

Brief Summary of the Articles

Development of the financial intermediation and the financial integration in Europe at the end of 90's and in early 2000's

ERZSÉBET GÉM

At the end of 90's and in the early 2000's rapid development and important changes took place in the European financial and capital markets: the volume of financial assets doubled (in 2001 it was seventh more than the EU-GDP), predominance of the traditional bank-based financial intermediation moderated, the capital markets' turnover, the number their actors, products and services just as their importance in the financial intermediation jumped, costs of corporate financing decreased. Speed-up in the integration of European financial market, started in the late 90's, had been facilitated by the international financial globalization, the process of liberalization and harmonization in the financial regulation, end last, but not least, introduction of the euro. Integration in the different markets has progressed at different pace. In the interbank market was it the fastest, while it was slower in the interbank repo-turnover and in the government bond markets, but since early 2000s it has been accelerated in these fields, too. In the European corporate bond markets the integration was also attractive. Although both in the corporate and households lending has taken place a measurable convergence in the interest rates (basically due to the common European currency), volume and importance of cross-border transactions rather negligible (7% of the stock of corporate loans). Slow growth in the cross border M&A, low share of the foreign ownership in the financial institutions of EU15-countries show weaknesses of the European financial integration process.

Macroeconomic impacts on Hungarian agriculture

ZOLTÁN LAJOS BAKUCS – IMRE FERTŐ

The paper investigates the possible interaction between macroeconomic indicators, (such as money supply, interest rate, exchange rate) and agricultural variables (like producer price index and food consumer price index) in Hungary. Monthly data for Hungary between 1995 (1997 for some variables) and 2004 is used to construct vector error correction models (VECM). Cointegration tests emphasise long-run relationships between macroeconomic indicators and agricultural prices, whilst impulse response functions graphically describes the effects of shocks to the macroeconomic indicators. The effect on the producer price index was found to be much more profound than that on the food consumer price index. Any applied agricultural policy measure therefore must pay attention to the significant influence of the macroeconomic environment in order fulfil its goals.

(Keywords: agricultural prices, exchange rates, macroeconomic variables, monetary shocks, error correction.)

Suppliers and their networks: The case of Electrolux Lehel Ltd

ANDRÁS BAKÁCS – VERONIKA CZAKÓ – MAGDOLNA SASS

In recent years, Hungary, besides Poland, has become one of the regional economic powers in producing household appliances, and a vital role in that process has been played by the Hungarian investments of the Swedish Electrolux. These affiliates, compared to other plants of foreign multinationals, rely to an outstanding extent on local suppliers. The analysis of the Electrolux Lehel factory in Jászberény and of the process of development of the supplier network around it, the mapping of the company network, and the examination of the most important characteristics of the supplier companies can reveal important insights into those factors and processes, which promote a stronger embeddedness of companies with foreign participation into the local economy and result in an increase in local value added. It is especially important, how the level of competitiveness of the local small and medium sized enterprises improved due to their supplier roles to the Electrolux Lehel company. Thus, the example of Electrolux Lehel shows, which factors are responsible for a more positive impact of companies with foreign participation on the local economy and what the role of the economic policy can be in that process.

A state-centred approach to post-communist transition in Central and Eastern Europe

ZITA MÁRIA PETSCHNIG

The paper focuses on state autonomy and capacity in Central and Eastern Europe during post-communist transition, and assumes that state-society relations as well as policy making and implementing capabilities play a decisive role in economic development. It argues that EU accession and inflow of foreign direct investments have strengthened Central and East European states by cutting across Olsonian distribution coalitions and enabling fast economic restructuring. However, massive entry of FDI can also constrain governments by reducing social embeddedness of economic policy making.

Prospects for the Euro

TAMÁS BÁCSKAI

Notwithstanding its obvious success, the Euro still cannot be considered a permanent full-fledged international or even regional currency. The European Union would need a lot sounder political influence to be able to prevent the changes of governments from redefining the function of the common currency. That kind of political influence would be desirable to make Euro attractive for money-owners.

EU Budget Milestones: from Fundamental Systemic Reforms to Organised Chaos

TAMÁS SZEMLÉR

The paper presents the basic documents of the four mid-term financial perspectives (the first one began in 1988, the fourth one will begin in 2007): the Delors packages, the decisions of the 1999 Berlin European Council based on the Agenda 2000, and the results of the Brussels European Council in December 2005. The tendency is clear: in 1988, a new system was born, then it was modified from time to time, and for today, we arrived at a point, where the system is hard to be seen because of the jungle of modifications. At least after the UK Presidency it is time to think about creating a new system, because further complications of the old one will not be able to ease the long-term tensions. The success of the very pragmatic UK approach to the question of the financial perspective 2007–2013 gives the EU valuable time to prepare itself for a new system – but it is now that we have to begin to think about how it should look like.