

## **Banking competition in Hungary**

*Éva Várhegyi*

Hungary's banking system has undergone marked transformation in the last ten years. New actors from countries with developed financial systems have entered the market or taken control of existing banks. Earlier monopolistic positions have eroded, the market structure has changed, and exposure to international competition increased. Have these changes lent the Hungarian banking sector the behavioural features of a competitive market? The paper sets out to describe the competitive situation, through the relation of market structure to efficiency and via an estimate based on models that examine the competitive behaviour of banks. Analyses of the features of competition give an ambivalent picture. While behavioural models that assume a homogenous credit market and price-taking deposit market reflect strong price competition within monopolistic competitive relations, the markets for consumer credit and deposits shows signs of inflexibility that point to weak competition.

## **Pay differentials between industries in Hungary. II. Rent-sharing in concentrated industries in the presence of union activity**

*Gábor Kertesi and János Köllő*

The paper analyses the extent of inter-industry pay differentials in Hungary at the end of the 1990s and the reasons for them. Part I (published in the November 2003 issue of *Közgazdasági Szemle*) looked briefly at the main theoretical considerations behind these differentials and the basic types of model for analysing them. The authors recommended a non-competitive bargaining model for analysing the Hungarian situation and introduced empirically verifiable statistical models into their assumptions about company and employee rents. Part II turns to the measurements and tests the theoretical model. The paper examines the sources of the inter-industry pay differentials between industries in two stages: by estimating the pay free of equalizing influences and then analysing it on an industry level. The main conclusion is that in 1998, cases of high market concentration coupled with union activity in Hungary were the best predictors for high pay in the industry concerned.

## **The market as an institution – in a broader perspective**

*Judit Kapás*

The study is intended to outline the bases of a concept of the market that fits in with a more general theory of institutions and links the explanation of the market with that of

the firm. The author, after reviewing and criticizing the various concepts and theories of the market, recommends as a starting point the Hodgson concept, rooted in the earlier tradition of institutionalism, and goes on to broaden this out. The most important element in her line of thinking is a broader definition of transaction cost. This provides the uniform basis for coordinating the institutions that serve to carry out the transactions (the firm and the market) into a uniform theoretical framework.

### **Brush or mouse. Occupational capabilities and high technology**

*Judit Rimler*

According to the dominant view, high technology places higher value on labour and calls for greater expertise, so that the demand for non-producers and those with higher qualifications increases with technical development. Others argue that the changes in employment structure and wage relations cannot or can hardly be attributed to technical development. Important contributions may also be made by changes in labour-market institutions, labour policy, dominant management strategies and accepted social norms. The question of how far occupation or qualifications express expertise is generally avoided in studies. Authors disregard the fact that this is a question of the relation between human qualities and tasks to be performed. The requirements for various tasks are far too complex to be described clearly in terms of qualifications and/or occupation. Technical change, incidentally, only scratches the surface of most occupations. An artist who composes work on a computer needs the same composing capabilities for a good picture as one who works with a brush. The difference is simply that the latter needs to learn brushmanship, while the former needs to know how to handle a mouse.