

How Can the Modern State Combine the Adverse International Conditions, Technological Disruption, and the Emergence of AI With the Social Policy?

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In 2022-2023, barely a little over a decade after the global financial crisis that affected credit markets, as the world is still recovering from the economic recession caused by COVID-19, we are dealing with the effects of the “special military operation” in eastern Ukraine on people living in different parts of the world. After a brief analysis of the international legal basis of the situation, I will focus on the example of Hungary to explore how governments can effectively assist their citizens in difficult economic situations using tools created by science and technology while minimizing the need for additional resources.

Keywords: economic crisis, artificial intelligence, socialpolitics

Introduction

Currently, beyond the significant waves of COVID-19, we initially hoped to “quickly regain our old life”, but from the healthcare, epidemic, and macroeconomic data, it became clear that the “recovery” would not be so quick. Moreover, a “special military operation” has begun in Ukraine, which has had a restraining effect on economic development. As an economic lawyer, I cannot separate the “special military operation” that began after February 24, 2022, from the definition of “war” in international law¹. However, if one of the permanent members of the UN Security Council can distinguish it, I am interested in seeing the development of the literature. In this regard, it is also important to mention in the introduction that according to Sándor Kopátsy, the most significant Hungarian economist of the 20th century, war brings development in technical and economic terms in addition to necessary short-term damage in the medium and long term. However, history shows that these developments are typically only achievable for the affected economy in the peace after the war (Kopátsy, 1996).

For the sake of protocol and documentation, I consider it important to establish that the Ukrainian government has been using the term “Операція Об'єднаних сил” which means “extraordinary military operation” to refer to the conflict situation in eastern Ukraine (initially in Donetsk and Luhansk regions) since 2014², and

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¹ The armed conflict between two or more states resulting in human and material losses. This definition is widely accepted by most international lawyers as inferred from the provisions of the UN Charter, Security Council documents, and International Court of Justice judgments. This definition is also taught in international law courses at universities.

² It was introduced based on the law of April 14, 2014, which is about “terrorism and exceptional military situations”.

has been continuously expanding its scope to cover larger areas affected by the conflict. Russia usually refers to a similar situation as “особая операция” (*osobaya operatsiya*), meaning “special operation”, or “военная операция” (*voyennaya operatsiya*), meaning “military operation”. Most media, academic, and political figures in most countries use this expression in their own languages. Researchers in cognitive psychology and social psychology will be able to write useful studies on how the term originally comes from Ukraine and not from Russia and how this affects the behavior of those involved, in light of whether they “knew” where the term comes from.

The Impact of the Crisis on National Economies

We hear about the crisis everywhere in the media, and even if nothing else, we can feel the price increases at the end of our receipts when we go shopping. Experts and media outlets sympathizing with different political sides evaluate the causes of the crisis and high inflation differently, but there is complete consensus that in the current economic situation, the standard of living of a significant portion of the population is visibly declining. This sense of crisis is not limited to one or two countries, but extends to almost every country on Earth to some degree, although the extent varies significantly from country to country.

Experts and opinion makers differ on why the crisis has arisen, where it is most severe, and who is most affected. I do not wish to enter into this “number war” supported by a lot of data. Instead, I am thinking about how to use the currently available resources with the least possible additional resource utilization to generate as much additional revenue as possible for the budget, so that it can support citizens who have fallen into economic crisis with a larger sum.

According to Kop ásy, in today’s advanced society, a country’s success no longer depends on invested capital or infrastructure, but on the quantity of skilled and talented workforce. The new perspective on society requires new economics that takes into account both physical and intellectual capital and increasingly emphasizes talent, quality education, and expertise (Kop ásy, 2011).

A New or Revived Concept: The Extra Profit and Its Tax

The Hungarian government introduced the extra profit tax in 2022 to fight against the new crisis and increase central budget revenues with Government Decree No. 197/2022 (VI.4.). The Hungarian legislature, the National Assembly created a solution that allows the government, as the executive branch to regulate legislative issues listed in the Constitution by decree due to extreme emergency situations (such as COVID-19), considering the slow pace of the legislative process. However, the legislature as the legislative branch must decide whether to maintain the provision’s validity or not within 30 days after the emergency situation ends³. Although analyzing this detail raises significantly different constitutional law topics, it is worth briefly referring to the similar French constitutional rule, which allows the president to issue a decree that only remains in force after 30 days if the parliament approves it⁴.

According to the government communication, the reason for imposing the new tax (as emergency decrees do not require justification according to the Basic Law, unlike laws passed by the Parliament) is to take away the extra profit realized by companies that violate social solidarity during the economic crisis to increase the amount available for citizens’ assistance.

³ Hungarian Constitution Article 51.

⁴ French Constitution Article 10.

