ECONOMIC AND EDUCATIONAL POLICY OF SANDOR WEKERLE FORMER HUNGARIAN PM

LUKACS JUDIT

Wekerle Sandor Business College, Budapest, Hungary

During the dualism, on the turn of the 20th and 21th century Wekerle filled the position of the finance minister many times and he was also the prime minister three times. With his decades of activities he actively contributed to the creation and development of the Hungarian capitalism and the to the domestic capitalist economy.

It can be recognized that in Wekerle's social-political thinking there is a relationship between the economic public interest, the employees' economic and health interest, the employers' interest and the interest of the public education. In the area of public education he regarded the enforcement of national factors as a cornerstone so that at all stages of the education the national character of the Hungarian state should be expressed. The entire public education should be harmonized with practical life and the national standards in a way that the freedom and rationale of spiritual and local education as well as the national minority education would not be damaged.

In doing so, I became acquainted with Sandor Wekerle's professional life and work, who was an eminence economic and financial figure in Hungary. During the Dualism, at the turn of the 19th-20th century, he repeatedly filled the post of finance minister and he was the prime minister of the country three times. With his professional work during these decades he actively contributed to the establishment and development of the Hungarian capitalism and to the domestic capitalist economy.

He was born on 15 November, 1848 in Mor. He was the first Hungarian politician who won the prime minister's post without any noble title, and he was the only one who succeeded in doing so three times. Sandor Wekerle was responsible for the complete reform of our financial and tax system. During his first prime ministership he laid the foundation for the restructuring of indirect taxes and by law he started and regulated the modern reorganization of the financial administration.

He divided the operation of the government's most important functions into three groups: financial and economic activities, public institutions (namely the modern restructuring under the authority of the Justice and Home Affairs) and church policy.
In order to boost the economic activity he promised to acquire and stabilize new markets. These new markets were realized by the conclusion of contracts with the eastern states. In order for these to become concrete, maritime shipping and port facilities had to be developed. Among the state economic development tasks the main emphasis was put on the development of infrastructure; river regulation, gradual development of river and lake navigation and canal-shipping as well as connecting these with railways. The establishment of the suburban rail network was also one of the main tasks, and in order to develop the manufacturing industries new industrial railway tracks were necessary as well. It was also important to control the rail tariff policy so that it would continue to serve the economic interests.

If we consider the industrial development it was imperative to introduce new industries, to support and spread existing ones and to improve industrial administration which meant the introduction and development of relevant legal context. And last but not least, the development of vocational education was necessary to ensure the progress of the industry.

In agriculture the main tasks were to develop the different branches and the health system and to create the duty of "mezoor" (ranger).

Considering the administrative reforms the clarity and transparency of home affairs were highly important, as well as organizing them in a more inexpensive and time-efficient manner. Moreover, the reforms had to emphasize the preservation of civil rights. All these reforms together with the nationalization of the administration facilitated the nation’s consolidation.

At this time in Hungary, the churches had a significant influence in society, and in some cases, which today are clearly state responsibilities (registration, marriage, divorce), they had exclusivity. The catholic Habsburg-House did not support the domestic reform ideas. The Wekerle-government took it upon itself to settle these issues.

A law was introduced concerning mandatory civil marriages and state registration.

During his second prime ministership the most fundamental question was the tax-reform, which was adjusted to the economic circumstances at that time. There were two cardinal points in Wekerle’s proposal. First, apart from the better burden-sharing and tax-adjustment, he intended to enact personal income tax instead of general income surtax along with applying progressive rate. The other essential element was that the excess-profit resulting from tax-reforms was not to be spent on fixing the state treasury but to decrease or even eliminate some lower taxes, the earnings taxes and taxes which disproportionately burdened the poorest strata of the population. Considering indirect taxes, it was also a positive point that from the tax-income Wekerle planned to proportionate the tax-division between the central and local governments.

In 1910 Wekerle retired from politics, devoting his life and time to the public good. In the first three years of the First World War, he still stayed away from politics. From August, 1917 his involvement became necessary once again. He was leading the government in dire situation for 14 months. The war bore heavily on the country. Not only supplying the army, but the civilian population’s nutrition, the public food also presented many problems.

Few people are so lucky that in their youth they are able to set up a public program and they can carry it out almost entirely. When he was a young financial officer, he already formulated the complete reform of our financial policy and administration. As soon as he had the chance - as a secretary under Kalman Tisza- he started to implement his program. As a result of this, during the nineties the following reforms were realized:
public finance, indirect taxes, currency reform, and financial policy in the economic interests. During the coalition the changes continued by reforming the direct taxes, large investments and engaging social institutions (e.g. coalmine-action, workers yard in Kispest). Ultimately, even during the World War he found time to get his program closer to the finish since during that time he established the basis of the dues-reform and he prepared the separate customs territory and the institutions of the central bank.

His general concept of economics as his political opinion was definitely liberal. As a core principle of economic well-being he recognized the individual freedom and the opportunity for free competition. According to his opinion the primary task of the state was to remove all barriers and obstacles from the free development of economic life. However, he was also aware of the fact that the nature of the Hungarian economy and our situation with Austria requires a more significant involvement by the state. His biggest achievement was currency regulation and introducing gold-value and corona-value. Since the Napoleonic Wars the monarchy was constantly struggling with deteriorating money value and currency as well.

All branches in the economy could feel the uncertainty of the unit of measurement. Wekerle knew that the main support for rebuilding the currency was the central bank.

We can clearly see that in Wekerle's social-political thinking there was a strong link between the economic public interest, the employer's economic and health interest, the employee's interest and the interest of public education. He recognized this quaternity and he submitted and protected his proposals during parliamentary debates. Considering the public education policy he regarded the enforcement of national aspects as a cornerstone. He thought that at every educational level the idea of the Hungarian national character should be expressed. To this end, the authority of the inspectorate should be deepened, with an emphasis on practical direction to be placed from the very basics to the Technical University. The entire public education should be harmonized with practical life and the national standards in a way that the freedom and rationale of spiritual and local education as well as the national minority education is not damaged.

"The first period of the civil Hungarian educational policy lasted from the end of the 1860's until the middle of the 1870's. At that time the new liberal constitutionalism was planning a quick educational modernization controlled from the top (from the Ministry of Religion and Public Education which was answerable to the parliament).

In those days the culture politicians defined the same function for the educational administration as their European counterparts. All over Europe the state was in constant conflict with the church and the traditional forces. The German culture battle (kultúrharc) was one of the most intensive form of these. Therefore the main task of the educational administration was to bear down all resistance from the denominations and the forces in the counties. The centralist had high hopes for the urban-municipal local government with civilian mentality (which could be in a stark contrast with the feudal county), for the local maintenance of schools and for the school committee's exercise of power. In the top central school of the central school law, in the prepared nine-year-long secondary school draft, a democratic secondary school system started to develop but it was interrupted halfway. What is more it was not supported by any of the social groups.

However, the central school system became deep-rooted, which was built on more maintainer, local taxes and state support. Another characteristic was the compulsory schooling and school erection and also the academic freedom. The next era started in the mid-1870s and lasted until the mid-1890s. In those days the central school administration was established which took the actual realities - the influence of the counties and
The denominations - into account. The management of the secondary schools was adjusted and modernized on the existing 8-grade school system. However, the public schooling, the teacher training and the maintenance of the secondary schools remained in the hands of the denominations and the maintainers enjoyed extensive autonomy. While the big social groups were competing for the school and a conflict took place between the state and the church, in the world of education the growth of state-power was observable.

