

DEBT CRISIS, CAPITAL TRANSFER AND DEBT DYNAMICS

István Dedák

The author deals with some macroeconomic problems of the debt crisis. He places special emphasis on the question of whether all economic agents can pay off their debts at the same time in a period of recession. To understand the way to get out of the debt crisis, it is very important to bear in mind that net debt on a global level is zero: one person's liability is another's financial asset. As government debt plays a key role in the current phase of the crisis, the paper analyses in details the issue of debt dynamics, the real burden of public debt and problems in relation to financing it. In conclusion the author turns to some controversial issues concerning Hungarian economic policy.

ACHIEVING A SUSTAINABLE FINANCING PATH FOR THE MACRO ECONOMY

Iván Bélyácz and Mónika Kuti

This article – a sequel to one published three years ago – evaluates the debt situation after the 2008 financial crisis. Starting with the causes of the crisis, the main lesson of this event is that the liquidity shock was far more serious for developing economies more exposed to external debt – including Hungary's – and far less serious for those less exposed to foreign direct investment. The authors conclude after examining Hungary's macroeconomic financial flexibility that it was weakened by the considerable need for external financing, and this was exacerbated by an extremely low pre-crisis level of investment. After the crisis, the need for external financing decreased, the balance of foreign trade improved, and balance sheets became positive, but all these events occurred while GDP was stagnating or decreasing, which sheds doubt on the enduring nature of the positive outcomes. So the macroeconomic financial indicators were “improved” by the continuing crisis in the real economy. Efforts at efficiency-based improvement of the financial situation were ineffective, as that can be attained only by increasing GDP growth, expansion of exports, improvement in income generation, and long-term consolidation of the cost side of the state budget. Without fast-growing investment in production, no significant growth in productivity or improvement in competitiveness can be expected.

THE ROMA/NON-ROMA TEST-SCORE GAP IN HUNGARIAN EDUCATION

Gábor Kertesi and Gábor Kézdi

This study quantifies the educational achievement gap between Roma and non-Roma school students in Hungary and assesses potential causes behind it. The marked gap in reading and mathematics test scores for eighth graders resembles the one between Afro-American and White students in the United States in the early 1980s. The overall gap between Roma and non-Roma students is explained almost entirely by social differences in income, wealth and parental education; ethnic factors do not play a significant role. The social disadvantages of Roma students, coupled with differences in state of health, lead to lower skills by way of two main mechanisms. Their home environment is less favourable to their cognitive development, and their schools display a lower quality of educational environment. Ethnic differences in home environment are again explained by social differences, and ethnicity seems to play no additional role. On the other hand, while Roma access to higher quality schools is strongly related to social differences, Roma students seem to face additional disadvantages. The results suggest that policies aimed at alleviating poverty need to be complemented by well-designed interventions in the transmission mechanisms, which can also improve the skills development of Roma and other disadvantaged children.

A DYNAMIC MICROSIMULATION MODEL (ISMIK) FOR PROJECTION OF THE EDUCATIONAL ATTAINMENT OF THE HUNGARIAN POPULATION IN 2001–2020

Zoltán Hermann and Júlia Varga

The paper describes in detail a dynamic microsimulation model called ISMIK, developed to project the educational participation and attainment of the Hungarian population over the 20-year period 2001–2020. It presents the results of a base scenario in which all parameters (transition probabilities) are assumed to be time-invariant, i. e. the scenario projects the education level of the population on the assumption that everything continues as it was in the early 2000s. In addition to the base scenario, the authors present the results of alternative scenarios. The first investigates what would have been educational attainment of the population had Roma and non-Roma students had the same opportunities in their school career. Further scenarios measure the effects of actual educational policy changes: reducing the length of compulsory schooling; increasing the proportion of students attending secondary vocational training schools; and reducing the number of state-funded places in higher education.

THE EFFECT OF EUROPEAN INTEGRATION ON AGRICULTURE IN CENTRAL EAST EUROPEAN COUNTRIES

Csaba Csáki and Attila Jámbor

The twelve new member-states that joined the European Union in 2004–7 faced not only challenges but several opportunities. Although they had been preparing for accession for a long time, the act of becoming a new member was still a step into the unknown. One of the most debated areas was the impact of EU accession on agriculture, in the EU15 and in the new member-states. The article sets out to show the development of new member-state agriculture after accession in the light of the latest data and experience, and to identify factors behind the differences in countries' performance. Results suggest that EU accession has had an overall positive impact on new member-states' agriculture, but that they have capitalized on their chances to different extents, due to initial conditions and to pre- and post-accession agricultural policies. Despite the overall positive impact, several difficulties have emerged, of which the most pronounced are the limited ability to withstand competitive pressures and the handicaps facing small farmers.