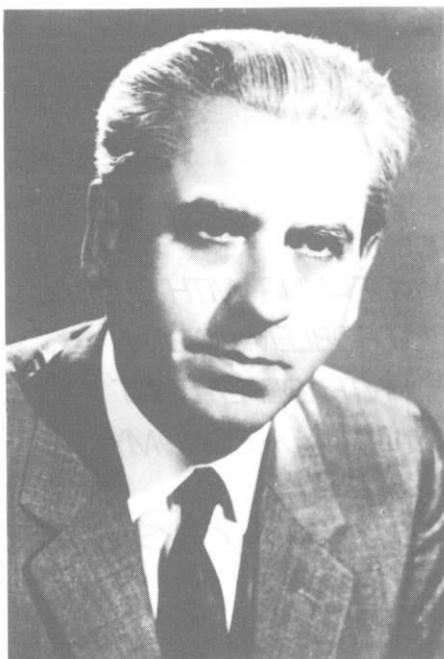


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INTERDEPENDENT  
WORLD ECONOMY*

*Josef Bognar*



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## PREFACE

Academician József Bognár is not only an honored scholar, Director General of the Research Institute of World Economics of the Hungarian Academy of Sciences, he is also Chairman of the Committee for Planning and Budgeting of the Hungarian Parliament.

This blend of theory and practice, knowledge and application is the essence of the work undertaken at IIASA.

From the previous IIASA Distinguished Lectures, those of Professor George B. Dantzig on “The Role of Models in Determining Policy for Transition to a More Resilient Technological Society” and of Dr. Aurelio Peccei, “Facing Unprecedented Challenges: Mankind in the Eighties” are available from the Institute.

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## DEALING WITH GLOBAL PROBLEMS IN AN INTERDEPENDENT WORLD ECONOMY

JÓZSEF BOGNÁR

It is vitally important that we learn to think of the global economy as an entity, an integrated, unified whole. We now study national economies and call the interactions between them the world economy. We should study national economies and individual enterprises in terms of their interactions with, effects on, and reactions to an encompassing global economy. This broader concept is a logical extension of our knowledge of the interdependence of national economies and a rational extension of our knowledge of the interdependence of mankind.

The analogy is with the modern study in the natural sciences of human interactions with the enveloping biosphere. Much of this contemporary research started with the awareness that cognition and mathematical descriptions of the phenomena of nature and their interactions was no longer sufficient. Negative results of human "interference" with the life-sustaining systems of nature through economic activities have become more and more apparent to all. Environmental problems have spread from localized incidents of pollution to transnational effects of acid rain to a probable rise in global temperature from the accumulation in the atmosphere of carbon dioxide from fossil fuels. The damage caused by the deterioration of the environment surpasses any economic advantages. International agreements have been reached, and actions taken, to cooperatively avert potential environmental catastrophes. Common dangers engender common interests.

Many problems confronting the world today pose the threat of disasters over time that could endanger the very existence of mankind. They exert enormous influence on every society and national economy. These problems cannot be overcome on the basis of actions taken by an individual nation alone. They are global problems requiring comprehensive international cooperation and coordination. Research is necessary on the causes and consequences, and possible solutions, to these global problems. Suitable institutions and mechanisms have to be developed to deal with problems from a global viewpoint, giving voice to the now-mute global economy and all of mankind.

These global problems include

- the population explosion: 6,000,000,000 people will be living in the year 2000, and experts believe that growth will not be stabilized before the Earth's population reaches 10 to 12 billion persons.
- the deterioration of the biosphere: the life-supporting capacity of the biosphere is menaced by the degradation of the environment affecting the air, water, and soil.
- meeting nutritional requirements: to satisfy the food needs of future generations, agricultural production will have to be developed and expanded in areas that are

the most vulnerable in terms of geo-ecological balance, such as semi-deserts, tropical zones, and tundras.