In the case of public education - against the legislature, the government, the church or the counties-the real players in the educational system did not have any chance. Their influence and power was simply incommensurable with the previously mentioned forces.

Of course enforcing the public interest - to enforce the compulsory schooling with those people who did not wish to go to school - was not a feasible task for the actors in the educational system.

From the public education basically three institutions emerged. Already in the public educational law of 1868 the civil school had a special and separate place. Those who were interested in the independence of the civil school, managed to achieve their goal in many parallel political areas. The power of the school committees and the wardens - that is the unprofessional control - was pressed back. The leaders of the schools became state-appointed public servants, the principals of civil schools. The pedagogists managed to receive the secondary-school-teacher degree and classification instead of the elementary-school-teacher degree. Since the certification law of 1883 among the secondary vocational institutions the top commerce schools were regarded as secondary schools in a sense but since they were final-examination institutions and possessed significant central connections (namely within the Industrial and Trade Ministry), they managed to break away sooner from the school-commissioner than the civil schools. The special-education-teacher and the schoolteacher interest areas had the strongest link to the public school sector so they managed to break away rather late and only partially. The schoolteacher training (although based on the civil school) was much less parallel to the upper-secondary-school than the civil school to the lower-secondary-school.

The educational policy was integrated into the most fundamental domestic issues of the system concerning nationality policy and church policy struggles and the development of the single modern bureaucracy (defined by training instead of origin, religion, locality and other traditions). It also got acquainted with the industrial freedom and with the economic policy (which was concentrating mainly on state development) by regulating the apprentices. Moreover, by introducing the voluntary military system for the people with secondary school final exam (the long military service versus the alleviated regular army service which was better suited for the gentlemen status), it got involved in military politics as well.

The educational policy did not only satisfy the civil, historical demand for teaching people how to read and write but also filled the need of the modern social layers and the economy.

As a result, the composition of the educated social groups started to change. The religious and native groups, where the proportion of illiteracy was higher than the average (for example the Orthodox Jews living in the eastern counties, Greek Orthodox mostly Romanians and Serbians, the eastern Slovaks, Hungarians living in smaller villages but also the poorest Ruthenians), were able to start to make up lost ground. These 4-grade graduations and the final exams were equals with respect to the employment in the public sector, the labor market, the volunteer institutions and the subsequent census records. However, with respect to the admission to university - where the legislators had to take into consideration the conventional forces in the educational sphere - people were qualified in a differentiated standard to continue their education. That is, in the seventies and
eighties with the secondary expansion first the new social groups were able to target the mid-level intellectual functions and then later in the nineties when the number of state secondary schools increased, they received the chance to get access to institutions of higher educations and thus the intellectual elite."

After the Compromise in 1867 the organized adult education started to settle into shape parallel with the schooling development of the young generation and the acceptance of the 1868: XXXVIII. Act to make public education compulsory. The underdevelopment of the contemporary education made the institutionalization necessary. Until the adoption of the quoted public school act the majority of children did not attend school at all or stopped their studies prematurely, adding to the number of illiterate or half-illiterate. The capitalist production, which started at that time around, was hindered by the fact that people working in the industry and agriculture did not possess the knowledge which was necessary to expand and widespread the production. Not only the state politics, which requested a part in economic life, but also the owners of factories and plants as well as the workers themselves recognized the necessity of training. Wekerle also held out a promise of honorarium. It could be regarded as a major milestone in Hungarian education when the Pesti Nepoktatası Kor (Public Education Club of Pest, and from 1873 the Public Education Club of Budapest) was established. Together with other societies and reading circles, which were founded in the subsequent decades, they were responsible for the wide-spreading of culture, although with a different professional, regional, religious and political approach.

In the last decade of the century and the first decades of the following century several organizations, which were operated under social initiatives and municipalities, started to deal in adult education. In these institutions members could master not only those subjects which were part of the curricula of public schools (mainly reading, writing, calculation, in other words literacy and numeracy), but also practical knowledge required for everyday life. For example skills in business life, or practical knowledge for household tasks (mainly for women), for commerce, for industry, shorthand or foreign languages. In the villages the Magyar Gazdaszovetség (Hungarian Farmers Union) was responsible for supporting the work of reading circles, farmer circles and special courses, which satisfied the requirements of agriculture.

In 1892 the National Catholic Central Circle of Budapest (Budapesti Orszagos Kozponti Katolikus Kor) was founded and members could receive elementary information along with religious- and civil-education at nearly thousand locations in the country.

By the end of the nineteenth century the discrepancy between the education at the Faculty of Arts and the actual requirements of the teaching profession still could not be resolved. Partially to compensate for this and to train scholar-teachers, the Baron Jozsef Eotvos Collegium (Baro Eotvos Jozsef Collegium) was established, which was connected to the Budapest University of Sciences and its structure was based on the French model. A completely different teacher-training model was introduced by Apponyi Collegium, which was founded in 1906 and rose to be a college in 1918. This institution combined the university training and the practical pedagogical-methodological training and concentrated on new emphases.

The Parliament adopted the law for constructing a new building for the Technical University in 1879. As a result of this, students could start the academic year of 1882/83 in the new building in Muzeum boulevard (kSNit). The building was planned to accommodate 600 students and already in its first year it turned out to be overcrowded. Thanks to the continuous development of the university, the next item on the agenda was the expansion of the building and already at the turn of the century a plan for the new university campus was
accepted. The constructions started in the first decades of the 20th century (between 1902 and 1910) on the bank of the Danube in Lagymanyos with 36000 m² ground-space.

The agricultural vocational education desperately needed a reform, and finally in 1906 with the help of Ignac Daranyi's (agricultural minister) measures, the secondary agricultural institutes in Debrecen, Keszthely and Kassa were declared college type institutions, known as the Magyar Kiralyi Gazdasagi Akademia (Royal Hungarian Farming Academy). Similar to those colleges, the educational period rose to three years in the institute of Mosonmagyarovar, which still retained its central role in agricultural research and development. In addition to the agricultural colleges, there were discussions about planning a multi-faculty Agricultural University (agricultural, forestry and veterinary faculties), which was put forward by the rector of the Veterinary College, Ferenc Hutyra in 1906. This plan, however, neither then nor later materialized. The Hungarian Royal Horticultural Institution was established in Budapest in 1894, which later became a highly significant institution in tertiary education.

The National Hungarian Royal Drawing College (Mintarajztanoda) and Teacher Training College (Tanarkepezde) was founded in 1871 and its purpose was to train and educate drawing teachers and young people who were interested in a career of fine arts. The founding director, Gusztav Kelety, played a fundamental role in organizing the institution. We can find several important names, such as Frigyes Schulek, Miklos Izsoor Bertalan Szekely, among the first teachers of the institution. During the three-year training period students learned a wide range of basic subjects and they received a versatile practical training as well. Owing to the organizational work by Gusztav Kelety, the Carving Workshop (Mufaragaszati Szakmuhely) was established in 1880. It quickly evolved into the center of applied arts education and in 1896 it became an independent institution. In 1897 the institution's curriculum was modified thus separating the training of drawing teachers and artists.

