

The temporary real effect of nominal shocks in a two-sector model of growth

Péter Benczúr

The author employs a two-sector growth model to examine the effects of various nominal shocks (fiscal or exchange-rate) on sectors and production factors. He starts from the Neoclassical model of a small, open economy that expands through gradual adjustment of capital and the role of the money supply ('money into utility'). Consequently, a nominal shock (fiscal expansion or appreciation of the nominal exchange rate) will increase momentary consumption (through the role of money), which raises the prices of services. (The short-term transformation curve is non-linear due to the gradual capital adjustment.) This alters the price of the production factors, the ratios of labour to capital, and the utilization of capital and labour for each sector. The high level of service prices raises domestic incomes, which retrospectively provides a basis for some of the initial excess demand. This mechanism means that nominal shocks will have a relatively long-lasting effect on real changes (relative prices, factor prices and capital accumulation) that dies down only gradually as the surplus money supply is dissipated (through a foreign trade deficit). There is also a parallel between the model and literature analysing disinflation on an exchange-rate basis.

Information and knowledge

Judit Badics and András Gömöri

In models describing economic situations and phenomena in terms of decision-makers' behaviour, it is important to the solution of the model and results obtained from it to discover what decision-makers know about the situation, each other, each other's knowledge, knowledge of each others' knowledge, etc. The simplifying assumptions of the conceptual apparatus applied to describe this knowledge and information have been outstripped by the applications. This study therefore puts forward a proposal for generalizing this system of concepts.

State and market – housing subsidy, housing financing and reforms. Some international experiences

Zsuzsa Dániel

Housing policy has undergone substantial and rapid change in Europe and other countries in the developed world. The post-socialist transition in Hungary also placed on the agenda such fundamental issues of transformation of the housing sector as the role of the

state and the market or the extent and nature of subsidy. The article reviews experiences abroad in the last decade, highlighting and examining in the light of data the problems of principle and practice that Hungary must likewise resolve in the near future.

An international comparison of R and D activity, based on national statistics

Balázs Borsi and András Telcs

The authors show what methods can be used to classify countries based on their statistics for research and development activity. The initial problem is that as many international tables can be compiled as there are indices employed. In the absence of standard statistical methods, selection among these becomes arbitrary. The solution recommended by the authors is to use compound tables compiled by analysis of main components and with genetic algorithms. They give examples of tables and point out the advantages and drawbacks of each method.

The views of Ferenc Deák on the national economy

Zsuzsa Bekker

Ferenc Deák (1803–1876) was primarily a jurist and statesman. He did not deal with political economy in detail. However, as a jurist, he was faced with the economic content of laws and regulations and took positions that had economic bearings and effects, while as a statesman, he expressed opinions on essential economic-policy issues that reflected a decisive economic view of the world, backed up by adequate arguments. He directly examined economic issues mainly in the first half of his career. He expressed opinions in the reform diets on landed property relations, the question of feudal dues, credit, commerce and transport, including railways – to a decisive extent during the processes of drafting and debating legislation. The paper also presents Deák's position on two important aspects of economic policy: joining the German *Zollverein* and the question of the *Védegylet*, a society for promoting Hungarian industry. His attitude to the *Védegylet* is especially interesting, because his public arguments, based on a considered political stance, differed from his private opinion. At the height of his career and influence around the time of the *Ausgleich* in 1867, Deák left the direct handling of economic matters to expert advisers.