

LOCAL FINANCE? LENDING ACTIVITY BY THE HUNGARIAN COOPERATIVE BANKING SECTOR

Zoltán Gál and Csaba Burger

According to the principles of cooperative banking, the primary aim of its financing is to fund local economic activity and local communities, while making a normal level of profit. This means converting local deposits into local loans. The relatively small size of the banking cooperatives precludes economies of scale, so that they are at a competitive disadvantage, but this is offset by having a central institution that links cooperatives with each other and with the capital markets. The study looks into whether the actual lending practice of Hungarian cooperatives follows this traditional cooperative principle of local financing. To do so it relies on the literature of spatial concentration of capital and of cooperative governance. The authors discovered from financial reports and financial analyses of all Hungarian banking cooperatives in 2010 that their main activity was to channel locally collected deposits towards financial centres, rather than pursue their traditional calling. The lack of local lending was not due to any shortage of local deposits.

A FAMILY OF SIMPLE PATERNALISTIC TRANSFER MODELS

András Simonovits

The article analyses a general framework which contains several interesting special transfer (tax and pension) models. Our common framework is the static 2-generation model, where the individual works in the first period of adulthood and becomes a retiree in the second. The government is operating a linear transfer system, sometimes with caps. Individuals may optimize their position in several respects: voluntary saving with or without tax advantages, where they are constrained by pension credit or a contribution cap; and how much work and how much income to report. Individuals are typically short-sighted, so that they make suboptimal decisions. The expected value of transfers should be zero. Due to piecewise linearity, it becomes easy to determine the parameter values for the socially optimal paternalistic transfer system.

CENTRES AND PERIPHERIES: REGIONS IN EUROPEAN RESEARCH AND DEVELOPMENT

Balázs Borsi and József Mikita

Research and development enjoys sustained government funding in developed economies. The authors examine the relationship between European-level support for R & D (so-called Framework Programmes) and the R & D statistics for the NUTS 2 level regions. Regional concentration of participation in the Framework Programmes is higher than that of research expenditures and of the number of researchers. Based on statistics, there are groups of European regions, which greatly differ in terms of the structural composition of R & D and participation in Framework Programmes. There are huge differences between the 16 super-regions, which constitute the majority of European economic and research performance, and the Southern and Eastern peripheral regions. The importance of the Framework Programmes in the areas neighbouring the super-regions and the R & D intensive strong European industrial regions is fairly high in the regional research funding, whereas the less developed Eastern regions are in a worse position in this regard as well. It remains questionable whether the elaboration and implementation of so-called smart specialization strategies (S3), which are expected to match cohesion and R & D & I, can actually assist with the the poorly performing regions of Europe's dual objective of catching up and of making them more innovative.

PREFACE TO A TEXTBOOK ON FINANCIAL MATHEMATICS

Péter Medvegyev

The author discusses some critical observations about financial mathematics in connection with the financial crisis. In his view no negative effect of financial mathematics on Hungary's financial problems can be observed, since the financial decisions in Hungary were made without any kind of serious quantitative basis. The decisions were made mainly on political ground, so that the blame must go to economic politicians involved in that policy. The main area of application of mathematical models is not its application in specific financial decisions, but far more in the field of education.