

## **ABSTRACTS OF THE ARTICLES**

---

### **Economic growth, catching up and budgetary policy in a small economy**

*Ákos Valentinyi*

The study analyses the effects of budgetary policy on the long-term income level and on convergence towards that level, in the general equilibrium model of a small, open economy, taking a qualitative and a quantitative approach. The findings can be summed up as follows: 1. The long-term relative income level of the economy is influenced substantially by taxation. According to the numerical model, a difference of two percentage points in the tax levied on wage and capital incomes leads in the long term to a difference in per capita GDP of 3–5 percentage points. 2. The long-term income level is influenced directly by the average rates of taxation, not by the size of the budget expenditures. If two economies have the same government expenditure, but consumption taxes play a bigger role or the taxes levied on wages are lower in one of them, that economy will gain the higher long-term income level. 3. If the income level of an economy is half the long-term income level, the actual economic growth, according to the numerical model, will be somewhat greater than 4 per cent. So it is not likely that the Hungarian economy, whose income level is coming up to half the EU average at present, can grow in the long term at a rate faster than 4–5 per cent.

### **The growth-theory aspects of economic catch-up**

*István Dedák*

The study examines the question of economic catch-up in terms of modern growth theory. It analyses in detail the factors to which growth theory ascribes a fundamental role in the development of incomes. The author emphasizes that traditional growth models, which ignore the importance of human capital, cannot provide a satisfactory explanation of the substantial income differences between countries. The study goes on to devote special attention to factors affecting the duration and speed of economic catch-up. It also discusses in detail the theoretical aspects that determine the rate of economic growth during the catching-up process.

### **Post-socialist portfolios. Network strategies in the shadow of the state – Part 2**

*David Stark, Szabolcs Kemény and Ronald L. Breiger*

The article extends the notion of recombinant property from the level of individual firms to that of networks of firms. The most important contention is that the economic transformation takes place through the interweaving of a diversity of alliance strategies. The first part showed that state ownership, far from withering away, has remained a prominent feature of Hungarian

property relations. However, the ties to the state alone are an insufficient explanation for understanding the structuring mechanisms of firms in Hungarian economic relations. The second part examines the pattern of non-state ownership ties among firms operating in the shadow of the state, so to speak. This reveals diverse strategies of interlocking alliances. At network level as well, Hungarian business groups manage diversified portfolios of ownership that facilitate play with heterogeneous resources.

### **Foreign investment and domestic jobs. The effect of foreign direct investment on employment and wages**

*Katalin Szikra Falus*

Foreign investment by the economically developed countries in recent decades has risen rapidly, but at least in Europe, unemployment has increased and pay inequality has widened. This naturally raises the question of whether there is some kind of causal relationship at work. Does the advance of foreign investment projects cause the persistently high and increasing level of unemployment and enhance the pay differentials? The study examines what effect the flow of operating capital has on the labour situation in the originating and receiving countries – how investment abroad influences the labour market in the countries involved (the scale of employment, and the qualifications structure, pay levels and pay proportions of the employed).

### **The regional development policy of the European Union – the chances of integrated regional development**

*Gusztáv Nemes*

This study presents the evolution of the EU regional development policy, its relations to other policy, the reasons behind the changes in it, and the likely consequences of the present reforms. It sets out to define more accurately the concept of integrated regional development, a term that is often used wrongly, and shed light on what lies behind the major contradiction found between the EU's development philosophy and its development practice.