

ABSTRACTS OF THE ARTICLES

Economic growth, catching up, and fiscal policy

Ákos Valentinyi

This paper analyses the quantitative and qualitative effects of fiscal policy on economic growth and convergence in a model of a small open economy that also incorporates a black-market economy. It is assumed that human capital is the engine of growth and that human capital externality across countries ensures convergence in terms of income level. The model allows for a fiscal policy that influences both the productivity of production and the productivity of human capital accumulation. Consequently, both tax and spending policy affect economic growth. The quantitative behaviour of the calibrated model shows that the capital income tax has the strongest effect on the relative income level. The effect of other taxes and of the productive expenditures is much more modest. This statement holds both for the balanced and for the transitional growth path. This implies that cutting capital income tax is more likely to promote growth and catching up than increasing productive expenditures.

The option-based description of the exchange rate in a target-zone system

Anna Naszódi

The main argument in this paper is that the currency in a target-zone system is nothing other than a currency in a freely floating system (the latent, floating currency), with two options. One of the options is a long put, the other a short call. The options-based approach to the target zone is not self-evident, as the underlay for each option is the latent, floating currency combined with the other option. In order to show the complexity of the options-based approach, the paper presents a simple intuitive, but inaccurate options-based model with different underlays. After introducing the correct model, the paper presents a numerical method of deriving the process of the target-zone exchange rate from the process of the latent, floating exchange rate.

The chances for large-scale entrepreneurs to amass property after socialism

Mihály Laki

Hungarian large-scale entrepreneurs who can be described as similar in the knowledge, skills and connections they have built up arrived in this social group from several directions. One typical career was the one followed by those who had already joined the private sector under the socialist system and made the transition from small entrepreneur to big capitalist

after 1989. The other type of career was one in which middle and senior managers of state-owned enterprises and large cooperatives became large-scale owners after the collapse of the system. The members of the two groups took part in privatization with various chances of success, according to their advancement in the state-owned enterprise, influenced by communist-party membership, and the timing and method of their shift to the private sector. Those leaving the state-cum-cooperative sector before the collapse of the socialist system tended to start a new firm after 1989. The middle and senior managers remaining in the sector throughout, most of them party members, usually obtained ownership of the formerly state-owned firms themselves.

Psychological analysis of in-depth interviews with large-scale entrepreneurs

Natasa Kő

The study analyses the psychological features of a group of Hungarian large-scale entrepreneurs, based on in-depth interviews with them. The successful careers of large-scale entrepreneurs can be explained through several psychological concepts, mainly organized around the central traits of autonomy and self-reliance. This appears primarily in the way they see themselves as highly efficient and competent, and thereby active and enterprising, which explains why their goals are very bold and ambitious, and by no means commonplace. In attaining their goals, they rely on their aptitude and activity, never waiting for things to happen of their own accord. They adapt flexibly to changing conditions. They are also persistent and relatively well able to cope with stress. Their competence allows them to turn unfavourable situations to their advantage, so that most situations present a challenge to them, not an insuperable obstacle. The experience of self-reliance breeds in them ingenuity and creativity, which ties in with their feeling that work is a pleasure to them in itself, so that they are very spontaneous and bold in solving problems. They are little inclined to let themselves be influenced by circumstances or others' opinions and expectations. They are reformers, but retentive of earlier values, so that they can be called conservative. The traits presented in the study are not specific to large-scale entrepreneurs, but apply to all self-reliant, efficient and creative people.

Determining relative development at settlement level

*László Molnár**

The study presents the spatial structure of the economy through a broad, comprehensive system of indices, thereby establishing which counties and regions of Hungary count as developed or backward. The order is established with a complex development index compiled as a linear combination of three factors: the economy, welfare and demography. This differs from the development test traditionally conducted in ignoring the concentricity on Budapest when examining the settlements, and so demonstrates clearly the development predominance of Central and Eastern Transdanubia. Cluster analysis reveals in developed counties county-rank cities and other towns that belong to the cluster of less-developed settlements (e.g. Veszprém).

* With Judit Adler, Judit Barta, Balázs Benyó, Péter Bíró and László Skultéty as co-authors.