

Where should the road of the Hungarian capitalism lead?

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The author of the 10th working paper of the HETFA Series, Károly Mike examines what kind of economic order has reality in Hungary based on the thoughts of Ronald Coase.

As the author presents, according to Coase, cooperation among people has at least the same importance in the functioning of the capitalism, as competition. The task of a well-functioning institutional system is to reduce the costs of the cooperation. Three basic institution can play a role in this:

- Civil rights that ensure the enforceability of contracts and the guarantees of the ownership
- Political institutions reduce the costs of the cooperation by predictable regulations
- “Regulations under the law” – created by the cooperation of the actors in an organic way

Instead of copying the practices and institutions well-tried elsewhere, three directions could be suggested to countries facing the transformation of the economic order:

- According to Elinor Ostrom the economic institutions should be created in an experimental way taking into account the place- and time-bound specificities of the environment.
- It is also indispensable for the success that the institutions stimulate the actors to obey the rules of the game.
- The stability of the relationships is the conditions of all the above, because in this way, for the actors it is worth more on the long term to cooperate, other than to disobey the rules at the expense of the other party.

The real task is the gradual and experimental change of the mid-level elements of the institutional order, taking into account the historical place- and time-bound features of the existing institutional environment. However, the institutional “DIY” needs to take good care about the basic principle of the capitalism all along, which is the support of the voluntary and mutually beneficial transactions.