# ABSTRACTS OF THE ARTICLES

## Targeting unemployment benefits in Hungary

*Péter Galasi and Gyula Nagy*

The authors use the 2004 income survey of the Central Statistical Office to consider targeting of two types of unemployment-related benefit: (a) unemployment insurance and retraining benefits (UBs), and (b) unemployment assistance (UA). The evidence suggests that UBs are relatively well-targeted in the sense that most of the income support goes to persons at the bottom of the income ladder, although those in deep poverty benefit less. Income-redistribution exercises performed show that removing UBs would be detrimental to the position of persons at the bottom of the income scale, resulting in a higher poverty rate, while that redistributing them in favour of members of the original bottom or two bottom income deciles would better their income position and reduce the poverty rate. The authors also looked at whether persons eligible for UA (the main means-tested benefit in Hungary) were actually benefiting from it, and whether local labour-market conditions influenced the probability of receiving UA. It was found that persons meeting the eligibility criteria (personal and household income levels) have better chances of receiving UA, while local rates of unemployment also have a positive effect on such chances.

## The service sector and economic development

*Andrea Szalavetz*

The author's initial observation is that alongside the accelerating increase in the weight of the service sector in the macroeconomic structure of the developed countries, there has been a still more important transformation of the sector's internal structure. This transformation can largely explain the new characteristics of the sector. The problems of measurement of the service sector make it worthwhile to approach its productivity by indirect means. The article augments the traditional indices of labour and all-factor productivity with indices of factor application, and argues from this that there has been an alteration in the effect of productivity on this sector, which is changing rapidly in its structure, its factor-application indices and its role in the economy. The author sets out to illuminate the structural transformation in terms of change in the demand for services. Breaking down total demand for services into its constituents (intermediate use, final use, investment and exports) shows that the structure of demand has shifted away from final use towards intermediate use and investment.

**Measuring the knowledge base of the Hungarian economy: spatial characteristics of innovation-system synergies**

*Balázs Lengyel and Loet Leydesdorff*

The emerging issues of the knowledge-based economy have been followed by tense arguments in recent years. Theoretical economists often doubt the need for economic identification of its characteristics. Attempts to analyse the parameters of the knowledge-based economy have been made in innovation-system literature, the new institutional economics, evolutionary economics etc. The authors build on previous studies in the Netherlands and Germany in attempting to measure the knowledge base of the economy by estimating the synergies among knowledge creation, knowledge exploitation and organizational control of innovation systems. The spatial knowledge base was estimated by entropy of three-dimensional distribution of Hungarian firms and by mutual information flowing between the three dimensions (geography, technology, and organization). The results indicate that the knowledge base in Hungary is strongly differentiated by region. Budapest and its conurbation are central to the country according to every indicator. The motive forces for the knowledge-based economy in the North-West of the country are foreign-owned companies and FDI, while in the East and South they are public institutions. The national level seems no longer to add to the synergy among the regional innovation systems.

**Lowering the minimum-capital requirement for companies with limited liability. An analysis in terms of commercial law**

*Ákos Szalai*

One recurrent issue in Hungarian commercial law is whether the minimum-capital requirement for companies with limited liability should be reduced, or even abolished. The study examines the effect that would have on the propensity of such firms to take risks (caution). It seeks to prove that the incentive effect of capital reduction (and thereby the limitation of liability) differs depending on whether (1) the decision-maker is risk-neutral or risk-avoiding, (2) what liability regulation (strict or negligence-based) is applied in cases of damages, and (3) what relationship pertains between the managers and the owners of the firm.