

Mispricing on index futures markets

Márton Radnai

If the Hungarian capital market was perfect, the futures price of BUX should equal the spot index value, increased by the risk-free interest paid until maturity. However, since the introduction of the BUX futures contract (March 1995), this has not usually been the case – futures prices were especially different from their theoretical levels during the first years of trading. This so-called mispricing is not unique. One can find several other examples of mispriced index futures contracts in the literature. Though a number of researchers have blamed mispricing on market imperfections, mainly on the lack of short selling, none of them has built a pricing model that can be applied in these circumstances (presence of cash or short-selling constraints). This article builds and tests such a model and analyses the mispricing series of BUX contracts.

What business does the state have on venture-capital markets? State funding of risk capital in Hungary

Judit Karsai

Many countries use state programmes to persuade risk capital to fund ventures whose development is an important economic-policy aim, even if they would not attract such capital under pure market conditions. The state in Hungary has intervened hitherto in the venture-capital sector mainly for political reasons, in ways sparing of budget funds and isolated from the private sector. The only reason this has not softened competitive conditions, crowded out the private sector or favoured political cronies is that the state measures have proved ineffectual. Even when the intervention was seen to fail, the agents of the state did not pause to examine what was causing the futility or how far they could impede supply and demand factors affecting the provision of risk capital to small and medium-sized firms. The methods of state intervention used most recently have contravened established EU practice, raising the prospect that government efforts to develop the venture-capital sector will fail yet again.

Economic accounting. Sums and flows of capital

András Bródy

Consistently applying the concept of capital allows the relations of the business, state and household sectors to be depicted more clearly. A balance sheet of the economy devised in

this way makes it possible to calculate the approximate proportions of equilibrium and the main cycles in the system, and likely movements in the economy can be intimated as well. Only if such accounting becomes accurate and regular can the economic activity of the state and the situation of the population be assessed correctly. The indicators used for analysis today – the trends in GDP, the budget and real wages – may lead to false conclusions if the movements of the requisite assets (sums of capital, items of property) are not known. That is why the balance sheets need to be augmented with capital data.

The prospects for population, economic activity and international migration in Hungary, 1950–2050

István Polónyi and János Timár

Forecasts of economic activity and employment rested on the assumption that the trends in the economic activity of the population, by sex and age group, relate to the level of development in the economy. It would therefore be possible, based on the international trends among various groups of more highly developed countries, to make a projection of the future activity of the population in Hungary, with its following character. With the help of functions based on factual data for the last half-century, the authors made three variant forecasts for the economic activity of Hungary in the next fifty years, of which the article presents the middle variant. This assumed an immigration surplus rising steadily until 2020, due to the expected decline in the population. The economic activity of men would just reach the present minimum for the EU countries by 2050, while that of women would be somewhat higher. After a small increase in employment, the number would subside to the present level again by the middle of the century. The authors end by drawing attention to the need to prepare carefully for the sensitive problems of immigration surplus and a quantitatively oversized higher-education system.

Economy-of-scale and wellbeing optima in the service of environmental protection

Sándor Kerekes

Tightening environmental prescriptions favours the formation of bigger systems, so that the members of smaller communities have to pay more for their public utilities (such as sewage treatment or refuse disposal) than members of bigger communities do. Refuse dumps, incinerators, sewage works, livestock farms, microwave relay stations, main roads, filling stations and other installations have unpleasant neighbourhood effects that impose externalities on citizens. Social conflicts would be reduced if all members of society suffered roughly equal losses of wellbeing from such unpleasant neighbours. Social justice also suggests that the social burdens of the public ‘bads’ should be more equally distributed among the members of society. Probably the most difficult problem of environmental policy to solve concerns not the conspicuous infrastructural deficiencies, but the suspicion of the existing system of institutions. Developing a system of institutions that conforms with the principle of subsidiarity is more time-consuming than originally envisaged in the period allotted for EU harmonization.