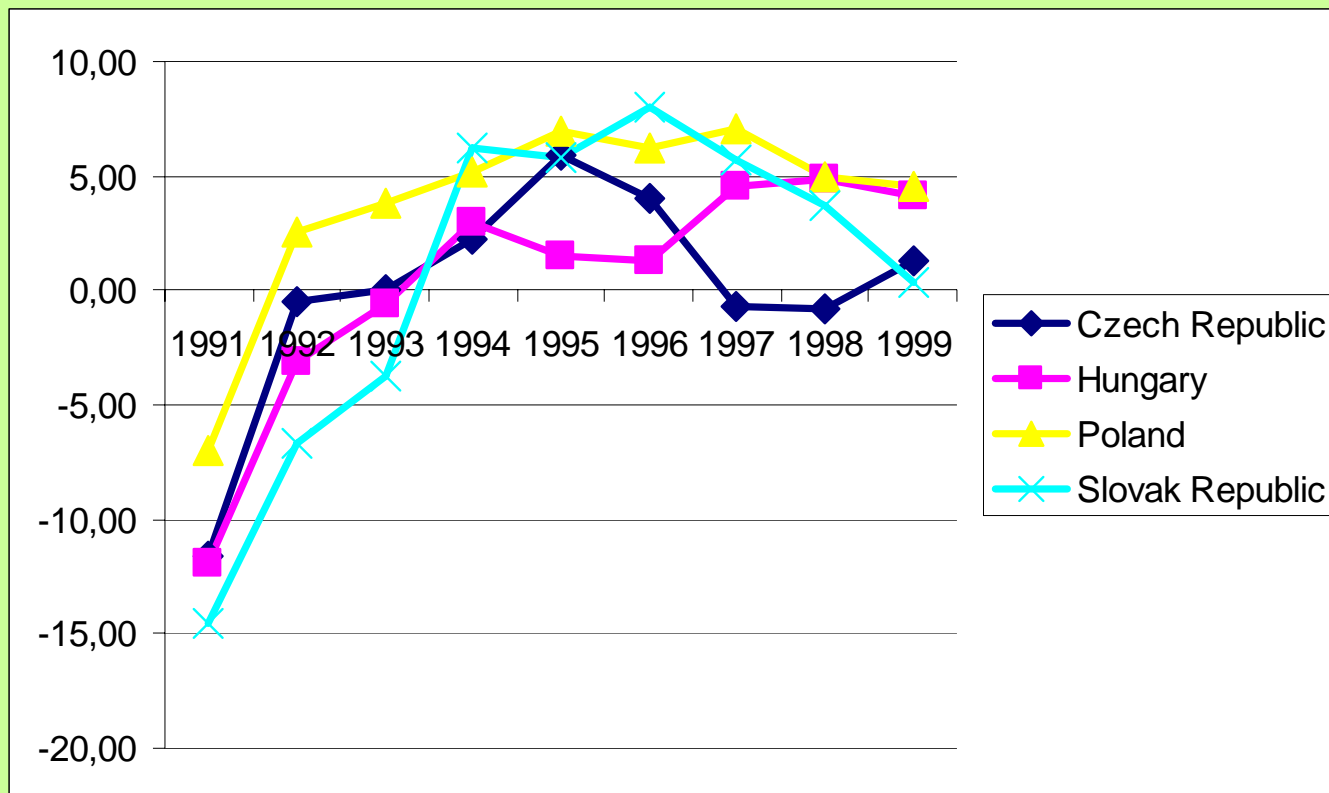




Lessons learnt from Hungary

90es – Crisis management and stabilization

Vulnerable growth, structural problems!

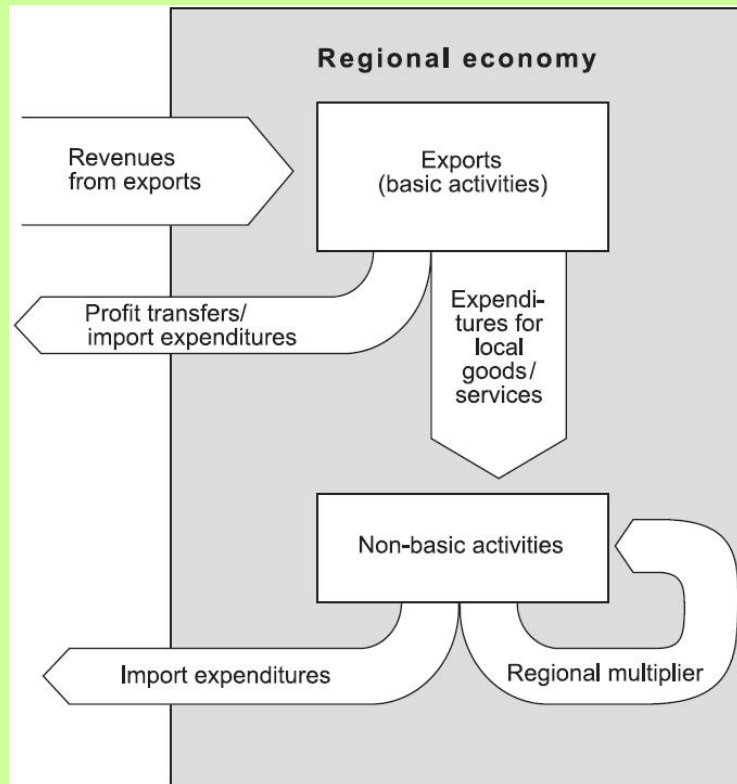




Lessons learnt from Hungary

The conceptual background

Export base theory



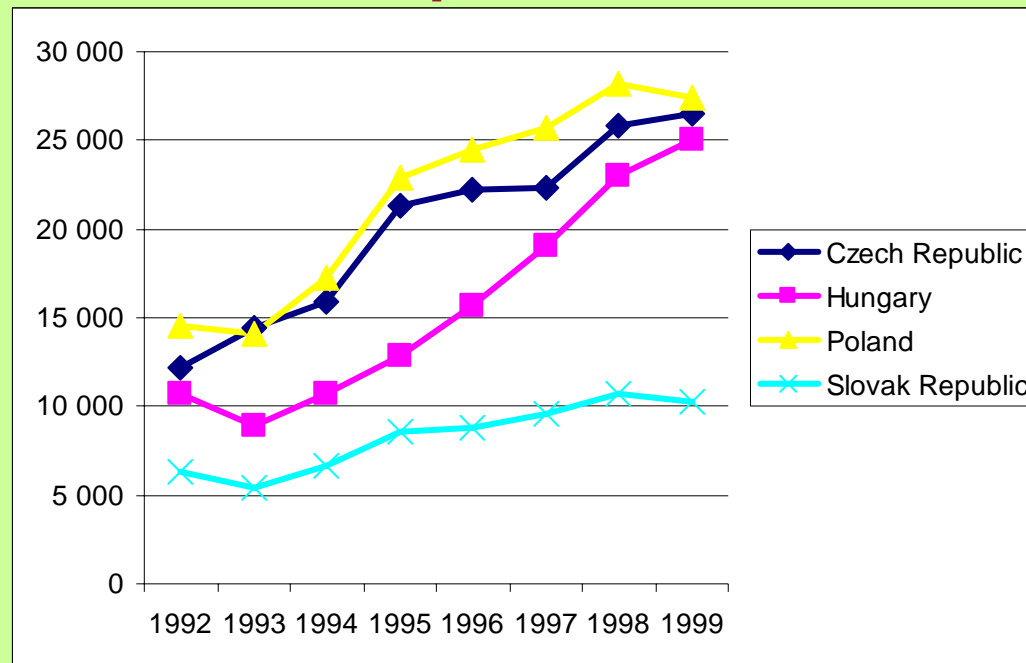


Lessons learnt from Hungary

90es – Crisis management and stabilization

Extern growth factors:

1) export, but what about import-substitution?



