ABSTRACTS OF THE ARTICLES

How can fiscal policy help to avert currency crises?

George Kopits

An overview of crisis episodes in emerging-market economies with a pegged exchange-rate regime in the 1990s suggests that sizeable explicit or implicit government deficits, or market perceptions of lack of fiscal sustainability, render these economies vulnerable to currency crises under high capital mobility. It is argued in the paper that vulnerability to crises can be mitigated by signalling a phased fiscal adjustment that involves credible implementation of key structural measures. In particular, fiscal policy rules such as the ones being adopted in a number of emerging-market economies constitute a potentially useful tool of crisis prevention.

Generational accounting and the Hungarian pension reform

Róbert Iván Gál, András Simonovits and Géza Tarcali

The essence of generational accounting is to break down the total net contributions by cohorts for each year, and to project this profile into the future. Using additional assumptions about the discount rate and the growth of productivity and population, it is possible to determine the per capita net contribution of future generations that satisfies the inter-temporal budget constraint. Generational accounts for the Hungarian pension system show that the 1997 reform package has significantly reduced the financial tension generated by demographic and institutional factors. The main source of improvement has been the rationalization of the social-security system. These conclusions are robust. Nevertheless, the future of the imbalances in the system and the question of whether or not they are eliminated altogether depend on the dynamics of the model parameters, above all the rate of productivity growth.

Modelling money as a general medium of exchange

Krisztina Megyeri

The paper introduces modelling of the medium-of-exchange function of money within the frames of an economy based on bilateral exchanges, known in literature as the search equilibrium. Participants in such an economy obtain the goods they require at personal meetings, rather than the centralized distribution of Walras's equilibrium theory. While the problem in Walras's theory is the use of money in an equilibrium (for which various outside conditions have to be introduced), this structure means that a good becomes money in an

endogenous way. The simulation runs prepared for the model were designed to test further the results obtained by analytical means. The purpose was to discover how long it takes the system to arrive at equilibrium and how the situation of the economic participants develops along the path to it.

Growing and shrinking businesses

Kálmán Kőhegyi

The article distinguishes the groups of growing and shrinking businesses, before comparing the territorial, branch, size and ownership attributes of these. It also details separately the situation of micro and small businesses, based on surveys of business activity.

Earnings proportions and disproportions

Ildikó Ékes

A strong divergence developed in the 1990s between earnings in the business and the public sectors and between those of public employees and civil servants. Regulation of public-sector earnings remained in state hands, while market forces set the earnings in the private sector. The public sector consequently lost its earlier earnings edge, becoming disadvantaged, except in public administration. The most important differences developed during the decade between executives' and employees' earnings. However, from this it follows that average earnings are higher than could be expected from the earnings of employees, because of the high executive earnings.

Examining the prospects for the Hungarian economy with the DUNA–1 macro model

Gábor Papanek, Raymund Petz, Sígítas Povilaitis and Tamás Révész

Although macro modelling is well known to have long traditions in Hungary and several schools have dealt with such calculations in recent years, relatively little has been published on the subject recently. This article presents the preliminary results of some cooperative research conducted with the help of PHARE. It describes an attempt to apply the model to quantifying what macroeconomic effects EU integration will have on the Hungarian economy. Basic modelling problems arose with expressing as equations the rapid changes in the transforming economies' economic connections, and with creating databases comparable over the long term, despite the rapid alteration of the statistics. However, by the end of the 1990s, it again became possible again, according to the authors, to describe the processes occurring in the Hungarian economy with econometric models.