ABSTRACTS OF THE ARTICLES

Optimal indebtedness in a small open economy showing precautionary behaviour

András Simon and Viktor Várpalotai

The model applied in the paper is based on the Taylor-series approximation made by Skinner (1989). It is shown that a model of social planners with infinite horizons, uninsurable labour-income risks and precautionary behaviour, there exist stable, steady-state solutions of plausible magnitudes for foreign financial-asset ratios, for both creditor and debtor countries with idiosyncratic growth rates. Here individual decisions do not necessarily add up to a social optimum. However, the social optimum can be enforced efficiently through fiscal policy, because with an income-tax system, fiscal saving appears approximately one for one in aggregate saving. Finally, the authors calculate catch-up growth paths for a converging country.

Length of employment, leisure and pension: incentives with constraints

András Simonovits

This paper considers two characteristics of a public pension system: the contribution rate and the years of service. A simple family of optimization models is set up, where the instant utility is a Cobb-Douglas function of consumption and leisure, furthermore, the life-time utility is a CES function of the instantaneous utility. As a simplification, we assume that the individual either works with full capacity or does not work at all. Moreover, the individual parameters (e.g. the elasticity of utility with respect to consumption and the expected life-span) differ from the government's ones. First the government calculates its optimal contribution rate and the years of service. That optimal rate is to be paid by the individual but he can choose how much he works – for a "proportional" benefit. Since government's actuaries calculate with the average life expectancy, people correctly expecting to live for longer/shorter than average receive more/less than they would deserve. This injustice can only be mitigated by damped incentives.

Does decentralized collective bargaining have any impact on the labour market in Hungary?

László Neumann

Earlier institutional analysis of collective bargaining in Hungary found that an extremely decentralized wage-determination system was created after the change of regime. Instead of having sectoral collective agreements, the individual employment relationship is regulated mainly by company-level agreements, of which only a minority function similarly to the collective bargaining found in developed market economies. This paper tries to evaluate the outcome of company-level bargaining using statistical tools. First, it estimates the wage gap between union and non-union settings, using multivariate regression analyses on cross-sectional wage-survey data. It then measures the differences between the two settings, in terms of wage dispersion, productivity and other labour-market dimensions. Compared with the situation in other countries that traditionally have decentralized bargaining systems, Hungarian unions have scored almost negligible achievements, measured by relative wage differences on the average. The wage-tariff agreements reached do not have strong regulatory force either. Unions do not represent a substantial barrier to increased productivity, although they successfully reduce earning inequalities.

The model of credit risk and conditional claims

Edit Horváth

Credit risk can be considered one of the most important of the risks borne by credit institutions and banks. It has to be reflected in the value of the credit and be allowed for in an appropriate way. Efforts so far to evaluate credit risk have been obstructed, internationally as well, by the illiquid credit market and the absence of data. Theorists and the main banks and consultancy firms have sought to adapt the methods used to handle market risks, using the Markowitz portfolio theory and the value-at-risk method to moderate and allow for credit risk. After a short survey of these methods and models, the study presents in more detail the approach on the option principle taken by the KMV consultancy firm, presenting its procedures for rating clients and transactions. This is chosen because it can be applied easily to quoted companies in the Hungarian environment (an illiquid bond market and a share market that can be considered liquid). It can also be useful in evaluating companies. The Hungarian company Mol Rt. is taken as an example.

Some effects of EU accession on the Hungarian food industry

Pál Juhász and Kálmán Mohácsi

EU accession is likely to alter the price level and relative prices in the Hungarian food industry as the commodities market, capital market and labour market are freed. (This will be due to the cessation of tariff protection and subsidised exports to the EU, the ability of specialist labour to seek employment abroad, and the spread of cross-ownership and mergers on a Union-wide scale.) There will also be a reorganization of the links between the industry and the trading companies, with companies on the Hungarian market extending abroad and strategic alliances on a new scale being formed. The article analyses the effects exercised on the Hungarian food industry by EU accession, covering changes in prices and price structure, relative price changes on the commodity market, and alterations in the cooperation system within the vertical food structure, along with their consequences.