

The Discreet Charm of Market Economy

Welcome by the Editor-in-Chief



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One of the basic tenets of institutional economics is that the purpose of stabilisation institutions is to ensure a stable economic environment, including price stability, reducing macroeconomic “volatility” or avoiding financial crises, in which central bank roles certainly stand out. In an optimum case, fiscal regulation also does its job: it shapes the operation, income and liquidity positions of primary income holders (companies and households) through tax regulation. However, the question arises: What is to be done when things turn upside down, as has been the case since the early spring of 2020?

The crisis caused by the pandemic puts the market participants as well as states to the test, as the latter is expected to do all in its power to alleviate and remedy the problems that have struck businesses and families. Even the most pessimistic social scientists say that once this crisis will go away, researchers will find the antidote to the pandemic, and the health situation will improve, and may soon return to pre-pandemic levels, but now the question is: what principles should be taken as a basis for reorganising the economy? Should we retain the old capitalist arrangement or should we rather rebuild the foundations along new principles?

Similarly to the initial years of the 2007–2008 crisis, the public finance crisis developments unfolding as a result of the pandemic justify the expectation of deeper academic studies into reality and of developing sound public finance models. In 1989, as a young fellow at the U.S. Department of State, Francis Fukuyama published *The End of History and the Last Man*, on just a few pages, which was subsequently turned into a book (Fukuyama, 1992) and earned world fame for the author. Being an expert in international political economy, he believed that after the collapse of the communist regimes, historical progress seen as a struggle between ideologies had come to an end and that the Cold War period would be followed by the rule of liberal democracies. His vision has been confirmed, although an increasing number of peoples (among them, Hungarians and Poles) are trying to punch holes in the hegemonic system of

liberalism in order to prevent their complete assimilation. Nearly every worthy historian and political scientist in the world has expressed his views on Fukuyama's "endism" views, as did Huntington on the pages of *Foreign Affairs* (1993), where he discussed the clash of civilizations. According to Huntington, after the Cold War, states will no longer oppose one another on the basis of political ideologies, but on a cultural basis, and in this framework, the Western civilization (liberal democracy) will be only one of many. Things and processes seem to converge towards the ideas formulated by Huntington for nearly a quarter of a century, although the return of the classical socialist systems may be considered as a utopia, but illiberalism, in other words, the fulfilment of national independence and the role of the state is an existing view that prevails in certain places of the world.

What should be the ideal model of capitalism in the post-pandemic world order?

The majority in the groves of economics holds the position that the market economy has no alternative, and whoever argues otherwise wants to push society back into 19th-century poverty, or into the scourge of communist ideals, which world order ended in failure at the end of the 20th century. Economists therefore stress that the market economy is the most efficient form of economy. Competition is a spur to unparalleled performance, and the spirit of competition stems from the nature of man, say those who emphasize the hegemony of the market. However, studying the work of Alfie Kohn (1986) and Christian Felber (2018), this general economic "idyll" is not clear at all: the most efficient factor is not competition but co-operation, and the reason is that co-operation inspires people differently than competition. Felber has no doubt that competition has a boosting impact, which he sees as evidenced by the results of the capitalist market economy. But he believes that collaboration accompanied by successful relationships, recognition, appreciation and the setting of common goals is a more effective incentive. The definition of competition, according to Kohn, is the achievement of goals to the exclusion of each other. Consequently, one can be successful if the other fails. The fundamental nature of competition is to inspire through fear. For this very reason, fear is a widespread phenomenon in a capitalist market economy. In other words, we are afraid of losing our jobs, our incomes, our social recognition, our place in the social division of labour and hierarchy. In the race for scarce goods, Felber writes, there are many losers, and most are afraid of becoming losers, so the desire to win outweighs everything. However, this ultimately means that human behaviour, and thus also the capitalist economic order shaped so far by such behaviour, are based on our endeavour to be better than others. So would this be the motivator of the capitalist world order? Have we, the nations of Central and Eastern Europe, been socialized in this concept for decades? Yes! But this competition destroys the human mentality, health and the economy. Excessive overperformance in production and in the pursuit of money and lending has become devastating, as we could experience during the crisis years in both 1929–1933 and 2007–2008. One was a crisis due to overproduction and the other to over-lending. The capitalist world order has been shaken, causing immeasurable damage to society and to the financial world. Even though, temporarily after the said crises, people and governments became more

restrained and penitent, things went back to their original course, and then another crisis has followed, this time with a non-economic background (but still immeasurable in its economic impact), and gives us another chance to rethink capitalism.

