

ABSTRACTS

László Csaba: Is Growth Sustainable Without Rules-Based Policy?

The article examines conditions for rules-based fiscal policy in the European Union and discusses the consequences of softening up the Stability and Growth Pact by the March 2005 Council. It surveys arguments in favor of rules-based policy and proves that most of the arguments in favor of softening up the Pact, as well as the concrete steps of modification do not contribute to lasting and improved fiscal solidity in the euro area, but follow opportunistic political considerations of the big member states. It shows why the modifications make the life of the new entrants more difficult and allow for lax fiscal policies and a secular slowdown of growth.

Dóra Györfy: The Risks of Global Financial Markets and the Importance of Credibility: Implications for Hungarian Fiscal Policy

The central issue in the controversy about the adoption of the euro in Hungary is the difficulties associated with the fulfillment of the fiscal criterion and the possible growth sacrifice it requires. In this paper the author examines the question whether the strategy of delaying entry into the euro-zone implies that fiscal consolidations can be delayed as well. In approaching the problem the paper considers the origins and history of the present-day global financial markets and argues that given the high degree of systemic risks individual countries face, responsible macroeconomic policies are crucial in minimizing vulnerability to crises. Consequently in order to avoid excessive interest rates and speculative inflows (or currency crisis in the worst case scenario) fiscal deficits in Hungary would have to be cut and the credibility of fiscal policy reestablished even without EMU accession. The overall conclusion from this overview is that delaying entry in order to delay fiscal adjustment is likely to increase the trade off between real and nominal convergence instead of mitigating it.

László Jankovics: The Timing of the EMU Accession

Following the EU-accession the next major challenge is the preparation for and finally the introduction of the single currency for the Central Eastern European countries. In this paper, I analyze the legal, economic and political factors regarding the preparedness of the whole region, with special emphasis on Hungary. After taking the pros and cons of the official "as soon as possible" strategy into consideration, we can conclude that there is no convincing case for further postponing eurozone entry. Additionally,

putting off the date indefinitely or ambiguously could result in growing economic uncertainty and dangerous financial instability. In the case of Hungary, it is very likely that the country would suffer a serious loss of reputation and credibility were it to put off the target date a second time, i.e. beyond 2010. Lack of strong political commitment could unfortunately easily lead to a postponement of the adoption of the single currency. The potential implications might well be debated, but no doubt would be serious in terms of reputation and economic development.

Tamás Prugberger: The formation and development of employment law in the context of socio-economic processes

The study explores the formation and development of the institutional system of employment law, in connection with socio-economic demands and economic, technical and technological developments. It demonstrates what factors play a role in the fact that the vast majority of companies, and the paternalistic working relationships that form within them, have been replaced by the patterns of big business and big business hierarchical culture. The study shows how the characteristic employment law framework of classical capitalism, which was employer-friendly and placed anti-social pressure on the interests of the employee, gave way to the philosophy of the social market and was influenced by the employee-friendly concepts of the welfare state. The article further analyses those social factors which in today's employment law system have once again started to subordinate the interests of the employee to those of the employer.

Attila Kotán: Prodigality or Perspective

Attila Kotán's study 'Prodigality or Perspective' gives a clear specification of Public Private Partnership (ppp) than shows the main methods and techniques of ppp. The study presents the common characteristic of ppp methods, and summarize the potential benefits and risks of using it. The second part of the paper put the emphasis on the macroeconomic aspects of ppp especially the accountability and statistical presentation of ppp projects. Finally the author gives a short review of the Hungarian situation covering the new initiatives and the existing problems of regulation and control related to the ppp projects.

Ferenc Kun: Financial Hegemony in Hungary?

The theory of financial hegemony argues that the centralization of the financial sector allows for coordinated decision making over the disposition of investment capital. Because of the importance of outside funding in fueling economic expansion and weathering ongoing economic crises, such centralized decision-making over capital flows confers upon the financial leadership the capacity to coordinate activity among a wide range of economic actors. In this paper I test the statements of the above theory in the

network of the interlocking Board of Directors memberships within the best 100 companies and 36 banks in Hungary.

Béla Hajnal: The transition of the Baltic States. Why is Estonia the most successful?

The study addresses the results of the Baltic States in the first phase of the transition, focusing on the process of stabilization, liberalization, privatization and institutional reforms. The paper summarizes the difficulties and the economic policy reactions, which built the basis for later successful development. The three analyzed countries have several similarities (country size, geopolitical situation, resources, Soviet heritage) so the discrepancies in the level of economic development can probably be explained by the different paths of transition. The author attempts to answer the question, how a coherent economic policy contributed to the Estonian transition, which proved the most successful.

Mónika Kuti: Hungary's Dependence on External Financing

This paper demonstrates that Hungary has been dependent on external financing for several decades. In the 1970s and 1980s, debt was prevalent in the external capital structure of the Hungarian economy, but since the transformation to a market economy international equity finance has reached a level of capital accumulation and plays a very complex role in export potential, debt servicing capacity and the modernization of the country. This paper argues that in general the forced increase in domestic demand is not able to substitute for the inherent need to realize export surplus in a small open economy in the long run. In the subsystem of the real economy there is a self-financing circuit driven by foreign direct investments which can meet the economy's current liabilities and profit remittance requirements, while this circuit cannot compensate for the consequences of the soft budgeting constraints of the general government.

Balázs Siklós: Consumers' and producers' evaluation of quality

Quality concepts of consumers and producers are different. This leads to a significant loss in efficiency, because producers plan their marketing activity based on an estimated consumers' quality concept, which is mostly incorrect. This study argues that instead of merely mapping the consumers' quality concept, producers should actively form it, while taking into account the limitations of the consumer's information processing system.

**Mária Szolnoki Gyözőné Karkus:
Ecological marketing strategy and futurology**

For both branches of futurology – prognostics, and the creation of a picture of the future – the natural environment is an important element. Both economics and environmental economics try to influence the actions of economic actors by painting alarming or attractive pictures of future developments. The concept of sustainable development attempts to achieve the realization of those concepts which harmonize present and future economic, environmental and social interests. To this end a preventive environmental policy is necessary, as is the introduction of a value system in which in the course of economic decisions, environmental interests are accorded at least equal status with economic interests. Among the various concepts, eco-marketing is an appropriate method of harmonizing the often contradictory goals and interests of companies. The first part of the study deals with the relationship between research into the future and the environment, the second introduces the concept of eco-marketing, and systematizes ecological marketing strategies.

**Tünde Csapóné Riskó: Agricultural Employment in Hungary
and the North-Great Plain Region**

The transition deeply effected the economical sectors of Hungary. The role of agriculture within the economy reduced, its contribution to the GDP is now less than 4 %. These developments caused considerable changes within the structure of employment in agriculture, a process which corresponds to EU trends. The North-Great Plain Region is situated in the north-east part of Hungary and can be considered a typical agricultural area. In this region the GDP per capita has been one of the lowest in Hungary for several years. The reasons for this are as follows: the dominant role of agriculture in comparison with other sectors of the economy, the low profitability of agricultural production and related activities and the high ratio of less developed areas within the region. Agriculture plays an important role in this region because it provides workplaces for local people, reducing their migration into big towns and contributes to the rural development of the region.