

Brief Summary of Articles

László Antal: Reform of the pension system – the ratio of the income redistribution and macro-monetary balance

The paper aims to outline the main relations and critical points of the pension system which make the reform of the whole system inevitable in near future. The most important cause stems from demographic change: in the developed countries average life expectancy is rising rapidly while the number of births is diminishing. This results in rising retirement outgoings and decreasing revenues from superannuation taxes. In addition to this medical expenses are increasing due to the development of treatment methods.

In contrast, in Hungary the average life expectancy will only increase after 20-30 years. The main problems of the distributive systems are rooted in the particular characteristics of the political changes following the collapse of communism. The level of employment decreased dramatically and there are many tax arbitrage opportunities. In addition nowadays 90% of employers tend to retire on a pension before retirement age. These factors make the main distributive systems unsustainable. Additionally the elderly dependence rate will double in the next few decades. Parties debating a socially and financially sustainable main distributive system agree on the inevitability of an increasing role for self-provision and a cut in the growth in expenditure. The pension system will not be able to keep pace with growing wages, to guarantee insurance principals and a minimal income in old-age, and to meet the requirements of long-term financing at the same time, especially not in the period of demographic changes.

Daniel Pop: Regional governance in the new CEE member states of the EU

This paper discusses how the CEE-10 countries complied with the EU conditionality in the field of regional policy, examining whether the territorial reforms that were implemented in order to enroot sub-national regional governance structures were in fact carried out. Following a discussion of EU requirements in the field of regional policy, I turn to a case by case analysis of how the meso-level government tiers were set up in the CEE-10 countries. The analysis leads to the finding that the limited interest in the CEE-10 countries in the development of extensive regional governance structures - evident in the creation of new autonomous sub-national governance structures, coupled with the frequent contradictory and often unofficial requirements by the European Commission during negotiations -,

has led to a weak institutionalization of meso-level governments when compared to the institutional and policy structures within the EU-15.

Éva Sztankó: An analysis of services for general economic purposes and universal services in the European Union

A topic in the focus on debates on the European social model has been to define the future role of Services of General Economic Interest (SGEI). The European Commission launched a widespread public discussion on the public utility related objectives of SGEI, their impacts on the quality of life, on the environment and on the competitiveness of European firms, as well as on ways of organising and financing these services. This discussion has received an important input from rulings of the European Court Of Justice and the Court of First Instance in cases on Services of General Economic Interest. Although these court rulings lacked consistency in some cases, they still helped to obtain more accurate definitions of SGEI.

Most member countries of the EU have started to elaborate the concept of universal services, but there are still serious loopholes in the fields of monitoring, control, quality management and in terms of financing. To sum up, the EU member country level practice of universal services in the energy sector is still in the first phase of realisation.

Imre Vörös: European rights in the Hungarian legal system

With the accession to the European Union, European rights became part of the Hungarian legal system, and have priority over Hungarian laws in the same areas. Regular courts make use of European law in situations where their own law is unclear. Nonetheless the integration of European law into the Hungarian legal system is not without problems: the Constitutional Court is in a trap, because the priority of European law does not apply to it, thus it can only examine the constitutionality of a law originating from Europe in the context of how it affects the Hungarian Constitution. The Hungarian legal system must conform to European norms, so legal harmonization is necessary. This requires precise and well-thought-out law-making, while European rules are often simply 'copied' into a Hungarian law, thus ruining the inner logical structure and consistency of the Hungarian law. Behind these problems lies the fact that European law has undergone an 'overdevelopment', and has not been consistently thought through.

János Timár: Eastern-European education and economy

The main reason for the inability of the Eastern-European region to catch up economically is thought by many to be the fact that for a decisive period the state curtailed the incentive power of private property. The harmful effect of this was aggravated by the arms race. Contrary to this, this paper claims that the main reason is the underdevelopment of the population's knowledge base. The direct factor in this is the mistaken education policy, which because of the emphasis on quantity in schooling, imparted a low and weak knowledge base

to the growing generation. The author claims that without a general and radical reform of education the eastern European region and Hungary as well, will lag behind in international competition.

