

### **The spread of international financial crises under various exchange-rate systems**

*Zsolt Darvas – György Szapáry*

The study examines how the international financial crises of 1997–9 affected the financial markets of five small, open economies (the Czech Republic, Greece, Hungary, Israel and Luxembourg). It looks at the conclusions to be drawn from the developments in foreign-exchange rates, interest rates and share prices, and in Hungary's case, the structure of capital flows. The final chapter deals with the question of choosing an exchange-rate system and with the role of restricting capital flows.

### **Central-bank independence in Hungary (1990–1999)**

*Péter Karády*

The author sets out to discover what factors have reinforced central-bank independence in Hungary, even though each general election has produced a governing coalition of different political parties. He argues that the central bank did not yet constrain appreciably the economic policy-making of the 1991–5 government, despite a high degree of formal independence. However, it was much strengthened institutionally by the crawling-peg exchange-rate mechanism, introduced in the Bokros stabilization package, and by other factors entailing prior commitments. The article applies a simple political-economy model to show how imperfect institutional commitments (introducing a crawling-peg exchange-rate mechanism or appointing a conservative central-bank president) can stay successful even in a divided and unstable political system, by functioning as signals to economic agents.

### **The differentiating effect of increase in prices**

*Zsombor Gergely*

The size of an increase in prices differs for individuals and households because consumer habits differ. Although there is a developed theoretical background and a practical method for calculating indices to show the effect of price change at the micro level, very little is known about the conditions in this country. The study shows how far the changes in Hungary between 1990 and 1994 helped to differentiate the nominal processes further. The population is examined not in preconceived categories, but by habit types derived from the consumption structure and social groups adjusted to these. The findings show substantially greater differences between the sizeable, well-circumscribed groups in society than the generally known statistics do.

**The macroeconomic and global background to corporate competitiveness  
An elaboration on Michael Porter's two models***Gábor Hoványi*

Several authors have proposed ways of including global factors in Michael Porter's models of competitiveness. The author presents a new method devised for corporate managers, containing formulae for determining certain important factors behind corporate competitiveness. He calculates the main factors in the macroeconomic and global background in a three-stage model, before fitting into the microeconomic model the latest management methods by which successful firms have raised their competitiveness in recent years. The study concludes by outlining the limitations of the new methods, bearing in mind the various types of corporate and market ties.

**Community subsidy policy and Hungary  
The requirements for absorbing outside resources***Miklós Losoncz*

Subsidy policy, including regional policy, holds a prominent place in the institutional system of the European Union. There has been an increasing regionalization of subsidy policy in recent years, in the sense that regional programmes have accounted for a mounting proportion of the support. The special importance of Community subsidy policy for Hungary lies in the prospect of gaining access to the structural funds and the Cohesion Fund after EU accession. Most of the disbursements from these are made under regional headings, to regional programmes. So the reception of Community resources and preparations for receiving them calls for an increase in the absorption capacity of the Hungarian economy, including the regions and smaller districts. The study sums up the requirements for this, in terms of targets, implementation and institutional system.