When will Hungary’s level of economic development reach the EU average?

*Tamás Mellár*

The study examines the time requirement for the Hungarian economy to catch up with the average level of economic development in the European Union and the course of that process in time, using dynamic macro models. The idea underlying the models employed in the first part is that Hungary’s relative lag behind the EU average constitutes a source of growth, which may raise Hungary’s actual growth rate above the expected rate. The models employed in the second part apply the mutual (positive and negative) and reciprocal effects to a growth-rate comparison between territories. These models therefore remain applicable after Hungary’s accession to the EU. The modelling shows that no clear figure can be given for the time required to catch up with the EU average. This may lie anywhere between 15 and 45 years, depending on the conditions (although the likelihoods are far from equal), and in extreme cases, it could even fall outside those bounds.

The liquidity constraint and consumer impatience. An empirical examination of consumption and saving decisions by Hungarian households

*István János Tóth and Zsófia Árvai*

The study analyses the propensity of Hungarian households to save and consume, based on household surveys and macro data. The authors review the factors influencing household consumption and saving decisions, before defining the groups of financially relevant households and the main attributes of these groups. Based on a survey of Hungarian households, the study examines the applicability to Hungary of the permanent-income hypothesis, the propensity of households to borrow, and the factors influencing that propensity. It establishes that the indebtedness of Hungarian households will rise strongly in the near future. It shows that the trend in short-term income expectations has a positive effect on propensity to borrow, but the role of educational attainment is equally important. Other factors being equal, the favourable short and long-term income expectations of households point in Hungary today to an increase in the propensity to borrow (and thereby to consume). The main explanation given for the increase in household indebtedness is a loosening of the liquidity constraint.
Decision-makers and decision-making mechanisms in the funding of the non-profit sector

Éva Kuti

Examinations of non-profit-sector funding at home and abroad have concentrated so far on the sources of revenue (the budget, the market sector, the non-profit sector, foreign sources, and the general public). Essentially, they have been content to register the ‘visible’ movements of funds. The author takes a new approach. Five main groups of decision-making mechanisms instrumental in the funding of non-profit organizations are distinguished: 1. legislatively defined mechanisms, 2. redistributive mechanisms created by the state and the private sector, 3. mechanisms of a sharing, participatory nature, 4. consumer and buyer decisions, and 5. money-market mechanisms. The author investigates the reciprocal relations of these and attempts to quantify their weight and importance.

Contribution to an omitted debate on the minimum wage

János Köllő

The Hungarian government raised the statutory minimum wage by 57 per cent in 2001. As these pages were written, it was negotiating on a further rise of 25–44 per cent, with the trade unions, which were already in agreement. The study sets out to provide factual bases for measuring the employment consequences of these measures. The analysis is based on factor-demand functions that assume heterogeneous work, derived from trans-log cost functions. According to estimates, the demand of large companies for unskilled labour shows high own-wage flexibility and high substitutability between unskilled labour and capital. From the results, it seems unlikely that doubling the minimum wage would not reduce the demand for low-wage employees, even though this effect (in principle) may be offset by various supply-side and demand-side factors.

Bertrand-Edgeworth oligopolies – a survey of the literature

Attila Tasnádi

Oligopoly models in which both price and quantity are decisive variables are known in the literature as Bertrand-Edgeworth oligopolies, the most interesting results with which are surveyed in this paper. The author assumes the existence of the Nash equilibrium, as the specification of Bertrand-Edgeworth-type oligopoly models, the determination of the Nash equilibrium, and the application of Bertrand-Edgeworth oligopolies.