The trend in investment between 1992 and 1998

László Molnár and László Skultéty

The Hungarian economy underwent huge changes in the 1990s. One of the main factors behind the recovery from the crisis and the dynamic rate of growth under the new, though constantly changing economic structure was the sizeable volume of investment. This meant that the stock of fixed assets in obsolete and waning industries could be changed and modernized. The authors analyse the structure, features and financing of this investment activity, which slowed during the change of system and then grew rapidly during the 1990s, and compare these with the expectations of firms. They go on to examine the role that foreign direct investment played in the period of mass privatization and major inflows of operating capital. They establish that foreign involvement in corporate investment increased. At the beginning of the period, direct and indirect state investment partly offset the decline in corporate investment. Later, a reduction in state investment was the means by which the dynamic growth of investment volume was kept in check.

The welfare effects of the spread of pollution-reducing innovation

György Ujhelyi

The author compares the welfare effects of the diffusion of a ‘traditional’ and pollution-reducing innovation, by examining one polluting and one non-polluting industry, both of them duopolies engaged in Cournot competition. Pollution is controlled by taxes. The author shows under what conditions the diffusion of the pollution-reducing innovation will be more desirable for society than the diffusion of the traditional innovation. This case has clear implications for social regulatory behaviour as well.

The sales markets of small firms

Kálmán Kőhegyi

The study shows how the sales of firms are distributed among the various great market aggregates, what characteristics the firms in various sales markets possess, and what factors explain these. He examines what demands subcontracting programmes make on firms and to what extent small and medium-sized firms are capable of meeting these demands. Finally, the paper considers a newly devised theory of closing competitive markets.

The lessons of Ireland's accession to the European Union

András Nagy

Ireland enjoyed some extraordinary successes in the 1990s. The standard of living rose substantially, the health and educational attainment of the population rose, and all the welfare indices improved significantly. However, this did not occur until almost 20 years after Ireland had joined the European integration framework. So it is especially worth noting under what conditions participation in a uniting Europe has such beneficial effects and what kind of economic policy enables a small, poor, marginalized country to utilize the advantages of integration. The study tries to draw from the positive and the negative experiences of Irish economic development the conclusions that can be useful during the preparations for EU membership by Hungarian and other countries in Central and Eastern Europe.

Robert Mundell, a Nobel Prize for a 'non-conformist' economist

Hajna Istvánffy Lőrinc

As in previous years, the 1999 Nobel Prize for Economics has aroused sharp controversy. Those who concurred were enthusiastic about the decision, since in Robert Mundell's case this exceptional mark of international recognition has gone to an economist whose theoretical work concerns the most exciting and topical practical issues of our time. However, others felt that the gesture had been made to a body of theoretical activity that had become dusty over time. Certainly, the award was in honour of scientific work that Robert Mundell undertook almost four decades ago. Although the professor of New York's Columbia University remains very active, his international reputation rests on the theories he devised in the early 1960s.