In addition, in 1883 the first "Pictorial Masterschool" ("Festeszeti Mesteriskola", headed by Gyula Benczur) and in 1897 the second Pictorial Masterschool" ("Festeszeti Mesteriskola", headed by Karoly Lotz) were renewed. Alajos Strobl started his "Sculptural Masterschool" in 1897 as well. In 1908 all the master-schools, including the ones for women, were joined to the Drawing College (Mintarajztanoda) and the name of the united institutions was changed to Royal Hungarian Academy of Fine Arts (Magyar Kiralyi Kepzomuveszeti Foiskola). The teacher-training and the artist-training still remained separate. The institution's diverse artistic activity played an important role in standardizing and inspecting the drawing education at schools. It should be noted that the official, "academic" direction represented by this institution had a strong link to the Munich school. It was becoming more and more different from the modern fine-arts directions, which were characteristic in western Europe. To counteract this, out of necessity rural artist-colonies and painter-schools were established, which disaffirmed the official directions and were searching for new approaches (for example in NagyMnya, Szolnok or in Godollo).

In 1905 the revised organizational principles of the Music-Academy were approved. According to these new principles the education started in training-schools, continued in preparatory and academic courses and ended in artist-, or teacher-training college and also ensured the possibility of private examination. The institution's new building at Ferenc Liszt square was inaugurated with a gala concert on 13th May, 1907. As a result of the fact that foreign (mostly German, Austrian and Dutch) musicians were regularly employed as music teachers at the Academy, the management of the institution was harshly criticized. The institution was r
as the "hotbed of Germanization" and it was pressed to introduce a music education in accordance with the "national spirit". On the 4th February, 1895 for example, a heated debate erupted in the Parliament. They demanded the German academics to be sent home, and Hungarian singers and educators to be appointed.

The number of institutions in higher education

<table>
<thead>
<tr>
<th>Institution Type</th>
<th>1867</th>
<th>1877</th>
<th>1887</th>
<th>1897</th>
<th>1907</th>
<th>1917</th>
</tr>
</thead>
<tbody>
<tr>
<td>Science</td>
<td>1</td>
<td></td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Technical</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Agricultural</td>
<td></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Commerce</td>
<td></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Arts</td>
<td></td>
<td>2</td>
<td>2</td>
<td>3</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Military</td>
<td></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>„Modern” institution</td>
<td>2</td>
<td>7</td>
<td>8</td>
<td>10</td>
<td>17</td>
<td>20</td>
</tr>
<tr>
<td>Theology Academy</td>
<td>41</td>
<td>45</td>
<td>49</td>
<td>52</td>
<td>46</td>
<td>42</td>
</tr>
<tr>
<td>Law Academy</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>10</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Tertiary education sum</td>
<td>55</td>
<td>64</td>
<td>69</td>
<td>72</td>
<td>73</td>
<td>70</td>
</tr>
</tbody>
</table>

2. The number of students

<table>
<thead>
<tr>
<th>Year</th>
<th>1867</th>
<th>1877</th>
<th>1887</th>
<th>1897</th>
<th>1907</th>
<th>1917</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4830</td>
<td>6721</td>
<td>7141</td>
<td>8777</td>
<td>14431</td>
<td>18033</td>
</tr>
</tbody>
</table>

3. The number of female students

<table>
<thead>
<tr>
<th>Year</th>
<th>1897</th>
<th>1900</th>
<th>1910</th>
<th>1917</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6</td>
<td>36</td>
<td>318</td>
<td>1189</td>
</tr>
</tbody>
</table>

In connection with the latter series of data it should be mentioned that Gyula Wlassics's ministerial decree no. 65719/1895 made it possible for women to apply for university (only in the faculty of arts, medicine and pharmaceutics) but only with the precursory approval of the monarch.

It was another significant turning point in the history of Hungarian education system when in 1908 the free nature of elementary education was guaranteed by the XLVI. Act.

This law, consisting of nine paragraphs, stipulates that the education is free of charge at state, local and denominational schools in case of everyday and refresher courses, only 50 "filler" enrollment fee may be collected to enrich the student and teacher library.

The school is obliged to issue a certificate in Hungarian language for those who have completed six classes of elementary school or three classes of refresher school. Besides Hungarian the headings of the certificate may be filled out in the language of the given institute as well. According to calculations the state is to
take upon itself 3.5 million corona and in case of denominational schools 2 million corona. The purpose of this was to promote the increase of the number of students attending school since for a long time this rate had not or only slightly exceeded the compulsory school attendance of 80 percent.

Considering its most important principles, the tax-system, which was established in 1909 and was changes by the special circumstances created by the war and the subsequent years, is still valid today.

Wekerle's detailed reasoning attached to the bills is of lasting value and will serve as an instructive source in the future as well. To be a great statesman high intellectual ability, versatility and erudition are not enough. All of these should be accompanied by a degree of ethical excellence which elevates the person above his fellow citizens. This not only means respecting and adhering to moral principles, but also pushing your self-interest into the background in favor of public life.

Wekerle had the creative ability to produce genuine, authentic value for the country and this talent can and will elevate him among the great minds of the Hungarian nation for numerous centuries to come.

References

Надійшла 19.09.2011

УДК 378:811.111 (073)

HISTORIC AND SCIENTIFIC OVERVIEW OF STATE ROLE IN ECONOMIC POLICIES - PRESENTED THROUGH THE EXAMPLE OF HUNGARY

LENTNER CSABA
Wekerle Sandor Business College, Budapest, Hungary

The author was one of the main opponents of the rapid liberalisation of the economy after the collapse of planned economy. He has been consistently emphasising the necessity of state intervention. He is convinced that the disadvantages of the rapid introduction of the neo-liberal market model without transition in Hungary outweigh the benefits by far: what is more, it has led to the severe indebtedness of the country. He believes that the market-based system can only be successful if demand and supply is controlled by government means in a reasonable but strict manner. This is particularly so in Eastern Europe, where post-communist and often feudal legacies had deeply penetrated economy and society. He puts down the crisis that has been unfolding since 2007 to the failure of excessively independent market actors in the western world and in Eastern Europe alike. He expects that any positive turn in the management of the crisis will stem from the renaissance of state control over economic policies. This paper presents the historic background and the argument in support of stepped-up state role through the example of Hungary, particularly through the crisis management measures of the new civilian government.

