

ABSTRACTS OF THE ARTICLES

The equilibrium conditions for sustainable growth. Part I

Tibor Erdős

The author associates with the concept of sustainable growth not steady, but near-steady growth. Sustainability also calls for the real rate of growth to be close to the combined increase rate in technical development, productivity improvement, and employment. (Otherwise, either the unemployment rate will rise or the economy become overheated.) Furthermore, there should be no major disturbances of the internal or external equilibrium if the growth process is not to be interrupted.

The author examines the conditions for sustainable growth in association with the growth-theory aspects of investment. Special attention is given to the mechanism that regulates the reciprocal development of investment and savings. He offers a novel analysis of the ‘crowding-out’ effect, especially from the state budget deficit. There is separate treatment of constraints on the growth of state debt and the effects of state debt on sustainable growth.

The fiscal conditions for convergence and accession to the European Union

László Halpern and Judit Neményi

The relatively developed Central and Eastern European transition economies negotiating entry into the European Union (EU) face a number of challenges during the accession process. They have largely acquired the basic structural attributes of a market economy (private sector, money and stock markets, institutions etc.), so that their main task is to catch up with developed Europe. Their development has entered the stage of convergence. Interpreted in terms of EU norms, convergence calls for further major adaptation of fiscal policy, to meet the ‘dual targets’ of convergence: sustained high growth and falling inflation that leads to price stability. In Hungary’s case, this requires a strong surplus in the primary balance of the state budget, since the country’s debt ratio is still high, although it has decreased markedly in recent years. Tensions may arise between convergence of the real economy, with the associated long-term real appreciation, and the fiscal requirements for this, which are likely to become essential issues of economic strategy in the acceding countries.

The main determinants of real exchange-rate fluctuations in Hungary

Zoltán M. Jakab and Mihály András Kovács

The study analyses the main motive forces behind the fluctuations in Hungary’s real exchange rate. Since the real exchange rate rests on price indices for foreign-traded products, analysing

the fluctuations effectively examines pricing behaviour and price and wage rigidities in the foreign trade-conducting sector. Investigating the behaviour of relative product prices (non-traded versus traded) gives an estimate of the role of relative productivity differences. To be able to distinguish the effects of economic policy (exchange-rate policy) from those of pricing behaviour, the authors define an economic-policy reaction equation for the foreign trade-conducting sector. The econometric analysis applies a real exchange-rate model for a small, open, bisector economy. The findings show that price and wage rigidities have not played an appreciable role in the real exchange-rate movements of foreign-traded products, while the supply shocks of the foreign trade-conducting sector prove decisive. The trend in relative prices has been influenced primarily by the supply shocks of the foreign trade-conducting sector, which confirms the importance of the Balassa-Samuelson effect.

Rising unemployment and a more flexible labour market – the transformation of the Japanese-style employment model

Károly Fazekas and Éva Ozsvald

The number of employed falls and unemployment rises in a recession: for a long time, it seemed as if that relation applied everywhere except in Japan. However, the protracted crisis in the 1990s also came to affect the country's full employment. The Japanese unemployment rate rose above the US one, towards the OECD average. Analysts are inclined to equate the sharp rise in the jobless numbers with the demise of the Japanese-style employment system, including lifetime employment. Although this system has not been unaffected, the authors consider that the causes of the rising unemployment should have been sought elsewhere until very recently. Within the triple segmentation of the Japanese economy, the lifetime employment (which even earlier, applied only to about a fifth of the employed) more or less remained in the 1990s. Those most at risk of unemployment were those in a peripheral situation, who tended to make up a steadily rising proportion, at the expense, not of the central group, whose jobs were still protected, but of the marginal group, which analysts have hitherto neglected. The changes are now affecting the core of the system: the traditional Japanese model is waning, while a new model has yet to develop.