

László Csaba: The Hungarian Economy at a Crossroads

The current situation of Hungarian economy is basically determined by the gap between observable trends in reality and common talk about them. While the programmes of the major parties, without exception, are based on the dynamic growth of state redistribution - and, thus, obviously, on state finance expenditures - they presuppose a faster and faster economic growth every year, but *processes in reality show a significantly slowing trend.*

Ádám Török: Corporate and State Roles in Hungarian Industrial Development After the Nineties

In the nineties the development of Hungarian industry was first disappointing, but later it was definitely rapid and successful. Several publications have described the process of this industrial transition in general as well as in the light of the foreign market performance of Hungarian industry. However, the majority of the analyses were based on statistical surveys and the participants of the processes were somewhat neglected. For this reason the present study examines the influence of major corporate participants and that of the government on the development of the industry, as well as their behaviour, and conclusions are drawn as regards the strategic potentials of Hungarian industry after 2003 and 2004.

First the study offers an overview of the most important corporate participants of the Hungarian industry, then it separately discusses the peculiarities of the market presence of foreign industrial firms, in particular to what extent the European Union's ambitions, taking shape from the year 2000, aiming at improving competitiveness can be reflected in Hungarian economic policy. Thus the question is whether we can expect the revival, to some extent, of Hungarian industrial policy which has appeared to be lifeless since 1996, and whether we can expect state participation in the promotion of the development of Hungarian industry which should be of European standards and yet more active than round the turn of the century.

Judit Fekete: The Welfare State as the Accomplishment of Modern Civilization: Where to Proceed?

The author reviews the beginnings of the welfare state and its practices so far and examines what conclusions can be drawn from experience as regards the effective treatment of current problems, what warnings the relationship between certain governments and social welfare has for us today when there is an economically and socially urging need for reducing the worsening tensions in the systems of budget-planning, taxation, social welfare, health care and education, etc. The conclusion is that a fundamental change in attitude, and a new kind of governmental role are needed, along with new institutions, methods and means appropriate for the radically different economic circumstances as well as the realistic social demands.

István Mustó: Development economics – development policies. Some remarks on concepts, applications and fallacies

This is a brief summary of the development theories and policies of the last 5 decades. The neoclassic economic approach, the dependency paradigm and the contemporary „post-modern“ concepts and strategies are analyzed and commented with reference being made to the respective problems and fallacies. Development, so the conclusion, is a self-regulating process in complex, open and dynamic socio-economic systems that are not susceptible to planning but which are progressively improving their ability to manage their increasing complexity and the mechanisms to adjust to changing circumstances.

Eszter Láng – István Tassy: The Structure and the Behaviour of the Capital of Cooperative Banks

Today cooperatives are unable to function according to traditional cooperative principles, as the changes in the economy have altered the basis for the operation of cooperatives as well. There are a number of regulations affecting the members of cooperatives and investors ranging from the foundation to the distribution of dividend, from the volatility of capital to investing into a cooperative, which are carried out in comparison with other forms of investment in the market. By now in Europe debates about cooperatives have become more heated; the documents of the European Union especially the ones concerning social economy also testify to this. It is for this reason that the study has chosen the examination of cooperative banks. The authors present the structure of cooperative banks, the changes in the structure, as well as the behaviour and characteristics of cooperative capital.

László Erdey: Intraindustrial Trade in the Light of Theoretical Explanations and Empirical Investigations

The Heckscher-Ohlin (HO) model regarded as a modern theory of trade, dominant for more than a quarter of a century had to face more and more challenges in the second half of the 20th century. It seemed that the 2*2*2 (product - factor - country) model, which assumed perfect competition, constant return to scale and homogeneous products and whose elegance was rooted in its simplicity, could not offer appropriate answers for the explanation of empirical facts in two significant areas. The conclusion of the model, namely that countries will have a comparative advantage in the production of goods for which they use factors of production relatively abundant in the country, was first questioned by the Leontief paradox and later by the empirical facts of intraindustrial trade. The study focuses on this latter phenomenon. In the first part it presents and classifies the major theoretical models of the phenomenon, and in the second it discusses, on the basis of empirical surveys in this field, the most important factors influencing intraindustrial trade.

Tibor Tarnóczy: Software Agents and Decision Support

The results of artificial intelligence research are playing an increasingly important role in decision support and economic modelling computer systems, so are software agents whose application is present in almost any field of information technology. The agent is an autonomous „subsystem“ which monitors its environment through its sensors and makes changes to it with its intervening organs, it is capable of adapting to its environment, it can learn from the effects of its actions as well as from the changes in its environment, and by using this knowledge it is able to make alterations to its plans or actions to improve them. The application of agents may lead to resounding results in economic modelling as well. The study outlines the characteristics of decision making which are important as regards the assessment of agents as well as the major features of software agents and their possible economic applications.

Péter Földvári: Openness and Growth

The classical theory of commerce encourages the liberalization of international trade on the grounds that this contributes considerably to the growth of welfare. This study sets out to explore this hypothesis empirically by analysing the relationship between external market openness and per capita GDP examined in twenty-two OECD countries between 1950 and 2000. The results bear out to support the existence of a positive correlation. The novelty of the study is that the author pays special attention to the temporal aspects of the interaction between openness and per capita GDP which can be characterised in terms of a nonstationary and nonlinear trend, as expected.

Pál Czeglédi: Human Capital and Institutions in the Early Models of Endogenous Theory of Growth

The endogenous theory of growth, or, as it is often called, the new theory of growth has become a fully-developed theory within about twenty years. The original goal of the theory was to offer better explanations for facts than traditional theories. However, this was only partly achieved. If this is so, then what are the proceeds of the whole theory? The study aims at proving that though the endogenous theory does not offer a much better explanation for facts, it has deepened our understanding of economic growth and incorporated factors in the formal theory, which so far have only been dealt with by „softer“ branches of the theory of growth.

Éva Nagy: The Examination of the Relationships between Foreign Working Capital Investment and Economic Growth on the Basis of European Examples

In the past decade several studies have been published in Hungary as well on the role of foreign working capital investment and the economic effects of the presence of multinational companies. This paper explores what role working capital investments (their type, size etc.) have played in the transformation and modernization of Hungary and in her integration into world trade. After a short theoretical and historical survey it presents the experience of some European countries which the literature often mentions by comparing them to Hungary, for on the basis of their size, population, geographical location and level of economic development they have often met similar economic policy dilemmas and choice-making. Then it examines what effects foreign working capital influx had on the given economies and - in a wider sense - on their social development, and, in addition, what kinds of undesirable consequences it had.

Balázs Pálosi-Németh: Reflections on the 100th Anniversary of the Birth of Sir J.R. Hicks (1904-1989)

Several major articles have been published recently reviewing or reconsidering the results of Nobel prize winning economists on the occasion of an anniversary. This study has the same objective. John Richard Hicks was born on April 8th 1904 in Leamington Spa, England. We commemorate his work from a peculiar perspective on the 100th anniversary of his birth. We focus on where the roots of the history of the „theory of finance” are to be from, what influence Hicks had on the pioneering work in this field, as well as how his results - with particular attention to the interpretation of risk - have been modified by succeeding generations.