ABSTRACTS OF THE ARTICLES

Empirical analysis of log-optimal portfolios

Mihály Ormos, András Urbán and Tamás Zoltán

The optimal properties of log-optimal strategies have been proved theoretically, but it has still not been shown whether log-optimal portfolios can achieve higher returns than the expected equilibrium. The main purpose of the paper, besides introducing some mathematically prosperous properties, is to investigate the justification for log-optimal strategies empirically. Our main results are relief of the strict conditions of the mathematical model, by analytical rejection of the transaction cost-free trading opportunity, and the outcomes of a long-term test that shows empirically how the proposed methods can successfully explore arbitrage opportunities based on the Capital Asset Pricing Model. Data from the New York Stock Exchange was used for testing purposes.

Convergence and growth rate

István Dedák and Ákos Dombi

The study examines empirically the assumed process of convergence by the Central-East European (CEE) countries according to the expanded Solow model of human resources. The authors estimate the speed of convergence derived from capital accumulation for nine CEE countries in 1997–2006, based on several samples and model variations. Economic convergence of the post-socialist countries begins with a far from stationary level of income, which raises several problems with the methodology employed traditionally in mainstream literature. So the first half of the study examines also from a theoretical angle the subject of the speed of convergence, with special attention to actual growth rates.

'The end of the golden age.' The development of venture capital in Central and Eastern Europe

Judit Karsai

The current downturn in the American and West European economies combined with increasing regulatory pressure on private equity throughout the developed world have made emerging markets an attractive destination for private equity. As part of such a market, the private equity industry of Central and Eastern Europe (CEE) was an accidental beneficiary of this, its attractiveness boosted also by the fact that the value added was resulting from the integral growth of companies rather than from leverage utilization. The crisis in the autumn of 2008 has turned growth financed by loans into a synonym for risk, so that the CEE countries as emerging markets have been placed at a disadvantage

in addition to the great caution already being applied by investors and the relatively more difficult availability and higher interest rates of loans in the region. Since most high-volume capital raised recently by private equity funds in the CEE region is still expected to be invested, it is unlikely that the cutback of private equity financing in the CEE countries will be as radical as it has been in the developed markets. Nonetheless, the golden age of private equity investment in the CEE region certainly ended in the autumn of 2008.

Takeovers in a transforming market

Péter Vince

Firms in market economies are objects of purchase and sale, and purchases and mergers of them count as everyday business transactions. Ownership of firms in the Hungarian economy and purchases and mergers of them count as everyday business transactions, with ownership of such firms changing continually for the past two decades. Initially the typical form of change was privatization of state property, but ownership changes within the privately owned sector have steadily spread to become almost the exclusive form since the completion of privatization. The paper is concerned with market events in the new, developing type of transaction. Takeover processes in this country show the appearance of investment and transaction types typical of market economies, along with a system of regulating and monitoring them. But there is still only fragmentary information available on the effects these transactions have on competitive position and corporate performance.

Dynamic optimization and the Leontief model

Imre Dobos

The study presents three economic applications of variation calculations. All three rely on the Leontief model. After examination of the optimal courses, an answer is sought to whether the solutions to the Euler–Lagrange differential equation system are really optimal solutions to the models. The study concludes that the optimal solutions can only be determined by introducing additional economic conditions. At the same time, the models presented can be fitted into a general framework with the help of the conditions outlined. The final conclusion of the study is that the optimal solution of all three models fits into the Neumann band.