

## Abstract of the articles

### **INTERNATIONAL FINANCIAL CRISIS AND ECONOMIC POLICY DILEMMA**

LÁSZLÓ ANTAL

To the middle part of the nineties, developed post-socialist countries are over the deep crisis arising from transition to the market economy. In this situation, international capital market crisis reached these countries. This kind of crisis is differs from previous crisis in many aspects. There is bigger chance to explode and also to spread over other countries. It is slightly foreseeable and the primary reason is the rational expectations. There are ideas but not confirmed proposals how to control international capital movements to mitigate potential crisis arising from globalization and liberalization of capital movements. International crisis is going to be moderate, probably, but we have to live together with the higher volatility of exchange rates and higher uncertainty. Direct consequences of the crisis, such as spilling export income and frozen demands, are not so serious in Hungary and in other countries from Visegrad Group. Then again, decrease in growth all over Europe and negative judgment of emerging markets has permanent destabilization affect. This situation is more serious due to the fact that the ability of correction in economy policy in these countries is very week. Earlier Czech Republic, nowadays, Hungary is fighting with this trouble.

### **LÁSZLÓ ANTAL IN HUNGARIAN MEDIA**

ZOLTÁN FARKAS

László Antal (died in September 2008 at the age of 65) belonged to the group of reformminded economists who had always put emphasis on enlightening (aufklären in German) his audience about difficult macroeconomic issues – even before the transition when open speech about the failures of the system was not welcomed by the ruling party. This rough sketch tries to survey his appearance in the Hungarian media from the early economic reforms through the transition years till his latest days.

### **THE MECHANISM OF FINANCIAL CRISIS IN DEVELOPED AND IN EMERGING ECONOMIES**

GYÖRGY SURÁNYI

The financial crisis started in 2007 is deepening globally without doubt. Still, it is worth to overview and analyze the process of the crisis and separate it regionally. There are essential differences behind the similar processes. Common features can be found, but in this essay I will focus on differences, principally. Crisis arising in centre and in periphery, in a way, crisis in the most developed markets and the starting crisis in emerging markets strongly differs from each other in many aspects, such as the nature of the crisis or causality.

**LIQUIDITY – DURING CRISIS**

JÚLIA KIRÁLY

The paper analysis three main aspects of liquidity: market liquidity, funding liquidity and banking liquidity. The main hypothesis is, that the three form of liquidity are closely interconnected and depends on the total amount of saving. If savings are declining or hoarding than liquidity problems arise. Relying on this hypothesis the paper analysis the period of great moderation before summer of 2007, the period of turbulence 2007 July – 2008. 09. 15 and the chaotic post-Lehman period we are still living in.

**IS IT POSSIBLE TO PLAN? IS IT POSSIBLE TO REGULATE?**

JÁNOS SZÁZ

Forthcoming reflections about the crisis are not a part of essay which describe and analyze that. Instead of arguments and facts in line a bouquet of comments is coming.

The basic message of this article is: although it is matter what monetary policy propose and in which mechanism of impacts monetary policy believes and it is matter how the financial regulation and regulator acts, the current crisis is slightly rising from the weakness of financial regulation. I am on the opinion that the root of the troubles is more general. Many elements of the financial innovation, such as securization, derivatives with high leverage, shadow banking system, influenced the magnitude of arising risks. They also play an important role in hiding rising troubles and, then, in spreading troubles away but the role of them are not more than knife in a brutal murder.

**DEVELOPMENT OF FINANCIAL INTERMEDIATION  
AND CONNECTION WITH SUBPRIME CRISIS IN NEW EU MEMBER STATES**

BALÁZS PÁLOSI-NÉMETH

Recent paper focuses on two issues. Firstly, whether the statements of László Antal (2004) – on the development of financial intermediation in our region – remained relevant in the last 5 years. Secondly, what are the consequences of it to the recent crisis? It can be stated – in line with László Antal – that, the depth of the financial system of new EU member states has not converged significantly to the developed countries. This relative immaturity, however, only slacks – delays – the effects of the crisis.