The media often reports on the pursuit of extra profit by various market players, primarily at the expense of “ordinary people” during crises. The concept of “profit” is clear and consistent in both the literature and the applicable laws in all countries. However, the definition of “extra profit” is not so precisely definable. The economic literature has known the concept since Marxist economics as an excess income beyond the average profit. Non-Marxist economic schools have developed the concept theoretically based on practical examination, such as the “additional income” or better than average due to innovative production techniques or the consequence of favorable market conditions (Samuelson, 2000). There is consensus in the literature that extra profit is the most important driving force for technological development in a capitalist economy and that extra profit exists only briefly in a free market situation, unless the market participant can monopolize the favorable production conditions enabling it. Based on the legislation introducing the extra profit tax, the tax base is determined in the listed sectors of the economy beyond the general corporate income tax based on the quantity of raw materials necessary for the activity and the tax rate is established individually in these sectors.

A very common political marketing product is a media product that discusses how companies reduce their tax burden by various, purportedly fictitious costs associated with their raw materials according to the author’s opinion. Companies achieve this through legal accounting practices, while individuals use personal income tax deductions to achieve the same goal within legal limits. I will note the historical fact in just half a sentence that 200 years ago, citizens were proud to pay as much tax as possible, because certain political rights were associated with it (i.e., those who paid less tax had fewer political rights).

Will Accountants Disappear With Technological Development?

The question may seem a bit sensational in an article aimed at colleagues who are likely to be involved in accounting.

Tax authorities in every country around the world spend a lot of resources trying to catch the tax evaders and collect the legal tax from them (as well as the additional fines prescribed by law). Due to the development of digitalization in today’s world, the “old routines” have not been preserved either among tax authorities or taxpayers. However, the solutions made possible by today’s science and technology must be used by the parties concerned in order to increase legal revenue. With regard to the Hungarian Tax Authority, thanks to e-invoicing⁵, appropriately trained legal, financial, data science and programming professionals can develop a system from the huge amount of data continuously delivered to them, which can tell with over 90% probability based on the data submitted, how much tax a company has “forgotten” to declare and pay in which tax category. In this case, the tax inspectors do not “waste” their own and the clients’ time by inspecting law-abiding companies (although it probably has a compliance-boosting effect when a taxpayer sees that a neighboring company has been inspected), but go where there is almost certainly a problem. The legal system has a well-functioning procedural form that allows such easily resolvable legal disputes (yes/no) to be resolved quickly. The development of such a system also raises the possibility that in a few years’ time, the Tax Authority will not only prepare the personal income tax returns of private individuals, but will also prepare draft tax returns for all companies, which the company’s management only needs to accept. In the case of private individuals, even if the entire sales network is connected online to the tax authorities, there is still a greater than 10% chance that private individuals will have legal but

⁵ As of January 4th, 2021, the Hungarian Tax Authority introduced a rule that requires all invoice data to be transmitted immediately in an online format to the tax authority upon issuance. Commercial units cannot obtain an operating license if they do not have a cash register that immediately transmits the invoice data online to the Tax Authority.

taxable income that the tax authorities do not see in online systems, such as sales between private individuals that are not subject to invoicing. In the case of businesses, there is no chance that a business will be involved in sales that are not subject to invoicing, which must be submitted online to the tax authorities under the law. However, this necessarily entails the emergence of a significant proportion of “redundant labor” in many professions currently involved in accounting.

Of course, this process of technological development—as in previous periods of technological development throughout history—will lead to the disappearance of several previously valued and secure jobs. Let us think about the social phenomenon of “machine breaking/Luddism” from our historical studies. During the movement that unfolded between 1811 and 1816 in the vicinity of Leicester, England, led by Ned Ludd, workers attempted to destroy machines because they saw them as taking away their jobs and thus their livelihoods (Conntiff, 2011). History teaches us that in the long run new job positions are created that absorb the masses who lost their jobs due to technological development. This historical example shows that while rapid technological development makes human work “redundant” in easily automatable job positions at a given technological level in the short and medium term, this same development will create new job positions in the medium term that cannot be automated by machines, where human labor will be essential.

So, to answer the question posed in the section title, in my opinion, accounting jobs that produce lower value-added will be taken over by simple digital or AI⁶-based solutions within a 10-year time frame, while high value-added jobs will undergo significant changes due to new tools, opportunities, and changing customer needs (including state data reporting and similar requirements). Due to the topic of the article, I focused on the likelihood of accounting jobs being “taken” by machines, but I remember hearing a professor’s lecture as a law student who explained that a computer will never be able to solve a complex legal case and that human judges will always be necessary. Today, with the increasing popularity of “smart contracts” mainly in Business to Consumer relationships, where the customer only fills in the variable data, similar to the long-standing “blanket contracts”. Legal disputes arising from these types of contracts are much simpler than traditional economic disputes, so in many places, they are handled not by judges but by “assistant judges”, who may eventually face serious competition from adequately prepared AI.

