

ABSTRACTS OF THE ARTICLES

The role of the credit market in consumption and saving decisions of Hungarian households

András Bethlendi

Looking at data for almost forty years shows it as characteristic for consumption and housing investment to be strongly preferred over financial savings in long-term behaviour by Hungarian households, despite major changes in the institutional system. An important role in this is played by the credit supply. Households are also using credit possibilities to increase their consumer and housing expenditures. The strong credit supply has been coupled with a low financial savings rate. This is not unique among European countries, but it may lead to a riskier macroeconomic path.

Legal and regulatory conditions for competitiveness in Hungary

Ádám Török

A string of analyses has been made on the factors and development of Hungarian competitiveness, but far less attention paid to some elements of the business environment that are counterproductive in competitiveness terms. The study surveys these, especially market failures in the availability of essential products and services, excessive costs of administrative procedures, and links between increasing competitiveness and fighting corruption.

Out of the blind alley. State venture capital and innovation

Judit Karsai

The Hungarian state since the change of system has seen raising supply as the way to help innovative firms find venture capital. Hitherto it has used a method increasingly exceptional (and obsolete) internationally: having investment firms and venture-capital funds in its exclusive ownership invest capital in firms selected by the state apparatus. But such state-owned investors tended to prefer traditional undertakings and had little effect on the development of innovative technology firms. The negative experiences and high costs of government capital injections have largely convinced governments abroad that using professional, exclusively profit-oriented investors is far more efficient than for the state itself to try to act as an experienced investor in new firms. While retaining its old investment policy, the Hungarian state began experimenting in 2007 under the Jeremie Programme with co-financing venture capital funds to ensure the venture capital market selects small and medium-sized firms preferred by the state. If

the programme succeeds, the state's indirect financing method may allow the market to operate more efficiently, by offering capital under market conditions while ensuring the programme is self-financing.

What does monetary policy do in the inflation targeting system?**Tibor Erdős's paper "Exchange-rate policy and inflation targeting in Hungary"**

Mihály András Kovács

The analysis, which appeared in the October issue, makes several critical observations on monetary policy, the system of inflation targeting, and so of Hungarian monetary policy in the last few years. This has inspired several objections to the article's main theses. The author of this contribution argues, as a modeling economist working on analysis of macroeconomic data in the institution making such policy, that Tibor Erdős's statements are not supported by the facts or empirical analyses of the Hungarian economy. The author's first purpose is to present briefly and factually what monetary has and has not done in the last six years. That calls for a summary of the literature on modern monetary theory and inflating targeting. Nor can he avoid responding to the way Tibor Erdős, in criticizing the inflation targeting, tries to argue in practice against the mainstream of present-day monetary economics. It is not that inflation targeting is the sole salutary monetary system for small open economies like Hungary's. It is necessary to take issue with Tibor Erdős's argument on a theoretical plane, for he seems to have a problem with the conceptual grounds for an independent bank of issue, from which follows modern monetary theory. According to modern economic theory, price stability can be attained only by breaking the rigidity of inflationary expectations. That calls for independent, credible central-bank policy, especially in the presence of an expansive budget.

The annual European congress of the European Economics Association and the Econometric Society (Budapest, August 27–31, 2007)

The EEA–ESEM congress was a major event in this year's economics conference season, organized in Budapest by the Central European University and the Hungarian Academy of Sciences in the last week of August. It was attended by some 1600 delegates, including 300 from Germany, 170 each from the United States and the UK, 140 from France, 110 from Spain, and 73 registered Hungarians. This account of a few sessions seeks to exemplify the tone of the conference and identify the subject areas at the centre of scientific attention today. No complete account can be given in this form, as up to 40 sections were at work at one time.