

ABSTRACTS IN ENGLISH

Judit Kapás – Pál Czeglédi: Economic freedom and the process of economic growth: An empirical analysis based on a new measure

This paper, relying on a conceptualization of economic freedom in terms of kinds of government actions, develops a new measure of economic freedom. However, this is not art's sake; instead, it allows us to provide an explanation for how particular institutions of economic freedom enhance economic development, a view upon which scholars agree. We develop two concepts related to economic freedom, namely the freedom-compatible and freedom-non-compatible institutions and use them as tools in an analysis of the process of economic growth, especially the relationship between economic freedom and long-run income. The major argument is that freedom-compatible institutions are primary determinants of income, while freedom-non-compatible institutions depend upon them and are partly the outcomes of the growth process itself, a fact which is explained by the Misesian theory of interventionism. Our regression analyses support our theoretical insights.

JEL classification: B53, H10, O10

Keywords: economic freedom, institutions, rule of law, government, interventionism

Kálmán Kalotay: The future of Russian outward foreign direct investment and the eclectic paradigm: What changes after the crisis of 2008–2009?

This article explores the future of Russian outward foreign direct investment in the aftermath of the crisis of 2008–2009. As it is too early to analyse the full impact of the crisis, it develops hypotheses about the degree of slowdown in the foreign expansion of Russian transnational corporations. It uses an extension of the eclectic paradigm to home country advantages (competitive environment, business environment, development strategy, state involvement) applied to a comparison of the Russian Federation with other economies in transition as an analytical tool. Systematic differences between transnationals from the Russian Federation (global firms, based on natural resources, aiming for vertical integration of assets) and from new European Union member countries (regional firms, based on downstream activities or services, aiming for horizontal integration) allow us to formulate more solid conclusions about the future of the Russian firms facing lower export prices, lower market capitalizations and higher debts. In turn, this article argues that a comparison with the large emerging economies of Brazil, China and India, under the acronym of BRIC can be less useful in the current context, as these economies are significantly less affected by

the crisis of 2008–2009 than the Russian Federation; hence they cannot expect a slowdown in their outward foreign direct investment similar to that of Russian transnationals.

JEL classification: F23, F21, O52, P29

Keywords: Russia, outward FDI, eclectic paradigm, home country, crisis, economy in transition

Andrea Szalavetz: Outward direct investment versus technology licensing: an SME perspective

Based on the example of the evolution and internationalization of a Hungarian wastewater treatment company, this paper investigates various theoretical and strategic management issues. In the theoretical section, Hungary's outward direct investment performance is analyzed, starting from the hypothesis that Hungary's present seemingly favorable OFDI performance is no more than a statistical artifact. It is only organic development, based on local entrepreneurs' capital export that can substantiate Hungary's present OFDI position. The strategic management issues analyzed in the paper include the sequencing of internationalization; the pitfalls related to growth; modes of foreign market entry; and the choice between FDI-based internal exploitation of technological knowledge and external technology exploitation in the form of technology licensing.

JEL classification: F23, L24, L26, O16, O33, Q57

Keywords: internationalization, outward foreign direct investment technology exploitation, licensing entrepreneurship, ecological engineering

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Miklós Szanyi: The question of duality in post-transition economic development

One of the main questions of the FDI-based economic development model is how the local embeddedness of technologically advanced, globally operating multinational firms can be increased. The global economic integration of smaller, locally owned firms could be enhanced by the stimulating spillover effects stemming from multinationals. However, if the two main sectors of the economy function in isolation from each-other, stimulation effects cannot appear. This paper studies the features and extent of structural duality in Hungary, and the preconditions for deepening economic ties between the two sectors and of the utilization of positive externalities stemming from the presence of large multinational firms.

JEL classification: F23, L53

Keywords: foreign direct investments, duality, spillover effects

Ádám Török – Zsuzsa Deli-Gray: Strategic market entry barriers in Hungary

This study is a continuation of a former project of the same research team. The focus of the research is market entry in Hungary for foreign firms, along with strategic entry barriers to both domestic and foreign importers to Hungary. A comparison of our findings from 2003 and 2008 gives some insights into the integration of the Hungarian domestic market into the Single European Market. Practical advice is offered to Hungarian market players on the scope of strategic entry barriers in Hungary as well as the ways entrepreneurs assess them.

JEL classification: F13, F14, F15

Keywords: trade, competition, Non-Tariff Barriers

Attila Harmati: Data mining through a business window (Part II.)

This article demonstrates the real world applications of the technology of data mining by way of a data mining project. This project was created by the author and the analyzed database was provided by a real company. The aim of the analysis was to create a classification model for this firm. To achieve this we applied logistic regression models, a decision tree and a neural network. The best model can help the company to consciously establish which customers will probably respond positively to a personal letter in a direct marketing campaign. In this way potentially favourable customers are reached more efficiently than in the case of randomized selection. This increases the efficiency of the company, and the generalization of results can confirm several advantages of data mining as used in business life.

JEL classification: C25, C44, C45, C49, C88

Keywords: data mining, classification, direct marketing, SAS®, SEMMA

Judit T. Kiss: The option value of education

Within the theoretical frameworks of standard human capital theory countless analyses have been carried out into investment decisions, in which the examination of the uncertainty of the costs and benefits of education were mostly disregarded and an assessment of the option opportunities was often omitted. In this essay we tried to review one of the extension opportunities of the theory of standard human capital and the option approach of human capital investment. We looked for an answer to the question of what kind of models have been developed for the interpretation of education as an option and for the determination of the option value of the investment. In the study we have highlighted the fact that a decrease in uncertainty in human capital investment is as good an incentive for investing in more education as the public subsidization of education.

JEL classification: C6, D8, I2, J2

Keywords: human capital investment, option, risk, uncertainty

**Enikő Kovács: The growing state presence in the world economy:
Sovereign Wealth Funds**

While sovereign wealth funds (SWFs) were formerly considered to be passive financial investors, today we can see their active presence in international capital markets. The aim of this study is to give an overall view of these funds, which are becoming increasingly important actors in the international monetary and financial system. This study presents the formation and purposes of sovereign wealth funds, as well as the main factors contributing to their growing presence. Moreover, this study provides an insight into the investment activities and practices of these funds.

JEL classification: E58, F21, F30, G15

Keywords: sovereign wealth funds (SWFs), state-owned investment funds, international capital movement, developing economies

Correction:

*On the Contents page of the December 2009 Issue of *Competitio*, the title of Ádám Török's article was incorrect. The correct title should be: *Should Economists Like Predation or Not?**

Helyreigazítás:

*A *Competitio* 2009. decemberi számának tartalomjegyzékében hibásan jelent meg Török Ádám cikkének címe. Helyesen így hangzik: *Should Economists Like Predation or Not?**

