

Preface

This is not the first time that the region of Northern Hungary has experienced a crisis in its history of the modern age. The modification of the borders following World War I, the collapse of the conditions after World War II, and then the changes in the economic structure after 1989 (1989/1990) all resulted in serious problems. The population lost or depleted their scanty reserves, the previous points of orientation ceased to exist and the people saw their illusions going up in thin air. A somewhat similar situation developed in the second half of 2008.

While politicians of the economy carry on polemics as to what global economic, national or local causes the decline in the performance of the Northern Hungarian region, which is deeper than the national average, can be derived from, this is almost irrelevant for the actors in the economy and labour market of the region. The consequences are severe in any case.

The crisis has put the theories belonging to the mainstream of economic thinking also to the test. It is hardly possible to avoid acknowledging that the neo-liberal economic policy of believing in the omnipotence of the market has failed. The crisis has again drawn attention to the importance of measures and institutions supporting the market (which does not necessarily mean more regulations, but does mean more efficient regulations and more accurate exploration of the impact mechanisms, etc.).

In this light the questions arise whether there exists a chance to implement them under the present social and economic conditions and whether they assist or slow down a renewal of the crisis.

The expert opinions are clear: there is a scenario which can overcome the difficulties, however, it has to be accompanied by a moral revival. It follows from this view that issue No 2 of year VI of our journal will be devoted to this topic.

Miskolc, September 2009

György Kocziszky
Editor

Tartalomjegyzék

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György Kocziszky:
Preface

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Árpád Kovács:
Economic and State Budgetary Perspectives 2009

Our objective this year cannot be other than maintaining the ability of the economy to function by moderating the impacts of the global economic crisis, retaining the equilibrium of the state budget and thus keeping the socio-economic tensions between tolerable limits. It will be a considerable achievement to attain all this. If not, either a sustainable long-term economic policy or a modernisation of the state budget is inconceivable.

In the paper the author summarises his thoughts concerning the interpretations of competitiveness and good governance, then in its context the risks of implementing the Hungarian state finance and the budget for 2009 (the risks that perhaps have not come to the foreground) and finally his ideas concerning the relevant new tasks in financial controlling.

All over the world, various fiscal rules have been applied for shorter or longer periods and with more or less success due to the insecurity of the equilibrium. The tools of fiscal regulation include that there is a professional system, auditing office, research institute or budget office independent of the government and performing macro-economic analyses operating. Similarly, the system of implements can also comprise a politically balanced body, a 'council' consisting of a small number of professionally creditable and independent persons reporting to the government and giving its expert opinion on the sustainability of the budget and related issues.

A rule-based budget can contribute to the success of stabilisation and the unfolding of development facilitating convergence if fiscal rules are implemented not on a basis of external obligation, but on the grounds of decisions resting on internal consensus. This will allow basically expenditure-side amendments to prevail through several cycles.

The responsibility of the auditing office is fundamentally manifested in its work being creditable and acknowledged under the changing integration and globalisation conditions. Therefore it has to be able to embrace the new procedure and methodology, and particularly strategic and involvement conditions that represent international trends today. The realisation of these two tasks, i.e. undertaking strategic involvement and the application of new methods, supposes and requires the widening of democracy in public life.

György Kocziszky:

Myth and Reality: the Impact of Involving Funds on Regional Convergence

The hope of catching up with economically better developed countries is not new in Hungarian public thinking. The political propaganda prior to Hungary's accession to the European Union (2004) formulated a promise and hope of fast economic convergence (both directly and indirectly).

The results are well-known. Our wishes that return cyclically have only been born out by the facts superficially and partly so far, thus an increasing part of the population feels deceived.

The great initial enthusiasm has been soon replaced by rapid disillusionment and disappointment, and the recognition that we have again held out excessive hopes. Now it seems that we had non-realistic expectations regarding EU membership (particularly regarding the funding from the various funds), which were far greater than what the order of supports might reasonably give rise to.

The paper endeavours to answer three questions:

- Has our economic performance (GDP growth), achieved as a result of our economic policy following Hungary's accession and of the allocation mechanism as its part, a breakthrough of merit or has it only be sufficient for Hungary to be able to maintain its position to a greater or lesser extent?
- Can real convergence be maintained without regional convergence?
- What impacts have EU supports had on Hungarian regional convergence?

Sándor Bozsik:

Ability of the Hungarian Banking System to Tolerate a Crisis

The banking system in Hungary made considerable progress in the early 2000s towards catching up with the well-developed banking systems in Europe. The significance of financial negotiating increased, including an outstanding increase in activity. It was the banking system that created the necessary funds for the increasing credit portfolio partly through a re-arrangement of the portfolio, and partly through involving new funds. The capital adequacy index is good, and the arising risks of currency credits are covered by the banks by means of borrowing currency credits and forward exchange transactions. The profits of the banking system showed a sharp increase due to an increase in activity. Another source of profitability has been an improving efficiency in operation.

