

The Right Way Ahead – It Will Become Part of the Curriculum...*

Bianka Parragh

György Matolcsy:

Egyensúly és növekedés – Konszolidáció és stabilizáció Magyarországon 2010–2014 (Equilibrium and Growth – Consolidation and Stabilisation in Hungary 2010–2014) Kairosz Kiadó, Magyar Nemzeti Bank Könyvsorozata (Magyar Nemzeti Bank Book Series), 2015, p. 644

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“Equilibrium and Growth” is a work that elucidates and interprets from an economic and economic policy perspective today’s real dilemmas of economic and public thinking, and compares them to the milestones in economic history that determined the Hungarian economy’s path of development for decades. In his reasoning, the author clarifies several previously unresolved questions, and at the same time formulates new ones as regards our future. These questions often open up new dimensions in the scientific discourse. György Matolcsy started working as the Governor of the Magyar Nemzeti Bank in March 2013. He had already been a prominent figure in the national economic policy, as he had held the offices of the Minister for National Economy from 2010, and the Minister of Economy from 2000 to 2002.

“Equilibrium and Growth” is a reference book that represents a high professional standard and that creates value. It is useful and, if needed, it can provide guidance to economic policy makers, economists researching the national economy or economic policy aspects of their field, as well as to central bank professionals and politicians. The reasons that led to the less than favourable situation of the national economy and competitiveness in 2010 lie in the context of past economic thinking and economic policies. This insightful and detailed book also provides useful material to students enrolled in political science or public administration Master’s programmes.

* The views expressed in this paper are those of the author(s) and do not necessarily reflect the official view of the Magyar Nemzeti Bank.

Bianka Parragh is an associate professor at the Department of Public Finances at the Faculty of Public Administration of the National University of Public Service. E-mail: parragh.bianka@uni-nke.hu.

The book starts with an overview of economic history that serves as a conceptual introduction, and consists of four main (independent) parts that form conceptual units. Each part is made up of six chapters. In the introduction (Breakthrough in Economic History), the author focuses on economic growth and financial stability, and presents the main stages of the of the three extensive, international crises – including the two World Wars – that led to a series of shocks and that considerably hampered growth and development in the Hungarian economy in the 20th century. The interrelationship between the steady surplus of the current account between 2010 and 2014 and the government deficit entailing equilibrium is analysed, and this analysis basically runs through the whole book. The first main part (*Chapters 1–6*) examines the negative impact of the period fraught with financial and economic recession and crises at the global and the European level, focussing on the euro area. Special attention is dedicated to the effects on Hungary, including the success and failure of the attempts at crisis management. As far as the chronology of the second main part (*Chapters 7–12*) is concerned, it scrutinises the challenges of the national economic policy that was characteristic of the period after 2010 and that employed a new crisis management strategy based on new values. The priority areas of structural reforms are also examined. The third main part (*Chapters 13–18*) analyses the first stage of stabilisation, including the trend changes in the areas of the budget, consolidation, employment, inflation, external debt and government debt. The fourth main part (*Chapters 19–24*) demonstrates and explains the core components of the lasting economic and financial stabilisation introduced prior to 2014 that were required to make future results lasting. These components are broken down into sub-areas but are treated as a whole. Convergence in the region as a result of monetary policy concentrating on both the medium and the long term, the trend change in lending that ended the credit crunch, the other trend changes in consumption and investment as well as the turnaround in growth bear testimony to the necessity, success and effectiveness of the economic policy employed by the government since 2010. This might be gradually accepted in economic discourse too. The book guides readers through the changes in economic policy in a clear and straightforward manner, providing details in chronological order. All of the components of the Hungarian national economy that ensure its efficient, competitive, successful and at the same time cost-efficient functioning are presented in an instructive way. The book's structure is modelled on academic papers, but it is a gripping, entertaining read.

As Matolcsy puts it, and in line with the book's title, the governing, unified national economic concept of Hungary that incorporates the aspects of economic policy, public finances – more specifically the monetary, fiscal, lending and real economy factors – is derived from the formula of equilibrium and growth as a basic premise. The roots, components and future goals of the central banking philosophy, engagement and practice based on new values and supporting the government's

economic policy, serving the social interest and focussing on the public good while maintaining the central bank's independence are detailed.

The book can be considered the sequel to "From Vanguard to Bringing up the Rear", which is about the events in economic history that characterised the region's economy, and which depicts the economic policy context of the period 2002–2008 and the resulting opportunities for Hungary. "Equilibrium and Growth" confirms and verifies Matolcsy's ideas that he set forth in 2008 – and that still hold true today – about the reasons why Hungary lagged behind the region's countries. In 2010, it became evident that structural reforms cannot be further delayed, and that the economic policy model inspired by neoliberal ideas had failed. It was clear that change was needed. It is indisputable that the coordinated functioning of the national government's economic policy and the central bank's policies contributed to the competitiveness of the national economy.

From an economic perspective, "Equilibrium and Growth" discusses today's economic challenges in a unique way. Matolcsy has always been a thought-provoking figure since the political transition 25 years ago. His remarks, just like his perseverance, are substantiated by real life and by today's macroeconomic data.

This reference work creates value, provides guidance to future generations about the renewal of economic thinking, and its arguments are based on Hungary's real resources. I respectfully recommend "Equilibrium and Growth" to everybody who is interested in the topic.