- limited nonrenewable resources: adverse effects will be felt even more strongly than at present in attempting to ensure an adequate standard of living for future populations. These will not only be quantitative, experienced in higher costs, but also qualitative, including changed patterns of production, trade, and ways of life.
- science and technology: the “ambivalent” character of science and technology is seen in the reliance upon them to solve problems at a time when the most advanced military equipment imperils our existence and the most advanced biology upsets the long-established norms of human civilization.
- security systems: national security systems – through their internal dynamics strengthened by rapid technological development – have gained considerable leverage without, however, gaining the capability to guarantee national or regional security. Under the conditions of the continuing arms race, this growing leverage exercises a negative effect on the development of national economies and the global economy.
- international politics: the international political system of some 180 separate nation states has basically remained competitive. This trait now manifests itself in a much more complicated, vulnerable world than before, and in more dangerous circumstances.

The crisis of the international political and security system makes it more difficult to form the cooperative atmosphere necessary for solving global problems. International institutions that conduct research and analysis of these problems, and identify and develop possible solutions, do not exist at present. Nor are there adequate international mechanisms to implement solutions. Yet the increasing recognition of potential common peril, affecting everyone on the planet, and of the web of interdependence among nations should lead to the development of such institutions and mechanisms.

## **INTERDEPENDENCE**

The interdependence of national economies has increased enormously over the past two decades. We speak of interdependence as meaning mutually dependent, but it can

also mean asymmetry in that one country depends upon another to a greater extent than the reverse. At present, certain political forces would like to expand asymmetry in the system of mutual dependence. However, even though we emphasize the negative phenomenon of asymmetry in interdependence, it should be clear that it can be eliminated only within the encompassing system of interdependence. In the present state of the world economy, it would be rather irrational to suppose that the economic differences and gaps forming asymmetry could be eliminated through a nation's unilateral economic development.

World trade and international monetary relations are the strongest manifestation of the interdependence of national economies. Twenty-five percent of world output, twice as much as in the past, has recently been circulated in international trade. The amount of investment abroad (the export of capital) and the amount of credit raised abroad has also increased to unprecedented levels.

The external economic activity of nations has become one of the most decisive factors of national economic policy. "Import-export" expresses the possibilities and abilities as well as the limits and lack of abilities of national economies. National economic policies are therefore as mutually dependent as are trade relations. Yet since there are no fora where all nations consult on economic policies, nations often set their economic policy without thorough analysis of the effects of their actions on other economies or the global economy.

The interdependence of national economies also means that economic "booms" decisively depend on the extent to which various national economies are able or ready to promote each other's development.

It is well known that during economic cycles in the West over the past decades, the US economy acted as an "engine". The US imported more as a result of prosperity, thereby providing more possibilities to the export-oriented national economies of Japan and Western Europe. Increased exports in turn renewed economic activity in the exporting countries. A similar situation developed in the countries of the Council for Mutual Economic Assistance. Increasing Soviet energy and raw material deliveries in the past promoted the rapid development of processing industries in the other CMEA member countries.

The need to assure national prosperity underlies the system of interdependencies and cooperation. Overcoming the present economic crisis, however, demands broader, more comprehensive, and more direct cooperation and coordination. Prosperity can no longer be achieved through increased exports. Indebted countries are unable to increase

imports as they have to spend a dominant part of their incomes to service their debts. Interest payments are now estimated at some US \$130 billion annually on developing countries' debts of approximately US \$850 billion. Using financial means for interest payments reduces purchasing power.

Indebtedness and its consequences have extremely intensified the already-tense situation of the developing countries, although some South Asian countries have developed dynamically even under the present circumstances. Developing countries can gain greater purchasing power, extremely important for the developed countries as well, if they extend their economic activity by the temporary redeployment of suitable material and intellectual capacities.