Zsuzsanna Trón: Examination of the effect of financial transfers within the European Union

It is a common view that financial transfers within the European Union have a significant effect on economic growth. Model simulations, sponsored by the European Commission, seem to confirm this supposition. The econometric analyses evaluating the actual impact of the funds, however, yields a dismal picture on the additional growth and convergence effects of financial transfers. This study's goal is to find the reason why the outcomes differ so much. First, we present the main types and the underlying logic of the evaluation methods of EU regional policy. This is followed by a review of the lessons learnt from the specific evaluation methodologies including case-studies, general equilibrium models, and regression analyses. Our conclusion is that the main objectives of the European regional policy prevailed only to a limited extent, which is mainly due to crowding out effects, rent-seeking, inefficient allocation and moral hazard.

Péter Galbács: The conceptual inconsistency of the rational anticipation theory

In this article we analyse various contradictions in the assumptions and consequences forming the theory of rational expectations. The argument aims to demonstrate that important parts of the theory cannot be maintained at the same time without damaging the theory's logical structure, while we recognize that other parts force the theory far from the basis of reality. However, the rational expectations hypothesis is not simply a useless theoretical construct, since by delineating the proper boundaries of this hypothesis we can offer a clear justification for the operability of inflation targeting systems. If we relax the strong presumptions, giving a place to a monetary authority that is able and calculated to drive expectations, we can obtain a moderated version of the rational expectations hypothesis given by Muth, although some consequences of this conception will be consistent with the assumptions - which depend on conditions that seem not to hold - of the original (strong) definition.

Journal of Economic Literature codes: B2, E5. Keywords: rational expectations hypothesis, inflation targeting system.

Ákos Tóth: Communitarisation in the cultural spheres of the member states of the European Union

The institutions of the European Union encourage the liberalisation of the cultural sector with the reduction of the coercive power of the member states. The article assumes that communitarisation in the cultural sphere exists although there is no EU Treaty (acquis) on

cultural policy and the member states use different cultural financing models. The author first analyses the government and household expenditure for culture and recreation of the OECD countries, then compares the productivity and profitability indicators of the post socialist countries with the same indicators' EU 25 average.

JEL Classification: Z10, Z11

Keywords: Cultural Economics, Communitarisation, Cultural Financing Models.

Tamás Borkó: Sustainability of growth in countries with diverse backgrounds in the light of main international indices

The paper tries to answer why fossil fuel abundant countries with diverse backgrounds perform differently depending on the dominance of the advantages or disadvantages accruing from natural resource wealth. With the contribution of the most popular competitiveness and institutional indices the determining factors are identified. The distinctive factors are market efficiency, the quality of the business environment, innovative capability, the quality and efficiency of governmental, market and judicial institutions, the low level of corruption and the existence of political and civil freedom.

Journal of Economic Literature (JEL): O13, O17, Q32

Keywords: resource curse, sustainable growth, institutions, structure of trade

József Lévai: Education and the linear education system from the employers' point of view

Hungarian higher education has travelled a long way since the political changes of 1989-90. We are entitled to ask whether the changes have followed the right path. Due to the complexity of the question there is no definite answer. In a short article just one important part can be emphasized. With my ideas I try to calibrate the employers' expectations of the students entering the labour market. The employers are the voracious actors in the market, who always have the right to be critical, and to have impossible expectations. In this situation employers are the customers, and therefore cannot be expected to deal with a multitude of questions themselves. In this essay I try to discuss various typical aspects of employer's expectations of future employees.

Katalin Buzási: Presentation of two models of consumption/saving

The Permanent Income Hypothesis (developed by Friedman) and the Life Cycle Hypothesis (developed by Modigliani) are the most popular consumption or saving theories in economics. The aim of this paper is to introduce the main features and consequences of the models mentioned above. The first part of this paper introduces the historical circumstances in which the hypotheses were developed. In the second part we mention various debates on the theories which helped to clarify some of their more complex aspects. The aim of the third part is to introduce various ways of expanding and supplementing the basic theories and convert them into more realistic ones.