

Irrespective of everything. The effect of monetary policy on the economic cycle in Hungary

István Ábel and Pierre L. Siklos

Hungarian monetary policy in the last decade is assessed using a textbook macroeconomic model, irrespective of change in economic-policy conditions and political influences. Monetary policy is seen as a key element of economic policy, whose aim to attain economic stability. According to this view, moderating the economic cycle and pursuing price stability are both tasks for economic policy.

Economic globalization in figures. The development of openness in the EU countries, II

János Gács

There is widespread and often emotionally charged discussion these days about the effects that the intensifying globalization is having on national economies. It is worth resting opinions on unprejudiced quantitative analyses rather than unbridled debate. These require the amorphous concept of globalization to be circumscribed and for the advance of “internationalization” to be measured in the main dimensions of economic globalization. The article examines the main indices of globalization – interpreted as economic openness – with their content, limitations and susceptibility to expression in numerical form. It goes on to provide comparative analysis based on numerical indices for the internationalization of Hungary, EU member-states and selected developing countries over the last three decades. The first part followed a conceptual clarification with a consideration of foreign trade in goods and services. The second, published here, considers portfolio and working capital flows, and the extent of foreign ownership control and migration of the national tax bases.

A liquidity trap and deflationary spiral in a model for pursuing an inflation target – the role of credibility

Krisztián Koppány

Reaching the lower limit of the nominal interest rate may have grave effects on the equilibrium and stability of the macro economy. Then the negative shock effects that threaten recession and too low a level of inflation cannot be absorbed by traditional measures of interest policy, and the economy, in the absence of other types of demand-stimulating measures, may easily slip into a state where the interest level stabilizes at a minimum value, and a spiral of decreasing output and price level results. This theoretical

study uses a simple, stylized macroeconomic model to examine the possibility of such situations occurring. The formally deduced conditions for a liquidity trap and deflationary spiral to ensue show how the limits on the scope of interest policy are affected by the setting of the inflation target, the equilibrium level of real interest rate characteristic of the economy, the character and strength of the shock effects, the extent of the central bank's interest-rate reactions to these, and the credibility of the inflation target. The conclusions can be seen in parallel with the results of model calculations on the likelihood of the liquidity trap, and generally accepted recommendations for avoiding or remedying this. The model shows that the likelihood of reaching a zero interest rate can never in theory fall to zero, but entry into the deflationary spiral of a liquidity trap can be excluded in principle if attainment of the inflation target has a high degree of credibility.

A note on András Bródy's study entitled "Leontief's closed dynamic model"

Imre Dobos

András Bródy presents in his study three methods of finding an equilibrium solution to the closed dynamic input-output model. The one of the three that this study analyses is the classical solution recommended by Leontief. The route to a solution is through the determination of own values, which leads to the problem of a generalized eigen-value/eigen-vector, due to the singularity of the capital matrix. Following Bródy's numerical example also shows that the equilibrium solution is only non-negative in the long term if the path of the economy follows the Neumann ray.

Thorstein Veblen and evolutionary economics – an experiment in establishing a new picture of humanity. Thorstein Veblen born 150 years ago

Péter Hausmann

The study examines the side of Veblen's work in which this excellent theorist argued for a new scientific cognition, as an alternative to the mainstream scientific outlook of his age. This induced Veblen to prepare a clinical picture of economic man, and to outline a new, more authentic picture of mankind. This evolution-based picture of humanity is presented here. It also seeks to contribute to confirming that Veblen's ideas should not just be seen as durable for cognition efforts in the new millennium, but as having value in offering new directions for the renewal of economics.