

## **The effects of the 2000–20001 minimum-wage rise on income distribution**

*Péter András Szabó*

The statutory minimum wage in Hungary rose by 57 per cent in 2001 and 25 per cent in 2002. Previous work on the effects has concentrated mainly on employment rather than redistributive aspects. This study examines where those affected by the increases are located in the income-distribution structure and how their positions have changed with the rises in the minimum wage. It was found that more than a half belong to the upper three income quintiles, so that minimum-wage earners cannot be identified with the poor, although the calculations showed that the majority appeared indeed to earn the minimum wage. The increases had a positive effect on the incomes of minimum wage earners, especially those in poorer households. The losers by the increases were those in the topmost income quintile and those made redundant, most of the latter being poor.

## **Application of new Keynesian principles in the modelling practice of the Fed, the IMF and the European Central Bank**

*Eszter Szabó-Bakos*

The paper summarizes the principles of the Dynamic Stochastic General Equilibrium models, the possible extensions of the basic structure, and their implications for practical use. The author also discusses in detail the model-building strategy of the Federal Reserve System, the International Monetary fund and the European Central Bank, and presents the model structure, some application of it, and its main implications.

## **The causes and consequences of traffic jams in Budapest**

*Szilárd Erhart*

A smoothly operating transport system is essential to sustainable economic development. The article sets out to draw attention to the economy-related problems of the increasingly intense motorization and traffic congestion in Budapest. The physical constraints on the road system mean that the future travel requirements of the inhabitants can only be met by public transport, which is more efficient than private cars. Unless the spread of motorization can be halted, there will be mounting burdens on Budapest in congestion costs, time losses, fuel costs and environmental pollution. International experience shows that negative incentives are essential to easing congestion. Among of the most effective traffic-restricting measures, taken in several big cities abroad, has

been to introduce a road charge in the city centre. The examples of London and Stockholm show city-dwellers support transport measures in the public interest, even if they place constraints on car use.

### **Contract relations in the food economy. Empirical research into the milk-market supply channel**

*Gábor G. Szabó and Krisztina Bárdos*

Spot markets sometimes fail to govern the whole or part of the marketing channel effectively, and contractual relations are gaining more importance. This applies especially to agricultural markets, which have become more differentiated, while market players are vulnerable in most cases. The aims of our research are to present a theoretically structured framework for the contracting arrangements of milk producers, based on Transaction Cost Economics predictions and an empirical analysis of the key determinants of governance structure between farmers and dairy processors in Hungary. The source of the research is a theoretical argument based partly on a review of Hungarian and international literature on relevant market channels, and the economics of contracting and governance structures. These give theoretical determinants of testable propositions. A postal survey of milk producers was carried out in the second quarter of 2005. Altogether 300 questionnaires containing closed and open questions were sent out to milk producers, and 68 responses could be evaluated. The results were structured and electronically converted for SPSS software. The data was analysed by multivariate techniques (cluster analysis, linear regression, multidimensional scaling, etc). The seven hypotheses were grouped into three sections: those related to governance structure, contract features, and bargaining power/cooperation. The findings from the empirical research were that two of the hypotheses had to be rejected and all the others accepted.

### **Competition in health care. US and West European examples**

*László Gulácsi, Erzsébet Kovács, August Oesterle and Imre Boncz*

Everybody from the government and insurers to the providers and consumers these days is talking about market competition in health care. But what do they mean by it? Is everybody talking about the same things? The question is fundamental because various health-care players take part in shaping health policy, but little is said about how these players envisage the competition from their own point of view. The brief survey of experience in developed countries pays attention mainly to the examples of the United States, the United Kingdom, the Netherlands, Austria and Germany. Analysis of these shows that health-care competition in all of them is limited and great caution is needed in evaluating its results.