

## **A simple model of tax-favoured retirement accounts**

*András Simonovits*

To save myopic workers against themselves, the government introduces a mandatory system, but to help savers, it adds tax-favoured retirement accounts. Using a very simple model where benefits are proportional to contributions, we compare three extreme systems: (i) the pure mandatory system, (ii) the asymmetric system, where only savers participate in the voluntary system, (iii) and the symmetric system, where both types participate proportionally to their wages. The symmetric voluntary system is welfare-superior to the asymmetric one, and to the pure mandatory system, which in turn are equivalent to each other.

## **Population ageing, shrinking-wealth hypothesis, and world economic crisis**

*Zsuzsa Mosolygó*

The ubiquitous population ageing in developed countries could become one of the decisive processes in the world economy in future decades. The study points out that the ageing process, exacerbated by the retirement of the “baby boom” generation, has long-term effects not only on the real economy, but on long-term tendencies in capital markets. It is essential for money-market employees and economic policy-makers alike to attend to these demographic processes. The signals from them show that money-market tendencies in the coming decades will differ from those of the last 20–30 years. Taking demographic considerations into account, it is possible the rapid expansion of the world’s great stock markets will be interrupted and the very low rates of real interest on the developed markets will start to rise. The theoretical backing for these assumptions is the hypothesis of shrinking wealth. The study looks at the main arguments for and against this and then at the consequences within the pension system, while touching also on the demographic background to the present world economic crisis. For as the “baby boom” generation steadily becomes inactive, so the risk of an unfavourable crisis scenario, of protracted stagnation, increases.

## **Ex occidente flux.**

### **A debate on the usefulness of macroeconomics and the responsibility of economics**

*János Mátyás Kovács*

Scholarly debate on a blog? A short exposition, indicative references, hasty conclusions. A personal note, a wisecrack or two, a feel of “work in progress”. It is no easy task for a chronicler to approach the new genre with the traditional tools of intellectual historiography and go for analysis instead of loose blog comments: seeking causes, attempting a typology, making comparisons, sometimes taking seriously notes not seriously intended. For it would be a luxury to leave to swift oblivion on the net a sequence of texts over 200,000

characters long, of a scholarly standard far higher than most open exchanges in Hungarian economics. The attempt is made on the recent macroeconomics debate on the ELTECON blog. Not as a conclusion to the debate or a summary of it, rather as a snapshot of what one prestigious group of Hungarian theoretical economists think of the quality and responsibility of their profession. Amidst the irritating clamour of economic crisis. The snapshot is taken at an unusual time, when the beam of the West is hardly shining. In this curious light, the article seeks to answer three questions: 1. Has the crisis affected the debaters' opinions on the scientific and moral value of their models? 2. How firmly are these opinions grounded on scientific principles? 3. Do they have a strong local tinge to them? All in all, are the debaters' macroeconomic arguments convincing in themselves? The author leaves better qualified observers to decide that.

### **The pro-competition and a competition-restricting state – before and during the crisis**

*Éva Voszka*

During the decades of liberalization, the state played a fundamental role in running the economy, and thereby in maintaining and strengthening the competition that the public interest requires. It included regulation of competition and the market, state subsidies, and state purchases, in other words a range of means of stimulating and restricting competition. This article views the relation between the Hungarian state and competition before the outbreak of the crisis, to compare it with the international and domestic phenomena that began to appear when the crisis broke out. It argues that state behaviour towards competition was also ambivalent before and the crisis has not materially changed the ambiguity or means of intervention, only the combination and scale of means employed. Management of the crisis round the world has generally involved an increase in the role of the state, but the spread and scale of market creation and support in Hungary have remained small. The restraint on stimulation of the economy has lessened the restriction of competition, which may be an advantage in years to come.

### **Quantitative lag, qualitative catch-up? The challenges for this country's regional innovation policy**

*Balázs Borsi and Zoltán Bajmócy*

This paper uses composite indicators for an international comparison that shows Hungary's NUTS-2 regions to be in an unfavourable position on the regional innovation map of Europe. Then follows a deeper analysis of Hungarian LAU-1 sub-regions, showing that these are rather polarized within the country in terms of regional innovation capability. Finally, the authors draw on international case studies to underline that regional innovation policy practices are important catch-up components.