The international cooperation and organization necessary to end the economic crisis has not yet developed and, under the present circumstances, cannot be expected to develop shortly. The crisis has become – and will continue to be – uncontrollable. Is the potential collapse of the world economy, the world “system”, danger enough to forge the required international cooperation?

Can mankind be enabled to deal with global problems? “Deal with” here means the scientific study and analysis of such problems and the development of adequate institutions and mechanisms to cooperatively solve the problems. A second question is how such developments can be adapted to the present structure of national and international policies.

The scientific aspect of the development of a rational decision and action system postulates a new economic viewpoint and new research methods.

## **A NEW VIEWPOINT**

Economics has, to date, undertaken the study of entrepreneurial (plant, business, micro) and national (macro) optima and has achieved considerable results despite conflicting interests within a nation. In evaluating these optima, economics took into account external economic possibilities and constraints, such as market and financial conditions, trends in technical development, and so forth. Economics did not consider the influence and effect of national optima on global problems and, due to interdependence, on the world economic system. We have already learned that an economic activity can benefit one country but have negative environmental consequences in another country or countries, as with acid rain in Scandinavia from British and German power plants and pollutants deposited as rivers cross national frontiers to the sea.

Economics has to work out calculations, and then optimization programs, which truly reflect the influence of individual and national economic policies on other economies and the global economy. The second phase would be consideration of the influence of the global economy, changed in reaction to national/entrepreneurial action, on national economies.

Changes and results achieved through scientific research and analysis of effects on the global economy and its reactions constitute a necessary, but not sufficient, condition for the management of global problems. Operating international institutions and their activities have also to be examined. We inherited traditional structures, competences, and division of labor to “treat” international problems. This structure took shape in situations characteristic of the 19th century and the political and economic situation after World War II. It has been extended but there have been no structural changes. And this system is not working satisfactorily in the changed circumstances of the end of the 20th century.

The United Nations deals with the political processes developing between nations, makes efforts to elaborate norms of behavior, mediates in conflicts, takes stands, and so on. The starting point, however, is not a global overview and viewpoint, but the relations of national states with each other.

There is no international organization dealing with all international economic processes. The General Agreement on Tariffs and Trade (GATT) and the UN Conference on Trade and Development (UNCTAD) are concerned with some specific aspects of international trade. Forty percent of world trade lies outside GATT, while tariffs and other forms of protectionism are increasing because of the financial difficulties caused by the economic crisis. There is no international organization regarding the activities of the multinational corporations, which became prevalent in the 1960s, and which are currently responsible for as much as half of all world trade.

There is no doubt that some UN agencies have done much towards the better understanding of some global problems, for example, the Food and Agriculture Organization (FAO) in regard to food production and supply, the United Nations Industrial Development Organization (UNIDO) in relation to the problems of industrialization, etc. But UN agencies were set up in terms of specific economic sectors and activities and they naturally consider problems from the point of view of the economic branch concerned.

The International Monetary Fund (IMF) and the World Bank (International Bank for Reconstruction and Development) were set up by the Bretton Woods Agreement of 1944 to manage the international monetary system. These specialized agencies of the UN, however, have no right of supervision over business banks dealing in international credit

operations. The banking system is “double-level” in modern times with separate patterns for daily business interests and monetary policy. There is also no internationally agreed-upon standard since the USA divorced its currency from convertibility to gold in 1971.

The possibility of surveying the processes connected with security systems is also lacking in the existing structure. Yet such an activity is sorely needed as a consequence of the increase in functions of security structures. It is in the security sphere that fundamental problems of the existence, defense, economic situation, and social structure of nations appear, as well as the perils threatening the existence of mankind.

There is at present no organization or activity within the United Nations that tries to monitor, understand, and control global processes in the light of interdependence. The possibility of establishing a new UN agency to do so is slight at a period when confidence in the UN is declining (perhaps just because it does not provide an independent global perspective) and budgets are limited.

