

Some thoughts about a few problems of economic growth

Ákos Balassa

It is a promising phenomenon that the Hungarian economy started to grow in the second half of 1995. Nevertheless, the rate of growth and quality of growth in the coming years are not immaterial. What is needed is not a slow growth but one exceeding the average European growth rate, which is sustainable and continuously preserves equilibrium. For this an acceleration of modernization processes and the strengthening of the supply potential, its activity and competitiveness are indispensable. Economic growth of adequate rate and quality raise definite requirements towards the development of domestic demand and export-import. The two most important elements of laying the foundations of such growth are the suppression of inflation, and a vigorous expansion of investment (particularly of those made by private entrepreneurs). This demands an appropriate economic policy, the development of adequate conditions.

Market and equilibrium (The Neumann and the quasi-Hamilton systems)

András Bródy

The market regulation is stable but not asymptotically stable, it is not convergent, nor is it heading towards equilibrium. There exist several computational methods for determining equilibrium and the equilibrium path, but these are not equations of market movements. If there exists such equation, it is probably cyclical and non-linear. The equilibrium proportions can be recognized but belatedly and with high uncertainty. Yet, by modifying the system of interests the system can be made convergent.

Capital inflow, sterilization and money supply. Part II.

Gyula Barabás-István Hamecz

With the aid of the analytical framework presented in Part I, the second part of the article examines the sources of foreign exchange flows in detail, highlighting the causes of deviations between foreign exchange market intervention and the conversion perceived by the central bank. Also, by separating from each other the components of foreign exchange conversion, it provides an estimate of the magnitude of interest-sensitive and speculative foreign exchange flows in 1995–1996. The article offers an explanation for the interrelation between the sterilization instruments applied by the central bank and the growth rate of the plentier money supply. The study ends with a brief comparison of the various sterilization techniques.

Adjustment with recession (Soft budget and hard market constraint)*György Matolcsy*

About thirty months have passed since the introduction of one of the most marked government measures programme, the so-called Bokros-programme. The leading government officials, as well as outstanding Hungarian and foreign experts think the programme has been necessary, economically correct and successful. In this article the author intends to challenge these opinions. According to the author's standpoint – which he attempts to support with analysis and statistical facts – the strategy chosen by the government in 1995 was based on a mistaken diagnosis, economically it set out in the wrong direction (with the exception of a single element, the modification of the exchange rate policy), the success of the adjustment may not be attributed to the programme, the adjustment was accompanied by recession and by failing to attain the possible growth, nor did it bring lasting macro-economic stabilization. The article intends to make some remarks on Kornai's article published in this periodical in 1996 and this is why the author chose as subtitle the original title of the former one, but the message is the opposite one. With every respect for the oeuvre of professor Kornai, the purpose of the author's article is to expound the reverse of the standpoint represented by Kornai.

Privatization, work organization and wage distribution methods in a sewing workshop of a big firm, Part II.*Lajos Bódis*

Relying on some basic statements of institutional economics the author investigates the sources of income originating in the enterprise organization and the rules of its allocation in the sewing workshop of a big rural textile firm. In the first part of the study he reached the conclusion that the informal income redistribution executed by the workteam may be interpreted – in consequence of the management conditions of the privatized firm – as an organization-specific “asset”, as a source of organizational rent. In this part he shows the individual efforts at acquiring rent, shaping the rules of the division of labour, and then investigates how the performances of two workteams are influenced by the differences found in the work- and income-allocation mechanisms.