

INTRODUCTION

This is a quarterly newsletter presenting recently completed projects and updates of ongoing research activity as well as highlights of publications, workshops, seminars and conference presentations.

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PROJECT UPDATES



Shrinking rural areas in Europe. *Institute of Regional Studies* participates in a recently launched **transnational applied research project** seeking to investigate social and economic challenges of shrinking rural areas in Europe with regional and analytical focus. The research aims at interpreting definitions of the phenomenon of shrinkage that go beyond explanations simply based on population loss, and it creates typologies to represent various dimensions of demographic, social, economic and governance aspects of

vulnerabilities of shrinking rural areas. Case studies intend to provide insights on limitations and opportunities of local development. Emphasis will be laid on revealing innovative pathways followed by shrinking rural regions. Findings of the research will be formulated as policy recommendations. The project is coordinated by the **University of Eastern Finland** and the **James Hutton Institute** from the UK.

*ESCAPE – European Shrinking Rural Areas: Challenges, Actions and Perspectives for Territorial Governance (February 2019 – July 2020), financed by **ESPON 2020** Cooperation Programme (European Territorial Observation Network)*



Huawei-dilemma. In the past few months, Huawei has become a target of harsh criticism in many Western countries. From the United States and Canada all the way to *Australia* and *New Zealand*, policymakers fear that the Chinese telecommunications giant will abuse its dominant market position as the biggest provider of 5G network infrastructure, potentially spying on Western consumers and amassing large amounts of data on behalf of the Beijing government. Read further **John Szabó's column** on IWE blog.



Productivity and TFP growth in Hungary. Slow post-crisis total factor productivity (TFP) growth is a significant policy challenge for many European countries in general and for Hungary in particular. This report aims at providing a comprehensive analysis of the processes behind productivity growth slowdown in Hungary based on micro-data from administrative sources between 2001–2016. The **comprehensive analyses** of CERS HAS affiliates, Balázs

Muraközy, Márta Bisztray, Balázs Reizer is available on the website of the Publication Office of the EU. [Read further](#)

Firms, Strategy and Performance, financed by the Momentum Programme of the Hungarian Academy of Sciences



Promoting the local. Short food supply chains are the ones with maximum one intermediary between the producer and the consumer. It is regarded the economy of the future with an unexploited potential for decreasing rural depopulation. **SKIN project** is an ambitious initiative in the domain of Short Food Supply Chain, which aims to systematize the existing knowledge, fostering demand-driven innovation, building long-term collaboration among European farmers and cooperatives,

facilitate stakeholders engagement and promote innovation. Are you interested in already existing initiatives promoting local industry across Europe? The project invites you to navigate through more than 100 good practices across Europe on the **Map of Good Practices**.

SKIN—Short supply chain Knowledge and Innovation Network (2016–2019), H2020 project



The closer the better: does better access to outpatient care prevent hospitalization? The *Health and Population Research Group* of IE investigates the links between health, health care, demography and socio-economic conditions. In a recent publication Research fellow **Péter Elek** and co-author **Balázs Váradi** are exploiting the natural quasi-experiment that in 2010–2012, new outpatient service locations were established in poor Hungarian micro-regions. They estimate the extent of

substitution between outpatient and inpatient care *in their article* in *The European Journal of Health Economics*. [Read more](#)

Further preliminary results are published in two recent working papers. **Anikó Bíró** and **Péter Elek** analyse *the causal effect of job loss on disability insurance enrolment and the implications on health expenditures*. **Anikó Bíró** and **Dániel Prinz** provide *new evidence on healthcare spending inequalities in Hungary*.

Health and Population Research Group (2018–2023), Momentum Programme financed by Hungarian Academy of Sciences





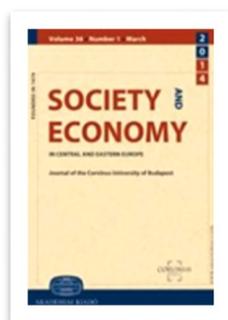
Housing policies in Hungary since 2000. In recent decades, Hungarian public policy interventions in the domain of housing have shown a strongly dualistic pattern, contributing to the reproduction of socio-spatial unevenness. The authors trace how capital investment in housing is channelled and mediated by public policies, and how these public policies are holding a dual characteristic along the lines of social classes. **Zsuzsanna Pósfai** and **Csaba Jelinek** (IRS) unfold the mechanism how state intervention has deepened inequalities in the housing market. The study is published in the final volume of the **RegPol² project**.
Read more

RegPol2 – Socio-economic and Political Responses to Regional Polarisation in Central and Eastern Europe. Marie Curie Action (2014–2018)



PUBLICATION HIGHLIGHTS

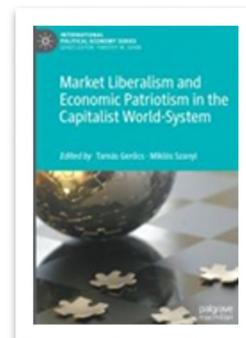
Éltető Andrea: **Export of SMEs after the crisis in three European peripheral regions – a literature review.** *Society and Economy*, Vol. 41. No. 1. 2019. p. 3–26.



