

## CENTRALIZATION AND THE CAPITALIST MARKET ECONOMY<sup>1</sup>

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*Изследванията на Янош Корнай са в областта на критичния анализ на социалистическата система и пост-социалистическия преход. През последните две десетилетия той се занимава с проблемите на икономическата политика и по-специално с макроикономически проблеми и реформирането на социалната държава. Най-известните му произведения са *Overcentralization in Economic Administration* (1957), *Anti-Equilibrium* (1971), *Economics of Shortage* (1980), *The Road to a Free Economy* (1990), *The Socialist System: The Political Economy of Communism* (1992), *Highway and Byways* (1995), *Struggle and Hope* (1997), *Welfare, Choice, and Solidarity in Transition* (co-author Karen Eggleston, 2001), *By Force of Thought: Irregular Memoirs of an Intellectual Journey* (2006), *From Socialism to Capitalism* (2008). Неговите книги са преведени на повече от двадесет езика.*

Not long ago, I was shown at a provincial university the quotas for admission that the faculty of economics had received from the ministry for this academic year, derived from the national admittance threshold points: “Students on basic training 750, students on the masters’ course 120,” and so on. I could hardly believe my eyes. Exactly 120 on the masters’ course? Not 119 or 121? I got in touch with people at other universities, who confirmed that they too had received similar detailed numerical quotas from the higher authorities. None of the university people could tell me quite how the figures had been calculated, but they suspect that someone above had

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produced aggregate national quotas for the each major field that were broken down to institution level.

Memories flashed before me of 55 years ago. Back in 1956 I was working on my dissertation, having regular discussions with enterprise managers in light industry. They spoke scornfully of the meticulous plan directives they got from the ministry, laying down for the following year, fabric by fabric and width by width, how many square metres of woollen or cotton material they had to weave. How, they exclaimed, did “the powers that be” come by those exact figures, what with all the uncertainties of production and sales? Based on my researches I finished my dissertation, which after some upsets appeared in 1957 as *Overcentralization in Economic Administration*.

Over half a century has passed since then. Not for decades did it occur to me even in my dreams that the subject of my first book, overcentralization, would ever become opportune again. Yet it has. The subject of this article is the centralizing tendency strongly apparent over the last twenty months.

My article “Taking Stock”, published in *Népszabadság* on 6 January 2011, reflected on on the events of the Orbán government’s first eight months and the public debates over them. It tried to explain how a radical change had occurred in the political structure: Hungary was no democracy any more, but an autocracy. In close relation to this, the article viewed the damage done to legal security and human rights, and the detrimental features of the economic policy that was being pursued. Another twelve months have gone by, in which the critics of the Fidesz regime have produced numerous in-depth analyses and vehement political statements. Broad agreement on the situation has emerged amongst thinkers committed to democracy, human rights and the rule of law.

This piece does not call for any changes of emphasis. I am still convinced that the main trouble lies in the replacement of democracy by autocracy. What I set out to do here is to augment the conclusions made already, by reviewing the events of the last twenty months from a *different angle*: that of the centralizing tendency.

## EXAMPLES

I will begin with examples rather than definitions, not grouped in order of importance, but presented sector by sector of society and the economy. The examples will make plain what is meant here by a “centralizing tendency”.

### *Ministries*

The government replaced in 2010 had twelve ministries. The number under the new government is reduced to eight.

### *National Bank of Hungary*

The new act on the central bank was passed by Parliament in a whirlwind of end-year activity. At first sight, this new piece of cardinal legislation prescribes only formal changes, but in actual political practice it allows strategic direction of the National Bank of Hungary to be assumed by the Fidesz regime, whose will prevails equally in the actions of the government, the president of the republic, and through its two-thirds majority, the legislature. The decision-making