Returns for over-education and under-education for 25 European countries

Péter Galasi

Using the Duncan–Hoffman model, the paper estimates returns for educational mismatch using comparable micro data for 25 European countries. The aim is to gauge the extent to which the main empirical regularities shown in other papers on the subject are confirmed by this database. Based on tests proposed by Hartog and Oosterbeek, the author also considers whether the observed empirical patterns accord with the Mincerian basic human-capital model and Thurow’s job-competition model. Heckman’s sample-selection estimator shows the returns to be fairly consistent with those found in the literature; the job-competition model and the Mincerian human-capital model can be rejected for most countries.

Fiscal competition on the market for diesel fuel in the European Union

László Paizs

The paper assesses spatial competition in diesel taxation among European governments. By adding an extension to the standard model, it is shown that asymmetric competition – small countries undercutting large – implies that small countries respond less strongly to tax changes by their neighbours than large countries do. An estimate is then made of the fiscal reaction functions for national governments, employing a first-difference regression model with a weighting scheme constructed from road-traffic density data at national borders. Data from 16 countries (EU-15 minus Greece plus Norway and Switzerland) between 1978 and 2005 provides evidence that European governments set their diesel tax interdependently, and moreover, that small European countries tend to react less strongly to changes in their competitors’ tax rate than large countries do.

On pension reform

György Németh

The author argues that although Hungary’s pension is inherited, that is no barrier to envisaging the undoubtedly needful reform as a transition to an ideal goal of a “best-present-knowledge” goal model for a pension system, i.e. constructing the goal model and devising the route to it must be seen together. The study charts the development of state or “levy/distribute” pension systems and describes the single great welfare programme of 20th-century history, which attained its political and social-policy aims. The period of reforms came in the 1980s, which the author calls the end of temporariness and the creation of permanence. Finding the solution was made harder because economics failed to describe
the situation and reform thinking was dominated by the dichotomy of capital funded and levy/distribute. This was a blind alley; it became clear only later that the real distinction was between contributions and annuities. That led to the mistaken reform of the Hungarian pension system in 1997, which unwittingly became an obstacle to joining the Euro zone. Finally, the author proposes a new method of budgetary recording of the pension system and the creation of a new pension reform.

**State and market in Hungary. Spontaneous order or bureaucratic disorder**

*László Muraközy*

A faulty sphere of systems developed in Hungary under socialism and after the change of system, not irrespectively of each other. The socialism imposed by the Hungarian state was too “market”, too “capitalist”, but Hungarian capitalism has proved too “state”, too “socialist” in the criteria of the ruling system. Instead of spontaneous order, as outlined by Hayek, the essence of Hungary’s new system has become “bureaucratic disorder”. As institutions developed and influenced each other, the leading “mutant” mix was a self-generating process that prevents the advantages of the new system from developing. The situation is similar in the relation between rapidly developed formal institutions and social awareness, which is rapidly become paternalistic. The informal institutions often impede operation of the formal ones.