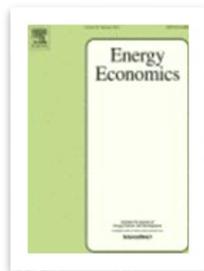
After the serious effects of the international crisis of 2008 export activity – as a main form of internationalisation – proved to be an important element of survival and growth for small and medium sized enterprises. Recovery was especially difficult for the so-called peripheral countries, among them the Iberian, Baltic and Visegrád economies, on which this article concentrates. The observed period is between 2008 and 2016. First, a brief theoretical overview is given on SME internationalisation. Second, a literature review focuses on the export enhancing factors based on existing enterprise surveys and studies prepared after the crisis. Third, statistical data are analysed to assess the significance of SMEs in employment, value added and exports. *Read more*

Gerőcs Tamás – Szanyi Miklós (eds.): **Market liberalism and economic patriotism in the capitalist world-system.** Cham: Springer International Publishing, 2019. 233 p.

The volume is a concerted effort to detect the direction of economic patriotism after the world economic crises in 2008. If the prediction that state-permeated economies will soon play a defining role proves to be correct, we can expect major changes in the multilateral institutional environment. Perhaps liberal world economic model will be replaced by a new state-orchestrated framework? Or will the current wave of organized economic development lose steam when its inherent problems—such as inequality and rent-seeking—begin to limit the potential advantages of state coordination? Will the European Union successfully reform its ailing structures and create a model capable of competing successfully with state-permeated economies? These are the questions posed by this volume, that we hope will inspire further research.
Read more



Csercsik Dávid – Hubert, Franz – Sziklai Balázs – Kóczy Á. László: **Modeling transfer profits as externalities in a cooperative game-theoretic model of natural gas networks**. *Energy Economics*, Vol. 80. 2019. p. 355–365.



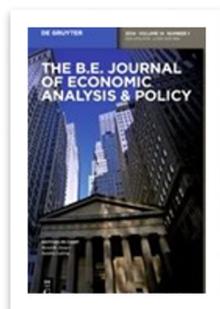
Existing cooperative game theoretic studies of bargaining power in gas pipeline systems are based on the so called characteristic function form (CFF). This approach is potentially misleading if some pipelines fall under regulated third party access (TPA). TPA, which is by now the norm in the EU, obliges the owner of a pipeline to transport gas for others, provided they pay a regulated transport fee. From a game theoretic perspective, this institutional setting creates so called "externalities," the description of which requires partition function form (PFF) games. In this paper we propose a method to compute payoffs, reflecting the power structure, for a pipeline system with regulated TPA. [Read more](#)

Eriksson, Rikard H. – Lengyel Balázs: **Co-worker networks and agglomeration externalities**. *Economic Geography*, Vol. 95. No. 1. 2019. p. 65–89.

The present article provides an initial systematic analysis of how social networks influence productivity in regional agglomerations. This is accomplished by means of matched employer–employee data for the entire Swedish economy for the period 1990–2008, allowing us to construct a weighted co-worker network with aggregated tie weights on the plant level. We find evidence that increasing density of the plant-level network has a positive effect on productivity, particularly in large regional industry-clusters with high degrees of specialization. Triadic closure of ties is, however, negatively linked to productivity, suggesting the importance of nonredundant knowledge. [Read more](#)



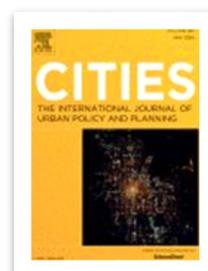
Hajdu Tamás – Kertesi Gábor – Kézdi Gábor: **Inter-ethnic friendship and hostility between Roma and non-Roma students in Hungary: the role of exposure and academic achievement**. *B E Journal Of Economic Analysis & Policy*, Vol. 19. No. 1. 2019. 17 p.



