Regional differences in entrepreneurship in Hungary, based on the regional entrepreneurship index
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This paper presents a regional application of the Global Entrepreneurship and Development Index methodology, examining the level of entrepreneurship across Hungary’s seven NUTS-2 level regions. The Regional Entrepreneurship and Development Index (REDI) was constructed to capture the contextual features of entrepreneurship across regions. The method builds on a systems-of-entrepreneurship theory and provides a way to profile regional entrepreneurship systems. Important aspects of the REDI method include penalty-for-bottleneck analysis, which helps identify constraining factors, and policy-portfolio-optimization analysis, which helps policy-makers consider trade-offs between alternative policy scenarios and associated allocations of resources. The paper reveals the entrepreneurial disparities among Hungarian regions and provides public-policy suggestions to improve the level of entrepreneurship and optimize resource allocation over its 14 pillars in the seven Hungarian regions.

Costs of sovereign defaults now and long ago
Ágnes Vidovics-Dancs

Loans to sovereign states are often referred to as safe investments, treating default as an impossible or at least improbable event. Yet sovereign defaults have been arising ever since countries borrowed money. They are not rare at all. When a debt crisis or default event draws attention to the problem, the commonest question put is why defaults occur. This paper stresses the need to ask a less common question as well: why sovereign states repay loans, why they do not default. Consequent on that is why rational lenders give money to countries. The answer to these questions seems to be because defaults are costly. The paper reviews and systematizes possible cost types and explores inconsistencies in the related literature, to show that the mechanisms supporting the existence of sovereign debts are not precisely known. One reason why costs of defaults are challenging to study may be that the possible political and economic consequences of defaults change over time.
An overdose of state aid in the Hungarian economy
László Kállay

State aid given to enterprises as a proportion of Hungary’s GDP has been 2.7 times the EU average over the past decade. The article examines whether any impact of this high level of state aid can be discerned in investment, employment, income-generation performance, or competitiveness of the Hungarian economy. It seems that in none of these areas is the situation better than in countries that have a markedly lower rate of state aid. Micro-level analyses and evaluations do not support the belief that state aid appreciably improves economic performance. A wealth of resources on its own can cause problems with efficiency, as many programs and organizations compete with each other. Bad (less demanding) programs nudge out the good ones. If the factors significantly determining competitiveness, including a favourable legal and regulatory environment and well-functioning markets of business services, are not in place, a high level of state aid cannot be a proxy for them. In the seven-year programming period beginning this year, Hungary plans to further increase the amount of state aid to enterprises, while there is no clear answer as to how to improve the currently poor efficiency of the state aid system.

The impact of innovation activities on firms’ performance and competitiveness
János Kiss

The paper deals with the impact of innovation on performance and competitiveness based on firm-level data. The research is based on a survey conducted by the Competitiveness Research Centre at Budapest’s Corvinus University. According to the econometric analysis, the firms that are more innovative are export oriented and foreign owned. Product innovation has an eminent role in competitiveness, but no significant relationship was found between innovation and productivity. As for sources of innovation, internal ones are more important than universities, customers or open sources. Firms themselves perceive legislation and taxation as highly important factors that hamper their innovation activity.