The historical traditions of state control over economic policy in Hungary before the collapse of planned economy Although compared to other nations within the European cultural sphere, Hungarians have only been present in Europe since around 900, it is a fact that around 900 A.C. after a thousand-year of wanderings on
Russian steppes, the Conquest of the Carpathian-basin did take place and the conversion to a western feudal model and to Christianity, as well as the foundation of a western-type state administration quickly turned the Kingdom of Hungary into one of the major states in Europe. The independent Kingdom of Hungary as an integral state had lasted into the middle of the 16th century. As a result of the Turkish wars, the country was torn into three parts and its economic development was halted for 150 years. After the expulsion of the Turks, a new system of dependence evolved. For a good two hundred years the country fell to the hands and political control of the Habsburg Empire. One of the main objectives of the battles of independence of the 18th and 19th centuries was to regain the economic and political independence of the country. Albeit these freedom fights and breakthrough attempts had failed without exception, the Hungarian economy also enjoyed the peculiar benefits of being part of the Habsburg Empire. In the Austrian, i.e. Habsburg hereditary lands in the first half of the 19th century, modern industrial centres were springing up. The manufacturing industry took roots and trade was given fresh momentum. With the swift industrial development, the Habsburg Empire’s agricultural areas, and particularly Hungary, were unable to keep up. There was an imminent danger that the industrial supplies of the western provinces would not be marketable in Hungary for lack of effective demand. For this reason, the development of Hungarian economy and particularly agriculture became an important economic development issue for the empire. This was particularly important in light of the fact that the core European countries (France, Germany, the Low Countries, England) could not possible be reckoned with as an outlet for the Austrian industry for conflicting political, power, and economic interests. With the growth of Hungarian agriculture, effective demand was successfully generated for the industrial products of Austrian-Czech provinces.

Beside the positive pull effect of the industrial centres of the Habsburg Empire, and particularly due to the ideas adopted from German economist Friedrich List¹, further and even more significant economic development initiatives were unfolding in Hungary (marked by the names of Lajos Kossuth, Istvan Szechenyi), which urged for the establishment of independent Hungarian economy sheltered behind protective tariff walls, which was seen as the potential propellant of political independence. The Hungarian reformers of the 19th century believed that the solution lay in the independent industrialisation of the country and the establishment of trade. For this however, internal capital was not available; external direct investment on a scale that would sooner or later lay down the foundations for political independence was obviously not in the interest of the Empire. Although the 1848-49 freedom fight against the Habsburg Dynasty had failed, following the Compromise of 1867, the country - embedded permanently within the frameworks of the Habsburg Empire - displayed splendid economic growth. The freedom and open liberalism of enterprise in principle was framed by a very conscious, well-thought out empirical (and provincial so to speak) economic policy. The integration of the country’s traditional agricultural raw produce into complex vertical food sectors had begun. The quality and effectiveness of the raw produce of plant-growing and husbandry was improved collectively by the manufacturing of agricultural machinery, whereas the level of processing was furthered by processing plants, and the transportation of produce was promoted by the expansion of the rail system. The economic development

¹ List, in opposition of the Anglo-Saxon free trade, opted for economic development sheltered behind protective tariff walls. Building on economic liberty, England’s system was a reflection of its dominance in the world market in which and through which it enjoyed unlimited benefits. The German population suffered from the competition presented by England’s industry hence a German citizen was heavily dependent on the state’s active protectionist economic policies. List, F. (1841)
of the country was nonetheless one-sided and heavily dependent in character. The produce of the vertical food sectors was sold mainly on the closed, internal outlets of the Monarchy. However, foreign investment played a significant role in the foundation of the milling industry (key sector). The international securities market only became important in infrastructural development, and partly in the related development of the heavy industry. However, modernisation was not coupled with independent nation state status; consequently, the state economic policy, which was supposed to serve development, remained "satellite" in nature under the control of the empire, and the final outcome was a heavily empire-dependent situation. The partial resulting outcomes did not help create comprehensive and long-term modernisation. What is more, even though the establishment of the railway system (with the coal and iron ore mining and metallurgy behind it), which enabled the transportation of processed agricultural produce, was on a par with the developed world in the economic sense, the benefits of economic development did not in turn reform the system of social relations, the stratification of classes, and the democratic rights of society. Quite to the contrary, it caused the powers of the landowner classes profiting from having monopoly over the land and opposing the social modernisation of the nation to cement. The lack of political independence and the lack of social renewal to go hand in hand with the modernisation of the producing forces halted further economic development after a given time and beyond a given level. The Habsburg Empire and specifically the Kingdom of Hungary had achieved swift yet one-sided economic growth with the participation of and contribution from a conservative landowner class unwilling to lose its powers, which was conspired with the Habsburg Empire's active, economy-changing, enterprise supporting policies; however the modernisation attempt of a Hungary operating under the Austro-Hungarian Monarchy remained distorted.

By the second decade of the 20th century, the defeat in WWI1 and the resulting annexation of two-thirds of the country's territory, the economic policies - with active state control - between the two world wars designed to compensate such losses were also doomed for failure as Hungary found itself again on the side of the defeated. The country's two and a half-decade long economic policy efforts focusing on an arms programme proved futile.

The socialist planned economy system taking shape from 1947 had lost its reserves of internal resources by the 1970s, after the rebuilding of the country was finished. Alien to the nature of Hungary, the voluntarist industry policy coupled with Hungarian heavy industry built on iron ore from Krivoy-Rog, and coal from the Donets Basin represented a restricted and dependent set of capacities. The worsening production of the people's economy and the contradiction between the party promise of improving living standards and the performance of party politics led to severe indebtedness of the country. Hungary's external total government debt had swollen from USD 2.1 billion in 1973 to 22.7 billion by 1991 - an eleven-fold increase. From the 1970s, Hungary was functioning by living off the western money market and mainly IMF and World Bank loans. The economy and economic developments triggered political and social changes. Although with the Socialist restructuring of agriculture, the effectiveness of Hungarian agriculture was on a close par with that of American farms, the increasing disinterest and under-motivation of workers in the socialist system had begun to act like severe internal breaks in agriculture also after industry. It must also be added that the success of the planned economy

2 In contrast to the United States of America, the railway development in Hungary was not coupled with the democratisation of society and the extension of rights as was inherent in the States; these positive social changes did not evolve; what is more, railway only helped the feudal classes to conserve their economic and political powers (Lentner, 2010c).
in the 1960 and '70s was due to the conscious application of market components that did not violate the basic conditions of planned economy. Moreover, the conscious blending in of market components in the 1980s remained an integral part of state planned economy; however, the economic dominance of Western-European countries had blinded the Hungarian population with the lifting of restrictions on foreign travels and with western propaganda. The ailing living standards financed ever more from western loans had got stuck after a while and the obsolescent economy behind it had wound itself up. Gradually alienating from the object of its labour, the collectively owned means of production, and the end product\(^3\), the working class and the peasantry of cooperatives had lost their faiths in socialist planned economy by the 1980s.

**The crisis of crisis management: from planned economy to planned economy?**

It is apparent that socialist heavy industry had lost its internal and external markets alike by the end of the 1980s. This was facilitated by the collapse of the Comecon and the sentiments expecting the coming of a consumer's paradise evident in Hungarian society, where the consumption of western products was placed in the focal point. Hungarian society wished to make up for the frustration of the past six centuries by swiftly establishing market economy and a consumer society. By selling of state property quickly and cheaply, Hungary had become heavily dependent on FDI. Pacing capital attraction in its focal point, Hungarian economic policy enticed international companies through tax rebates and a wide range of government subsidies. Rigid state regulation was turning into accelerating market deregulation from the end of the 1980s. Regulation was replaced by increasing deregulation as the main feature of Hungarian economy. The obstacles in front of capital investments had been demolished and the repatriation of profit to its country of origin became free. The abating market protection of abating Hungarian producers, the independent national middle-classes, and the development of "embourgeoisement" with sustainable proprietary background to a social class was only ever realised at the level of election programmes. State property was mostly sold off to foreign investors, who this way managed to put their hands on the markets of former socialist large corporations and the food industry. Further to this, with the escalation of the already huge state debt at the change of regime, foreign investors purchasing state securities acquired key positions in the sustenance of the state, which had thus also become financially dependent. Hungarian change of regime took place at a time when economic theories and economic policies shifted towards liberalism throughout the entire world\(^4\). The economic philosophy of the Washington Consensus unfolding from the 1980s and the underlying International Monetary Fund, and the World Bank considered the state a bad owner and urged for the abolishment of restrictions before the migration of money capital, FDI, services, and labour. Proponents of the philosophy stood up for the liberalisation of financial matters, foreign trade, and foreign exchange, for the removal of national obstacles before foreign investors. Although already at the end of the 1980s, the contradictions of a neoliberal economic policy was evident\(^5\) in developed market economies, the

---

\(^3\) Although the number of economic crimes and erroneous decisions stemming from insufficient economic information and the consequential financial damage was only a fraction in the planned economy system of what was evidenced in the market economy system unfolding from the end of the 1980s (Lentner, 2009).

