

ABSTRACTS OF THE ARTICLES

Is the health spending of post-communist countries internationally unusual?

János Kornai and John McHale

What factors determine a country's spending on health? And what factors determine the share of spending financed by the public sector? Taking these factors into account, is post-communist health spending unusual? For the OECD economies, we find that per capita health spending is strongly related to per capita income, with an elasticity of about 1.5. The elasticity for developing economies is close to one. Spending is also positively related to the elderly dependency rate, but the relationship is weaker than a static comparison of spending by the elderly and non-elderly would suggest. Even though health spending as a share of GDP in the post-communist countries of Eastern and Central Europe is below the OECD average, there is evidence of above-normal health spending in most countries when we control for income and demographics. For the OECD sample, four development indicators account for half the variation in the public-sector share of total health spending. Political variables help to explain the remainder. If the post-communist countries converge to the market-economy pattern, the share of public financing will fall, yet still remain well above half.

Foreign ownership in the Hungarian banking system

Éva Várhegyi

The foreign-owned credit institutions, most of them controlled by foreign banks, play a decisive part in the Hungarian banking system. Some foreign banks obtained their properties by greenfield investment and some through privatization. By comparing the various groups of banks, the author sets out to examine how the investing, marketing and managing strategies of the foreign owners and the timing and method of market entry have affected the performance of their interests in Hungary. Among the reasons for success that she emphasizes are early market entry, broad market activity, absence of inherited problems, and employment of Hungarian management. The second half of the paper sets out to gauge the effects of the entry made by the foreign banks. The author identifies three decisive benefits: loosening of the monopolistic character of the banking market and strengthening competition, improvement of the quality of the banking sector, and enhancement of the country's ability to attract capital.

The informational value of job-search data and the dynamics of search behaviour*John Micklewright and Gyula Nagy*

Labour-market analysis places much emphasis on the concept of search. But there is insufficient empirical information on (a) the relationship between reported search and job finding, and (b) how search behaviour changes over a spell without work. The authors investigate these issues using a sample constructed from Hungarian labour-force survey panel data of the flow from jobs to the state of 'joblessness'. The results on job exits call into question aspects of the standard international classification of 'unemployment' and 'out of the labour force'. Transitions during joblessness in and out of search and the various categories of non-search are found to be only modest.

The effects of earning expectations on the decisions of school leavers about further study*Júlia Varga*

What do school leavers know about income differences when they are deciding whether to study further? What earning expectations do they have for secondary and higher educational qualifications and what other labour-market advantages do they expect from a higher education? How far do these expectations influence their decisions about whether to study further? The findings from examining these questions show that school leavers have astonishingly accurate knowledge of the income differentials according to educational attainment and of earnings in the various graduate occupations. In all fields of study, applicants expect for themselves higher than average earnings, somewhere in the top quarter of the current earnings range. The lifetime earnings surplus calculable from the income expectations of a school leaver has an effect on the likelihood of embarking on higher education and on the level of higher education chosen. In other words, secondary-school leavers behave, at least in part, as profit-maximizers in their choice of careers.

The convergence experiences of less-developed EU member-countries*Ágnes Horváth and Zoltán Szalai*

The experiences of the less-developed EU member-countries (Greece, Ireland, Portugal and Spain) make a natural starting point for examining Hungary's future participation in the euro zone. The authors warn that Hungary will not necessarily encounter the same economic-policy dilemmas that these four countries had to address after EU accession and during the convergence process of the 1990s. Hungary has a different economic environment and a much narrower sphere of economic-policy opportunities. Nonetheless, the convergence experiences hold useful lessons for Hungary. It is especially worth analysing what may lie behind the process of catching up that is taking place in the four countries with different degrees of success.

The effect of capital strength and founder background on the investment behaviour of risk-capital organizations, Part I*Arnold Ludányi*

This two-part study compares various groups of investing organization in the venture-capital sector. The author examines empirically the presumed effects of founder background and capital strength on the development of the behaviour characteristics of Hungarian risk-capital organizations. The first part presents the system of criteria for choosing the behavioural characteristics, the methodological background, the basic features of the Hungarian venture-capital sector, and the units covered by the examination.

Reform and growth in China*Simon György Jr.*

China's policy of reform and opening up in past decades has turned it into one of the most rapidly developing countries in the world, with one of the largest economic potentials. Its enormous internal market offers attractive investment opportunities for foreign capital. The author investigates the main characteristics and results of the reform process, comparing China's with the economies of India, Japan and the United States. He also appraises the role of reform in China's accomplishment numerically, using international specialist literature and the results of his own investigations into China's manufacturing industry.