

MODELLING POLICY OPTIONS IN THE DISTRICT HEATING SECTOR,  
WITH A FOCUS ON RENEWABLE CONSUMPTION

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The paper analyses the Hungarian system of district heating, which accounts for 15 per cent of total heat consumption. Both national and European Union's strategy documents aim at achieving sustainable, secure and affordable energy. Hungarian district heating is gauged here on these criteria through a sectoral, bottom-up model with perfect competition. Various policy options are brought in and their impacts assessed on heat production prices and the ratio of renewable-based heat production. The results show that investment support and RES heat-bonus options may have positive effects on these output variables in a cost-effective way, but subsidizing consumer district-heating prices and combined heat-and-power (CHP) generation do not yield an optimal solution. Comparing these results with the current Hungarian support system, it emerges that the latter options are applied, through discounted VAT and CHP subsidy. Only a small effort goes on RES DH investment support, and renewable heat-bonus schemes are almost completely absent.

EXPECTATIONS AND MONETARY POLICY, WITH SPECIAL ATTENTION  
TO PRACTICE IN HUNGARY

György Kovács, Gábor Dávid Kiss and János Zoltán Varga

The study presents the background of economic history behind the relation between monetary policy and expectations. The changes in monetary regimes over the last couple of decades have placed expectations in an important position. Here special attention is paid to events in Hungary. In the second part, econometric methods are used to sound the relation between Hungarian monetary policy and expectations of it. It is found that in the last 19 years, the money market's inflation expectations have been influenced by interest-rate policy; the inflation forecasts of the central bank that underlie the interest-rate policy are generally accepted by the market and incorporated into its expectations. Moreover, the changes in the base rate are explained partly by deviation from the inflation target and partly by foreign exchange-rate changes. In general, the changes in base rate have accorded with the suggestions in economic literature.

## EXPECTATIONS IN THINKING ON ECONOMICS

Beáta Farkas

The author shows how economic theories can handle expectations, based on actual economic-policy problems in some European economies. Expectations were neglected in classical economics, but much heed was paid to them in the dynamic macro analyses of the 1930s. They have been routinely incorporated into econometric models since the 1940s. The new classical economics can fit expectations into the logic of mainstream economics. The author argues that despite economic-policy relevance, economists never studied expectations that are irrational in economic terms and emerge not as external shocks but from the societal embeddedness of the economy. Such cases can be addressed using the tools of political economy.

## PRIVATIZATION AND NATIONALIZATION IN 17TH AND 18TH-CENTURY HUNGARY

Mihályi Péter

The paper aims to present a modern, macroeconomic interpretation of two well-known episodes in Hungarian history. One is the redistribution of vast territories formerly held by the Ottoman Empire and then freed by the pan-European troops under the command of the Habsburg rulers of Hungary. This 120,000 km<sup>2</sup> was 30 per cent larger than present-day Hungary. It took about a century to find new owners for the agricultural lands. The other is the abolition of monastic orders under Maria Theresa and Joseph II. This latter case was outright, uncompensated nationalization and confiscation of large amount of land, property, books and art treasures. The lesson of the two is that under similar macroeconomic pressures, identical government goals lead to strikingly similar implementations, even if other historical circumstances are quite different.