

EXHAUSTION OF THE EUROPEAN ECONOMIC MODEL

Péter Halmai

European integration has a marked impact on the processes of economic growth at all phases of integration, from preferential liberalization to deepening integration. It is important to reveal the productivity impacts of factor-market integration. Through this analysis it becomes possible to identify the main features in the European growth model that has been followed for more than a half of a century. The recent financial and economic crisis made it clear that the model had been exhausted by inherent erosion. However, this offers a new opportunity (and concurrent pressure) to act and change. It is an essential factor in rejuvenating Europe to redefine the model and renew (or partly recreate) European growth potential. What are required are European, EU-level coordinated structural reforms and a growth program based on such reforms. Only an economic rationale, solutions based on international competitiveness and a knowledge economy can succeed in the long term. Fair growth and shared prosperity should be general objectives while maintaining macro stability.

NEW REGULATION OF THE CREDIT VALUATION ADJUSTMENT FOR CAPITAL RESERVES

Péter Boros

The regulatory capital requirement of the Credit Valuation Adjustment (CVA) has been undergoing major reform. A recent proposal is to replace the standardized formula currently applied by a new, so-called basic CVA approach. This paper introduces and analyses the proposed method. It derives the model framework of the regulatory formula and highlights the changes from Basel 3. Then numerical examples are used to compare the capital requirements under the derived model framework and regulation. The new method is shown in the main to be more conservative than its predecessor. Furthermore, even under the basic CVA approach, the perfectly hedged portfolio does not equal the portfolio with a zero regulatory capital requirement.

ANALYSING THE EFFECTS OF UTILITY-COST REDUCTION ON HOUSEHOLD ENERGY CONSUMPTION, USING INDEX DECOMPOSITION

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Energy consumption in the household sector is affected by many factors, whose examination is essential to arrive at an efficient energy policy. The utility-cost reduction program of 2013 and 2014 caused a sharp fall in household electricity, district heating and natural gas prices. The author breaks down the absolute change in household energy consumption in the 2010-15 period and calculates the price, intensive structure, extensive structure, expenditure and population effects. The results confirm the expectations: decreasing household energy prices had a positive impact on energy use, strengthened by the expenditure effect. However, this was largely offset by the intensive structure, extensive structure and population effects, so that the final (climate-corrected) energy consumption of the household sector in 2014 and 2015 did not change significantly, and it decreased over the whole period examined.

KICK-STARTER CAMPAIGNS LAUNCHED FROM HUNGARY

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Crowd-funding opens new fund-raising options for SMEs and innovative startups in an era of digital disruption. The study analyses the latest trends, main features, and success factors of crowd-funding campaigns launched from Hungary over the past seven years, so filling an empirical research gap in this country. Covered here are 116 campaigns from November 2006 to January 2017, of which 37 closed with success, raising an aggregate HUF 93 million. Looking at our sample, the success of such a campaign can be associated with the social capital of the campaign creator, the number of comments and updates as an indicator of campaign activity, the brevity of the campaign period, and the social causes as campaign targets – these match the success factors identified internationally. Campaigns launched on working days had higher success rates and more intense levels of activity. Those reflecting more advanced forms of the corporate life cycle could raise greater amounts over shorter periods of time. The Euro was prevalent in the sample from 2014.