Why are Hungarians dissatisfied? A micro-level comparative analysis based on Hungarian and Austrian data on subjective well-being

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Compared with the country's GDP, Hungarians are strikingly dissatisfied with their lives, whereas Austria, with many cultural and historical similarities to Hungary, is in the forefront of the satisfaction lists. By estimating the effect of the factors that influence subjective well-being on Hungarian and Austrian household-level data, the authors found that bad health status was the most important factor depressing Hungarian satisfaction. Vocational training in Hungary does not enhance satisfaction at all, while higher education has a very strong effect. In Austria, on the other hand, even vocational training enhances satisfaction. Also much stronger in Austria is the satisfaction-enhancing effect of personal social ties (with partners, relatives or friends). Unemployment decreases satisfaction, even filtering out the income effect, and this decrease in Hungary, in contrast to Austria, spreads to family members, due mainly to insecurity over housing, which is offset in Austria by its bigger non-private residential tenancy sector. The higher-than-average satisfaction level among Hungarian entrepreneurs most probably results from concealed income.

Child support, pensions and endogenous (and heterogeneous) fertility. A model

András Simonovits

Starting out from the study by Van Groezen, Leers and Meijdam (2003), the author analyses the following problem in the simplest possible model: the government operates family-support and pension systems to raise fertility and replace insufficient old-age saving of myopic workers respectively. Hungary imposes credit constraint on workers, and this paper extends the study's analysis to heterogeneous rearing costs and to enjoyment of having children. Two major results emerge. (i) Enlarging the transfer system involves jumping the gap created by the initial drop in welfare needs. (ii) Although the introduction of fertility-dependent pensions raises average fertility, it diminishes social welfare and may strengthen heterogeneity in fertility.

The effect of incipient tapering on asset prices in emerging markets

Zsolt Szabó

Tightening of the American asset-purchase program, which started at the beginning of 2014, resulted in a huge degree of global portfolio reallocation and in falling prices of securities in emerging economies. This study analyses these countries for the effect of the tapering in the first two months, on the stock, foreign-exchange and bond markets. Methods of linear regression and cluster analysis were used, with special attention paid to national-level factors that provide some defence against the monetary tightening of the Fed or cause disadvantages regarding it. It is found that economies achieving better competitiveness scores, and having more prosperous economic growth outlooks, positive balances on the current account, and higher degrees of financial liberalization, were better protected against the falls in asset prices, which accelerated in the second part of January 2014. Size of capital markets, level of foreign-currency reserves and level of public debt were found to be irrelevant, while political stability and strict fiscal policy accelerated the devaluation of assets.

Transformation of the European electricity market due to expansion of renewable energies

Klára Székffy

The proportion of electricity generated by renewable sources has risen sharply in recent years, as comprehensive regulatory frameworks provided by the EU and member-states favour the emergence of renewables. So amid fundamentally reshaped market conditions, many thermal power plants have become unprofitable and their capacity is being mothballed. Wholesale electricity market prices have dropped dramatically and their investment orientation function is slackening. However, traditional power stations are still needed as the output from renewable sources is volatile. Movements in electricity production and consumption have been diverging. Marked development of electricity distribution is needed to connect new renewable capacities to the grid. Direct subsidies to expand renewable power capacities, and other costs relating to these sources, have raised electricity costs to households and lowered the international competitiveness of electricity-intensive industries. The trading results of traditional electricity producers have worsened sharply, while government intervention in electricity markets has intensified.