Prices and volumes in the post-socialist health sector

Péter Mihályi

The study uses recent World Bank and OECD data to examine why relative price and wage levels in the health sectors of post-socialist countries are so low compared with the mean price level of GDP. Initially the answer seems to be that the relatively low price level is a positive legacy of the socialist planned economy – though hard to change – that has given the population access to relatively more health-care provision than their countries’ level of development (GDP per capita) would warrant in a free market economy. On the other hand the study shows how the relative prices of consumption goods harmful to health (alcoholic beverages, tobacco products and narcotics) are also very low. The result, in Hungary for example, is that a sum equivalent of 4.3 per cent of GDP is spent on such goods, a proportion almost three times as high as in the United States (1.5 per cent) and exceeded only in two Baltic countries: Latvia (4.4 per cent) and Estonia (4.5 per cent). The per capita annual amount of GDP spent on these products in Hungary is USD 639, or one-third of the “useful” USD 1950 expended on health care, a proportion that compares with one-fifth in Austria and one-seventh in the United States. This presumably is one of the important, hitherto undiscussed reasons for the poor, in some cases declining national health indicators shown by the post-socialist countries.

Bubbles and myths, crises and explanations: tulip mania and the South Sea bubble. I

Aladár Madarász

The accounts of early bubbles and crises are becoming fashionable again in economic discourse during the recent downturn. The article, having looked at the revival of macroeconomic debate provoked by the failure of current theory, sums up various interpretations of the Dutch tulip mania of 1634–7. These range from an outburst of popular madness, through an early example of an efficient financial market, to an instance of culture shock. Some well-known anecdotes about tulip mania are traced back to their original sources, and the article explores the various patterns and intentions in the use economists and historians have made of them.

Sales and retail price patterns on the market for milk products

Imre Fertő and Lajos Zoltán Bakucs

The article examines retail price variation in Hungary across a range of milk products. The results show the majority of products have regular prices and most of the deviations from them are in an upward direction. Significant differences of price distribution are found between products. Bargain sales are infrequent for most products and their role in annual
price variation limited. The results do not confirm that durable goods should display a qualitatively different pricing pattern than less durable goods. Although existing models of retail sales yield predictions consistent with some aspects of the retail pricing distributions, all of these models fail to explain other important aspects of retail pricing that are identified here.

**Is there any way out? How a premature welfare state feeds on the factors conducive to economic growth**

*István Csillag*

The article identifies as the cause of the slowing of economic growth in Hungary on the “premature welfare state” and its propensity to diminish the factors conducive to economic growth (labour supply, investment, savings, and increase in productivity). It shows how the conditions for economic growth are undermined by an extensive welfare system substituting for labour-market incomes, state care that stands in for personal savings, and high taxes (progressive income tax parallel with social security contributions). Also following from this overgrown welfare state is the fluctuation of domestic economic policy.

**The economics of IT clouds – competition among business models in information technology**

*György Bögel*

The info-communication sector has not been unaffected by the economic crisis either. Many people seek the innovation capacity to start growth in the computer cloud, presenting an innovation complex formed from a complex of technical and institutional elements that pushes the sector in the direction of internet services. The development of internet services so far has come in several waves. One important attribute of the present stage is the appearance on the market of vast “IT power plants” that operate like public utilities. The competitiveness of the new service-based business model is affected by numerous technical and economic factors. The services of the IT clouds also feature large in the development plans of the EU. The service model and the new technological platform that supports it may bring several radical changes in the economy and society, for example in corporate management, among small and medium-sized companies, and in public administration, health care and education.

**The importance of inter-temporal discounting processes to consumer decision-making**

*László Lippai*

The study reports on an empirical comparison of four inter-temporal discounting theories. The examination measured in hypothetical decision-making situations the discounting rates of the respondents and compared them with the predictions of exponential and three kinds of hyperbolic discounting models. The data showed the 1992 Loewenstein–Prelec hyperbolic discounting model as predicting most accurately the aggregate mean of the discounting rates, while the exponential model proved to be weakest at this. However, Mazur’s 1987 hyperbolic model came out best at predicting the individual responses. The
findings point to the predictive (and possibly explanatory) power of the hyperbolic models, but not to a convincing extent. The estimate of the exponential model was also within the acceptable margin of error.

**Atypical local-government indebtedness in Hungary**

*András Vigvári*

The paper sets out to examine the local-government system in Hungary, starting from an atypical pattern of indebtedness among LGOs in recent years. One symptom of the atypical indebtedness is atypical local government. It argues that this as another factor behind the break-up of the Hungarian local-government model and also a cause for further changes. Having presented the main features of this Hungarian local-government model, the author draws attention to the financial structure, before analysing the effect of the indebtedness on the sustainability of the budget. The paper looks at the possibility of handling the problem in the short term, within the frames of the existing model, but points out that the indebtedness is a further obstacle to paradigmatic reform. Finally it advances two possible scenarios for a systemic solution to modernization.