ABSTRACTS OF THE ARTICLES

András Bródy's theory of economic cycles

István Ábel and Imre Dobos

Economic motion and dynamics are at the heart of András Bródy's creative output. This paper attempts a bird's-eye view of his theory of economic cycles. Bródy's multi-sector modelling of production has provided a framework for price theory (the theory of value and measurement). His theory of economic motion with cyclical characteristics is technology driven. It argues that the complex web of economic cycles is determined by the proportions and interrelationships of the system of production, not by arbitrary external shocks. The structure's behaviour are driven by prices and proportions, with the duality of prices and proportions as a dominant feature. These are features in common with the Leontief models, which Brody extended to economic cycles. Bródy saw economic cycles as natural motions of economic systems with accumulated assets (time lags) and market exchange of goods (demand and supply adjustment). Changes in technology or valuations (shocks) are reflected in changing patterns of motion. His model of the economy is a fine instrument that enabled him to show how the technological parameters of its system determine the frequency and other characteristics of various economic cycles identified in economic history.

Uniqueness of equilibrium rates and the positive value of the wage rate in generalizations from the Neumann model

Ernő Zalai

In the Marx–Neumann version of the Neumann model introduced by Morishima, the use of commodities is split between production and consumption, and wages are determined as the cost of necessary consumption. In such a version it may occur that the equilibrium prices of all goods necessary for consumption are zero, so that the equilibrium wage rate becomes zero too. In fact such a paradoxical case will always arise when the economy is decomposable and the equilibrium not unique in terms of growth and interest rate. It can be shown that a zero equilibrium wage rate will appear in all equilibrium solutions where growth and interest rate are less than maximal. This is another proof of Neumann's genius and intuition, for he arrived at the uniqueness of equilibrium via an assumption that implied that the economy was indecomposable, a condition relaxed later by Kemeny, Morgenstern and Thompson. This situation occurs also in similar models based on Leontief technology and such versions of the Marx–Neumann model make the roots of the problem more apparent. Analysis of them also yields an interesting corollary to Ricardo's corn rate of profit: the real cause of the awkwardness is bad specification of the model: luxury commodities are introduced without there being a final demand for them, and production of them becomes a waste of resources. Bad model specification shows up as a consumption coefficient incompatible with the given technology in the more general model with joint production and technological choice. For the paradoxical situation implies the level of consumption could be raised and/or the intensity of labour diminished without lowering the equilibrium rate of the growth and interest. This entails wasteful use of resources and indicates again that the equilibrium conditions are improperly specified. It is shown that the conditions for equilibrium can and should be redefined for the Marx–Neumann model without assuming an indecomposable economy, in a way that ensures the existence of an equilibrium unique in terms of the growth and interest rate coupled with a positive value for the wage rate, so confirming Neumann's intuition. The proposed solution relates closely to findings of Bromek in a paper correcting Morishima's generalization of wage/profit and consumption/investment frontiers.

Interpretation of the facts of dominance problems and the methodology of economics

Ádám Török

In the economics of competition regulation, a field of research of increasing practical importance, analysis of the problems of dominance offers wide opportunities to assess various approaches to interpreting given competition-related facts. Based on an in-depth analysis of the recent "browser case" in US antitrust law, the article attempts to shed light on the economic backgrounds of per se and rule of reason, based interpretations of anti-trust cases. The study concludes with some methodological comments on the techniques for measuring the anti-competitive effects of dominance abuses.

Examining the relation of utility and relative income using Hungarian data

Tamás Hajdu and Gábor Hajdu

The study employs the index of subjective welfare to examine the connection between utility and relative income based on Hungarian data. Similar previous researches showed that essential parts were played in our feeling of satisfaction not only by absolute income, but by income relative to that of others and to our previous income. However, the effect of the situation relative to others is not even. In general, a rise in the income of individuals in a similar social position brings a decrease in satisfaction (the status effect), whereas in a variable social environment where future income is less predictable, a rise in the income of others may provide information about prospects and the effect be opposite (the information effect). The findings in this study show that the information effect dominates in Hungary, i. e. higher income for the group in a similar situation increases the satisfaction of an individual. In line with the theory, among those whose own incomes are less predictable (the insecure or the unemployed), the income of others may play the role of an information source, while among those who place their social status to the fore (men, young people), the status effect tends to be stronger than average.