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**IMF EXAMINES HUNGARY'S EFFORTS TO
CREATE A MARKET ECONOMY**

As the first centrally planned economy to introduce broad market-oriented policies in 1968, Hungary has a long experience with economic reform. Despite the early reform efforts, however, the freely elected Government that assumed power in May 1990 inherited a poorly performing, overcentralized economy with low reserves and a heavy debt burden, because substantial central control over the economy remained, and the early reforms were often partial, inconsistent, and subsequently reversed. Since assuming office, the present Government has launched a new reform program that aims at remedying past policy weaknesses and is designed to complete the creation of a market economy. Hungary's experience with reform, and its economic prospects, are the subject of *Economic Reform in Hungary Since 1968*, Occasional Paper No. 83, by Anthony R. Boote and Janos Somogyi.

The Government's comprehensive reform program--which is being supported by a three-year IMF credit of \$1.6 billion--stresses a reduction in the State's role through privatization and other measures, a strengthening of the free market's operation, and development of an adequate social safety net. The Government's medium-term goals are to reduce inflation to single digits by 1993, to halt the growth of external debt within three years, and achieve an annual economic growth rate of at least 5 percent. Hungary's well-educated workforce, its record of considerable progress in certain areas of reform, and its commitment to market-oriented transformation represent the hopes for realizing the country's large growth potential, the study says.

Copies of Occasional Paper No. 83 are available to members of the press from the IMF's Information Division (tel: 202-623-7100). The general public may purchase copies from the IMF's Publication Services Unit for \$10.00 a copy (tel: 202-623-7430).