

ABSTRACTS OF THE ARTICLES

The conditions for introducing the euro in Hungary

Judit Neményi

With Hungary on the brink of acceding to the EU in May 2004, ever more is said about the possible advantages and drawbacks of introducing the euro and the timing for joining the common currency zone. The article discusses the conditions for maximizing the chance that abandoning the national currency and independent monetary policy will cause no serious losses for Hungarian economic policy-making, while accelerating the catching-up process by reducing the risks and enhancing an already high degree of integration with the EU member-countries. The scope for monetary policy to handle shocks deriving from capital flows is limited, which is an incentive to join the euro zone as soon as possible. The room for policy manoeuvre over fulfilling the Maastricht criteria for joining the monetary union and timing the euro introduction depends on the long-term growth path and structural features of the Hungarian economy, the character of the likely shocks accompanying the introduction, and the correction needed after the economic-policy 'slippage' (departure from an equilibrium path) of the 2000s. These factors point to the conclusion that the conditions for introducing the euro can be assured in Hungary by 2007–8.

Towards an analysis of the ultimatum game

Lorand Ambrus-Lakatos and Tamás Meszterics

The study deals with interpretation of the experimental results of the ultimatum game. The authors first provide a critical analysis of the explanations advanced in literature about the game. They then explain why it is worth taking seriously the hypothesis of competing reasons, which assumes that decision-makers in the game are guided by fairness as well as profit-maximizing considerations. However, these considerations do not involve preferences. Finally, the results of the authors' own experiments are presented.

Forecasting of volatility and implied models

Levente Zsembery

Bond fund managers and those dealing with currency transactions have joined equity investors in having to cope with volatility and the risk of it over the last year-and-a-half to two years. Although the market for options – especially currency options – and securities containing option rights has recently grown fast, the sophisticated methods used in many

parts of the world to price options have only spread in Hungary among a select few. The author presents the models that may be suitable for pricing new options in line with the prices of options already on the market and for analysing what future price and volatility developments the market holds. Several such models have arisen in recent years, of which the study considers only the ones based on the binomial model, frequently used in this country as well, or the finite differences method. The author's purpose is to present the models in a user-friendly way and to compare their errors and virtues.

The first four years of the euro – facts and assumptions

Margit Rácz

The processes of the world economy have undergone periods of both boom and slump since the creation of the euro zone. The third phase of preparing for the Economic and Monetary Union ended in 2002 with the introduction of the euro as the cash currency. This is an opportunity to make an initial assessment of the Economic and Monetary Union, which may well be the biggest undertaking by the EU so far. The balance is basically positive. The stability of the new currency was preserved within the euro zone. The international performance of the euro was more equivocal, but signs of stability appear if the whole four-year period is observed. Establishment of the euro acted as a catalyst for the creation of a common money and capital market. Here there was relatively little success. The biggest problem for the euro zone in the near future is to produce a fiscal policy adequate to the requirements of the stability and growth pact. The German economy has the biggest worries, but the fiscal situation in the other large developed countries is not reassuring either. So the coming four years could bring more serious problems than the first four did.