

ABSTRACTS OF THE ARTICLES

Housing credit, subsidy alternatives and affordability

József Hegedüs and Eszter Somogyi

Two new housing programmes launched by the Hungarian government in February 2000 marked a policy turning point. One set out to provide a system of housing loans, while the other sought to prevent local-government rented housing from being eliminated altogether. There was justification for both, but both these measures of housing policy failed to take into account the ambitions of households and the reactions of the market. They set in motion processes that were unsustainable in budgetary and welfare terms, so that the effectiveness of the programmes became questionable. The scheme to subsidize housing loans was especially problematic, as the methods employed created long-term commitments whose effects cannot be corrected even in the short term. Those devising this housing policy did not rely on techniques of analysis with which the risks could have been assessed in time. There was no research or support for analysing independently the possible effects of lobby interests and no real alternatives were outlined for the politicians reaching the decisions.

The economic and mathematical background to the Basel II internal ratings-based method and the theory of granularity correction

Balázs Janecskó

The article presents the economic model used to quantify credit risks under the Basel II capital accord, which is likely to come into force in 2007, and the mathematical background to this. It employs simplified assumptions to model insolvency courses (the probability of insolvency being proxied by a single common macroeconomic factor) and the size distribution of portfolio receivables (each negligible in size compared with the whole portfolio). Thus the risk contributions by parts of the portfolio (or even a single receivable) can be gauged simply from knowing their risk characteristics. Lending banks have to cover the risk contributions with regulated amounts of capital, which in this model stand for the economic capital requirement of the transactions. The big advantage of the Basel II model, therefore, is that the capital requirement of a specific transaction by a specific debtor rests only on the risk features of the debtor and the transaction. Determining capital requirement does not require detailed knowledge of the transaction's portfolio, and a basically portfolio-oriented economic model can generate general, portfolio-independent rules for capital creation. The paper also considers in what cases rejection of the criterion of infinitely fine granularity causes a significant increase in risk and how a prudent capital requirement can be determined by simple means

in such cases. This increase in capital requirement independent of portfolio concentration and relatively easy to calculate is called the granularity adjustment. The adjustment values for homogenous portfolios of insolvency risk of different granularities are also given in table form.

Risk testing and risk behaviour

József Ulbert and András Csanaky

This paper considers how so-called psychometric methods devised for risk-awareness measurement in sociological and cognitive psychological researches connected primarily with health risk can be used to determine indirectly the risk behaviour behind investment decisions. The methodological efforts to measure uncertainty, which have stretched and been repeatedly renewed over centuries, tend to push decision-makers and their subjects and sociological-cum-psychological deciding process into the background. The authors have measured financial risk behaviour in the population through intensity of risk perception, using a representative sample. Groups of subjects homogenous in their risk behaviour were assembled to establish certain clear sociological determinants and parameters. Finally, the conclusions drawn about risk propensity and risk perception were compared with conclusions on risk attitude obtained by direct measurement.

Regional economic effects of university researches in the light of international literature

Attila Varga

Development of scientific and technical knowledge has become the prime growth factor behind modern economies. A big part in economic development is therefore played by universities, as institutions expanding and disseminating such knowledge. There is an extensive literature underlining the key role of local universities in establishing areas, such as Silicon Valley, Boston's 128th Street or the environs of Cambridge, UK, which remain the most important concentrations of peak technology. The paper's account of the wide international literature on this subject seeks to shed light on whether the economic effect of these university knowledge transfers can be replicated, or whether they were one-off occurrences. The nature of the spatial dissemination of knowledge has a decisive bearing on this. The literature can be divided into two schools, concentrating on location choice and direct knowledge-transfer researches respectively.