

Centre for Economic and Regional Studies HAS

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I. Research achievements in the centre in 2017

CERS HAS carried out its research and management program in line with the mid-term strategic plan approved by its Scientific Counsel. Publication records and the research contracts established show that the centrecentrecentre possesses a satisfactory number of research staff having excellent qualities not only viewed from a national perspective but also by comparison to international standards. The Institute of Economics (IE) was able to launch a new Momentum Research Group in 2017 additional to its three existing ones. The same institute also obtained support from the program of the Hungarian Academy of Sciences ‘Supporting excellent research centrecentres’. In addition, individual researchers of IE and the Institute for Regional Studies (IRS) participated in another endowed research project of the scheme administered by the CentreCentreCentre for Social Sciences HAS.

These achievements derive largely from the meticulous work undertaken in the Databank (DB), the strategic unit of the centrecentrecentre. Due to its professional service-aimed management and existing collaboration with data owning authorities, Databank has evolved in recent years by all measures into an outstanding source of information datasets available for our researchers and partners. Throughout the past year, DB not only refreshed the existing datasets but also commenced building an attached panel with new information from public administration sources. In the new office location, two computer labs were established and equipped. The so called ‘Research room’ is operated in collaboration with the Hungarian Central Statistical Office (CSO). The new Social Sciences Lab is shared with other research institutes in the new office building. At the end of January 2018 a new agreement was signed with CSO which allows the further operation of the ‘Research room’ with approved access for researchers from the CentreCentreCentre for Social Sciences (HAS) with whom we share the new office building. The capacity of the room has already been enlarged in 2017 November by bringing a new second server into operation. This allowed us to increase the number of terminals by four. Datasets are available in Stata13 format.

In order to promote quantitative research, the centrecentrecentre organized free Stata workshops for its researchers and those members of the CentreCentreCentre for Social Sciences. The workshops were held in Budapest as well as in Pécs. Measures are being taken to install a second ‘Research room’ in Pécs at the premises of RSI.

The gradually growing size of data and the increasing interest therein calls for further improvements in the server capacity. In 2017, there were a total of 118 data inquiries (in comparison: in 2012 it was only 32) from which 42 percent came from inside CERS HAS. Among the other clients, all major Hungarian research institutions are to be found. In addition, datasets open for research were distributed to various associates of 10 leading European and American universities (such as Harvard, Princeton, Chicago, Oxford). There were a total number of 736 bookings registered in 2017 which is more than double the

bookings of 2014. Databank has provided remote access to 60 researchers so far (for example to international project partners).

According to his action plan, the general director lays particular emphasis on supporting emerging researchers in their international conference attendance. For this purpose, there is a proportionally sized budget assigned to each institute. It shows the appropriateness of this expedient that altogether 27 researchers received support last year out of these funds.

In 2017, two Academic Writing courses were organized jointly with the CentreCentreCentre for Social Sciences. The participants originating 50-50% from the two research centrecentres were able to obtain an all-encompassing and structured knowledge concerning English scientific publication practices. The lecturer, Robin Bellers teaches the subject at the Central European University. Due to its great success, this course is to be repeated in 2018.

For a few years now, the research centrecentrecentre has been engaged in inviting distinguished speakers to its “Economics with Policy” international seminar series and covers both the travel and accommodation costs. In 2017, the coordinator Károly Miklós Kiss, leader of the Economics of Network research group invited the following 11 speakers: Paloma Lopez-Garcia (European Central Bank), Bogdan J. Góralczyk (University of Warsaw), Jan Fałkowski (University of Warsaw), Corina Haita-Falah (University of Kassel), Frank Neffke (Harvard University), Jordi Brandts (Instituto de Analisis Economico (CSIC and Barcelona GSE), Fabio Bertoni (University of Torino), David Manlove (University of Glasgow), Ugo Fratesi (Politecnico di Milano), Matt V. Leduc (Aix-Marseille Université and GREQAM), Peter McAdam (European Central Bank). International trade, regional development, the rural economy, game theory, the labour market, the economics of education, and the economy of China were the main topics addressed.

CERS HAS joined the ‘Computational Social Science’ interdisciplinary workgroup led by the CentreCentreCentre for Social Sciences. Researchers gave presentations on the thematic conference organized during the Science Festival and published articles in the thematic volume of the journal Magyar Tudomány (Hungarian Science).

As for the Library, the relocation constituted the biggest challenge of the year, where the main concerns were to work out a suitable action plan, to implement accurately its milestones and to safeguard the properties throughout the overall process. After having carried out an extensive inventory, card catalogue scanning, retrospective cataloguing, eliminating double holdings and the physical moving of the stock, the library accomplished a considerable reduction in its holdings. Relying on user statistics and through consultations with researchers, taking into account online access possibilities and the altered library-using habits, outdated volumes and those outside of the collecting domain have been weeded out and discarded. A considerable amount of books have been donated to domestic and trans-border institutions and exchange partners. Throughout recent years, researchers’ reading habits have gravitated more and more towards online reading, so in light of this the library has furnished a fair quantity of journals and periodicals for digitalizing.