\(^4\) For more details, see: Forgacs!,. (1987): confidence increased in the automatic operation of market forces while the state's economic efficiency was being questioned as the state degraded into a mere institution of bureaucracy.

\(^5\) There was contradiction though between the various components of the liberal policies. For example, liberalisation in one area had led to greater government activities in another sector (Fortin et al, 185
emerging East-European region determined to open its markets, and Hungary in particular, still opted to implement a neoliberal economic model by taking a 180 degree turn in complete opposition of the practice of state planned economy. As a result, the vertical food sectors, established during the Austro-Hungarian Monarchy and successfully preserved by the Socialist planned economy, collapsed. Comecon and the light industry producing for the internal markets had practically disappeared and the heavy industry which no longer received hydrocarbon derivatives on the basis of the Bucharest pricing principle from a disintegrating Soviet Union had collapsed. These were replaced by FDI-established high-technology machinery industry and high-tech whose share of exports (21%) is higher than the Japanese (20%) or the Finish national rate (18%). Hungarian high-tech export by and large involves assembly work performed for foreign companies at low wages from mostly imported parts and components. It is important that the import content of the total Hungarian exports is 60%, by far the highest in the OECD countries. The import content of Japanese exports is hardly 10% and the Finish index stands at 35%. The difference is that in really developed countries export companies keep the most valuable highest added value activities of the value chain in their own countries. In contrast, Hungarian industry essentially performs assembly-type work organised from abroad, i.e. it does not involve contribution that may be considered knowledge-intensive from the perspective of the value chain. The performance of the national economy is virtually entirely dependent on the performance of multinationals. From 2002 to 2010, the rate of export against GDP grew from 51.5% to 73.2%. In the same period, GDP increased from EUR 70.9 million to EUR 98.4 billion, while exports doubled (EUR 36.5 billion to EUR 72 billion). The comprehensive and all-encompassing dynamising effect of international corporations on Hungarian national economy and society has remained unseen. The rate of employment is 57% - among the lowest in Europe (EU-27 67%). It is unquestionably true that international large corporations have given Hungary's economy a boost with the introduction of high-tech, but the budget positions and the living standards of the people have not improved proportionately. To a certain extent we have integrated with developed market economies but have certainly failed to converge with them. The disorganised neoliberal Hungarian economic policy has added to further indebtedness. Between 1990 and 2010, total debt increased eight-fold. The 20 billion-dollar state debt at the beginning of the change of regime soared to 110 billion, further to this local authorities have run up foreign exchange debts of USD 10 billion; besides, and as a result of the Hungarian economic policy, ignoring internal social considerations and incapable of guaranteeing secure livelihoods for the 10-million people in the mother country, a debt portfolio of USD 40 billion of private loans has been run up in euros and Swiss francs. The consolidating deficit and the increasing debt is a reflection of disorganisation rather than effective economic policy. When assessing the immeasurably indebted economic policy, the question arises: Did the Hungarian market economy really move into a higher mode of production than what the socialist planned economy inundated with market components had used?

6 In Chile, while they were pursuing the strictest monetarist principles, the rate of growth plummeted, inflation soared, the rate of investment was low, and external state debt sky-rocketed between 1977 and 1981 (Guardia, A. 1984).

7 In a former study, the author mentions that the scientific analysis of the planned economy was already completed in the euphoria of the transition to market economy in the beginning of the 1990s (e.g. Janos Komai). An assessment of the market economy of a similar magnitude has not yet been published. At the same time, the author has doubts regarding the thoroughness of the evaluation of the Hungarian planned economy.
International corporations can use the country as a profit collection point and only little share of the proceeds is reinvested in society. Their contribution to public burden sharing is not in proportion with their financial means. In addition to falling sales figures of large corporations producing for exports, the performance of Hungarian SMEs is constantly and steadily declining, the position of the national budget is deteriorating, internal effective demand is weakening. By 2008, the spiralling crisis from the Anglo-Saxon markets hit an already weakened Hungary. After nearly a quarter of a century-long history of market economy, the results are dispiriting or at least contradictory. It is striking that in the period of planned economy, Hungary had a people's economy inundated with market components most, which was coupled with the highest living standards. Unique in the eastern block, home farming was allowed, commercial catering businesses were let to private individuals to run, and there were economic work communities in the industry. These allowances were used to serve self-settlement of accounts within companies and to effectively motivate workers through financial gains. Early market components from the start of the 1968 new economic mechanism undoubtedly helped market economy to develop in the past quarter of a century. We were at the leading edge of laying down market foundations; however, after the turn of the millennium, Hungary became straggler from front-runner to quote the words of the present minister of national economy. The implemented neoliberal economic policy could not fill the political independence gained in 1990 with economic power hence the political independence the country had pined for and eventually obtained after six centuries was devalued. We became a country controlled by external funds in the areas of production, budget deficit, the financing of increasing government debt, and the production (import) of consumer goods. By 2010, the time of the elections, there was elemental demand for a government with greater control over the economic policy.

The renaissance of state control of economic policies

The mode of production that is in crisis and is coupled with the destabilisation of social relations must necessarily come to an end. Hungary, by October 2008, went bankrupt. The foreign investors financing government debt were fleeing the Hungarian state securities market in mass, international corporations switched over to narrowed reproduction processes, or left the country. Hungarian-owned enterprises were unable to fill the depleting economic and financial space. The country badly needed the grant of a 25-billion dollar emergency loan from the IMF, the World Bank and the European Central Bank. The former government applied austerity measures as a means of crisis management and failed to use the alternative of fiscal stimulus marked by the name J. M. Keynes, although the crisis management techniques of the United States and Western Europe economy (considering it exaggerated and one-sided), and also about the "superiority" of market economy. (Lentner, 2010a)

The reforms of market economy proved abortive, the political parties are incapable of reaching a consensus, the people are convulsively protecting the social rights inherited from planned economy, the alternating governments are implementing a zigzag economy policy. The system is incapable of reform and renewal. This is topped with the world economic crisis (Lentner, 2010b).

In his book From Front-Runner to Straggler (2008), Gyorgy Matolcsy describes the process of economic decline that followed after he left office as minister for economy (2002), which the crisis managing economic minister is facing in 2010.