Hungary	1992	1993	1994	1995	1996	1997	1998	1999	2000
Trade balance (millions of USD)	-3 246	-3 635	-2 442	-2 645	-1 963	-2 353	-2 176	-2 119	-2 930



Lessons learnt from Hungary

90es – Crisis management and stabilization

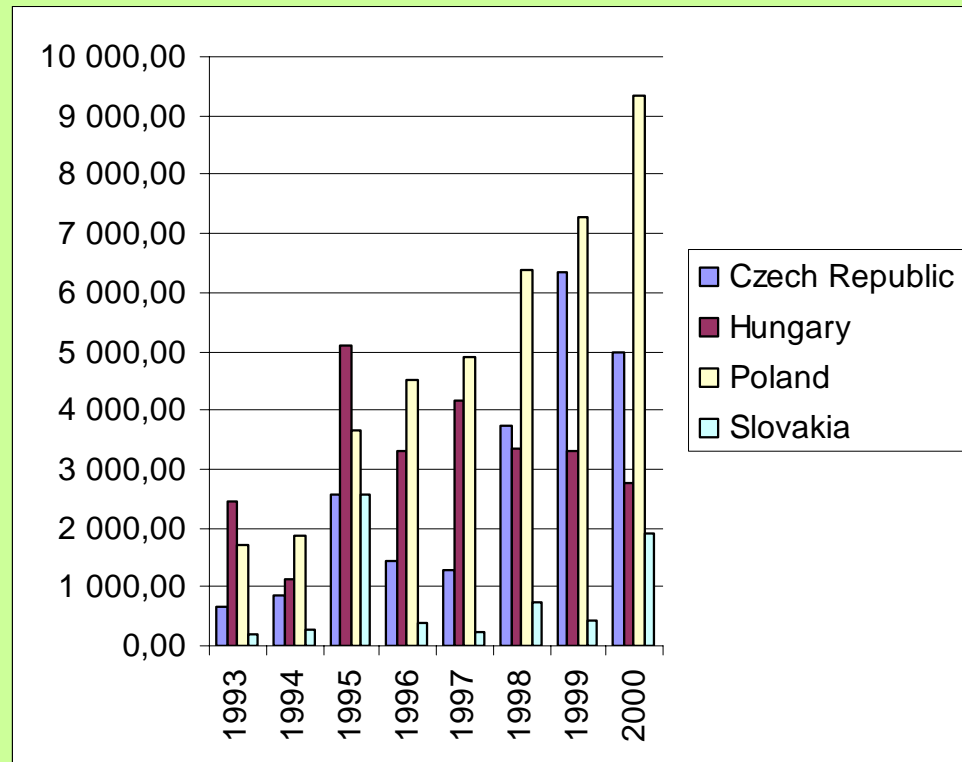
Extern growth factors:

2) Foreign Direct Investment (million USD)!

Hungary is the TOP;

~ 16 Billion USD till 1999

FDI stock





Lessons learnt from Hungary

90es – Crisis management and stabilization

Extern growth factors:

2) Foreign Direct Investment (million USD)!

Attractivity of the country:

- good location, proximity to WE;
- „qasi capitalist” preliminaries, industrial traditions;
- relative developed infrastructure (around the capital, BP);
- low wages: especially the minimum wage (from 22 000 to 98 000 HUF; ~ 330 EUR in 2013)



Lessons learnt from Hungary

90es – Crisis management and stabilization

Extern growth factors:

2) Foreign Direct Investment (million USD)!

Threats of poverty: remaining poor!

Circulus vitiosus!

Gross wages (USD), 2013

Czech Republic: 1 268

Hungary: 899

Poland: 1 203

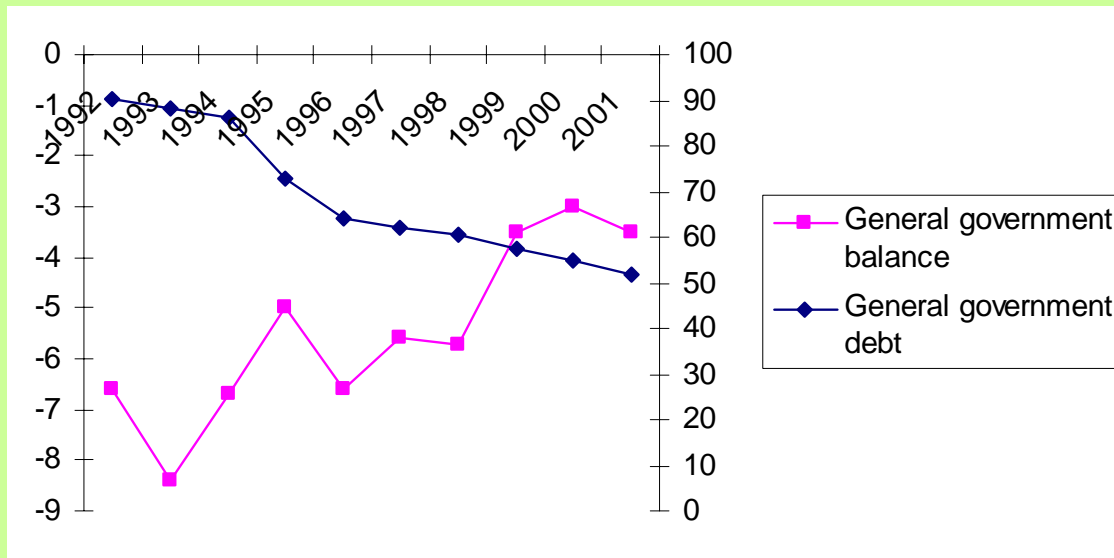
Slovakia: 1 069



Lessons learnt from Hungary

90es – Crisis management and stabilization

Financial structure and conditions:



	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Number of banks (of which foreign owned)	35 (12)	40 (15)	43 (17)	42 (21)	41 (25)	41 (30)	40 (27)	39 (27)	42 (33)	41 (32)
Asset share of state-owned banks	74,4	74,9	62,8	52	16,3	10,8	11,8	9,1	7,7	9,1



Lessons learnt from Hungary

90es – Crisis management and stabilization

Hard to keep the balance!

Reasons of budget deficit in HUN:

- large external debt & debt service;
- extensive bureaucracy in Public Administration >> corruption;
- high level of tax rates (on income, VA <27%>) >> tax evasion;
- soft budget frames >> deficit;
- wide range social benefits (partly due to the aging society);
- much clearer and concentrated economic strategy.

