

SUMMARY OF THE ARTICLES

The study of politics and political economy

László Csontos

The paper was originally read by the author at the Central-European University. He attempted to demonstrate the explanatory power of the economic approach to politics, while not suppressing the limits to economic analysis. The use of economic argumentation may result in clarity of notions and analysis during the discourse, providing at the same time an opportunity for making feel the basic truths relating to the political market, for marking out the limits and for stating the “impossibilities”.

The big thrill at the end of the millennium

László Csontos–Júlia Király–Géza László

Many studies and other publications have recently been published in Hungary which analysed the “distorted” development of the financial system, the exaggerated influence of the “world of money”. The purpose of the study has been to grasp the components “related to the fear of the world of money” and to confront them with some of the results of political economy. The writing falls into three parts. In the first one the theoretical, methodological problems and normative background of the “domination thesis” related to the financial institutions – particularly of its strong version – are examined. The second part reacts on the problems raised which emphasize the parting of the financial mediators with the “real world”, the quantitative explosion of financial processes and their existence as “virtual reality living its own life”. This part presents the most important factors influencing financial innovations, the functions of the techniques and transactions frequently shown in diabolic colours. In critiques of the financial system the demand for stricter state regulations, for government interference, is frequently found in explicit or implicit form. In this context, it is worth reviewing the expected impacts of such regulations, not only the positive ones, but the untoward side effects as well. The third part makes an attempt at the latter.

Auction and competition in public procurement

Péter Eső

In this article public procurement means the purchase of an indivisible good where – although the welfare of the buyer is ulteriorly influenced by the quality of the product – this cannot be included into the contract in advance and thus nobody can be called to account for it. It is shown that in such cases restricted auction is the mechanism that leads to a socially acceptable

optimal outcome. Before expounding this new result, some achievements of the theory of optimal forms of sale and purchase, maybe not yet known by Hungarian readers, are reviewed.

Real wages and earning inequalities, 1986–1996

Part I. The transformation of wage structure in Hungary

Gábor Kertesi–János Köllő

Relying on the data of a wage tariff survey of the National Labour Centre the article examines the real wages and earning inequalities in 1986, 1989 and in each year after 1992. The weighted sample represents full-time workers in firms with more than 20 workers (after 1994: 10 workers) and those employed in the (public) budget sector. The series of studies makes an attempt at separating and explaining the various factors influencing wages – related to enterprise, region and human capital. The first descriptive part here published deals with the development over time of real earnings and the changes in inequalities.

Transformation of the banking system in Hungary between 1987–1996

István Ábel–László Szakadát

The authors review in their study the changes having taken place in the Hungarian banking system in recent decades. Parallel with a historical presentation of the processes they argue that the wrong decisions taken both in the course of establishing the banking system and, later on, those made on the occasion of government interferences significantly increased the costs of its structural transformation. Nevertheless, with the privatization of the big banks Hungary was the first from among the Central-European countries where the bases of a reliably operating banking system could successfully be established. No doubt, this process also brought positive results. The experiences gained in the course of restoring the safe operation of banks and those related to the privatization of the financial institutions in question may also be useful to economic policy-makers of the neighbouring countries.

Capital inflow, sterilization and money supply

Gyula Barabás–István Hamecz

The study analyses the development of the monetary base and the quantity of money in the wider sense (M3) in the period between 1992–1996. In a breakdown of the increments of various indicators of money supply into forint and foreign exchange components it presents the impacts of capital inflow, foreign exchange market intervention and sterilization on the quantities of money. It highlights the causes of the difference between foreign exchange market intervention and the conversion perceived by the central bank and, by separating the components of foreign exchange conversion, it gives an estimate of the size of interest-sensitive and speculative foreign exchange flows experienced in the years 1995–1996. The study ends with a brief comparative analysis of the various sterilization methods.

The confusion of plenty: imperfect consumer information and competition on the market of family doctor services

Iván Csaba-Róbert Iván Gál

Using the example of the Hungarian family doctor services the study makes an attempt at demonstrating how the imperfect information of consumers may put a brake on the unfolding of competition. With the aid of empirical analysis the authors examine the possibility that, under the impact of information costs, the intensity of competition does not strengthen and may even weaken with the growth of the market and of the number of family doctors. The theoretical background serving as a basis for their hypothesis is briefly reviewed. Then the results of the empirical investigation are presented and a few conclusions of normative type are formulated.

Strategic behaviour and committee decision

Tamás Meszerics

A part of voting games relying on the procedural principle of absolute majority allows players to counterbalance the effect of the agenda with their behaviour. The study reviews the results of committee decision experiments conducted at the Central-European University. Although strategic voting became perceivable already after a few repetitions, the individual-level data raise new questions about the nature of strategic behaviour. From among the possible explanations the argument is most convincing that the situation limits of majority voting may divert the individuals onto a simple learning path which results in a behaviour of low rationality yet of strategic nature.

Privatization, work organization and wage distribution methods (The example of a sewing workshop in a big firm)

Lajos Bódis

One of the significant achievements of Hungarian economic and sociological research in recent decades has been the disclosure of characteristic features of wage bargaining in the socialist enterprises. In the course of informal negotiations developing in the micro-organizations of production the bargaining power of various groups of workers was based, according to the author's concept, mostly on the organization-specific "assets" they were holding – including the human and "connection"-capital accumulated in the organization of those affected. From the viewpoint of operation of the enterprises these have not lost in importance even with the post-socialist economic transformation: the appearance of the private owner does not necessarily involve a significant rearrangement of power relations within the organization. The case study illustrates the above considerations through the example of a sewing workshop in a big rural textile firm. By shaping the rules of the division of labour – free from the control of the upper executive levels – the group of workers accomplishes a significant internal regrouping of the incomes in favour of its members with poorer performance. The author argues that – although a part of the individual incomes gets completely separated from performances even under a piece-wage system – the operation of this particular "form of insurance" (mostly just because of the mode of its realization) may, in the last resort, be considered even after privatization as an "asset" contributing to the satisfactory operation of the firm.