Parametric pension reforms and life-cycle labour supply
Klára Major and Gergely Varga

Financing the social-security pension system will weigh heavily on the government budget in developed countries, merely through the projected demographic processes. The burden could be eased by various parametric and paradigmatic pension reforms, but in the long run such reforms may trigger behavioural, labour-supply responses, which may alter the budgetary effects fundamentally. Having described the average work and pension profiles in Hungary between 1999 and 2009, the authors use a microeconomic approach in an attempt to assess the effect of certain parametric pension reforms on the life-cycle labour supply of males. The parameters for the model were calibrated for the characteristics of the Hungarian economy. The results show that decreasing the replacement rate, increasing the retirement age and replacing Swiss indexation of pensions by price indexation cause a considerable increase in the labour supply of all education-level groups, whereas changing the number of years considered in computing pensions does not have a significant aggregate effect. While introducing price indexation increases the labour supply of all cohorts by the same amount, the other reforms reallocate the life-cycle labour supply, mainly towards younger age-groups.

Reverse burden of proof in tort law
Ákos Szalai

Reverse burden of proof plays an increasingly important role in tort law. It affects the uncertainty of the injurer concerning the decision of the court, by increasing the chance of damages being awarded. However, this change in the parties’ chances of winning alters their optimal behaviour in the lawsuit as well, along with the quantity and quality of their evidence, and their litigation costs. Taking the new equilibrium of the litigation game into account, the incentive effect of the reverse or direct burden of proof on the precaution of the potential injurer will not be easy to predict. This paper indicates that the precaution incentive depends basically on the patience of the judge in terms of evidence (how additional evidence provided by a party improves that party’s chances of winning) and of the relative costs of evidence for the parties.
DEFICIT ANCHORED TO REDISTRIBUTION  
István Csillag

The author argues that voters’ behaviour is responsible for reproducing the deficit in the state budget, as the interest of a relative majority of voters is limited to the scale of redistribution, their income being directly dependent on decisions of politicians in government. The study takes a political-economy approach to demonstrate that the voters – as principals – anchor the room for manoeuvre by the government – as their agent – over the rate of redistribution, and on the other hand the rate of centralization of incomes. As the rate of redistribution is far bigger than rate of centralization, the difference is unsustainable, but the agent – the government – is tied to these mandates. It must manoeuvre within this framework, which results in long-lasting deficit, irrespective of its intentions or goals.

GROUP-BASED EMOTIONS IN THE ECONOMY  
Péter Kardos

The paper reviews the psychological theory of group-based emotions and the research into it, in terms of its relevance to economic theory, and proposes specifically the ways in which it can inform management practices and business ethics. Group-based emotions are emotions experienced by virtue of group membership, such as collective guilt felt for fellow group members’ transgressions. Group-based emotions influence decision-making, and our knowledge of them qualifies the rationalism and individualism of mainstream economics. Yet research that incorporates group-based emotion theory into economics and management studies is scarce. The author argues that integrating group-based emotion theory and research into management studies informs a broad range of topics, from organizational values and organizational image to decision-making. The paper discusses how this integration contributes to a general understanding of responsibility at individual and corporate level.