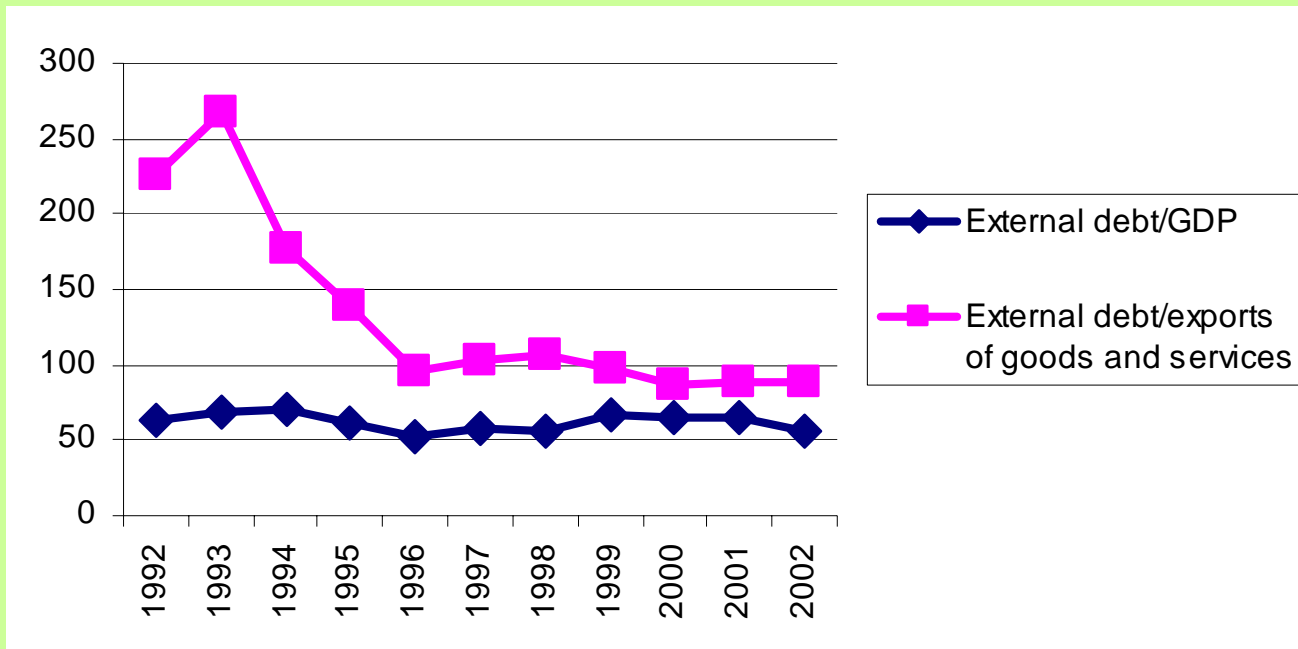
Result: constant budget constraints (1995, 2006, 2008-).



Lessons learnt from Hungary

90es – Crisis management and stabilization

Fighting against the external debt! (%)



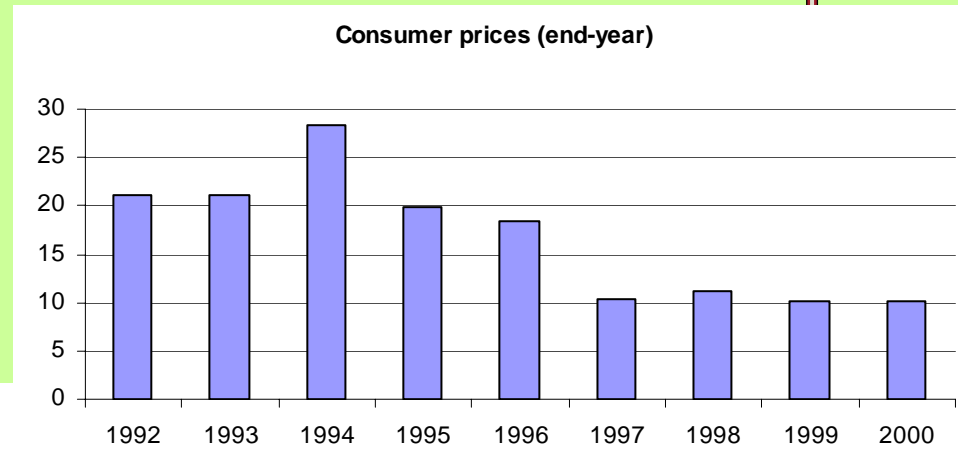
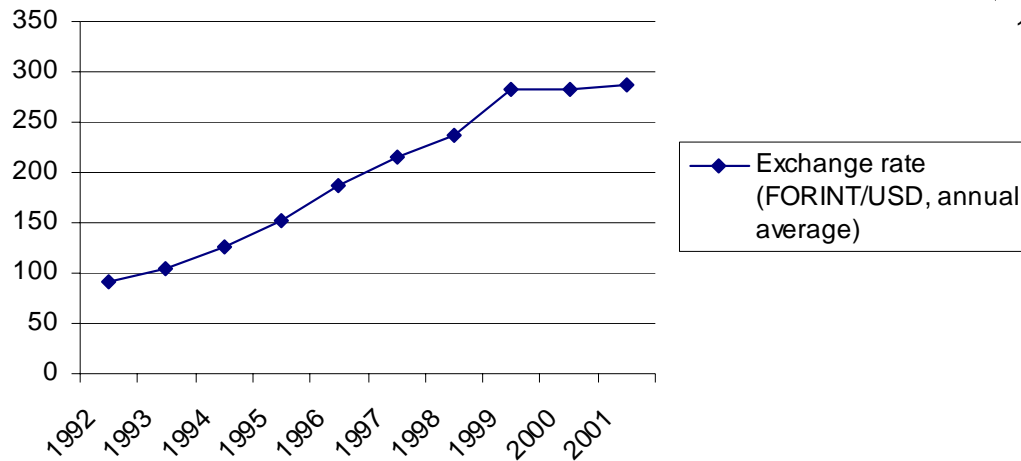


Lessons learnt from Hungary

90es – Crisis management and stabilization

Continuous devaluation!

- No fixed exchange rate;
- crawling peg (1995-2001);
- floating exchange rate (since 2001).



2013



Lessons learnt from Hungary

90es – Crisis management and stabilization

Continuous devaluation!

- Crawling peg (1995-2001);
- floating exchange rate (since 2001).

Hungarian forint (HUF)

Latest (4 May 2010): EUR 1 = HUF 273.40 +5.37 (+2.0%)

Date range: 1m | 3m | 6m | 1y | 2y | 5y | 10y | All

[See EUR vs. HUF](#)

Change from 4 January 1999 to 4 May 2010 +21.92 (+8.7%)

Minimum (18 July 2008): 228.16 - Maximum (6 March 2009): 316.50 - Average: 256.09



Economic Policy of Visegrad Countries on the Way of European Integration The Hungarian case



VISEGRÁD



Moses Genesis 41

Pharaoh dreams
...seven years of plenty and seven of famine...



La Fontaine: The Ant and the Grasshopper

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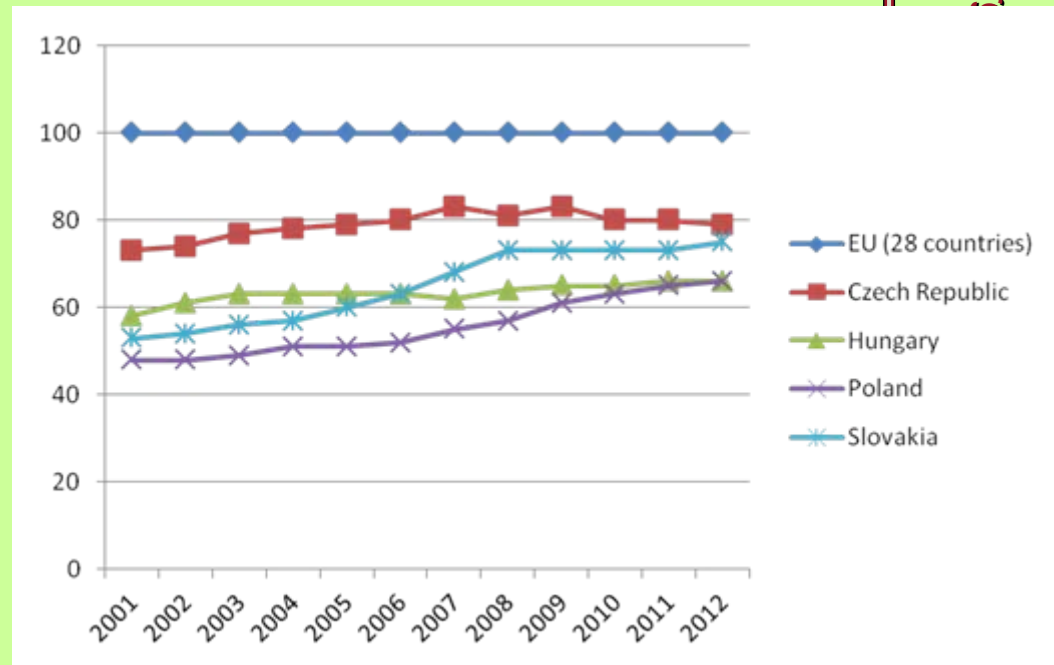
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Lessons learnt from Hungary 2000es – EU integration

GDP per capita (WB, 2012)

European Union: 33 014 \$
Czech Republic: 26 590 \$ (37./17.)
Hungary: 22 119 \$ (48./24.)
Poland: 22 162 \$ (47./23.)
Slovakia: 25 305 \$ (40./20.)