As a predominant policy, catering for needs always takes priority over collection development although this also is considered as an essential function of the Library. This was the main consideration when planning the relocation and designing the grounds of the new IT

support. It has been an exceptional challenge and can be considered today to be a project successfully accomplished. The custom-made research terminals and the surrounding information technology have already led to increased traffic in the new reading room. Hopefully, the new technology will provide us with further development possibilities so that the level of service can be further improved. Broadening the online access supply is a main priority; it was very gratifying to see that last year we were able to extend our subscriptions for the literature database provided by the EISZ national program. The librarians took part in habilitation procedures, call preparations, doctor of HAS procedures, and compiling the MTMT database with devoted professionalism.

The relocation had its repercussions on other departments as well. The year was clearly marked by the preparations and the post moving jobs which meant a considerable additional workload for the administration. As part of the preparations, the Finance and Accounting Department – according to the relevant laws – carried out a comprehensive document scrapping in 2017, given that there is limited space available in the new office. The new building requires major IT developments which are partly covered by our latest IT Development Plan, but for the implementation other parties need to be involved. According to the directives of the HAS, the department launched the KÖPENY module, however, implementation is still in progress but has not yet reached the desirable level. This arises partly from the ever-expanding workload falling to the department which might not be able to handle all of it with the current number of employees. The general problem is that the low level of remuneration does not attract new candidates with the desirable qualities (English speaking, competent in project management etc.) and the contracted labor is also tempted to be drawn away by the market.

In 2017, a new External Counselling Body was set up consisting of Hungarian as well as foreign academics. The first meeting was held in early summer, where the scientific leadership presented the performance of the past year and reported on the ongoing developments and future plans. The committee was once again satisfied with the performance and progress. The management appreciated the possibility to hear about and reflect on the strategic suggestions and views of the boards.

As for public relations, the research centre continued disseminating quarterly newsletters in English and in Hungarian. It has proved to be an effective tool to spread information about the centre, areas of research, projects, publications, and events. It also allows us to spotlight hot topics, and to promote our visibility.

According to the basic principles of HAS, the centre participated in policy making procedures, public debates and assessments of policy papers prepared by ministries or other public entities. Researchers made themselves available, sometimes at rather short notice, for reviewing such documents. CERS considers social responsibility and science communication a continuous task and appeared alongside several events at the Hungarian Science Festival and its researchers represented the Hungarian Academy of Sciences many times on professional bodies such as the National Economic and Social Council of Hungary.

II. Achievements of the inter-institutional research units of CERS HAS

We proceed by introducing the main achievements of the cross-institutional research groups.

- **Economics of networks Research Group**

The Economics of networks research group has analyzed three significant and under-studied issues:

- 1) What is the role of various networks of links in disseminating knowledge and how does the knowledge flow generated by social networks affect economic performance (of a company, industry or region)?
- 2) How does the technological proximity of industries influence the firms' product diversification decisions in times of crisis and in periods of prosperity?
- 3) What is the role of social and economic networks in managing information problems emerging in market transactions?

In the first project the researchers first of all mapped the networks of labor-flow between Hungarian firms. They found significant empirical evidence that labor-flow between firms is an important instrument of knowledge dissemination and has a significant effect on a firm's performance, particularly on productivity. The researchers demonstrated that the influence of labor-flow on a firm's productivity is affected by the technological similarities of industries, as well as by the experience of the international operation of firms.

In the second project researchers discovered the technological proximity network ("industry space") of Hungarian industrial sectors using linked data on corporate balance sheets and product statistics for the years 2003-2012, then they used the technological relatedness of industries to understand the firms' decisions and market processes. Results indicate an increasing average relatedness of the product portfolio after a firm was exposed to crisis, which indicates the strengthening role of technological proximity during crisis. They found significant empirical evidence that firms are less likely to drop a product from their portfolio or decrease its volume, if it is more related to their core product.

In the third project they studied the role of social and economic networks in managing information problems emerging in market transactions. Markets of such goods where the important features of goods, the quality and reliability are less predictable often operate through social and business networks or through networked interactions. Some empirical studies show that markets where information problems and/or uncertainty arise tend to be "networked" – in the sense that market participants fundamentally build upon their social and business ties. On these markets, the analyses of social and economic networks can help to understand such phenomena that the traditional models of market mechanisms cannot explain.

- **Borders and borderland Research Group**

The research group, securing the required financial resources, was established in 2013, in accordance with the objectives defined in the Director General's Action Plan. The procurement of external funding from the NKFIH Grant (NKFIH NN) in 2015 significantly contributed to its successful development. The group pursued its work in 2017 in line with its preliminary work plan. Fieldwork related to case studies in the borderland area and the elaboration, debate and preparation for publication of case studies under the sub-themes was successfully concluded. Research work under the sub-theme "*Everyday social practices in the*

borderland area” was extended, beyond the empirical analyses and evaluation of results, to their thinking of theoretical frameworks, for instance, various currents of critical geopolitics which attribute agency to borderland stakeholders.