Keynes, J. Maynard (1936): During periods of crisis, the state has the power to artificially keep effective demand up by, for example, infrastructural investments and thereby bring the economy closer to a state of balance and reduce unemployment. The active intervention of the state in such cases is beneficial to all. Even if the disbursement of money without funds causes the budget deficit to increase. This can and
would have implicitly made it possible. By the summer of 2010, the new government's room for manoeuvre had narrowed down; the EU no longer supported its fiscal expansionist programme because of the intensifying crisis of the Eurozone. This was despite the fact that in the preparatory phase leading to the election, the contours of a growth-oriented economic policy fuelled by fiscal expansion were becoming increasingly evident (see Matolcsy et al\(^\text{11}\)). Hence the civilian government must achieve economic growth despite fiscal restrictions by using strict government control over economic policy as its means. Restriction serves the rationalisation of social insurance, the welfare sector, and the further curtailment of paternalist functions, while growth means the encouraging of investments for domestic SMEs and international corporations alike, although this is only possible with the use of significant, however depleting - with the deepening of the Eurozone crisis - state and EU funding. The now more active government economic policy levied crisis taxes on the energy suppliers and banks in order to have a greater room for fiscal manoeuvres.

Exceptional situations require exceptional economic political solutions. Keynes considered the building of pyramids, the digging and subsequent digging out of dollar-packed whisky bottles possible solutions to reduce unemployment and thus increase effective demand. The active roles played by the state in the management of the 1929-33 crisis, or making the New Deal, or in the reconstruction of Germany after WW1 are prime examples of effective state intervention. It is unquestionable that heavy state regulations curtail the opportunities for companies to act. In justified cases, it is necessary for the government to overturn decisions made on the free market. At the end of the 19th and the beginning of the 20th century, the United States already applied a wide range of anti-trust laws to curtail market forces, remedy information failures, to keep external economic impacts under control, regulate monopolies by public utility regulations\(^\text{12}\). The present management of crisis again is an attempt to prevent market forces, particularly money capital from multiplying. Active state intervention is particularly justified and called for at a time when in a neo-liberal economic space the market actors have all failed, hence the successes of macro-economy are dependent on factors beyond supply and demand, in other words, in the domain beyond micro-economy; ultimately its consummation is dependent on the welfare policies and the distribution of incomes.

In the past 40 years, after the dissolution of the Bretton Woods system of monetary management, mixed economy was replaced by global capitalism in developed market economies. The independence of monetary policy became a thing of the past, while fiscal policy was based on rules. The relationship with transnational companies became the measure of competitiveness of government economic policy. State regulation lost relevance; the emphasis was now placed on deregulation, unrestricted money multiplication, unlimited privatisation, and the primacy of exports. By 2007, this was no longer sustainable in the developed world. Although Hungary's planned economy was most blended with market components, the adaptation of total neoliberal economic policy drifted the country into a state of permanent crisis of system. In essence, we are need to be counterbalanced in the period of growth by curtailing government expenditure.

\(^{11}\) Matolcsy et al (2008, 2009, 2010): After his first office as minister for economy lasting until 2002, Matolcsy was getting ready for a new term. He called to life a scientific workshop. He published pamphlets. From the summer of 2010, the economic governance was started along these programmes.

\(^{12}\) Samuelson - Nordhaus: Economics, Chapter XVII: The anti-trust acts of the United States are built on a few laws. The Sherman Act (1890), the Clayton Act (1914) and the Federal Trade Commission Act (1914) provided the foundations for the anti-trust branch of law of the US. The modern anti-trust doctrines were all born out of the interpretations of these acts.
living through the system change of a system change, the crisis of crisis management. The public sector is weak. Lack of political consensus, devoid state functions, and a burning out society are the characteristic traits in Hungary today. 61% of secondary-school students would like to live abroad. There is a complete lack of internal capital accumulation and indebtedness is widespread. The most obvious problem of Hungarian economy is indebtedness, government debt amounts to 81% of the GDP rising by 25% in the past 8 years alone. This is what the government's economic policy intends to mitigate; however, this is only possible by changing the economic policies that have been pursued, which have led to the indebtedness, but this will certainly be a long process. The sustainability of Hungarian economy at present depends on the availability of FDI and portfolio capital. It is obvious that the international corporations, on which the entire Hungarian national economy is built on, have succeeded in dynamising only a narrow fraction of the recipient country's economic and social lives but were also bound to cause permanent decline and unilateral dependence. This is why it is reasonable to improve the competitiveness of Hungarian enterprises, agricultural producers in the long-run, and to reform public institutions heavily burdened with the legacies of a paternalist state, reduce the volume of redistribution and at the same time increase its targetability to improve social cohesion. As was evident in the application of crisis management techniques in the 30s of the last century, in post-WWII Germany, or in Western Europe in 2007-2010, this is all possible with strong state action and the careful regulation of the business sphere.

Although facing huge opposition domestically and abroad alike, the new Hungarian economic policy is nonetheless in line with the main avenues and philosophies of international crisis management. From a state of loose regulatory framework, from the delusion of "the market will solve everything", western governments are now shifting their positions, however slowly, in the direction of strengthening state regulation. The recently finished report of the US Congress, or professor Banfi's recently published paper blame the unregulated market conditions and human insatiability as the main causes behind the crisis. The European Commission intends to improve the methodology of accounting audit checks, and communication of corporations and banks responsible for unlimited multiplication in order to promote responsible and transparent economic management. The United States and the developed Member States of the European Union have generated effective demand by placing state economic policies on a Keynesian model saving thereby entire sectors, financial institutions from bankruptcy. Where there is strong state, there's room for strong state economic policy.

13 Further to this, 49% of university undergraduates would like to live and work abroad. The parents of today’s teenagers and people in their twenties are mostly 40-60 years of age. They are the generation that changed the regime. Their disappointment in the change of system is also reflected in the disillusionment of their children. The research providing the basis of the book was conducted by Professor E. Novaky by appointment of the Hungarian Academy of Sciences. (Lentner, 2010)
14 US Congress Report. Jan 2011, The enquiry committee of the Congress mercilessly presents the erroneous economic policy leading to the crisis, reveals the responsibility of credit rating agencies, banks and the FED, the deficiencies of audits, and last but not least human greediness.
15 Banfi T. et al, 2011 The paper of the research team of the former central bank council member is different from other analyses on the subject in that it markedly highlights human greediness that knows no moderation when it comes to making profit for the individual. Obviously, this was only possible even at system level because authorities had tolerated the tendency of individuals to place their individual interest over public and financial security interest for decades.
16 Green Paper, 2010: The Green Paper of the European Commission may effectively promote the stabilisation of the markets by reconsidering the methodology of auditing.
The failures of the Hungarian attempts at convergence during the Austro-Hungarian Monarchy, mentioned before, and also in the shadow of the Soviet Empire may be put down to the lack of political and hence economic independence. By the collapse of the planned economy system, Hungary was heavily indebted. The acts that provided the legal environment for market economy of 1987 (two-tier banking system, act on economic associations, company act, protection of foreign investment) were already paving the way for full market economy. From Soviet political dependence however, the country drifted into western economic dependence which expanded in the direction of neoliberalism. The lending banks (IMF, World Bank) however, proved stronger than the Soviet Empire as they also enforced their economic policies on us. The Hungarian economy and society however, was not yet mature to take on this economic policy. In order for this to be generally recognised, one quarter of a century had to pass (in the domain of public belief). It is this state of dependence and the accompanying economic powerlessness that the new civilian government is trying to move away from when it did not avail of the funds made available by the IMF and the World Bank, and rejected their implied recipe of neoliberal economic policy.