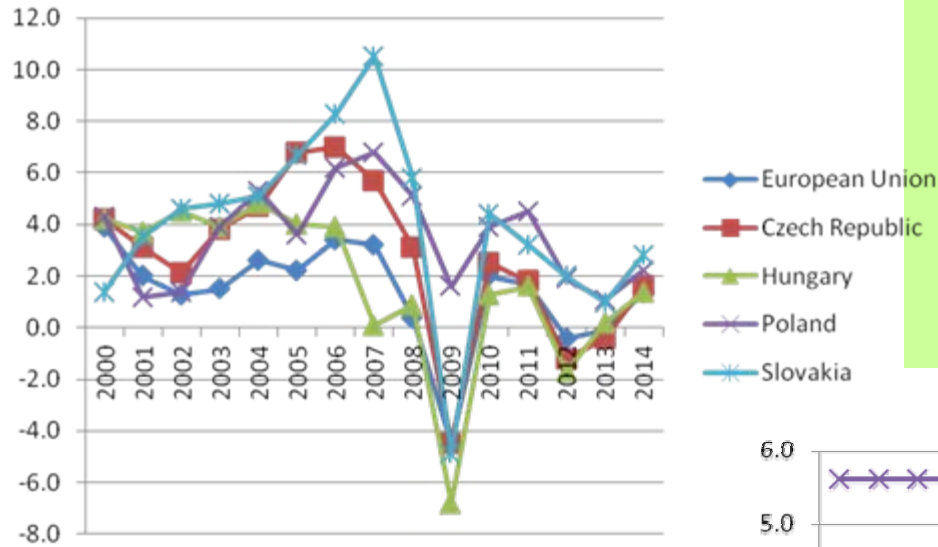
GDP per capita (PPP)
EU average 100%



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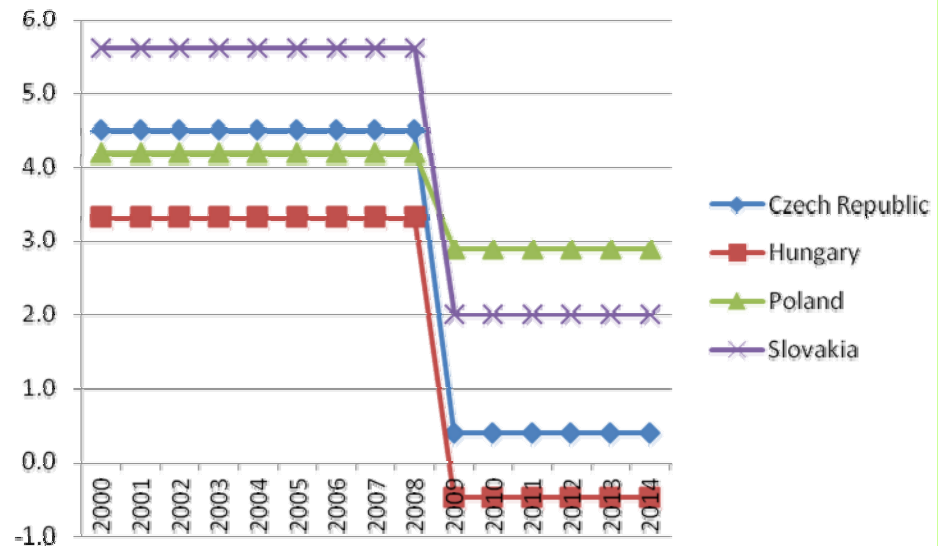


Lessons learnt from Hungary 2000es – EU integration



GDP annual growth rate %

GDP surplus 2000>>2014
European Union: x+19,2 %
Czech Republic: x+ 38,7 %
Hungary: x+ 24,6 %
Poland: x+ 50,8 %
Slovakia: x+ 56,4 %



Economic Policy of Visegrad Countries on the Way of European Integration

The Hungarian case



VISEGRÁD

Lessons learnt from Hungary 2000es – EU integration

	Population		Pop density (person/sqkm)	
	1990	2011	1990	2011
Czech Rep.	10 333 355	10 546 000	133,73	136,18
Poland	38 110 782	38 216 000	125,19	125,52
Hungary	10 373 988	9 971 000	115,43	110,46
Slovakia	5 299 187	5 440 000	110,17	112,92



Name	Per 1 000 persons	1991	1996	2001	2006	2010
Czech Rep.	Number of births	12,6	9,0	8,9	10,3	11,1
	Number of deaths	12,0	11,0	10,5	10,2	10,2
Poland	Number of births	14,3	11,1	9,6	9,8	10,8
	Number of deaths	10,6	10,0	9,5	9,7	9,9
Hungary	Number of births	12,3	10,4	9,5	9,9	9,0
	Number of deaths	14,0	14,1	13,0	13,1	13,0
Slovakia	Number of births	14,8	11,2	9,5	10,0	11,1
	Number of deaths	10,3	9,5	9,7	9,9	9,8

Deficit!



Lessons learnt from Hungary 2000es – EU integration

Fertility rate

	1990	1995	2000	2005	2010
Czech Rep.	1,89	1,28	1,14	1,28	1,49
Poland	2,04	1,61	1,35	1,24	1,38
Hungary	1,84	1,57	1,32	1,31	1,25
Slovakia	2,09	1,52	1,30	1,25	1,40



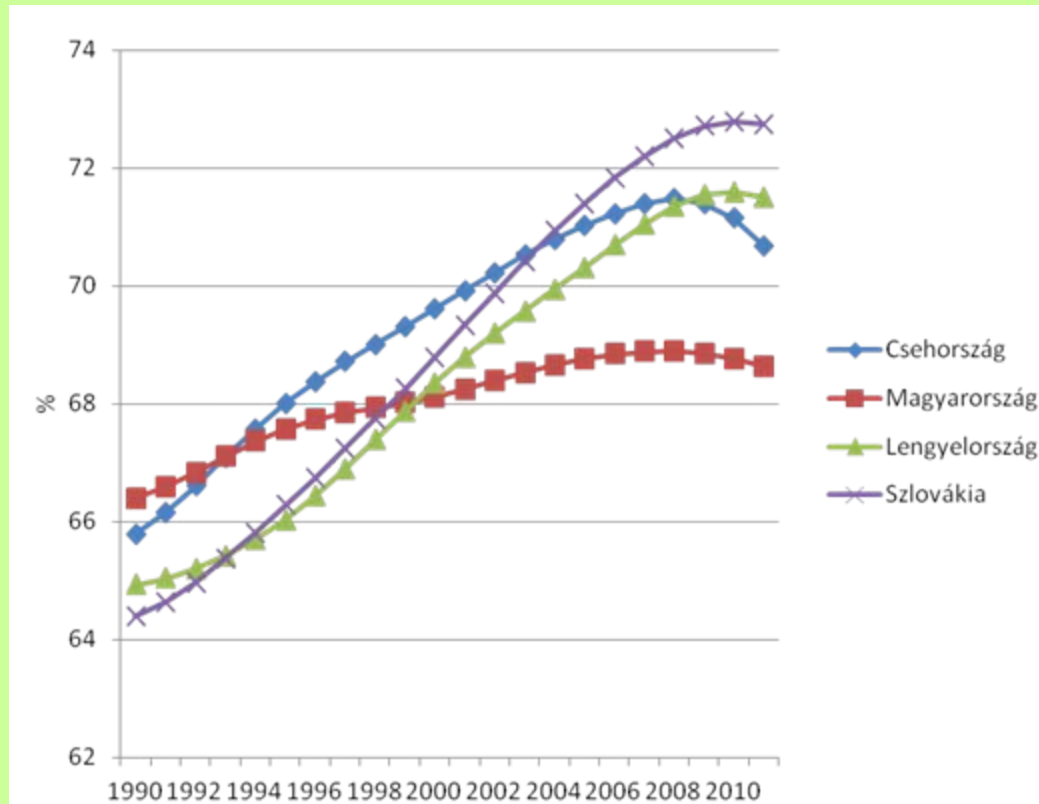
Life expectancy (year)

