

Brief Summary of the Articles

Determinants in the Wage Increase of 2002 – Analysis Based on Statistical Data and a Corporate Survey

ÉVA PALÓCZ – JÁNOS I. TÓTH

Real wages in the Hungarian economy have grown more than twice as fast in 2001, and more than three and a half times as fast in 2002 than the performance and the productivity of the economy. Real wage growth in the private sector was slightly more moderate but still high. However, even this rate of growth led to a significant increase of unit labor costs and a deterioration in the country's external competitiveness.

One of the objectives of our paper is to aid the discussion on the frequently disputed question, why corporations were willing to increase wages by such a high degree, when not only the slowdown in the international macro-economy, but also the appreciation of the Forint was aggravating their profitability. Our paper provides analysis of three possible factors: overestimation of the expected rate of inflation by the companies; radical increase of minimum wages in 2001 and in 2002 (from 25500 to 50000 HUF); and finally a significant growth of wages in the public sector.

The second, but just as important, objective of our paper is to provide an estimation on the level of planned corporate wage-increases for the current year based on the business-survey of MKIK GVI. In order to reestablish the competitiveness of the private sector, wage-growth should be no more than the increase in performance (i.e. the GDP growth-rate). Employees, however, are aiming for significantly higher wage increase in several sectors of the economy.

Analysis of large real exchange rate appreciations

ZSOLT DARVAS

In the past three decades several countries of the world have experienced fast and large real exchange rate appreciation, similarly to the recent Hungarian experience. This paper studies macroeconomic policies and outcomes during and after large real exchange rate appreciations. The two main lessons of the paper stresses the importance of the equilibrium real exchange rate and of macroeconomic policies. First, the magnitude of the appreciation itself is not informative to the possible consequences as the relation to the equilibrium real rate matters. Second, macroeconomic policies have a determinant effect on outcomes. For example, in those floating exchange rate regimes when the real exchange rate appreciation proved to be transitory but lead to a permanent reduction of inflation and the external balance did not deteriorate during the appreciation and the output loss was less pronounced than in many exchange-rate based stabilizations, fiscal policies tightened during the appreciation period and nominal wage growth declined parallel with falling inflation.

After the downfall of Ceausescu's regime in 1989, Romania trod on the path of democratic transformation. The market reforms, however, because of the delaying tactics of old state and party nomenclature, partly retaining its power, were realised in a contradictory, often odd manner during the nineties. In the course of the past decade, internal difficulties were aggravated by the rearrangement of global and regional power relations following the disintegration of the Soviet Union and Yugoslavia, which confronted the Romanian economic policy with new challenges. Though the basic economic tasks of transition (stabilisation, liberalisation, institutional reform and privatisation) were often solved at a pace not rapid enough, by the turn of millennium the foundations of a modern, functioning market economy had been on the whole laid down in the country. In spite of this, Romania has not yet got over the first phase of regime change, as it has still problems to tackle with in various particular spheres. Since the early nineties, the European Union has been supporting more and more vigorously the reform policies of the Romanian government. As a result of its efforts to participate in the European integration, Romania became a candidate country of the EU in 1995, and three years later the accession negotiations began. Considering the fact that in many areas Romania lagged behind the more advanced candidate countries, at the Copenhagen meeting of the European Council in December 2002 a decision was made to schedule the accession of Bucharest to the Union for 2007.

A short inquiry about the pension system

There is a long and ongoing debate about the optimal pension system among experts of both the theoretical and practical fields all over the world. György Németh made an attempt to survey the topic from a certain point of view in the January and February 2003 issues of our monthly (György Németh: Essay about the pension, the pension systems and pension reform part I and II. *Külgazdaság*, 2003. issues 1. and 2.) We consider that it is worth to encourage the discussion of different standpoints and revise new viewpoints.

Our questions related to the topic are:

1. The differences of opinions concerning the pension system, how much and in which features are they of value selection (ideological) or of professional (theoretical and practical) nature?

2. To what extent do the foreign researches, debates and experience of other countries play a role in the shaping the domestic system? What are the lessons to be taken into consideration the most?

How do you evaluate the domestic pension system in its current state and what do you think would be the desirable direction of the changes?

Flexible working hours and the account of yearly working time

BEÁTA NACSA – ANTAL SERES

One of the factors in adapting to the competition on global scale might be the adjustment of working hours to the seasonality and fluctuation of economic activities. The article examines the experience of using flexible working hours in the European Union and in the Hungarian economy through the example of yearly working time account. With the exhaustion of extensive resources, the intensive methods of the increase in efficiency gain a growing role. One of these methods is the improved utilisation of working hours. The aim of this method is the decrease of labour costs and the increase of competitiveness. The process involves several conflicts and contradictions in the labour sector because it is difficult to reconcile the considerations of both efficiency and employment.