Any brief survey of the activities of existing international organizations points up the weakening of the established international system. And this weakness is manifest in a historical epoch in which interdependence is accelerating at an unprecedented rate, and certain dangers provoked or promoted by our activities are even bringing into question the survival of humanity.

## THE SITUATION TODAY

Summarizing the situation, we find

- The internationalization of economic processes has been realized in the existing structure of nations and national economies, characteristic of a long historical period. This is in contradiction to the supposition that economic interactions and interdependence decrease differences between nations so that first regional unions and then a world state will be brought into being.
- It is inconceivable at present to set up an international organization that would issue instructions to be compulsorily obeyed by every nation on global problems and questions.
- Thus national interests remain the basis for action and cannot be evaded in examining and analyzing various processes. A more comprehensive and longer-term assessment of economic interests or recompensation is possible, but no nation will undertake any action thought to violate their real self-interest. National

interest, since we live in an interdependent world, is bound though to “external” factors and determinants.

- Common dangers are increasing meanwhile as a result of unsolved problems. Consequently, common interests are developing in averting danger.
- It is a common interest to get over the present crisis and to assure an economic boom for the development of all national economies. Every country suffers from the severe political, economic, and social consequences of the crisis, which also jeopardizes the regimes in power.
- Under the present circumstances, economics plays a special role in the survival, maintenance, and development of a nation. A national economy today is not simply the basis of organizing production and exchange relations. It plays a crucial role in national development, as a “lagging behind” may seal the fate of national economies for decades or even centuries. The economy preserves and maintains national existence as no other activity does. Therefore priority has to be given to the problems of national economies.

An effective international body engaged in managing global problems can come into existence only by agreement, through the acceptance and consent of UN member countries. Full consensus cannot be achieved in a world in which various sociopolitical systems, extreme differences in development, and disagreements arising from different value systems are present. Full consensus is not needed, however. The thinking and behavior of individuals, enterprises, and national economies adjust themselves not to the abstract and universal, but to concrete and real interests with a view to gaining more advantage, profit, and benefit. What is needed is the realization and understanding that each nation suffers more damage and disadvantages as a result of the lack of such an institution than each nation’s political and material expenses would be for such an institution. This is the minimax principle of economics, underlying the movement to a “positive-sum game” where everyone gains.

Certain phenomena in the present world promote this recognition. Among others are the economic crisis that cannot be resolved on a noncooperative, competitive basis; the current state of international trade and the disintegrating international monetary “system”; potential environmental perils that may harm anybody and everybody; and those looming medium and long-term dangers whose moderation is possible only through coordinated actions and programs of several years’ duration. An example is climate change caused by the build-up of carbon dioxide in the atmosphere: a 1 degree rise in the average

temperature of the Earth may occur within the next 20 to 30 years, with drastic effects on food production, global and regional ecology, people's health and way of life.

Of course, there are also certain factors in the present world that hamper the creation of consensus. International political tension, the arms race, the mutual lack of confidence – these consume so much energy they push into the background fundamental issues regarding the future of humanity. Short-term pressures weigh so heavily upon governments and national economies that sensibility to long-term dangers is relatively low.

I would feel it irrational if we started dealing systematically with global problems only after consensus is reached. That would mean we would continue to be unprepared to deal with the effects and consequences of these problems for an unknown period of time. While it is obvious that the recognition and knowledge of the new possibilities as well as perils arising from global problems promote consensus on the basis of the minimax principle, the initiation and findings of scientific research are also influential factors.

It is therefore necessary *now* to further develop and pursue research related to global problems, to transform the fields of activity of individual disciplines such as economics, to identify and develop possible solutions, to establish links between the various places of research for regular consultations and exchanges of information, to arrange financing of such research, to prepare regularly-issued, multilingual publications.

A decisive factor is how we shall be able to evolve connections between research on global issues and political decision making and practices, nationally and internationally. Strong, effective relations are necessary to counteract short-term pressures on politicians that result in neglecting longer-term problems.

