

Essay #2: Your Country and the Indices of Economic Freedom

HUNGARY

On the following pages I am going to evaluate the economic freedom in Hungary. Hungary is located in Central Europe, with the population of 10 million people. The historical fact that Hungary in the past has been part of the Austro-Hungarian Empire and the Hungarian Kingdom have influenced its culture, behavior and style of living. The population of the Austro-Hungarian Empire was more than 21 000 000 people. It means after its division, due to the Trianon decree, Hungary has lost half of its population. This historical fact has highly influenced the behavior and the mentality of the inhabitants, and the current decisions of the government. It means Hungary as a country has a very strong national politics system. Since the 20th century the population of the country has been divided into two significant groups, the people who have supported internationalization, the collaboration with other countries, and the other group of the population has preferred closed economy and nationalization. Nowadays, the Hungarian government tries to support families, and to increase the annual natality, minimize the emigration rate, increase the employment rate within the inhabitants of the country, preferring to employ people with Hungarian nationality than others, also by buying internally, non-imported products.

According to the latest data of the Economic Freedom Indicator in 2021, Hungary was situated on the 55th place, just after Serbia, and before Indonesia. The rule and law creation of the country is improving compared to the previous years, all the studied indicators – Property Rights, Judicial Effectiveness, Government Integrity – were increasing compared to the previous studied time period. Unfortunately, in the category of Regulatory Efficiency even 2 indicators were decreasing comparing to the previous year's results, concretely Business Freedom and Monetary Freedom. The mentioned indicators have highly influenced the entrepreneurial activities of the population. In longer term, it blocks or reduces the economic development of the country. In my opinion, the government of Hungary should concentrate on developing programs and a convenient environment for businesses, also by supporting young entrepreneurs. Also, the problem is caused by the high percentage of politically influenced owners of the businesses in the country. Most of the big and important investments of the country are implemented by members of the government or their relatives, relations. According to the open market data's, Hungary has achieved relatively high rankings – 84-70 points-, however they are stagnating (financial freedom and investment freedom) or decreasing (trade freedom). Thanks to the European Union and the beneficial location of the country, the trading economy is flourishing.

Furthermore, I have studied the Doing Business Indicator in Hungary. Hungary was situated on the 52nd position on the ranking made by the World Bank. Category „Trading across border “has been rated for maximum points. We can perfectly see the connection with the Economic Freedom statistics, where Hungary has received high points according to the rate of the openness of the country. The second highest evaluated category was the easiness of opening new businesses in the country. This indicator is extremely important, since it can extra-ordinary influence the population for entrepreneurial activities, what can lead and increase the national economy and GDP. On the other hand, some categories, indicators as Dealing with construction permits, getting electricity, resolving

insolvency and Protecting minority investors were very low, below 60%. Unfortunately, some minorities as gypsy people are in significant disadvantage during their whole life. The process of integrating Gypsy communities is very slow and problematic. The country should work on creating an environment for them where they can start business without difficulties, or being segregated for their culture, skin color etc. Gypsy minorities should be thought how to establish a business, how to manage their financial budget, find a job, and being active part of the economy of the country. The indicator of paying taxes has increased by 1.4% points compared to the year 2019. The taxation is also an important indicator, since companies prefer to create a company in a country where the tax obligation is the lowest, so the profit can be minimalized, and invested for father innovation or development.

Thanks to the Economic Freedom Indicator and the Doing Business Indicator the Hungarian Government, Businesses, Agencies can perfectly see in with sectors, is the country doing well, also the indicators what should be improved in the future. The country should concentrate on those indicators where it has received low evaluation, in case of creating a better and more attractive environment for the population.