	1990	1995	2000	2005	2010
Czech Rep.	71,38	73,07	74,97	75,92	77,42
Poland	70,89	71,89	73,75	75,00	76,25
Hungary	69,32	69,79	71,25	72,65	74,21
Slovakia	70,93	72,25	73,05	73,90	75,11



Lessons learnt from Hungary 2000es – EU integration

Share of economically active age classes within the total population (15-64 year)



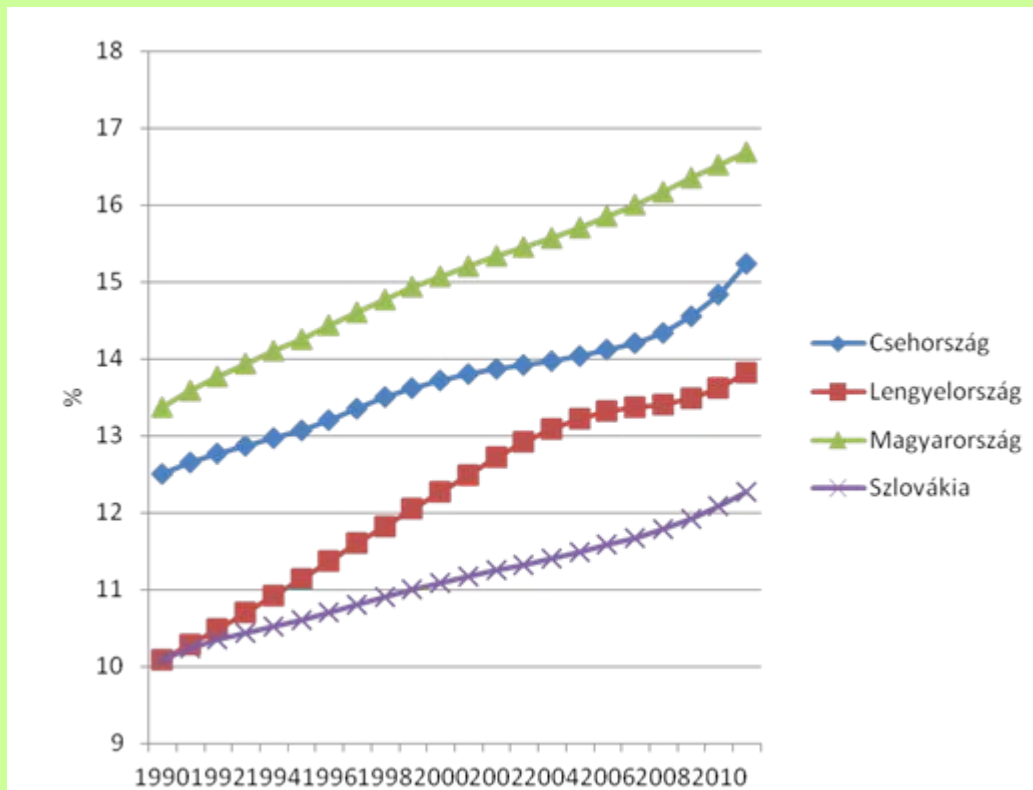
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Lessons learnt from Hungary 2000es – EU integration

Share of population 65 year old and over within the total population (%)

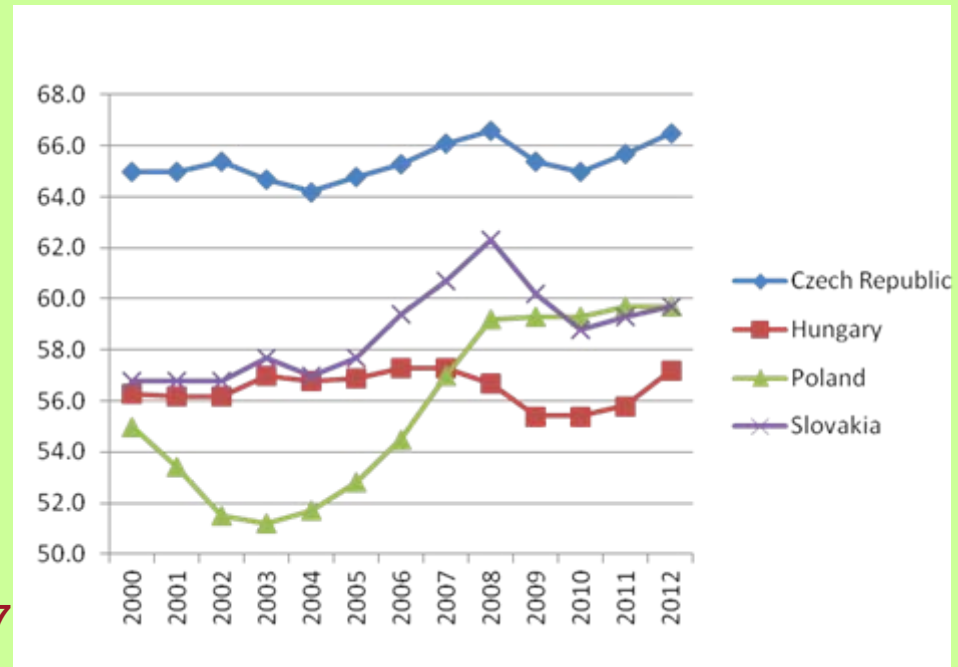




Lessons learnt from Hungary 2000es – EU integration

*Number of employed
(persons)*

	2000	2012
Czech Republic	4 624,9	4 810,4
Hungary	3 805,7	3 842,8
Poland	14 154,7	15 340,3
Slovakia	2 096,0	2 317,2



Rate of employment (%)

Number of pensioner (person), 2007

Czech Republic: 2 719

Hungary: 3 045

Poland: 9 188

Slovakia: 1 246

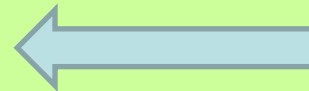


Lessons learnt from Hungary **2000es – EU integration**

Threats:

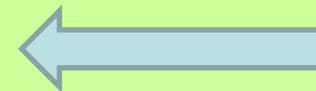
- young (24-)

	2012
European Union	32,8
Czech Republic	25,2
Hungary	18,6
Poland	24,7
Slovakia	20,1



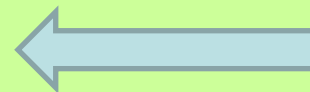
- old (50+)

	2012, %
European Union	48,8
Czech Republic	49,3
Hungary	36,9
Poland	38,7
Slovakia	43,1