It is thus evident that international collaboration is needed not only in studying global problems and in drawing up a program of action, but in shaping new forms of relations between the scientific and political policy-making communities, nationally and internationally.

I believe the whole point of science is to influence the way of thinking, the mentality and sensibility brought to bear on problems and their solutions. This is particularly so, and vitally necessary now, in regard to global problems in our interdependent world.

## QUESTIONS AND ANSWERS

*Q: Academician Bognár, you personally have had a unique opportunity to formulate responses to the class of problems you discussed today. You have the scientific background that gives an appreciation of the issues; you also hold a political position that affords power to take real actions about them. Could you please tell us one or two concrete initiatives that have been started in Hungary by you and your associates to help confront these global problems?*

**A:** I think that, out of a friendly politeness, you somewhat overestimate the significance of the political positions held by me, or rather my personal influence on deciding problems of economic policy. Science cannot substitute for economic policy, and the “price” of our influencing possibility is that we must acknowledge the rights of economic politicians in deciding concrete, daily problems. With outstanding issues we can go as far as initiating actions, but this might be only done together with the economic politicians or else “those competent” would not pay heed to us. I consider these essential issues to include, for example, the system of economic management, production policy, adjustment to the world economy, the links and interdependences of the economic and social policy systems, and suchlike. I deem the issues in connection with *change* as the most important task of science, while the problems of continuous economic guidance must be solved by the government. If mistakes appear or disorders in solving problems or new interrelations show up, science has to intervene, of course.

As regards the approach to global issues of Hungarian government policy, I think global issues have not yet reached such a “degree of maturity” in world political opinion that the government of a small, aligned country could take any notable initiative in this respect.

There is considerable difference between the field of interest of a scientific researcher and the area of rational action of a country’s government. The scientific researcher is sovereign in this respect. If his activity is financed somehow, he is not compelled to change his field of interest or research preferences because they do not fit in the decision and implementation system of the government in a given political situation. If someone is taking part in both research and policy, he must have the capability to establish connections between the two on the appropriate wavelength.

With regard to global issues, science has still to influence the way of thinking, and not to get some particular actions adopted on a national level. In order to influence the

way of thinking, we make the greatest possible efforts through publication of books and studies, with world economic analyses and forecasts elaborated for government authorities, with national and international round-table conferences organized on an interdisciplinary basis, etc. As a Hungarian citizen, I am of the opinion that numerous international actions and interventions of the Hungarian government and its efforts to maintain an East–West dialogue prove that in our country political quarters are beginning to recognize the possibilities, barriers, and constraints deriving from the new world situation, and strive to promote cooperation under difficult circumstances.

At the Institute for World Economics, we have been taking part in numerous activities that link undertakings of similar interest, ranging from the European Association of Development Research and Training Institute to the United Nations University with which we are an associated institution.

*Q: At the global level, Academician Bognár has stressed the “problem” of population growth. However, focusing more narrowly on the advanced, developed economies (US, USSR, Eastern and Western Europe, Japan), in which rates of population growth have declined precipitously, are not the problems of increasing economic interdependence exacerbated by low or negative population growth rates? Specifically, with very low rates of labor force growth (and concomitantly, of aggregate growth of the capital stock), the “growth margin” (e.g., ratio of labor force entrants to the labor force, of gross investment to the capital stock) has contracted significantly, making more difficult the adaptation of national economies to changing patterns of comparative advantage and of international trade (as reflected in the displacement of large numbers of workers in established industries, substantial devaluations of the physical capital stocks of these industries, etc.). Especially in light of the contribution of environmental concerns in many of these countries (reflecting the effect of prior income growth on the “demand” for such “superior goods” as environmental amenities) to changing patterns of international trade (the “exportation” of pollution-intensive production, etc.), have not low population growth and rising environmental concerns interacted in a particularly dysfunctional manner?*

*A: In my opinion, population growth is a very significant factor of economic development and international economic cooperation. Indisputably, too rapid population growth raises the known problems, but it does not follow that stagnation or a decrease in population growth would have positive results. Presumably many people know about the eco-*

conomic steps made several times by the Hungarian government in order to stop the decrease of population growth. As far as I know, other countries are also going to take such measures. As a consequence of the massive unemployment, the present period is not favorable for the western countries in this respect.