Significant progress was achieved in pursuing the objectives of the publication and dissemination plan, thanks to the contribution of each of our team members. Papers were published in state-of-the-art English-language journals of the neighbouring countries (indexed by Scopus and WoS), or are awaiting publication or appraisal in leading thematic journals (e.g. Journal of Borderlands Studies). It is worth noting that the achievements primarily reflect the contribution of junior participating researchers. Senior researchers published chapters in the book series of prestigious publishing houses (e.g. Routledge Europa Economic Perspectives, Border Regions Series) contributing to the international visibility of the research group. Participation in domestic and international conferences was satisfactory, including attendance at the most significant annual congresses (Association of American Geographers, International Geographical Union Thematic Conference, European Regional Science Association, and the Regional Studies Association). The research group organised a thematic session during the annual meeting of the Hungarian Regional Scientific Association.

The research group was able to monitor the development of border related issues currently engaging Hungarian public opinion. The issue of state border control triggered by global and intercontinental migration emerged at multiple levels (UN, EU, individual states, the Pope, etc.) as a focal point of moral, economic and political debates. In several instances, the problems affecting external borders infiltrated the internal borders of the EU as well. Phenomena unknown to those born after the Cold War such as long waiting times at border crossings re-emerged along internal EU borders. Due to the transformation of the EU (Brexit), internal border related issues became subject to conflicting interests which history, albeit amidst different conditions, had already resolved. A state of virtual and political border psychosis has prevailed in Hungary since 2015. A whole system of legal regulations targeting illegal migration processes and their prevention were elaborated. The above phenomena indicate a growing need on behalf of participating researchers to permanently rethink borderland research.

- **FDI Research Group**

The 2017 activity of the FDI group was based on two main projects. First, the articles based on the presentations of the 2016 December conference entitled “International new ventures: the case of the Visegrad countries”, organised by the group, were submitted for the review process of the journal “Society and Economy”. (The members of the FDI group wrote three articles for the special issue.) The articles analyse the internationalisation process of the SMEs of the Visegrad countries, paying special attention to the “global” internationalisation of international new ventures, the internationalisation of certain SMEs related to their participation in global value chains and the vulnerability of SME foreign trade activities during the crisis years.

Second, members of the group (Magdolna Sass, Ágnes Szunomár) participated in a project organised in cooperation with the University of Hertfordshire. A related workshop was held in the Centre in November 2017. The project aims at analysing Asian FDI in a Hungarian-Polish comparison. In 2017, company interviews (with managers and workers of 3 Indian, 1-1 Chinese, Japanese, Korean; on average 5 interviews per company) were conducted. One article was already submitted to the Journal of Common Market Studies, further articles are

under preparation for the *Competition & Change* and *Human Resource Management Journal* (among others). According to the results so far, the operation of local Asian subsidiaries contain elements related to the business environment and culture of both the host and home countries. As a result, the operation of Asian subsidiaries differs from those coming from other, non-Asian home countries.

- **International Comparative Studies Research Group**

The highlight of the 2017 activity of the International Comparative Studies Research Group was the organization of the third "The Role of State in Varieties of Capitalism" conference. Nearly 60 participants - half of them from abroad - attended. The conference was devoted to the European Studies topic as a commemoration of the 50th year anniversary of the European integration process, the signing of the Rome Treaty. Furthermore, the research group commenced the compilation of an edited volume based on the best contributions to the first two SVOC conferences. The book will come out in 2018 at Palgrave-MacMillan.

The International Comparative Studies Research Group carried out research in 2017 mainly on the role of foreign direct investment and its impact in East-Central Europe. After the political transformation of the countries in the region FDI contributed to the fundamental restructuring and modernization of their production capacities, infrastructure networks and services. This economic renewal and growth pattern slowed down after the 2008 crisis. A kind of East-Central European middle income trap has evolved. The essence of this is that in the previous period substantial foreign investment activity and reinvested profits increased production extensively through the establishment of new capacities or the development and expansion of existing ones. Due to saturated markets and sluggish demand development during and after the crisis extensive development stopped. On top of this increases in capacities did not improve income generation potential. Due to the application of declining transfer prices expanded capacities of multinational companies' local affiliates produced similar levels of sales revenue and value added.

The research group made efforts to explore alternative sources to economic growth in addition to multinational companies. The research revealed the fact that spreading economic patriotism in the region and the preference of local firms over multinational companies cannot substantially increase internationally competitive local capacities. On the contrary, several observations were made on increasing political rent-seeking activity of local governments under the label of economic patriotism. "Legal corruption" in public procurement tenders for example could seriously undermine market competition in some businesses (construction, civil engineering). Long term deliberate curtailment of market competition does not belong to the tool kit suggested by classical economic patriotism. These should serve increasing social welfare and more equity according to the original concept. Temporary curtailment of competition serves the purpose of creating stronger, more competitive and potent market agents in order to increase the level of competition in future. The current practice of local governments does not often serve this process. This short sighted restrictive economic policy contributes to the slowing down of economic growth and development in the region.