

Brief Summary of the Articles

The main tendencies of domestic investments in the previous decade and some lessons Part I. Investment and expansion, 1950-2000

IVÁN SCHWEITZER

This article is dealing with the tendencies of domestic investments, it examines the main trends and features. The time horizon is varying: the analysis of economic tendencies looks back on 50 years, while the more detailed examination of the trends and features concentrates on the last 10 years. The economic analysis, which surveys the main tendencies of investments from the 50's, points out that the investment policy of the governments before the change of regime when state property was dominant was based on voluntarism aiming at excessive expansion. The structure of the investments did not match the conditions of the country. The desire for investments was limited from time to time by restrictions caused by increasing balance tensions. The investments in the 60's and especially in the 70's resulted in huge national debts, which caused a heavy burden even in the years after the change of regime. Foreign capital started to flow in shortly after the change of regime, they have dominated the investment tendencies and have had a definite role in Hungary's success to escape the trap of debts. After this analysis, the first part of the article studies the major questions of investment trends. Concerning the investment cycles the article states that neither the data nor the experiences show the existence of real cycles. Before 1990 the so-called „administrative” cycles were typical for the investment tendencies, as those cycles were adjusted to the decisions by the government and the ruling party. The investment rate has been of medium level both recently and in long term. The relationship between domestic investment tendencies and world economic processes have become stronger since the change of regime, the inflow of foreign capital has become a decisive factor in the changes of investments.

Hungary's position in the inflow of foreign direct investment in East-Central Europe

KATALIN ANTALÓCZY – MAGDOLNA SASS

Foreign direct investment (FDI) is of crucial importance from the point of view of transition; this is one reason why developments in FDI inflows are in many cases considered as „success indicators” of transformation in the countries of Central and East Central Europe. The authors point out that FDI data presented by international organisations (UNCTAD, IMF), based on the data of relevant national banks have numerous shortcomings and make regional comparisons difficult. An attempt is made at making the data comparable through filling in the gaps for countries, for which one or two elements of FDI are missing for one or more years in the period 1996–2000. It is demonstrated that the analysed countries (the Czech Republic, Estonia, Hungary, Poland, Slovakia and Slovenia) are in a different stage of „FDI-attraction”, which fact is shown by the differing and changing shares of the three elements of FDI in their annual inflows.

GYÖRGY SIMON

The paper, relying on a worldwide econometric investigation, proves that taking into consideration the effect mechanism of growth factors (physical and human capital, R&D, arable land, mineral resources, labour), an explanation can be given concerning the fundamental features of the functioning of modern economy, especially its growth rates and the reasons for income differences across countries, equilibrium prices, profit and wage formation. This explanation is essentially different from the theorems of both the neoclassical and classical economic theories.

Revealed comparative advantage and transformation of commodity structure in trade of Hungary with the European Union

ZOLTÁN ÁKOS KOVÁCS

Both dynamic growth of the Hungarian exports to the EU and transformation of the commodity structure continued in the second half of the 1990s. Trade specialisation intensified as was reflected by the increase in concentration of the commodity structure into a few product groups of high importance. In five years the share of the first three most important product groups of HS taken at 2 digit level increased by 26 percentage points to over 63 per cent in 2000. The most striking change in revealed comparative advantage of the Hungarian exports vis-à-vis the EU took place in product groups of mechanical and electronic machinery as well as road vehicles. In most of them comparative advantage moved to the Hungarian side. Due to structural changes in the industry of Hungary, the composition of the exports widened by several new products and most of their turnover was carried out as intra-firm trade of foreign-owned multinational corporations.

Hungarian food prices in the mirror of the prices of the European Union

MÁRIA NAGY ORBÁNNÉ

The prices of food products are in most cases tightly connected with the level of customer demand both in the EU and in Hungary, more tightly than with the level of agricultural production price. Where the standard of living is lower the prices of food products are also lower and vice versa. A research in October 2000 has examined the prices of 15 Hungarian food products, which were only around 50% of the EU average price. The difference between the Hungarian and EU average GDP counted on customer demand parity is almost as high as the difference between the food prices (46% and 48% respectively). The Hungarian prices for food products are with 66% the nearest to the level of Spanish and Portuguese prices, which are the lowest in the EU. We assume that the integration in the EU alone does not induce an increase in the level of Hungarian food prices, there is no such pressure of alignment. Spain and Portugal have joined the EU 16 years ago and their prices did not close up to the higher prices of the more advanced countries.