AI vs./and Human Beings

Nowadays, we see more and more news and advancements in not only political and popular media, but also in scientific journals that show robots and AI systems are becoming more advanced. In such a situation, it is perhaps a natural human reaction to fear the future and wonder if machines will “turn against us”. Literature and films have also explored this question in many places. Here, I only briefly refer to the previous point and the example of the Luddites to suggest that, on the one hand, during such a large technological and ideological paradigm shift, there will be short-term intense conflicts and many previously secure, stable jobs will quickly disappear; and, on the other hand, in the medium term, new tasks (jobs?) will emerge that provide meaningful employment opportunities for those who are familiar with the old, discontinued jobs.

AI can only develop through teaching, which requires showing it examples, and the logical structure of AI is also created by human programmers, based on which new information is categorized. It is already the task and

⁶ AI: Artificial Intelligence

responsibility of these programmers to determine whether a rule similar to Asimov's law⁷ (Asimov, 1954) is implemented in practice. In my opinion, this is not an economic or legal issue, but a fundamental human rights issue, and beyond the opinions of non-legal disciplines that deal with such issues, they should answer these existential questions at the societal level.

Today, several economic actors, as well as AI development professionals, make statements that AI development work should be suspended for a while until humanity answers the questions raised by AI operations and likely to arise during its development.

As a non-AI researcher, I can say that, to my knowledge, AI and all of computing operate on the basis of the 0-1 binary combinatorics, and its main advantage over humans is that it calculates faster in the 0-1 system. On the other hand, biological organisms solve problems based on the 1-2-3-4 system⁸. I cannot say how long the problem-solving and decision-making systems based on the 0-1 and 1-2-3-4 combinatorics will remain "competitive" with each other.

Need the State Socialpolitic?

Finally, if we depart from the philosophical principle present in political and state organization goals not only in democratic states since the Enlightenment, that "the purpose of the state is to protect its citizens", which has been present in political thinking since the 18th century, then it is clear that in the current economic situation, the Hungarian State (Egresi, Pongrácz, Szigeti, & Takács, 2016)—but every other state as well—must have as much funding as possible to provide a resource that can help its citizens who have fallen into an economic crisis situation depending on the situation, either in material or financial form, in addition to performing general state tasks. The social welfare system is certainly suitable for assessing and managing this in countries where the state or non-governmental organizations⁹ operating in the country have established and operate it. Based on the data that can be easily submitted to the state with today's technology, citizens can be issued a separate card that can be used at the cashier. After all, we often pay with a bank card today and also give some loyalty or coupon card to the cashier to deduct the discounted amount from the final amount charged to the bank account. Such a system is cheaper and safer than even a "cash postman"¹⁰ or a bank transfer, as cash handling is expensive and reduces the number and cost of "unnecessary" transfers. This way, the state knows which citizen it intends to provide social assistance and the intended use of support. In the modern nowadays bank system money can go directly to the citizen who is entitled to support and who has purchased the goods or services, unlike various tickets or coupons that can only be used as a lump sum and cannot be refunded. It is a political decision rather than a

⁷ Asimov Acts:

1. A robot may not injure a human being, or through inaction, allow a human being to come to harm
2. A robot must obey the orders given it by human beings except where such orders would conflict with the First Law.
3. A robot must protect its own existence as long as such protection does not conflict with the First or Second Law.

⁸ In nature, every living organism builds up its genes of organic compounds: Adenine, Thymine, Guanine, and Cytosine, which encode the characteristics of the given organism, through the combination of these compounds in DNA.

⁹ I do not use the label of NGO, because the internationally prevalent abbreviation NGO for these organization in many countries, for various reasons, the NGO label has a stronger or weaker negative connotation and is associated with conspiracy theories in multiple locations and situations. Acknowledging the possibility that these NGOs may engage in activities that have negative effects on the given country, I consider it important to note that throughout history, we can find examples in every era and place of people (and groups of people) selflessly helping their fellow human beings, which are referred to differently by various cultures.

¹⁰ In Hungary, a popular solution among the population is for the money amount to not be transferred to the entitled person's bank account, but for the postal service provider to give the specified amount in cash to the entitled person. Although the use of this service is continuously decreasing, it is still a significant part of the postal service provider's product portfolio.

professional one to determine which products or services the state allows the card to be used for (up to a certain amount or percentage limit) and which merchants establish card accepting terminals. Therefore, it is a political, rather than a legal/logistical/economic/sociological professional issue, whether state power can help its disadvantaged citizens. Based on political decisions, professionals can establish and operate a system accordingly.

Conclusion

Today, remembering the not-too-distant international financial crisis and its adverse effects on the global economy and the wide masses, as well as the ongoing “special military operation” in eastern Ukraine, we have seen in this brief analysis, that given the current level of development in science and technology, we are capable of building and operating systems that can provide targeted assistance to disadvantaged people to improve their living conditions. Whether we take such steps at the current level of development of human societies is a question for the political decisions of the given community, as is the question of under what conditions we provide assistance to those in need (for example, whether we help those who have put themselves in a bad situation due to their own fault).

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