**WHAT IS DIFFERENT AND WHAT REMAINED THE SAME?**

BALÁZS MURAKÓZY–LÁSZLÓ MURAKÓZY

The financial turmoil reached Hungary at October 2008. The reactions to this event are quite characteristic to Hungarian policy making – the main aim of which is “to fight the problems which would be absent without policy itself”, as László Antal characterized the situation

on a conference at the spring of 2008 in Debrecen. In this essay, we analyze the Hungarian economic environment at the beginning of the crises. High deficits, paternalistic policymaking and the lack of credibility led to macroeconomic instability, high interest rates in the domestic currency and little hope to join the euro-zone in short- or even the medium run. As a consequence Hungary, highly indebted in foreign currencies, became very vulnerable to the process of worldwide deleveraging. The political reaction to this would be familiar to László Antal: politicians “have known the answers before the question was raised”. Paternalistic actions to ‘save’ those indebted in foreign currencies, crises meetings organized mainly as a tool for communicating political slogans and even shortened horizons of politicians does not suggest radical changes in Hungarian policy making.

### THE MAN WHO KNOWS THE PLAN

JÁNOS MÁTYÁS KOVÁCS

László Antal is regarded by the economic research community in Hungary as an excellent policy adviser rather than a scholar. The paper revisits his *magnum opus* written, in the middle of the 1980s, on the history of economic reforms under communism to challenge this view. Retrospection reveals two important research programs in the book, which were overshadowed by a rhetoric of self-censorship and a language that avoided making reference to modern economics. On the one hand, Antal put forward original thoughts about the sustainability of the planned economy (despite its intrinsic inefficiency). On the other, he made attempts at laying the foundations of an authentic theory of bargaining in the planned economy. The paper ends with a sad conclusion: Antal’s scientific discoveries may fade away because those who would be able to submit his hypotheses to formal procedures of modelling and testing cannot reconstruct the empirical data needed for these procedures, not to mention the fact that they lack scholarly interest in the economics of communism.

### VULNERABILITY AND DEBT EXPANSION RELATED TO CURRENT SUBPRIME CRISIS (VALIDITY OF LÁSZLÓ ANTAL’S BOOK)

ÉVA VÁRHEGYI

Current paper is dedicated to the memory of László Antal with pointing out the validity of his two main statements appeared in his book in 2004. As he analyzed the transforming Eastern European economies, he made much account of their vulnerability arising from „moderate reserves and moderate trustworthiness”. Vulnerability in case of unforeseeable operating embarrassment, shock effects, speculative attacks such as subprime crisis caused. He also identified the danger of immoderate debt expansion which is also contribute to deepen the liquidity crisis into a financial crisis in these countries.

## **STRUCTURE OF HUNGARIAN STATE BUDGET COMPARED WITH INTERNATIONAL STANDARDS**

ANDRÁS KÁRMÁN

In this brief article, I aim to demonstrate that the expenditure level of the Hungarian budget is still significantly higher than that of comparably developed economies in the region. The higher expenditures can partly be attributed to higher debt service resulting from the earlier accumulated sovereign debt stock and some technical – accounting related – issues. Nevertheless, even taking into account these mitigating factors the level of the primary expenditures is still markedly higher than in our competitor countries, mainly due to the social and pension expenditures. Though the fiscal consolidation leads to a noticeable narrowing of these gaps, the differences are unlikely to disappear.

## **EXCHANGE RATE AND DEBT CYCLES**

ISTVÁN ÁBEL

Business cycles are an ancient topic in economics, but rarely addressed in the context of emerging market and transition economies. The frequent and at times substantial external disturbances in emerging and transition economies are not the only cyclical phenomenon in these economies. They also seem to generate their own endogenous fluctuations. For example, the appreciation/depreciation cycles and movements in the debt-to-GDP ratio, while closely related to oscillating capital flows, can be explained by endogeneous forces ignited by a shock in the risk premia.

## **LESSONS FROM THE FAILURE OF AN ECONOMIC POLICY**

GÉZA LÁSZLÓ

The paper discusses the nature of economic policy decisions and the practical role of economists. By the help of analyzing the failure of the 2003 exchange rate target zone shift and comparing it with the successful 1995 stabilization program, it emphasizes the problem of ad hoc applying rule of thumbs in economic policy. It also presents the role of changes in rules of monetary policy and institutions and the conflicts between the government and the central bank and calls the attention on the negative consequences of discretionary policy actions in a regulatory environment that has significantly changed.