If the current situation continues, with slow population growth or even a decrease in the industrialized nations and rapid growth of population in the developing world, it is evident that economic activities will be sited in the developing countries where low wages (in consequence of an "excess supply" in the labor market) ensure favorable cost conditions. In the case of internal unemployment there are barriers to this, because of the intervention of workers' organizations, but the multinational corporations – which currently already cover as much as half of all world trade – can disregard these barriers.

It should be remembered that the developing countries possess a very considerable proportion of the world's energy and raw material sources. The most "natural" form of industrial development appears to be the transformation of domestic raw materials into refined or semi-manufactured industrial products. Among the industries which might be developed following economic rationality is the chemical industry, which has, however, a very considerable polluting effect on the environment. The soil and atmospheric conditions of the developing countries are extremely sensitive; therefore, the damage caused by the deterioration of the environment will often outweigh economic advantages.

The questions of the biosphere and atmosphere must be more vigorously dealt with, at a global level, for the elaboration of a "defense" system able to moderate the damaging effects of industrial development. The dangerous consequences threaten us all, developed and developing.

*Q: It seems that you intentionally exaggerate the role of price mechanisms in economics. But it is clear that in any economy investment decisions are made under a high degree of uncertainty about the future and that the government plays the important role. Therefore, might it not be better to clarify the shares of "responsibility" of market-clearing price mechanisms and the role of strategic government policies?*

*A: I regard prices as exercising influence on all essential issues of production and consumption through the monetary system. This statement may be verified empirically as, in the socialist countries, more is produced of certain goods if the purchase price, the producer price, is favorable, and consumption slows down if the price of some commodity is*

raised. Since the Hungarian economy is managed in the first place by economic means and not by command, it is obvious that we consider price principles, the price system, and individual prices as essential components of the control and management system.

This also refers to the fact that prices play a vital role in decision making concerning the future, such as the government's decisions on investment policy. For instance, if the products of a plant to be built or enlarged are intended for export, we must have world market forecasts of commodities and prices as the selling and market prices of the product in question will be realized only after finishing the investment project and starting exports – four to six years. This “realization”, however, reacts upon the profitability of the investment project, since with a growing commodity market and a high price, considerably higher incomes and profits are realized; if the situation is otherwise, they will be lower.

With such cases and considerations, it is of no importance whether the decision is made by the enterprise or the government, since the government too must run the economy by taking economic relations and criteria as the basis for decisions. I think the mentality recognizing and using the influential role of prices is gaining ground in the other countries of the Council for Mutual Economic Assistance as well. The CMEA member countries are now going to adjust the prices forming themselves in the trade between member states to the world market prices yearly, not every fifth year as previously.

*Q: The world economy may be viewed as a dynamic system to a certain extent controlled by multiple decision makers with diverse goals. Economic development has its impacts on the environment and these impacts in turn create negative feedbacks on this development. The global character of many environmental impacts creates common components in the preferences of the decision makers, and this common interest can serve as an incentive for their cooperation. The greater the economic development, the greater the negative feedbacks from the environment, and the greater the incentives for international cooperation. Therefore, according to this logic, one may conclude that, at a certain “point of convergence” in the process, a degree of international economic cooperation will be reached substantially eliminating the negative environmental impacts on the world economy.*

*On the other hand, an example will indicate that this form of logic is not quite adequate. I mean in relation to the current world situation and control of the arms race. At present, there is a very strong component in the preferences of all the peoples of the*

*world to halt the arms race. Yet the incentive for cooperation induced by this common interest still seems to be not easily realizable.*

*What other mechanisms can provide for future world economic cooperation?*

**A:** I agree with the opinion that the approach to economic issues in the logical system described does not give a satisfactory result because the individuals, undertakings, and national economies participating in the economic action approach the various processes and phenomena starting from their own structures and interests. The norms of conduct and action induced by processes and phenomena expectable in the future can be correctly forecast only if they are inserted in the various, often contradictory, institutional relations and interests.