- female

	2012, %
European Union	58,5
Czech Republic	58,2
Hungary	52,1
Poland	53,1
Slovakia	52,7

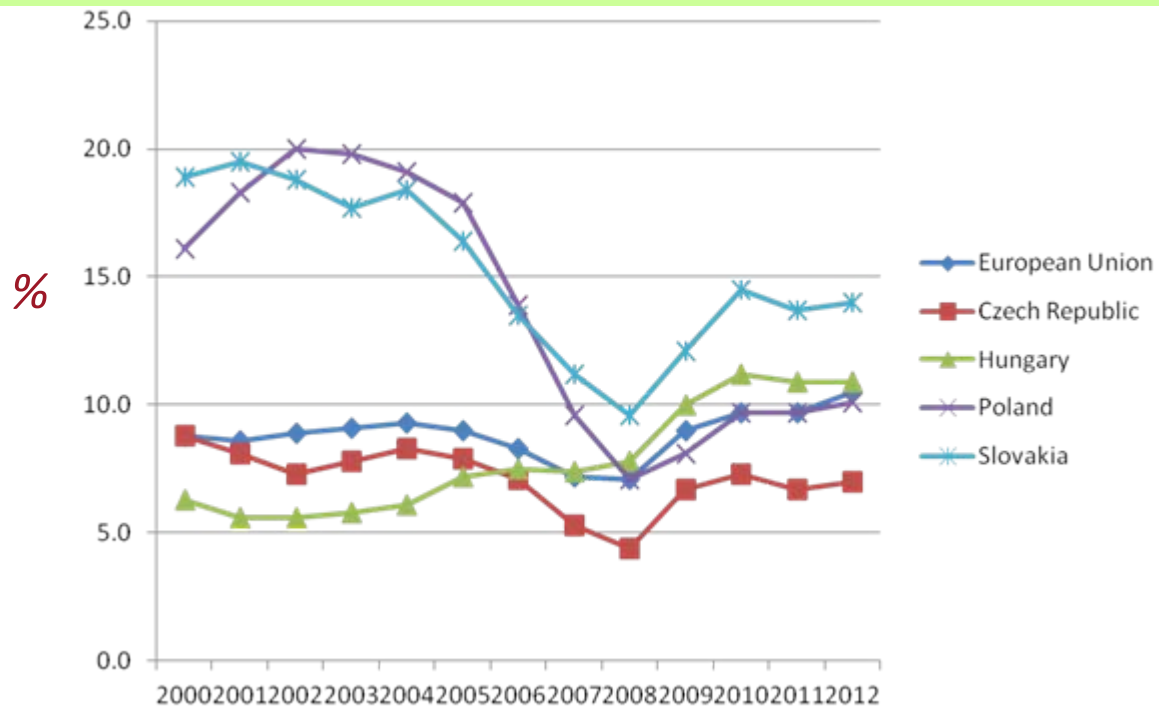




Lessons learnt from Hungary 2000es – EU integration

Unemployment rate (%)

EDP!!



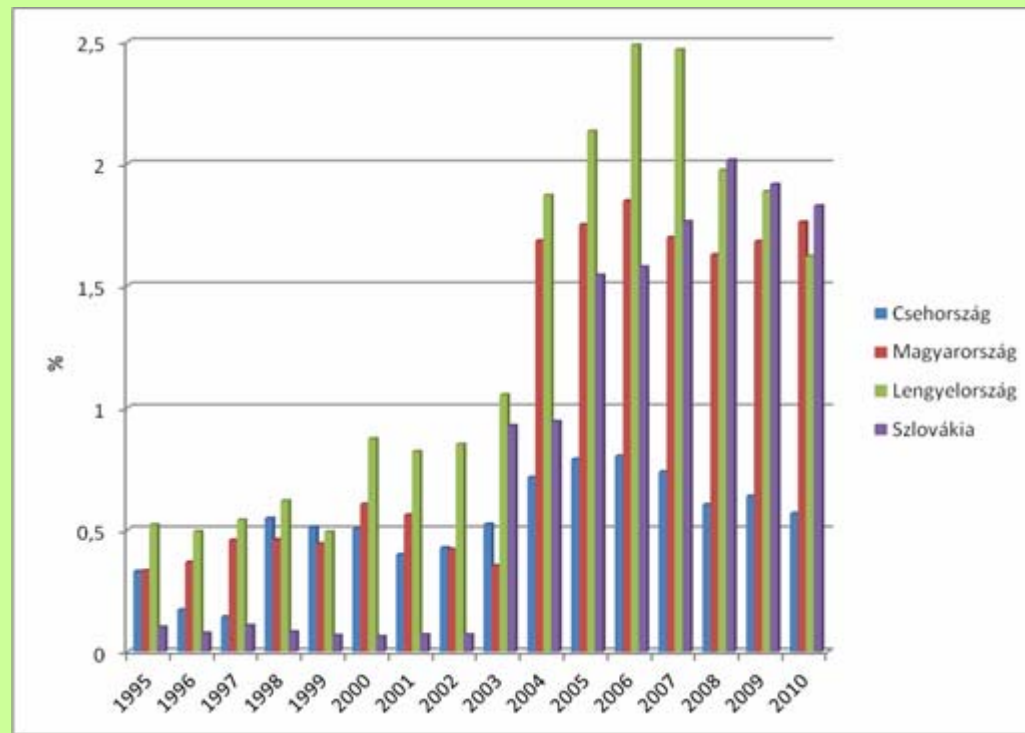


Lessons learnt from Hungary 2000es – EU integration

Number of emigrants within the EEA

		Number of persons
Czech Republic	2000	32 370
	2011	85 941
Poland	2001	451 834
	2011	1 567 650
Hungary	1999	74 016
	2011	129 467
Slovakia	2003	68 899
	2011	156 752

Remittance (GDP %)

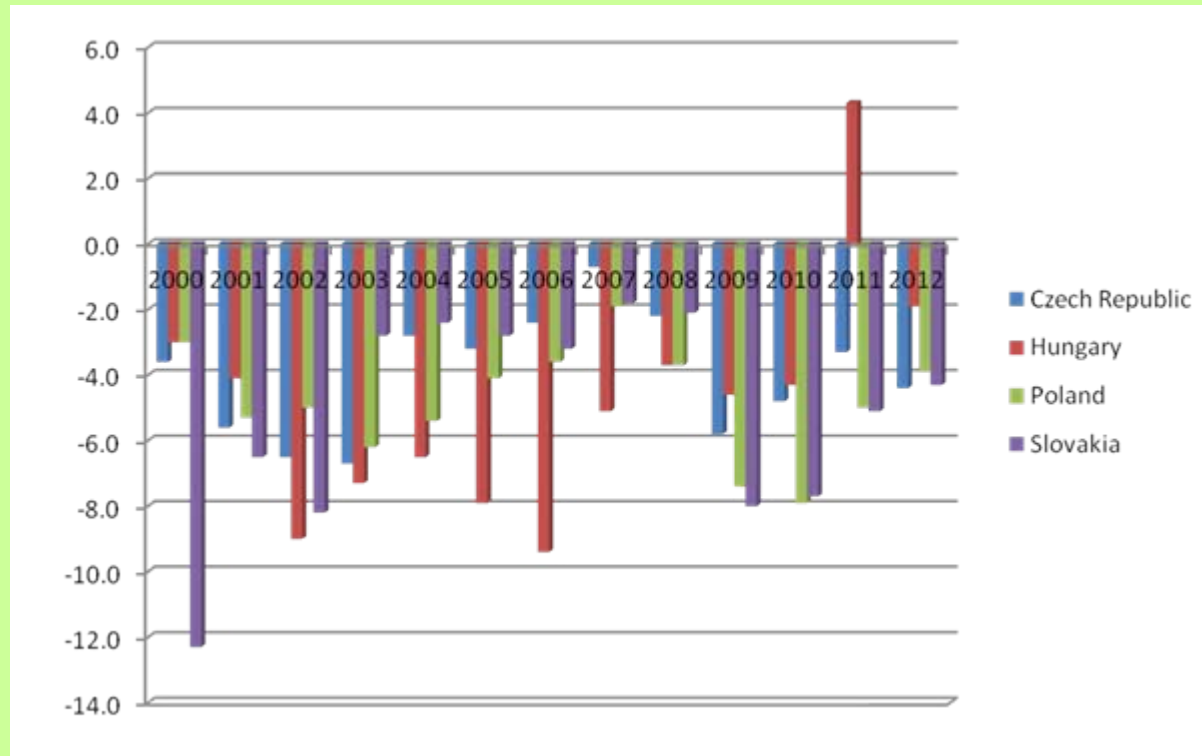


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Lessons learnt from Hungary 2000es – EU integration