The banking system has taken on significant risks in order to finance the increasing activity, which became intensified due to the financial crisis. The banking system was able to obtain funds to cover its credits only from abroad, and concerning certain currencies, it was able to provide the necessary funds only by means of swap transactions. The dependence on foreign

sources is highly substantial. Own capital available for market risks is very low. An increase in credit risks cannot be seen from the accounting policy of loss of value of the banks.

Eszter Siposné Nándori:
Impoverishment in Northern Hungary

The economic transition initiated deep-going changes in Hungary, which have fundamentally changed the territorial inequalities within economic development, prosperity and financial position in the country. The economic performance of the region of Northern Hungary, which was considered to be one of the determinant industrial centres in the 1980s, decreased dramatically after the change of regime. The region still has not managed to come out of this unfavourable situation. The poverty rate in the region exceeds the national level. In Hungary the segregation of the poor is typically concentrated in particular villages or groups of villages. This is particularly true of the phenomenon in the region of Northern Hungary. The situation of impoverished villages and small regions is becoming increasingly unfavourable. Economic growth plays a major role in the eradication of poverty, for economic growth (measured either in terms of changes in real income, or in those of real GDP) is able to moderate poverty considerably in two respects. As a result of economic growth the rate of people living under the poverty line decreases, and the poverty of those living in poverty also decreases. Today, however, the opposite of these favourable tendencies is prevalent: accordingly, the economic recession that can be seen since September 2008 has also contributed to an increase in poverty in addition to its many other negative consequences. Owing to the economic recession, the rate of the poor is expected to increase and so is the penetration of poverty. Taking into account the expected indicators of economic recession, from the second quarter of 2009 to the end of the year an increase close to 70 % can be expected in the rate of the poor and an increase of 13 % is to be expected in the poverty gap. With an improvement in the economic situation, however, from the second half of 2010 the process of the increase in poverty can be probably stopped.

Zsolt Péter:
Opportunities of Tourism in the Northern Hungarian Region in the Period of Global Economic Crisis

The impacts of the crisis will probably affect the tourism of Hungary and that of the region of Northern Hungary only in the short term. With the end of the crisis, the performance of tourism will develop in accordance with the previous tendencies. Tourists are thrifty, the turnover of 4-5 star hotels is decreasing while mid-category hotels have experienced the crisis to a lesser extent, and in some areas have even recorded an increase. Primarily the number of foreign and particularly that of transatlantic guests has decreased owing to the impact of the crisis. The Northern Hungarian region has experienced a decrease in the number of foreign guests to a lesser extent (resulting from its very low proportion). Hotels employing qualified labour can even show an increase in their turnover through an increase in the market activity, however, the stagnation of the prices and price increases at a rate lower than that of inflation may lead to decreasing revenues in real terms.

Ildikó Györffy - Judit Roncz:
A Crisis of Vocational Training? Contributions on the Basis of Students Studying in the Northern Hungarian Region

A survey conducted among students and the management of institutions involved in vocational training has revealed that the current situation of vocational training is in need of considerable transformation. Significant objectives include the modernisation of the training, making the theory-centred training more practice-oriented, and ensuring a more intensive cooperation between the schools and the external places of practical training. This requires the establishment of a network interested in vocational training (e.g. chamber, local government, job centre, and institutions of vocational training) which will perform actual coordination, interest reconciliation and intermediary functions in order to make vocational training more efficient.

Tasks of outstanding significance include creating greater harmony between the demand of the economy and the structure of vocational training and restoring the social prestige of vocational training, where external places of training and entrepreneurs will obtain significant roles.

In processing the questionnaires the authors encountered in several cases the problem that students do not spend a significant part of their placement period by doing relevant vocational work or do not feel that their work is appreciated, which is also reflected in the financial or other remuneration received. The physical equipment of the places of training proved to be sufficient in general, but continuous up-dating and improvement is asked for both by students and the management. The lack of flexibility in working hours, frequent overtime or work at the weekend also emerged as a frequent problem, which, in addition to the above, can also contribute to a worsening of the atmosphere at the workplace and making the acquisition of the vocation more difficult.

The global indices of the schools suggest that the majority of the students evaluate on the whole the working conditions for learning the vocation as having a medium standard. In the light of the problems explored during the survey, a more efficient coordination of the organisation of vocational training is justified in order for the students to be more satisfied with their working conditions and to see their future professional perspectives more optimistically.

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