The balance of payments equilibrium model. The model’s application to the zloty exchange rate

Michał Rubaszek

The article presents the analysis of the factors which affected the level of the zloty exchange rate in the period from 1990 to 2002. For this purpose, the administrative and legal solutions have been presented as well as the econometric model (the so-called balance of payments equilibrium exchange rate model) which came to be applied as the basis in the measurement of the dependencies between the real exchange rate and the macroeconomic variables. Next, on the basis of the model, which can be included into the group of behavioural models of the equilibrium exchange rate, an exchange rate cohesive with the short-term external equilibrium was set.

The Argentinean currency crisis. The attempts to overcome it

Urszula Żuławska

The study describes the development of economic processes in Argentina in the crisis year 2002, the arguments between economists who searched for the optimal way out of the crisis and lawyers who wished to thwart those plans and advocated keeping private ownership as well as the course of exceptionally difficult negotiations with the International Monetary Fund. Special emphasis was given to the financial sector, the collapse of which could erase the first signs of recovery in the real sector of the economy.

Selected aspects of the information economy versus the labour market

Katarzyna Saczuk

The information economy assumes that market participants are provided with imperfect information and allows to establish models of phenomena that have not been clearly understandable so far. It also accounts for the existence of certain market institutions, which is often not fully explicable under the economic criteria when judging from the standpoint of the traditional theory of economy. It appears that even the tiniest imperfections of information and non-zero costs of obtaining the information may bring about far-reaching consequences, utterly twisting the results of the analysis. Issues clarified by the application of the information economy, such as the problems of selection, quality of goods, impulses or the extent of temptation for abuse (moral gambling), lead to interesting, often non-intuitive conclusions when considered in the context of the labour market.

For example, the employers’ inability to control the reliability of employees may lead to a situation where the employees are paid salaries in excess of the market rates to encourage them to work in a fair and honest manner. If such an approach becomes a common practice on the market, the average salary levels will rise above an economically practicable level, leading to unemployment. However, companies will not longer see it as being worthwhile to cut salaries back, since unemployment is a factor that introduces some discipline among employees (suspensions for absenteeism and negligence will not pay).

Another example is the problem of selection (identification of unobservable characteristics). Since the employer is not aware of the actual capacities of an employee at the time of their commencement of employment, the salary that he offers should be adequate for the average skills...
Funds are distributed under the SAPARD Program (Special Accession Programme for Agriculture and Rural Development) with the object of providing assistance to the EU candidate countries in the process of adjusting their agricultural sector to EU standards. In order to meet this objective, in-depth modernisation of agricultural production is required, together with the enhancement of the attractiveness of rural areas for domestic and foreign investors and the creation of new employment opportunities for those who have been hitherto employed in the agricultural sector.

The article describes all the actions taken in Poland intended to effect the comprehensive introduction of SAPARD. It also compares the Polish case with action taken in Spain and Portugal in the first half of the 80s, i.e. before they entered the European Community in 1986. Development and, primarily, modernisation of the agricultural sector of both member states constituted an important area of adjustment to European standards within the entire pre-accession period.

In the article, an attempt is made analyse the condition of Polish rural areas on the eve of entering the European Union and point to the similarities in the situation of Spain and Portugal over a dozen years ago.

In the summary, the authors have presented predicted effects of the introduction of the SAPARD Program in Poland as well as financial implications arising from the future membership of Poland in the European Union.

The analysis of the problems in the implementation of the SAPARD program in Poland as compared with the background of the Spanish and Portuguese path to the EU. The comparative aspect

Katarzyna Stabryła, Rafał Górął

Financial ratios and the auditor’s opinion

Marek Gruszczynski, Barbara Pajdo

The auditor’s opinion gives a general indication as to the quality of a financial report. A qualified opinion expressed by the auditor gives a serious signal of the financial condition of a company for its investors and creditors. Appropriate decisions such as filing for bankruptcy can be made on its basis.

The article presents the results of examination of relations between the financial standing of a company and the auditor’s opinion. Some econometric models known from the literature are presented, which describe such a relationship.

The authors describe the interrelation between the type of opinion and financial ratios based on the data supplied by the companies quoted on the Warsaw Stock Exchange in the period from 1998 to 2000 by applying micro-econometric models. The choice of the variables describing the type of opinion $Y$ ($Y = 1$ for unqualified opinions, $Y = 0$ for qualified opinions) was guided by the coincidence principle and the modified interrelationship matrix (the equivalent of the correlation matrix).

The results of the research indicate that a qualified opinion is closely related to the financial condition of a company, i.e. an unfavourable level of financial ratios, including financial problems and difficulties in meeting payment obligations. Furthermore, privatised companies and companies which pay out dividends are more likely to receive unqualified opinions from their auditors.
The stock exchange consolidation process in Europe viewed from the perspective of the Warsaw Stock Exchange

Lidia Adamska

Transformation of global stock exchange markets means that the traditional stock exchange model is a thing of the past. The key factors which affect transformation of stock exchange operation include:

- growing competition between different stock exchanges, which forces price reductions,
- technological progress, which means that the traditional exchange floor is losing its importance whilst the stock market is becoming more accessible,
- progress in European integration, including the introduction of the euro and the introduction of uniform EU regulations to capital markets,
- relatively declining involvement in small markets and companies on the part of investors.