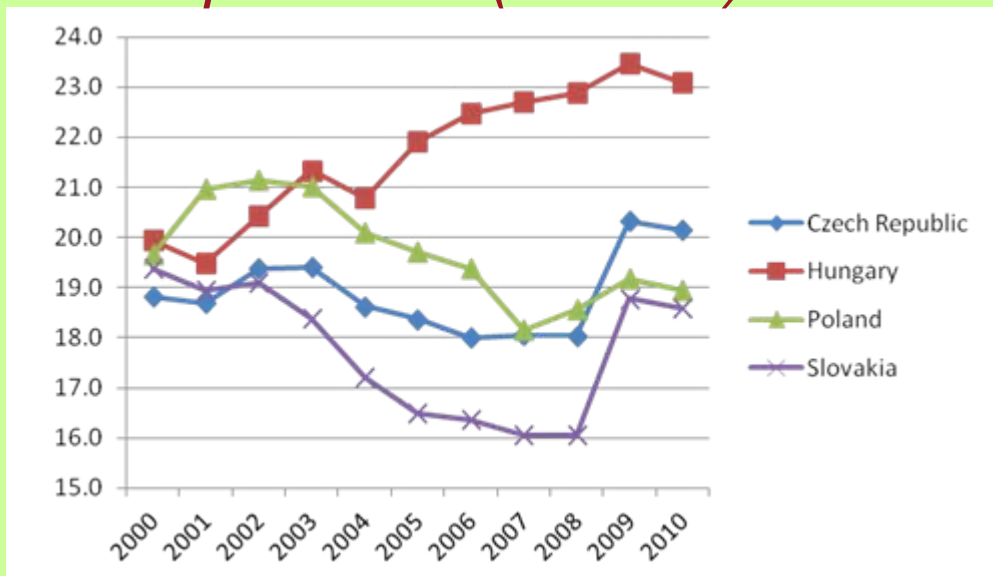
General government balance (GDP %)
EDP!!





Lessons learnt from Hungary 2000es – EU integration

Social expenditure (GDP %)



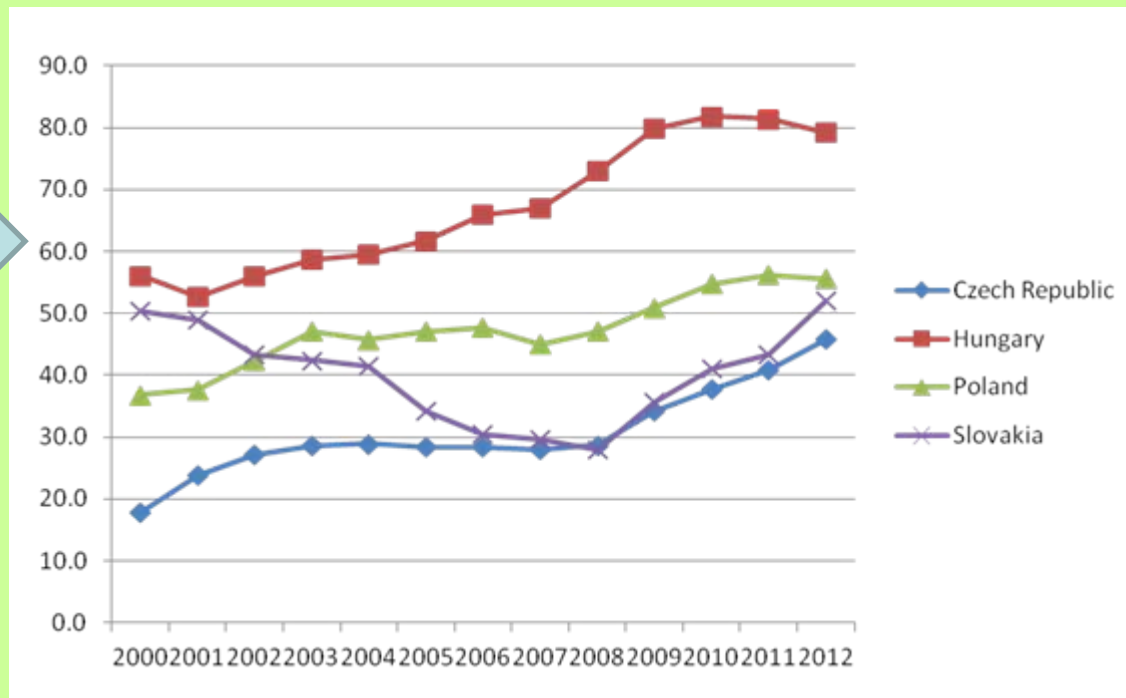
- Social protection benefits
- Administration costs
- Other expenditure
- Sickness/Health care
- Disability
- Old age
- Survivors
- Family/Children
- Unemployment
- Housing
- Social exclusion n.e.c.
- Sickness / healthcare and disability
- Old age and survivors
- Housing and Social exclusion n.e.c.

Euro per capita, 2010
Czech Republic: 2 877,88
Hungary: 2 228,79
Poland: 1 759,84
Slovakia: 2 253,78



Lessons learnt from Hungary 2000es – EU integration

External government debt (GDP %)





Lessons learnt from Hungary 2000es – EU integration

Debt service, interest (GDP %)

	2000	2006	2012
Czech Republic	0,8	1,1	1,5
Hungary	5,4	3,9	4,3
Poland	3,0	2,7	2,8
Slovakia	4,1	1,5	1,9

