

TAX MORALE, TRUST AND CONSTRAINTS: TAX-COMPLIANCE MOTIVATIONS
IN HUNGARY DURING CORRUPTION SCANDALS

Attila Bartha and Zsolt Boda

Studies in behavioural economics and economic psychology suggest that both enforced and voluntary compliance motivations and tax morale shape tax behaviour. The paper explores tax-compliance motivations and examines the role of institutional trust and procedural fairness in the Hungarian context. Two representative surveys are used to analyse the tax-compliance motivations of Hungarian citizens in 2013 and 2015, at a time when serious corruption scandals afflicted the tax authority. The findings confirm that voluntary compliance motivations are positively affected by trust in the tax authority and negatively by corruption perceptions. However, these factors do not have a marked impact on enforced tax compliance. Contrary to our hypothesis, voluntary compliance motivations proved stronger than enforced compliance even in Hungary. Finally, the results show the corruption scandals had a marked adverse effect on trust in the tax authority.

SUPPLIER PRODUCTS IN HUNGARIAN MANUFACTURING

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Global value chains play an increasing role in production and exports in modern economies. Being part of such chains can radically affect the performance of a firm, country or industry. The study analyses the production and export of intermediate products and capital goods by Hungarian manufacturing firms, using firm-level production and export data. The authors show that such products account for two-thirds of production and three-quarters of exports. The share of such products is fundamentally determined by the industry concerned, and so an economic policy focusing on the appropriate industries can target potential suppliers effectively. Regression analysis is used to show firms producing intermediate goods as more productive than those producing consumer goods, which is in line with the potential presence of knowledge spillovers.

ABOUT THE SYSTEM PARADIGM ONCE AGAIN: CLARIFICATION AND ADDITIONS
IN THE LIGHT OF EXPERIENCES IN THE POST-SOCIALIST REGION

János Kornai

The expression paradigm, introduced into the philosophy of science by Thomas Kuhn for the way a research trend views the subject examined, denotes a case where researchers pursue similar questions by similar methods with similar concepts. The author introduced the expression “system paradigm” in a 1999 article centred on the systems operating in society. This paper takes those theoretical ideas further, based on experience in the post-socialist transformation. The first part compares the socialist and capitalist systems and their main features, establishing that all former socialist countries but North Korea and Cuba have embraced the capitalist system. The second adds a typology of the varieties of capitalism by politico-governmental form, marking three types: democracy, autocracy and dictatorship. Huntington writes of a third wave of democratization, which this study concludes has ceased. Democracy reigns in only 10 per cent of the 47 post-socialist countries, autocracy or dictatorship in the others. The third part applies this conceptual and analytical framework to Hungary, where capitalism prevails, with autocracy as its politico-governmental form. It shows strongly similar features to other capitalist countries and other autocracies. This is compatible with recognizing that some features of less than fundamental importance are specific to Hungary and differ from those elsewhere.

HONOUR, EMPATHY AND ECONOMICS

Károly Fazekas

One of the basic premises of societies and economies is the ability to understand and judge the aims and motivations of others. We constantly observe their facial expressions. We keep watching and trying to grasp the undercurrents of events important to us. While doing so, we strive to give meaning to our experiences and fit them into familiar, hitherto established patterns. There are three main phases involved: empathy, understanding and judgement. Abilities necessary to fulfil these tasks are major pre-conditions for successful competition and cooperation in the economy. However, our capacity to empathize with the feelings and deeds of the others is a double-edged sword. It can induce both good deeds or harsh aggression for or against others. Yet what is it that separates the good and the evil in humans? They can be lifesaving philanthropists or greedy martinets. What is it that makes people helpful and forgiving, and why do they often emerge as vengeful destroyers? Can or should economics deal with such types of enquiry? This essay sets out to show that Adam Smith’s insights into these questions provide thoughts that seem increasingly relevant to contemporary scientific analysis.