

Who becomes a teacher today? An empirical analysis of choosing the teaching profession

Júlia Varga

Who becomes a teacher in Hungary today? Do those applying for teacher training or choosing the teaching profession differ from those continuing their studies in other subjects or choosing other careers? What role is played in choosing the teaching profession by the earnings attainable as a teacher or in other careers? The findings of research into these questions show the presence of negative self-selection at every point in the process of selecting teachers—applying for teacher training, finding employment after finishing higher education, and in the fifth and sixth years after qualifying. Those who apply for college-level teacher training have worse capabilities. The less talented of the graduates are more likely to take teaching jobs, and they are more likely to be found among those in their fifth or sixth year of a teaching career. Allowing for the effect of selection distortion, the study shows that the decisive factor in the choice of the teaching profession is the difference of attainable earnings between non-teaching and teaching jobs.

Designing optimal pension rules: new results

András Simonovits and János Tóth

This paper follows earlier ones by the same authors in applying mechanism design to finding an optimal non-linear pension-benefit rule for flexible retirement. It is assumed that individuals have private information about their expected life spans. The government's goal is to design a pension system (a payroll tax and a function that relates benefits to length of employment) that maximizes a social-welfare function and satisfies a social budget constraint (without satisfying the individual ones): redistribution. Since individuals with different life expectancies optimize their employment lengths conditionally on the benefit function, the government must also take into account incentive constraints. The authors' former studies reduced the inflexibility of the optimum and the excess in redistribution by rendering the social-welfare function concave. The new findings in this paper are: (1) some redistribution is inevitable in any reasonable pension system, and (2) second-best solutions may be local indeterminate, while (3) returning to utilitarianism, the minimization of redistribution is considered.

The solitude of heterodoxy. On the writings of Kamilla Lányi*János Mátyás Kovács*

The study outlines the career of Kamilla Lányi, who died recently. She was among the highly educated, original, unclassifiable Hungarian economists of the last half-century, who left a huge number of papers for posterity and influenced deeply the theoretical and economy-policy choices of younger colleagues, yet received no scholarly title, chair or award from the great figures in the profession or politics at any time. She moved as an instinctive, sovereign scholar in modern economics and in the border areas between traditional sociology and social history, and as a committed democrat, stretched the boundaries of liberal economic thinking. Lányi's work is presented here in a way that allows her career as an economist to reflect as much as possible from a period when a wild Stalinist and then a '56 rebel could be made out of a hardly grown-up apprentice sociographer, who never denied a long subsequent period as an advocate of market socialism and a welfare market economy, but departed this life amidst deep anxieties and reservations about capitalism at the end of the millennium.

Application of network theory at commercial banks*Gábor Benedek, Ágnes Lublós and Márk Szenes*

Network theory is widely used in many sciences and has a long tradition in the social sciences as well. The methods widely used in it might also be employed profitably by commercial banks. The article shows how the decision-making process may become biased if the network effects within a corporate client portfolio are disregarded. The authors demonstrate the potential usefulness of network theory in two distinct areas. The first set of applications relates to classical problems in banking business. Taking the network effects in the corporate client portfolio into account allows the fields of customer attrition, customer retention, customer acquisition, diffusion of various banking products, and optimal pricing policy to be addressed. The second set of applications relates to assessment of portfolio stability. If one big corporation fails or recession hits one industry, it may have a severe impact on interlinked companies and on the banking sector. Attention was paid in the article to showing how the application of network theory can create value in the banking industry.

An empirical investigation of the capital structure of Austrian and Hungarian listed companies*Péter Cziráki*

Many theoretical and empirical efforts have been made since Modigliani and Miller's infamous "irrelevance theorem" to explain how firms choose their capital structure. Empirical tests can be performed by different methods, but attention must be paid to problems of a primarily methodological nature, which may distort results. The aim of the study is to apply a simple model to demonstrating the differences and similarities between capital-structure decisions by Austrian and Hungarian public listed companies. The findings show that the capital structure of listed firms in both countries can be explained by what can be called the standard explanatory variables used widely in the literature. The models have an acceptable adjusted coefficient of determination, ranging

between 30 and 34 per cent. The leverage ratio of Hungarian firms is influenced most importantly by their profitability, whilst in the case of Austrian firms, it is the growth rate that has the strongest impact. Based on the results, I argue that the pecking-order theory seems to have a somewhat better explanatory power for the capital structures of big firms in the two countries than the static trade-off model does. However, it looks as if the financing behaviour in the two countries is different. Further investigations would be needed to clarify the underlying causes of this difference.

The evolution of pro-social values, in the light of game-theory experiments

György Marosán

The author summarizes the latest findings of research into the evolution of the pro-social values that enable the creation of society. Attention is focused on the results of the last decade based on various experiments in society (using the prisoner's dilemma, dictator, ultimatum and common-property games). Examinations of communities at different levels of economic development outline a course of evolution of pro-social values. The author explains in terms of ethno-centrism the contradictory results of assumptions about collectors thought to be equalizing. As group size increases, the level of trust and cooperation falls. The various welfare institutions of the state develop to compensate for this. Pro-social values in modern societies undergo dual change influenced by the market and international division of labour. On the one hand, trust and propensity to cooperate is extended to strangers, and on the other, social contacts are reinforced by the market (and money).