The main stream of changes going through the leading European exchanges is defined by the alliances and agreements concluded among the exchanges as well as by the transformation of their ownership structure (the so-called de-mutualisation), including the public offering of their shares.

The traditional mutualised model of exchange ownership is the starting point for ownership changes. De-mutualisation means that the circle of exchange owners is extended by entities which are not members of the stock exchange. Additional opportunities for raising external capital are created and the organisation will evolve towards a for-profit profile. The main factors leading exchanges towards selling their shares as public offers include: the increasing globalisation of financial markets, growing competition among exchanges and their growing financial needs.

Many European and Asian exchanges and the Australian exchange have transformed their ownership structures to de-mutualise them, while the American exchanges did not take a leading position in the de-mutualisation process.

So far, Euronext – a joint project of the exchanges in Paris, Amsterdam, Brussels and Lisbon and the London derivatives stock exchange LIFFE – should be seen as an example of a successfully formed stock exchange alliance of considerable size in Europe. Moreover, the integration of the capital markets has also its “vertical” dimension. Exchanges, clearing-houses and deposit institutions are involved in this process. At present, the solution servicing Deutsche Boerse market is the most complete example of vertical integration on the European market.

The issues connected with surviving when threatened by marginalisation is of key importance for small and medium exchanges. The situation in this group of exchanges varies, primarily in terms of their size and potential for development.

The model directions of consolidation-related activities of the CEE exchanges include:

- the path of independent operation of the national exchange – the establishment of a common platform for the exchanges in the region,
- individual decisions made by specific exchanges on selecting strategic partners among the leading European exchanges,
- all the exchanges from the CEE region joining one main European floor.

Contrary to other exchanges in the region, the WSE is not under any time-pressure as far as the decision about entering an alliance with a strategic partner is concerned. The reason for this is the significantly larger potential of the Polish economy and capital market, the existing economic potential in the field of privatisation, the forecast improvement in the economic situation and the possible growth effect after Poland enters the European Union.

Measuring investment effectiveness of open pension funds

Tatiana Czerwińska

Apart from banks and investment funds, pension funds have been long considered the most important capital market investors on the international financial markets. However, in Poland, pension funds form a new group of investors as they have been creating open pension funds and managing these funds only since 1999.

A pension fund develops its investment policy and concludes capital market transactions in the name and on behalf of its participants. Both the fund managers and its members are interested in a reliable and fair measurement of investment effectiveness. The investment fund members make decisions on their remaining or resigning from a given
Many achievements in the modelling of risk, which are connected with the development of financial mathematics, are primarily related to market risk rather than credit risk. Nevertheless, recent years have seen a growing interest arising in credit risk, mainly caused by the increasing competition in the banking sector, the blooming secondary credit market based on securitisation, as well as the development of credit derivatives.

Models describing the risk of a single loan (so-called scoring methods) are considerably more developed and more often applied than the models which concern the risk of the whole credit portfolio. Despite the fact that, in most cases, a profit or a loss generated by a bank depends on a skilful risk management of a whole credit portfolio, the development of methods supporting these decisions is obstructed by a number of factors. Key problems include low availability of data that inhibits scientific research and difficulties in applying the classical theory of Markowitz’ portfolio analysis in practice and they arise primarily from the very low liquidity of the loans and the absence of some unambiguous methods to measure return on loans and the risks of individual credit contracts. However, it was the classical theory formulated by Markowitz which underlay the development of the first models describing behaviour of credit portfolio risk by Gollinger, Morgan and Altman. However, for the reasons stated above, these models could not serve as the basis for the development of commonly used commercial products. Their fate was also shared by the models prepared by Bennet, Chirinko and Guilla, in which they tried to show the connections between the macroeconomic processes and the quality of credit portfolio. Only the most recent models such as CreditPortfolioView, Credit Metrics or CreditRisk+ have fully complied with the demands of the market. Their success can be attributed to the fact that they have been developed by commercial companies for commercial purposes. However, the origins of these approaches vary. The first above-described model is an econometric model, which uses Monte Carlo methods; the second one is based on the use of the enterprise behaviour model proposed by Merton, while the third relates directly to actuarial mathematical techniques. They use Value at Risk as the base measurement of the credit portfolio risk and refer to Monte Carlo methods to a larger or smaller extent. The article offers a detailed analysis of all the above-mentioned approaches, both theoretical ones as well as those that have been adopted in practice.
The Bank’s head office and operational units: conditions and directions of changes

Miroslawa Capiga

A shift from being a traditional to a competitive bank means that new relationships need to be established between the head office and operational units. At present, changes at the head office level include primarily an increase in headcount and a take-over of the support function, while at the branch level they involve headcount reduction, moving away from staff specialisation in favour of a more universal approach, focusing on customers and the introduction of standard solutions and Internet branches.

In this context, a question should be asked as to whether the hierarchy of strategic objectives and the ratios used to assess performance arise from the changes; in particular, changes in the area of organisation, or are they typical relationships existing in the classic approach to banking.

In the article, an attempt has been made to show differences existing between the strategic objectives and the bank performance assessment ratios used at the head office and operational unit level in view of the new relationships being formed between the head office and the operational units.