Without thinking deeper into the essence of things, we may see that without competition we would not feel urged to perform, and the income level of our household and national economy could hardly rise. Would that be natural for us? Although we know that this is all soul-destroying. To put it differently: have we become so much accustomed to the economy of fear we live in that we no longer reject its *raison d'être*? The Potsdam economist, on the other hand, is of the opinion that motivation is stronger than fear, in other words, the urge comes from within and not from outside (not by coercion). Thus, the best performance does not come from the fact that market participants (employees and companies) compete, but from the fact that when a person is recharged, fulfilled by his work, he is able to fully surrender to the tasks, which does not necessarily require competition. Felber's focus on people and collaboration may be apt to reinterpret attitudes toward work and money, and thereby lay the foundations for a more liveable and sustainable economic and social order.

However, the Felberian spiritual trend is not new. In the columns of *Polgári Szemle*, we have repeatedly recalled the spirit of Antonio Genovesi, the father of a people-centred economy, an 18th-century Neapolitan monk teacher and economic thinker, and the 21st-century resuscitators of his ideas, such as professors Paul H. Dembinski (2017), Luigino Bruni and Stefano Zamagni (2007), or the Hungarian sister and economist, Laura Sarolta Baritz OP (2016). As an alternative to Adam Smith's paradigm, the economics of moral emotions, also termed as the civil economic paradigm – relying on the theoretical background of virtue ethics, classical Greek and traditional Christian economic thinking – is now, in times of the pandemic, crying out again, and its advocates are ready to teach and to reshape. The meaning of human existence cannot be forever the production of the expropriated profits concentrated in the hands of a few, as work should serve the promotion of the general economic and social well-being, which will reasonably need to be addressed with greater emphasis and after the actions taken to alleviate the crisis. In this spirit, we recommend Issue 4–6 of Volume 16 to the attention of the audiences up for intellectual middle-class values.

The studies published in this issue highlight that without effective state intervention, this crisis cannot be solved either, and so it is hardly conceivable without running the state's stabilizing function “at peak capacity again”, but the economic and social principles of post-crisis reconstruction do not necessarily need to be limited to increasing the sporting sense of raw capitalism, and moreover, this is perhaps the highest chance for us to develop a system focusing on people in order to improve social welfare. We need to make sure that our lives and our generation should not be wasted as depicted in the surrealist film *The Discreet Charm of the Bourgeoisie*, in a constant series of failures and in the ever repeated frustration of events and ideas.¹ Our journal wishes to encourage this common thinking.

So it is worth reading *Polgári Szemle*.

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Finally, it is my sad, and unfortunately recurring, obligation to say goodbye to our long-time, highly appreciated authors. After the 2018 death of Count István Bethlen, member of a great family who gave us princes and a prime minister, now on behalf of the editorial board and readers of our magazine I have to say goodbye to Dr Sándor Kopátsy.² The more than seven-decade-long active career of one of Hungary's best-known economists has ranged from economic reform programmes beginning in the mid-1950's through monitoring the privatisation of after the change of regime to creating today's novel economic approach. "Uncle Sanyi", or as György Matolcsy put it, "the ageless Sándor Kopátsy", who also won the Lifetime Achievement Award of the Society of Hungarian Economists, left us in the 99th year of his life.

Their legacy will live on in our hearts.

Dr Csaba Lentner university professor
Editor-in-chief of *Polgári Szemle*

NOTES

- ¹ An Academy Award winning film directed by Luis Buñuel in 1972, which shows, through a complicated medley of dreams and the reality, the embarrassing efforts made by six member of the upper middle class to organise a supper together, which is aborted despite repeated attempts.
- ² Count István Bethlen (born in 1946 in Cluj-Napoca and diseased in 2018 in Budapest) was a member of the Akademie für Staatswissenschaften and of the Ludwig Erhard Society of Economics, and a lecturer in international economics and social market economy at the Károli Gáspár University. Between 1990 and 1994 he was a Member of Parliament representing the Hungarian Democratic Forum. He also acted as a financial adviser to Prime Minister József Antall. Between 1994 and 2012, he worked as the president of the Hungarian Association of the International Pan-European Union.

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