In theory, governments may act differently, if they have the necessary financial means at their disposal to risk the loss of profit, but in the short run the pressures weigh so heavily on them that their sensibility of long-term dangers is relatively low.

This vicious circle, in my opinion, cannot be broken by a single new incentive or measure. The change of several factors is needed to gradually transform the conditions in the decision-making system. Such a factor may be a further increase in environmental danger that, for instance, forces governments to introduce an environmental protection tax. Or, regarding the problem of the arms race, it may be the recognition of the fact that in the world crisis appearing at the end of the 20th century, the dangers resulting from the economic impossibility of performance are the greatest, as they equally jeopardize the internal and external structures of the individual states and may cause the collapse of the established world "system". In this respect it could be a change if security issues would be approached starting from politics rather than from military technology.

**Q:** *Your observation regarding the necessity to involve both politicians and scientists in addressing multinational issues, instead of leaving these entirely to the diplomats, is very interesting. This insight would perhaps influence the way we conduct the next policy area on the international agenda, i.e., environmental issues.*

*Would you please comment on the role of multinational organizations, including banks, in relation to the issues you have been discussing?*

**A:** In the course of the past decades, the province of diplomacy underwent a transformation in that the continuous forming of connections and mediation are no longer

expected. What is expected now is the resolute representation of national interests. As a consequence (except for some praiseworthy exceptions) diplomacy is not, or is hardly, capable of preparing agreements in which the interests of the other party are also taken into consideration. Diplomacy is not resilient enough in finding how the same national aim and interest might be achieved in alternative ways. In the present world, this must be defined in relation to the situation and endeavors of the other party as well.

The political leaders handed over the first violin to the diplomats for certain questions, but it was they who synthesized and drew up definitions of national interest. National interest today – since we live in an interdependent world – is full of “external” factors and determinants, and exercises great influence on the external world. Political leaders’ understanding of the situation of other countries is usually greater than that of the diplomats since, knowing their own situation, they can better follow the motives of the other party’s actions and compulsions.

The role of science is still slight in international issues although it has the capabilities to foresee those processes and phenomena which have not yet worked their way into the existing institutions and interests. It is necessary to analyze and observe the phenomena in such cases and to try to develop alternative policies and actions that may be utilized and put into practice at a later date. In this way development could be smoother and there would be less friction in the handling of these new issues.

The international organizations may have a very essential role in handling global problems if they are capable of evolving new forms to this end. In my opinion, it would be conceivable to try a new construction, the essence of which could be the reduction of the established international bureaucracy on the one hand, and the shaping of new forms of linkage between national states and international organizations on the other.

The international monetary system and the banks can play a very significant role in this new situation if they are capable of taking adequate initiatives.

Those in the banking system know through experience the means by which daily business policy can be brought into conformity with the postulated systems of financial and credit policies. There are more far-sighted personalities to be met within the banking world than in the business world.

This larger-scale perspective, the mentality, the understanding of the essence of the world of economic policy is badly needed in this period of global problems and economic crisis. The whole future of the world economy is considerably influenced by how the international banking world is capable of handling those problems and disturbances which are characteristic of the current situation of the world economy.

## **ACADEMICIAN JÓZSEF BOGNÁR**

Academician József Bognár is Director General of the Research Institute of World Economics of the Hungarian Academy of Sciences and Chairman of the Committee for Planning and Budgeting of the Hungarian Parliament. Honored with the State Award, he is also Deputy President of the Hungarian Economics Society.