Millió euro, 2010

Czech Republic: 2 227,9

Hungary: 4 172,7

Poland: 10 830,9

Slovakia: 1 322,1

Economic Policy of Visegrad Countries on the Way of European Integration

The Hungarian case



VISEGRÁD

Lessons learnt from Hungary

2000es – EU integration

Investment, 2001, 2006 and 2011

	Total investment			Public investment			Private sector investment		
	2001	2006	2011	2001	2006	2011	2001	2006	2011
EU-27	20.2	20.6	18.5	2.4	2.5	2.5	17.8	18.2	16.1
Euro area	20.9	21.3	19.2	2.5	2.5	2.3	18.5	18.9	17.0
Belgium	20.9	20.9	20.7	1.7	1.6	1.7	19.1	19.3	19.1
Bulgaria	18.3	27.6	20.9	3.4	4.0	3.4	14.9	23.6	18.1
Czech Republic	28.4	25.7	23.9	3.0	4.5	3.6	23.9	19.3	17.2
Denmark	19.8	21.7	17.2	1.9	1.9	2.2	17.9	19.7	14.0
Germany	20.1	18.1	18.1	1.8	1.5	1.6	18.3	16.8	17.0
Estonia	26.4	36.0	21.7	4.1	4.7	4.2	22.3	31.3	17.4
Ireland	22.4	27.1	10.1	4.2	3.8	2.5	18.1	23.2	7.1
Greece	21.6	22.6	15.1	3.6	3.4	1.6	18.1	17.8	11.3
Spain	26.0	30.6	21.1	3.3	3.7	2.9	22.7	26.8	18.8
France	18.9	20.0	20.1	3.0	3.2	3.1	16.5	17.6	17.7
Italy	20.5	21.4	19.6	2.4	2.4	2.0	17.8	18.6	17.3
Cyprus	16.9	20.6	16.3	2.9	3.0	3.5	13.9	17.6	12.0
Latvia (1)	25.3	32.9	21.3	1.1	4.6	4.2	24.0	28.1	16.2
Lithuania	20.3	25.3	17.8	2.2	4.2	4.4	17.8	20.9	12.8
Luxembourg	22.6	19.2	19.0	4.3	3.6	3.8	18.3	15.6	13.8
Hungary	23.6	21.7	17.9	3.7	4.5	3.0	19.5	17.4	15.4
Malta	20.1	22.0	14.8	3.4	4.0	2.5	16.6	18.1	11.3
Netherlands	21.1	19.7	17.7	3.3	3.3	3.4	17.9	16.4	14.8
Austria	23.5	21.3	21.4	1.2	1.1	1.0	21.8	19.9	20.3
Poland	20.7	19.7	20.3	3.4	3.9	5.7	17.3	15.7	14.1
Portugal	27.0	22.3	18.1	4.4	2.8	2.6	22.6	19.5	14.7
Romania	20.5	25.6	24.6	2.7	5.1	5.2	17.8	20.5	17.7
Slovenia	25.0	26.5	18.5	3.2	3.7	3.6	21.1	22.9	16.6
Slovakia	28.5	26.5	23.1	3.1	2.2	2.3	26.4	24.8	18.2
Finland	20.2	20.0	19.6	2.5	2.3	2.5	17.7	17.7	16.6
Sweden	17.9	18.7	18.4	2.9	3.0	3.4	15.0	15.7	14.5
United Kingdom	16.8	17.0	14.2	1.5	1.8	2.2	15.3	15.2	12.0
Iceland	21.5	34.5	14.0	4.5	3.9	1.8	17.1	30.1	12.4
Norway	18.1	19.9	20.2	2.7	2.9	3.2	15.5	16.6	16.9
Switzerland	22.3	21.5	20.4	2.5	2.1	2.3	18.8	18.4	17.5
Croatia	19.5	26.0	18.8	.	.	.	.	.	.
FYR of Macedonia	14.8	17.6	19.9	.	.	.	.	.	.
Turkey	15.9	22.3	21.8	.	.	.	15.9	.	.
Japan	24.3	22.7	20.7	.	.	.	.	.	.
United States	19.7	20.1	15.2	.	.	.	.	.	.

(1) Total and private sector investment, annual breaks in series.

Source: Eurostat (online data codes: nama_gdp_c, tsdec210 and tec00022)

Tbilisi - Georgia 2-4 Dec 2013

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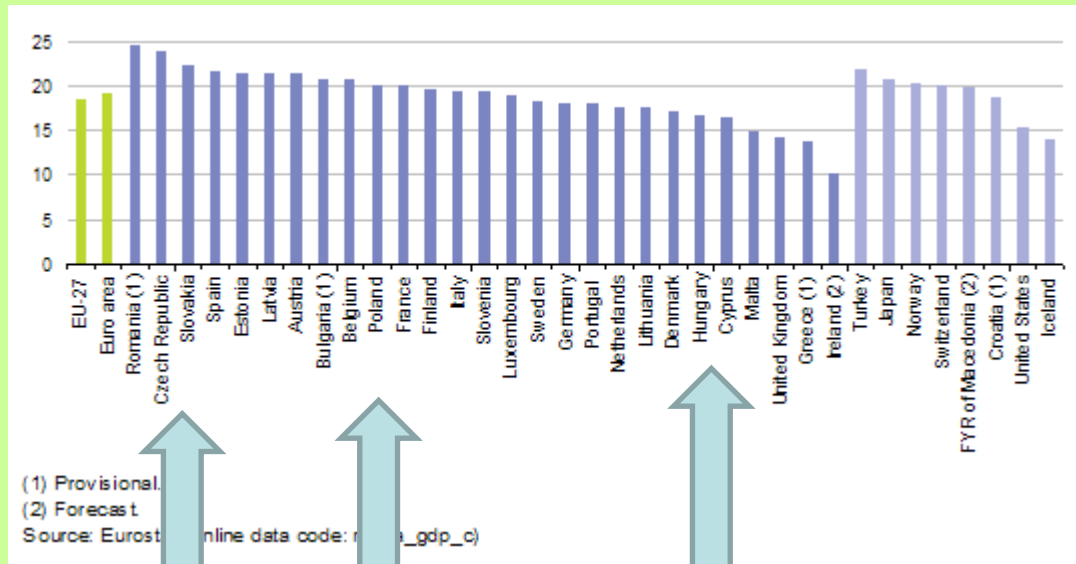
The Hungarian case



VISEGRÁD

Lessons learnt from Hungary 2000es – EU integration

Gross fixed capital formation, 2011



Economic Policy of Visegrad Countries on the Way of European Integration

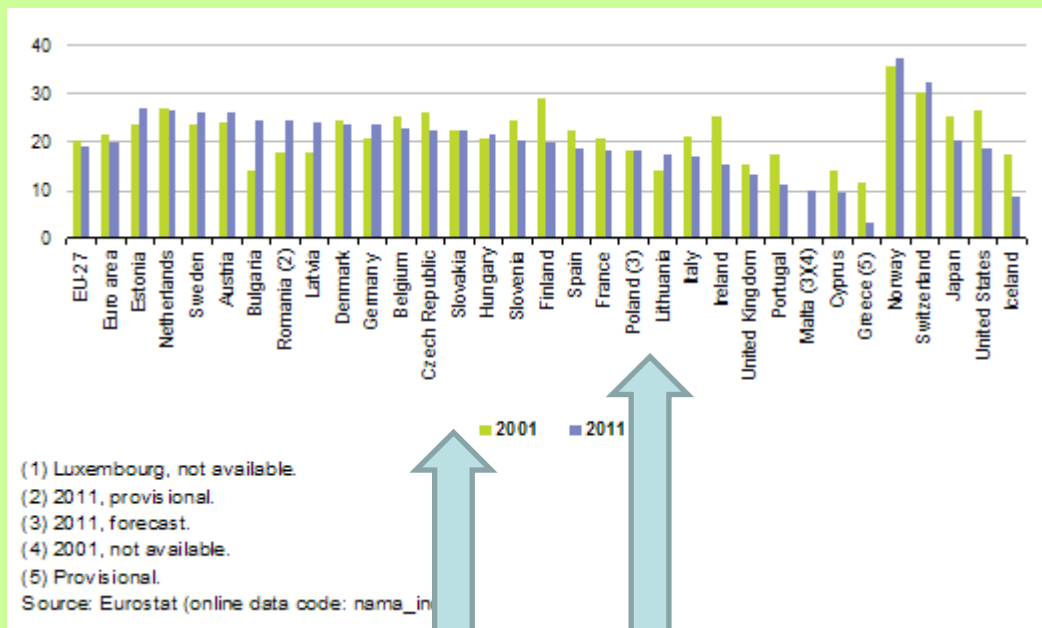
The Hungarian case



VISEGRÁD

Lessons learnt from Hungary 2000es – EU integration

Gross national savings, 2001 and 2011



Thank you for your attention!

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