The government wants Hungarian government bonds to be financed by the market, and wishes to diversify the country's capital dependence by seeking the help of oriental lenders and FDI investors. It is obvious that the western capital dependence replaced by oriental economic dependence will not be a long-term solution. Internal effective demand may be increased and production relaunched in order to strengthen the country's internal economy, by developing the internal economy of the country, particularly the agriculture, and the food industry.

Conclusions

The lack of independent state and the resulting lack of state control over the economy in the past six hundred years - despite survival and temporary successes - caused long-term lagging, late reforms, and by the end of the 20th century, led to convergence attempts which were out of line with the country's production capacities and production conditions.

The need for strong state control and through this the regaining of political independence has been a recurring element of the concepts of the elaboration and consummation of the national economic policy.

Given the country's size, economic power, its position within the fields of force of world economic power centres and the insufficient mobilisable domestic capital, all attempts at modernisation have been exhausted in futility after a while.

The effects of six centuries of oppression and failures have been fixed at the levels of society, the political classes, and those in possession of the seeds of national capital and this had, by the end of the 20th century, deepened a national psyche that is characteristically seeking external assistance and which sought to remedy the failures of six centuries with the unbridled adaptation of neoliberal economic policy.

Improper economic policies, which resulted in dependent economic and social states, do not help the country's overall modernisation. Rather, they create unstable financial and social conditions.

The constant breakaway from the neoliberal economic policy is ideally followed by an active economic policy building on and strengthening internal resources, where emphasis is firstly and most importantly placed on the mitigation of external economic dependence, and on the conscious development of endogenous factors.
REFERENCES


Надійшла 19.09.201 1
ALTERNATIVE INDICATORS OF SUSTAINABILITY AND SOCIAL RESPONSIBILITY

FARKAS SZILVESZTER
Hungary Szechenyi University
SZIGETI CECILIA
Hungary Szechenyi University

In this paper we present the alternative indicators of socio-economic development. In the first part of the study the macro-indicators are presented, and the second part deals with the corporate level, micro-indicators.

I. Macro-indicators

Recently a number of alternative indicators have been developed. Their importance in politics and economic decision-making has increased. "In this new era of living within the means of one planet, GDP has become a less valuable indicator of progress." Because GDP is a measure of market production and economic activity within a country, not of well-being. A number of publications deal with the system of alternative indicators: Bossel (1999); Stigliz et al (2008). We chose four alternative indicators (HPI, EPI, HDI, EFP) and we were looking for the most sustainable country. The best values are marked with bold in the Table.

HDI

The Human Development Index (HDI) was first developed by the late Pakistani economist Mahbubul Haq with the collaboration of the Nobel laureate Amartya Sen for the first Human Development Report in 1990. It was introduced as an alternative to conventional measures of national development, such as level of income and the rate of economic growth. HDI is a summary composite index that measures a country's average achievements in three basic aspects of human development: health, knowledge, and income (GNI). The HDI sets a minimum and a maximum for each dimension, called goalposts, and then shows where each country stands in relation to these goalposts, expressed as a value between 0 (worst) and 1 (best).

EFP

The Ecological Footprint (EFP) uses yields of primary products (cropland, forest, grazing land and fisheries) to calculate the area necessary to support a given activity. A nation's consumption is calculated by adding imports to and subtracting exports from its national production. Results from this analysis shed light on a country's ecological impact. The optimal value is 2 gha/person or less (sustainable).

HPI

The first Happy Planet Index (HPI) was launched by nef (the new economics foundation) in July 2006. "In essence, the HPI is an efficiency measure: the degree to which long and happy lives (life satisfaction and life expectancy are multiplied together to calculate happy life years) are achieved per unit of environmental impact." The maximum value is 100 (best).

EPI

The 2010 Environmental Performance Index (EPI) ranks 163 countries on 25 performance indicators tracked across ten policy categories covering both environmental public health and ecosystem vitality. These
indicators provide a gauge at a national government scale of how close countries are to established environmental policy goals. The maximum value is 100 (best).

Table 1. Alternative indicators

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>world average</td>
<td>2.7</td>
<td>43.3E</td>
<td>0.624</td>
<td>58.4</td>
</tr>
<tr>
<td>Hungary</td>
<td>3.0</td>
<td>38.86</td>
<td>0.805</td>
<td>69.1</td>
</tr>
<tr>
<td>Iceland</td>
<td>na</td>
<td>35.14</td>
<td>9849</td>
<td>935</td>
</tr>
<tr>
<td>Switzerland</td>
<td>5.0</td>
<td>48.05</td>
<td>0.874</td>
<td>89.1</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>2.7</td>
<td>76.12</td>
<td>0.725</td>
<td>86.4</td>
</tr>
<tr>
<td>Sweden</td>
<td>5.9</td>
<td>47.99</td>
<td>0.385</td>
<td>86</td>
</tr>
<tr>
<td>Timor-Leste</td>
<td>0.4</td>
<td>na</td>
<td>0.502</td>
<td>na</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>0.6</td>
<td>54.09</td>
<td>0.469</td>
<td>44.0</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>0.6</td>
<td>na</td>
<td>0.349</td>
<td>na</td>
</tr>
<tr>
<td>Haiti</td>
<td>0.7</td>
<td>50.34</td>
<td>0.40*</td>
<td>39.5</td>
</tr>
<tr>
<td>Norway</td>
<td>40.36</td>
<td>Ц938</td>
<td>815</td>
<td>815</td>
</tr>
<tr>
<td>Australia</td>
<td>6.8</td>
<td>36.64</td>
<td>0337</td>
<td>657</td>
</tr>
</tbody>
</table>

* www.fo-st/m.r.tn ay*rk a? g

Three main results are:
1. among the studied countries, Costa Rica has the best position,
2. there is no country which would be in a good position according to all indicators,
3. we cannot decide whether a country’s sustainable based on a single index.

The ecological footprint indicator is also used to calculate a company's environmental impact. This calculation methodology is developed, but the reliability is lower than the national calculations, so best practises are available.

[I. The company-level indicators of sustainability

Traditionally, the corporate performance is evaluated based on corporate balance sheets and business reports with financial indicators. Such indicators are well-known in corporate finance, such as ROE, ROA, ROS, ROI, EPS. Corporate social responsibility and companies' role in sustainable development presented the need to develop new indicators. These indicators are becoming more widely known and applied. Below we present the most important ones.

Dow Jones Sustainability indexes

The Dow Jones Sustainability Indexes (DJSI) were launched in 1999 as the first global sustainability benchmarks. The indexes are offered cooperatively by SAM Indexes and Dow Jones Indexes, the marketing name and a licensed trademark of CME Group Index Services LLC. The family tracks the stock performance of the world’s leading companies in terms of economic, environmental and social criteria. The indexes serve as
benchmarks for investors who integrate sustainability considerations into their portfolios, and provide an effective engagement platform for companies who want to adopt sustainable best practices. (For example see Table 2.)

