

SUMMARY OF THE ARTICLES

Incentive effects of social monetary benefits

András Semjén

The study analyses the incentive impacts of social monetary benefits on the behaviour of economic subjects. First a brief theoretical overview of the incentive impacts of social benefits is given (with particular attention to the incentive to work) and it is then shown how certain effects assert themselves under the special conditions of Hungarian social policy. It is investigated how the general tendencies of the changes in the Hungarian system of social benefits (deriving from the change of the social paradigm and the from the justified demand of reducing the state redistribution) affect the problems of stimulation. It is shown that the change towards benefits based on means test, awarded by local discretionary individual decision – however advantageous it may be in principle for targeting the benefits from the viewpoint of parsimony – aggravates the system's problems related to stimulation and leads to an increased appearance of the poverty trap. The article examines with what steps of economic management could the disclosed problems of incentive be reduced and to what extent these steps seem possible in the framework of the more general constraints of public finance.

Expectations, stability and capability to operate in a realistic model of coexisting cohorts

György Molnár–András Simonovits

In this paper the multiple-cohort generalization of coexisting generations is examined, to wit, the model of coexisting cohorts (OLC). The actors of different age forecast in every period the expectable interest factors until the end of their lives and maximize the utility of their remaining consumption path with the assumption of zero expectable inheritance. A coordinator determines in every period such a new interest factor with which the aggregate consumption of society is equal to the total earnings of society. The message of the article is: (i) in OLC the dynamics with rational expectations is not only unstable, but also incapable of operating; (ii) in OLC the dynamics with naïve expectations is not only asymptotically stable, but also capable of operating in a wide environment.

Seigniorage and the state debt – Part II – The case of Hungary

János Kun

The first part of the study reviewed the historical development of the notion of seigniorage. It introduced the notion of monopolistic seigniorage which, in the author's opinion, is better suited for determining the monopoly income deriving from money creation than the monetary seigniorage more frequently used in the Hungarian professional literature.

On the basis of concrete data relating to 1991-95 the study analyses the receipts and inputs of the National Bank of Hungary (the central bank), among them the origin and use of the Hungarian

seigniorage. In the years examined the latter amounted to 3-4% of the GDP, which may not be considered outstanding by international comparison. The growth of the valuation difference secured for the bank a much higher receipt than that. The receipts were mostly used to subsidize the interest of central bank credits granted to the budget. This is why the profit of the central bank is merely a fraction of the income from seigniorage.

The most important statement of the study is that in the Hungarian economy the central bank or the state do not gain from the seigniorage receipts as the state debt is higher than the monetary base.

Roles played by the nonprofit organizations in the Hungarian economy and society in the 1990s

Éva Kuti

The rapid growth of the Hungarian nonprofit sector since 1989 is a complex phenomenon which has its origins in the efforts of various economic actors. These efforts are obviously diverse, consequently the nonprofit organizations and the social functions they fulfill are also different. There exist grassroots organizations of the civil society and large foundations established by the government, grant-makers and grant-seekers, advocacy groups and service providers, very small and extremely big organizations side by side within the sector. The study undertakes an overview of the nonprofit sector as a complex set of institutional answers to social challenges and contrasts the statistical evidence with the public view of nonprofits in order to help the development of a sophisticated nonprofit regulation and a realistic policy towards the nonprofit sector.

Interest differential and exchange rate expectations in the preannounced crawling band system of Hungary

Zsolt Darvas

An interesting puzzle emerges in examining money market and foreign exchange market developments in Hungary: expectations turned incorrect in several respects after the introduction of the new exchange rate regime in contrast with former experience. Forward and futures exchange rates for more than six months to maturity exceeded the projected target zone of the Bank of Hungary which was the most striking example of market signals. Interest rates and forward interest continued to move upwards for some time, and implied forward interest rates (calculated from the three and six months T-bills) showed expectation of increasing interest rates.

The paper examines whether these facts reflected an additional devaluation expectation or might be attributed to other factors, e.g. risk aversion or market inefficiency. The conclusions are that neither risk aversion nor risk neutrality gives us an answer for the puzzle and that the reasons might lie mainly in market structure and inefficiency caused by the institutional environment and by the monetary policy of the Bank of Hungary. Uncovered interest parity did not hold for the periods before and after the introduction of the crawling band exchange rate regime, forward rates falling outside the projected band did not necessarily represent additional devaluation expectations.