

THE EMERGENCE AND DECLINE OF RISK-BASED BANK REGULATION -
THE ROLE OF INCENTIVE STRUCTURES

Katalin Mérő

The approach to bank regulation has changed significantly since the global financial crisis (GFC), notably in a turn from risk-based to far less risk-sensitive regulation. Risk-based regulation allowing banks to use their internal risk management models for regulatory purposes was one of the main pre-GFC developments under the Basel II Accord. This approach to regulation assumed that banks were able to measure and manage their risk better than regulators. However, the GFC made it clear that the risk-based regulation greatly underestimates risks, primarily because of its poor incentive structures. So post-GFC regulation seemingly turned the clock back: the new Basel III regulation markedly reduced the scope for risk-based regulation, while strengthening the non-risk-sensitive character of regulation through several such regulatory tools. This turn is strongly contested, for it seems at first sight to be a step back towards an old, outdated regulatory system. The article analyses the emergence of risk-based regulation before the GFC and its decline after the crisis. Its main conclusion is that mixed risk-based and non-risk-sensitive systems are superior to either purely risk-based or purely non-risk-sensitive systems.

THE ECONOMIC RELEVANCE OF HYSTERESIS FROM A POST-KEYNESIAN
PERSPECTIVE

Miklós Váry

During the period of recovery from the global economic crisis of 2008 it can be seen that most economies have failed to return to their pre-crisis growth path, and are following a permanently lower one. This constitutes a specific manifestation of hysteresis, a type of economic dynamic that has received little attention hitherto. In dynamic systems, hysteresis can be observed if a transitory shock exerts a permanent effect on the long-run equilibrium of the system. The paper reviews the economic literature on hysteresis and argues that a bigger role should be given to hysteresis models in analysing economic dynamics. It sums up the history of economic theories of hysteresis, interprets its relevance to post-Keynesian economics, and presents basic models and types of hysteresis and their properties, using illustrative examples. The paper also reviews the ideas in mainstream economics concerning hysteresis,

but argues that its economic relevance can truly be understood from the perspective of post-Keynesian economics.

CONVERGENCE VERSUS DIVERGENCE: WHERE IS AGRICULTURE IN CENTRAL AND EASTERN EUROPE AND THE CIS COUNTRIES HEADING?

Csaba Csáki and Attila Jámbor

The agricultural economics of the Central and Eastern European (CEE) countries and of the Soviet Union was often studied in the 1970s and 1980s. After the system collapse, the agricultural sectors in these regions gained importance under the heading “transition”, but the field has been less studied since the millennium. The paper sets out to analyse the agricultural performance of CEE and CIS countries 1997–2016 and see whether the system change and transition brought changes and convergence in agricultural productivity to EU-15 levels. The authors underpin their arguments with convergence theory and associated methods (Kernel density, Markov transition probability). The results suggest the CEE and CIS countries have undergone limited agricultural convergence with Western Europe, but with a marked performance gap: the CEE countries are moving the closer to EU-15 averages. The many reasons behind this are discussed in the end of the paper.

DIGITAL TRANSFORMATION AND ENVIRONMENTAL SUSTAINABILITY – RE-OPENING THE DEBATE BETWEEN TECHNO-OPTIMISTIC AND TECHNO-PESSIMISTIC ENVIRONMENTAL ECONOMISTS

Andrea Szalavetz

The paper contributes to an evergreen discussion on the environmental impact of technological progress. It focuses on the technologies of digital transformation, which offer the prospect of bringing about a new techno-economic paradigm. Systematic mapping of the literature is applied and the arguments of technology-optimistic and pessimistic environmental economists listed and analysed. The main research question is whether digital transformation induces a new paradigm from a sustainability point of view. The author argues that digital technologies certainly allowed a greater leap forward, but the prediction of Carlota Perez about the advent of a “green global golden age” is exaggerated: environmental sustainability is not on the threshold yet.