This study examines friendship and hostility relations between Roma students and the ethnically homogeneous non-Roma majority in Hungarian schools. Using data on friendship and hostility relations of 15-year-old students from 82 schools, the study focuses on the interaction between exposure to the other ethnic group and academic achievement of Roma students. High-achieving Roma students are shown to have significantly more friends and fewer adversaries than low-achieving ones, due to better inter-ethnic relations while having similar within-ethnic group relations. [Read more](#)

Kovács Zoltán – Farkas Zsolt Jenő – Egedy Tamás – Kondor Attila Csaba – Szabó Balázs – Lennert József– Baka Dorián – Kohán Balázs: **Urban sprawl and land conversion in post-socialist cities: The case of metropolitan Budapest**. *Cities: International Journal of Urban Policy and Planning*, Vol.92. September 2019. pp. 71–81.

Former state-socialist cities were described by the literature as compact and relatively dense urban forms. However, the political transition of 1989–90 has changed the spatial characteristics of these cities, partly due to urban sprawl. Yet, we do not know if such a phenomenon as "sprawl" did exist before 1989. The main aim of this paper is to assess urban expansion in the metropolitan region of Budapest during state-socialism and after the political changes, and measure the intensity of urban sprawl. [Read more](#)



UPCOMING CONFERENCE PRESENTATIONS

3–4 May 2019, **Arlington VA, USA, Society of Labor Economists 24th Annual Meeting**

Ágnes Szabó-Morvai: The effect of neonatal intensive care units on neonatal and infant mortality: evidence from 45 years of establishing and operating a National Network. We estimate the effects of the expansion of a Neonatal Intensive Care Units (NICU) system and a Newborn Emergency Transportation System (NETS) on infant mortality. We utilize a setup where such a system was built up gradually in Hungary and use administrative data with full national coverage. We identify the effect from longitudinal variation in access to NICU establishments and NETS. We handle selection by an instrumental variables strategy using the distance of residence to NICU/NETS cities. Our estimates for the 1990–2015 period imply that birth in a city with a NICU decreases 0–6-day mortality by 171 per 1000 live births for very low birthweight infants (<1500g) and by 29 per 1000 live births for low birth weight infants (<2500g). We find that giving birth in a city that is connected to NETS decreases infant mortality, too, but the magnitudes are weaker, reflecting the substantial risks of transportation.



Reizer Balázs: Skill-biased innovation activities. This paper investigates the consequences of innovation activities. We exploit a unique firm-level survey linked to employee data from Hungary that allows us to examine broadly defined innovation activities including the introduction of new products, process innovation and organizational innovation. We show that these innovation activities are skill-biased insofar as they lead to an increase both in the share of college educated workers and in their wage premium. The skill bias is not solely driven by high-novelty, R&D-based innovation, but also, to a comparable extent, by the low-novelty kind. Among low-novelty innovation types, product and process innovation are the most skill-biased, while organizational innovation is less so. These results highlight that low-novelty innovations contribute substantially to wage inequality.

More international conferences presentations

May 17–19, *Ann Arbor, MI USA, 2019 Comparative Analysis of Enterprise Data (CAED) Conference*, Békés Gábor: **Do friends follow each other? FDI network effects in Central Europe**

May 22–24, *Bol, Croatia, 13th Challenges of Europe International Conference – "Growth, Competitiveness, Innovation and Well-being"* Kiss Károly Miklós: **Related and unrelated diversification in crisis and in prosperity**

May 29 – June 1, *Opatija, Croatia, Management International Conference: Managing Geostrategic Issues (MIC2019)*, Csonka Arnold – Fertő Imre: **The growth of Slovenian farm**, Fertő Imre – Fogarasi József: **The growth of Hungarian farm**

May 30 – June 1, *Rethymno, Greece, Annual International Conference on Macroeconomic Analysis and International Finance*, Kónya István: **Interest premium and external position: a state dependent approach**

June 20, *Leipzig, Germany, 6th Workshop on Cooperative Game Theory in Business Practice*, Kóczy László: **The geopolitical impact of Nord Stream 2**

June 20–22, *Bath, UK, European Society for Population Economics (ESPE) annual conference*, Bíró Anikó: **Job loss, disability insurance and health expenditures**

June 23–26, *Dublin, Ireland, European Conference on Operational Research (EURO2019)*, Kóczy László: **Apportionment methods in resource allocation**

July 2–4, *Turku, Finland, 15th European Meeting on Game Theory (SING15)*, Kóczy László: **The risk-based core for cooperative games with uncertainty**, Csóka Péter: **Bargaining over liabilities**



UPCOMING EVENTS

9-10 May Pécs, **New Challenges of Decentralisation** workshop of the International Geographical Union, the Commission on Geography of Governance HAS Centre for Economic and Regional Studies and the Institute for Regional Studies



Editor: Zsuzsa Balabán
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