

WHY IS THIS CRISIS DIFFERENT? THE ROLE OF DELEVERAGING
IN THE GREAT RECESSION

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The article describes the phenomenon of deleveraging and discusses its implications for economic policy through a survey of the international literature. Deleveraging has received widespread attention in recent years as an explanation of why the present crisis is deeper than other recent cyclical downturns. The authors first present the stylised fact that recessions following financial crises are deeper and more prolonged than others. They then describe the process of deleveraging by households, financial and other corporations, and government. Finally they discuss how this process constrains the instruments available for managing economic crises. An important conclusion to be drawn from the crisis is that the same global economic processes have presented very different challenges to policy-makers in advanced and in emerging market economies.

THE SHORT-TERM LABOUR-MARKET EFFECTS OF VOCATIONAL
APPRENTICESHIP TRAINING

Dániel Horn

Although apprenticeship training has been praised for its effectiveness in smoothing the school-to-work transition of students in Western European dual education systems who are not bound for college, there is little evidence of this in Central Eastern Europe. Using a unique individual-level panel database, including an extensive set of controls, the study shows that Hungarian vocational apprenticeship students from the non-college bound vocational training track have the same probability of finding a first job a year after graduation as similar non-apprentices from the same track, occupation and county. While there are significant but not large differences between apprentices and non-apprentices in employment chances right after graduation, the effect derives only from a specific group of apprentices. Students who have organised their training individually at large firms seem to benefit much from apprenticeship training, but this effect is likely to be due to the selection mechanism applied by firms, not to higher-quality training.

“COOPETITION”: SOME THEORETICAL AND EMPIRICAL RESULTS
OF A COMPETITIVE SITUATION WITH COOPERATIVE FEATURES

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The idea of parallel competition and cooperation among firms has attracted remarkable recent interest in management. Yet there are very few theoretical models for studying it. The paper proposes a framework in which in stage 1, firms decide how much to contribute to a common fund intended to enlarge the market, so that the situation resembles a continuous public-good game. In stage 2 firms compete in Cournot fashion. The authors investigate in this sequential two-stage game the properties of the equilibrium under various conditions. It is found that equilibrium contribution levels are generally positive, sometimes even maximal. Also studied is how optimal contribution levels relate to the contribution levels that maximize the total profit of firms and social welfare. In a special case it is assumed that contributions to the common fund reduce the funds available to decrease production costs, enhancing still further the tension between cooperation and competition. The findings in this case are tested in a laboratory experiment. The predictions about the contribution level are supported by the data.

THE THEORY AND MEASUREMENT OF INNOVATION AND ITS MUTUAL
EFFECT ON POLICY

Attila Havas

Given the economic, societal and environmental relevance of innovation, this article juxtaposes various models of innovation with the policy rationales derived from mainstream economics and the evolutionary economics of innovation. By discussing the indicators selected for the Innovation Union Scoreboard and another major EU report, it argues that the science-push model of innovation is still influential in EU STI policy circles, despite a rich set of research insights stressing the importance of non-R & D types of knowledge in innovation processes. It highlights the potential drawbacks of the persistent high-tech myth, considers possible reasons for its persistence, and discusses policy implications of the systemic view of innovation. The latter include: i) STI policies should promote knowledge-intensive activities in all sectors, including low and medium-technology industries and services; ii) it makes a demanding set of tasks to identify systemic failures, devise appropriate policies to tackle them, and organise vital dialogues with stakeholders; iii) several policies affect innovation processes and performance, perhaps even more strongly than STI policies, so that policy goals and tools need to be attuned across several policy domains; iv) analysts and policy-makers need to be careful when interpreting their country's ranking on “scoreboards”; v) the choice of an economics paradigm to guide policy evaluation is likely to be decisive.