Table 2. Sustainability performance of BMW AG

| SUSTAINABILITY SCORES | Total Score | Economic Expansion | Environmental
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0 25 50 75 100</td>
<td>0 26 60 75 150</td>
<td>0 25 50 75 100</td>
</tr>
</tbody>
</table>

Sees! Drerston


The annual assessment is based on an online questionnaire supported by extensive company documentation. Thorough analysis of company-specific information are complemented by an additional examination of media coverage, stakeholder commentaries and other publicly available sources. The questionnaire features about 100 questions on economic, environmental and social issues with a focus on industry-specific criteria that have a material impact on the companies’ ability to generate long-term value. The company sustainability assessment is regularly updated and adapted to capture new sustainability trends that are at the forefront of each industry sector and that are likely to have an impact on companies’ competitive landscape.

The DJS1 consists of World Index, Europe Index, Asia Pacific Index, North America Index and Korea Index, and it enables enterprise, sectoral and regional comparisons.

FTSE4Good Indexes

The FTSE4Good Index series is a series of ethical investment stock market indices launched in 2001 by the FTSE Group. A number of stock market indices are available, for example covering UK shares, US shares, European markets, and Japan, with inclusion based on a range of corporate social responsibility criteria. Research for the indices is supported by the Ethical Investment Research Service (EIRIS). This new data service provides a comprehensive, transparent and objective system to measure the Environmental, Social and Governance (ESG) practices of over 2,300 public companies worldwide. There is an increasing awareness that ESG factors are an important component in understanding corporate risks and performance, and in...
the achievement of long-term, sustainable investment returns. In the decade ahead the integration of ESC factors into investment analysis, decision-making and stewardship is expected to increase.

Table 3. Highest scoring companies in accordance with FTSE4Good ESG Ratings

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Sector</th>
<th>Overall Rating (Absolute)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aviva</td>
<td>UK</td>
<td>Insurance</td>
<td>3</td>
</tr>
<tr>
<td>Bank Hapoalim</td>
<td>ISR</td>
<td>Banks</td>
<td>3</td>
</tr>
<tr>
<td>Vivendi</td>
<td>FRA</td>
<td>Media</td>
<td>3</td>
</tr>
<tr>
<td>Westpac Banking Corp</td>
<td>AU</td>
<td>Banks</td>
<td>3</td>
</tr>
<tr>
<td>ABB</td>
<td>SWIT</td>
<td>Industrial Goods &amp; Services</td>
<td>4,9</td>
</tr>
<tr>
<td>BT Group</td>
<td>UK</td>
<td>Telecommunications</td>
<td>4,8</td>
</tr>
<tr>
<td>Capita Group</td>
<td>UK</td>
<td>Industrial Goods &amp; Services</td>
<td>4,8</td>
</tr>
<tr>
<td>Diageo</td>
<td>UK</td>
<td>Food &amp; Beverage</td>
<td>4,8</td>
</tr>
<tr>
<td>Insurance Australia Group</td>
<td>AU</td>
<td>Insurance</td>
<td>4,8</td>
</tr>
<tr>
<td>Koninklijke Philips Electronic</td>
<td>NETH</td>
<td>Personal &amp; Household Goods</td>
<td>4,8</td>
</tr>
<tr>
<td>Nokia</td>
<td>FIN</td>
<td>Technology</td>
<td>4,8</td>
</tr>
<tr>
<td>Norsk Flydro</td>
<td>NOR</td>
<td>Basic Resource</td>
<td>4,8</td>
</tr>
<tr>
<td>RSA Insurance Group</td>
<td>UK</td>
<td>Insurance</td>
<td>4,8</td>
</tr>
</tbody>
</table>

Source: [http://www.ftse.com/Indices/FTSE4Good IBEX Index](http://www.ftse.com/Indices/FTSE4Good IBEX Index)

The FTSE4Good ESG Ratings provide institutional investors with a flexible and granular scoring model which will enable them to understand a company’s ESG practices in multiple dimensions: overall ESG rating, scores against a broad Environmental, Social and Governance pillar and measurement against six ESG criteria themes, including environmental management, climate change, human and labour rights, supply chain labour standards, corporate governance and countering bribery. Academic research suggests that inclusion in or exclusion from the index does not significantly affect firm behaviour, and that investors focusing on the indices do no worse on average than those who invest without regard to them.

Global Reporting Initiative (G3)

The Global Reporting Initiative (GRI) drives sustainability reporting by all organizations. GRI produces a comprehensive Sustainability Reporting Framework that is widely used around the world to enable greater organizational transparency. The Framework, including the Reporting Guidelines, sets out the Principles and Indicators organizations can use to measure and report their economic, environmental, and social performance. GRI is committed to continuously improving and increasing the use of the Guidelines, which are freely available to the public.

The Guidelines’ development is influenced by changes in the reporting field, such as the introduction of new concepts, trends and tools, and requests by new players. By developing guidance, GRI aims to drive and direct sustainability reporting, towards a sustainable global economy. The landscape of sustainability reporting is evolving; this should influence the development of GRI’s guidance. More stakeholders than ever - including
regulators, investors, rating agencies and NGOs - are asking for non-financial data. The GRI Reporting Framework is intended to serve as a generally accepted framework for reporting on an organization's economic, environmental, and social performance. It is designed for use by organizations of any size, sector, or location. It takes into account the practical considerations faced by a diverse range of organizations - from small enterprises to those with extensive and geographically dispersed operations. The GRI Reporting Framework contains general and sector-specific content that has been agreed by a wide range of stakeholders around the world to be generally applicable for reporting an organization's sustainability performance.

There are three different types of disclosures contained:

1. Strategy and Profile: Disclosures that set the overall context for understanding organizational performance such as its strategy, profile, and governance.
2. Management Approach: Disclosures that cover how an organization addresses a given set of topics in order to provide context for understanding performance in a specific area.
3. Performance Indicators: Indicators that elicit comparable information on the economic, environmental, and social performance of the organization.

The section on sustainability Performance Indicators is organized by economic, environmental, and social categories. Social Indicators are further categorized by Labor, Human Rights, Society, and Product Responsibility. Each category includes a Disclosure on Management Approach ('Management Approach') and a corresponding set of Core and Additional Performance Indicators. The economic performance indicators are economic performance, market presence and indirect economic impacts. The environmental performance indicators consist of the following aspects: materials; energy; water; biodiversity; emissions, effluents, and waste; products and services; compliance; transport and overall. The social dimension of sustainability concerns the impacts an organization has on the social systems within which it operates. The GRI Social Performance Indicators identify key Performance Aspects surrounding labor practices, human rights, society, and product responsibility.

Figure I GRI reports 1990-2010

Source:
The next generation of GRI Guidelines - G4 - should address requirements for sustainability data, and enable reporters to provide relevant information to various stakeholder groups. It should also improve on content in the current Guidelines - G3 and G3.1 - with strengthened technical definitions and improved clarity, helping reporters, information users and assurance providers. GRI’s mission is to make sustainability reporting a common practice: GRI’s guidance must be fit for purpose. To achieve this, three themes need to be met: to help companies report to all their different stakeholders, to promote harmonization of available frameworks and principles, and to provide sustainability reporting guidance suitable for companies that wish to integrate their financial and non-financial performance data.

References
A3. "hnD://www.iioba/reportmii.orii/