

Population, employment, pensions

Mária Augusztinovics

There seems to be a general anxiety concerning the future of pension systems, the benefits of future pensioners – sometimes even the concept of ‘collapse’ is invoked. Often the demographic ‘time-bomb’, the ageing of the population is cited as the cause and pension privatization as the unique solution. This paper argues that these are less important factors, while the real challenge is the low level of employment.

Primary-school segregation II. The process of primary-school segregation in Hungary and performance differences between schools

Gábor Kertesi and Gábor Kézdi

The paper looks at how segregation mechanisms in the primary-school system can aggravate social inequality. School segregation (teaching students with different social background in different schools or different classrooms) can emerge in many ways. It can be initiated by local authorities, but laissez-faire or universal-voucher system is also likely to lead to segregation if parents are free to choose schools and schools are free to choose students. There are documented cases of segregation in the first way in Hungary, but the second way is even more important, as the Hungarian primary-school system is close to a universal-voucher model. Based on economic theory and international evidence, the paper argues that in a segregated environment, children from disadvantaged families are bound to receive education of a lower quality than they would in a more integrated environment. Besides peer effects, lower-quality teaching in classrooms with more disadvantaged students is a necessary consequence if teachers are not compensated for the extra work – as they are not in Hungary. Hungarian data are scarce, but the available evidence suggests that primary schools have become more unequal since 1989, which has led to more unequal student outcomes. Correlation of family background and student outcomes is extremely strong in Hungary, by international comparison. Unequal primary schooling is probably an important factor in creating that correlation. Hungarian primary schools therefore play a significant role in increasing inherited inequality, which is clearly detrimental for efficiency and moral reasons. The theoretical arguments of Part I are followed here by a summary of experience in Hungary relevant to the trends in school segregation.

Business networks*Kálmán Kóhegyi*

The study tries, through a questionnaire survey, to estimate the scale of networking and network cooperation among businesses and describe what differences can be found in the characteristics, situation assessments and pictures of the future found in businesses networking to different extents. Behind the description lies a questionnaire survey using a representative sample of 2000 small and medium-sized firms, directed towards exploring the situation of small and medium-sized businesses.

The regional position and economic effects of foreign direct investment*Katalin Antalóczy and Magdolna Sass*

Among the main world economic features in recent decades has been marked acceleration in the flows of operating capital into regions, countries and regions within countries, coupled with uneven distribution of such capital. At the end of 2002, the developed countries held two-thirds of the investment of operating capital, while developing and transforming countries shared only one-third. Sixty-three per cent of all FDI in Asia went to China and Hong Kong, while Brazil and Mexico took 51 per cent of Latin America's, and the Czech Republic, Poland and Hungary 58 per cent of Central and Eastern Europe's. In Portugal, 80 per cent of the foreign investment occurs in Lisbon and environs, while almost 70 per cent in Spain goes to Madrid. It is generally possible to show a connection between regional indices of economic development and stock of investment of operating capital, and foreign investment has become an economic space-forming factor. The article uses the example of Hungary to examine connections between investment of operating capital and regional economic development. The authors present the spatial distribution of foreign investment, changes in this, and regional trends in economic growth, investment, sales, exports and employment. Statistical indices are used to examine the contribution of FDI to economic inequality and its space-forming role in Hungary.