

Flexible retirement and optimal linear contribution and benefit functions

András Simonovits

This paper applies the method of mechanism design to finding an optimal linear pension-benefit rule for flexible (variable) retirement: First, the government announces a benefit function, which establishes the instantaneous benefit dependent on employment length. Individuals with different life spans and utility functions optimize their lengths of employment conditional on that benefit function. The government, knowing only the statistical distribution of the individual characteristics, but not the individual values, chooses an optimal linear benefit function, which maximizes the social welfare (e.g. the aggregated individual maxima) under a social constraint (e.g. the aggregated lifetime contribution equals the aggregated lifetime benefit). The optimal contribution rate can also be determined.

Some remarks on debt dynamics

Tamás Mellár

The study sets out to expand the basic Domar equation on debt accumulation. Here the factors appearing in the equation as constants – the budget deficit, the rate of economic growth and the rate of interest – have been rendered dynamic gradually, in several stages, so that they become endogenous variables in the derived models. The three derived models allow examination of the mutual dynamic relations between the stock of debt and these variables (not just the relations in one direction), as well as presentation of the two kinds of debt-stabilization strategy. The models prove suitable for interpreting the Hungarian debt figures and drawing fundamental conclusions and assessment statements from them.

Contributions to clarifying the content of economic depreciation. An alternative approach

Iván Bélyácz

The article examines the theoretical roots of economic depreciation. Based on the work of Tom Lee on income and value measurement, the author sheds light on the well-known income concepts of Hicks with the aid of numerical examples. Lee's work presenting economic models of income deals with the question of depreciation almost in passing, but his models are entirely suitable for describing the development of economic depreciation over time. Confronting Lee's model with the Hicks concept may bring us closer to confirming a mutual definition of economic income and depreciation. The line of argument in the article is an integral continuation of the author's earlier ideas on distinguishing the cost and value nature of depreciation and on the conservation of capital.

Changes in the structure of agricultural production in the developed countries, Part II. The problem of unit size and returns to scale in agriculture*Imre Fertő*

The second part of this study examines the problem of unit size and returns to scale. The empirical results available do not support unequivocally the existence of economies of scale in agriculture. The problems relating to the measurement of returns suggest that the existing evidence probably overestimates the economies of scale. The study concludes that increasing returns to scale cannot in themselves explain the unit-size increase in agriculture, since this is influenced by several other factors as well.

The running of property. Utilizing the knowledge and contacts built up by big Hungarian companies*Mihály Laki*

Propertied entrepreneurs who obtained their wealth through privatization first had to stabilize their large or medium-sized companies, which were in crisis and had ceased to grow, and then set about transforming the production structure and reinitiating growth. On the other hand, the propertied entrepreneurs who began by establishing mainly small firms after 1989 had to create the market and financial conditions for extremely rapid growth. In the second stage, after the successful stabilization or rapid growth, the differences in the operating conditions for the two groups of entrepreneurs and their companies steadily decreased. The responses they make to the challenges of the environment are explained decreasingly by their beginnings and increasingly by differences in market conditions and corporate strategies.

The informatics sector and the advancing economies*Andrea Szalavetz*

The author examines the channels by which the informatics sector can promote the modernization of economies outside the centre of the world economy. Informatics manufacturing exerts a considerable catching-up effect through its features as a 'global' industry. However, the advancing countries have insufficient capital to use the achievements of the information revolution to modernize the industries of the 'old economy' as well. The catching-up effects of informatics services appear in the characteristically rising yields from such activity. In principle, the branch allows countries with a sizeable human capital but without the ability to accumulate appreciable financial capital to capture important positions in the production of new value. However, a tough constraint is imposed on the catching-up effect by the strong dependence of the activity on demand from the domestic market, where a rising yield is less easily obtained. Furthermore, in the case of boxed software – the segment of informatics services that is growing fastest and entering into international trade – the principle of rising yield applies only at the time of fabrication of the product. At the time of sale, there appears the capital constraint so well known on the peripheries of the world economy.