

## Centre for Economic and Regional Studies, Hungarian Academy of Sciences

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### **I. The 2016 results of the Centre in research and in science management**

In accordance with the general director's basic concepts described in his application and in the related action plan, following the priorities of the strategic plans of the three institutes, the Centre focused on taking advantage of synergies, opportunities given by the cooperation of researchers from different disciplines, with diversity in their scientific perspectives.

All the three institutes benefit from the development of the DataBank. Due to the continuous improvement of its services and to new agreements with data owners, the DataBank offers excellent research opportunities to the scientific staff of the Centre and also to its external partners.

In 2016, the DataBank added new waves to its collection of repeated cross-section surveys (LFS, Household Budget Survey, Wage Survey, Enterprise Tax Records and Tstar), cleaned and harmonized them. The building of a sizeable linked administrative panel (4 million people over 108 months, with employer data) has been completed. The components of a large geographical data base and the program code, which pulls its parts together have been prepared. The DataBank concluded an agreement with the Central Statistical Office (CSO) about the operation of the CSO-Academy Research Room in January-June 2017 and its relocation to the new Academy building for social sciences and humanities in July. The new, remote-controlled data room will be opened for the Academy's Social Science Research Centre (MTA TK), too. Two high-capacity servers have been purchased and one was installed early 2017. A new server was installed in the DataBank's server park as well. The DataBank applied for and was granted the equipment of a laboratory for experiments in behavioural economics and related fields.

The upgrading of the server park is justified by the growing size of the data sets the staff works with and rising demand for the data. In 2016, 92 data requests were satisfied (compared to 32 in 2012). About half of the requests were made by researchers of CERSHAS while outside appeals came from Hungary's leading academic research centres, as universities in and outside the country including Harvard, Princeton, Chicago and Oxford, among others. 759 sessions were registered in the Data Room, twice as many as in 2014, when the room was opened. Remote access to big data sets were warranted for 25 researchers.

The Centre maintains the support of the participation of young CERS researchers in international conferences. For this purpose a separate fund has been in use since 2014. The initiative has been very popular since the beginning and brought about the expected good results. In 2016 the conference participation of 23 applicants was supported through this fund.

The Centre has also a practice of inviting renowned researchers to its "Economics with policy" international seminar series. In 2016, nine guest speakers visited CERSHAS from various fields of economics who presented their key research findings. The visitors included Michael Krause (University of Cologne); Oleg Buklemishev (Moscow State University); Valeriy Kuleshov, Viacheslav Seliverstov, Vadim Gilmundinov (Russian Academy of

Sciences); Laura Márquez-Ramos (University of Jaume I); Eric Bettinger (Stanford Graduate School of Business); Ehud Kalai (UC Berkeley), Alex Teytelboym (University of Oxford). Lectures covered various topics of international trade and capital flow, regional development, game theory, labour markets, economics of education and the main challenges of Russian economic development.

CERS started its quarterly seminar series (“Vándorszeminárium”) two years ago with venues in Budapest and in several locations of the Institute for Regional Studies in the countryside. The new organisational setup provides opportunity for researchers to study the same or closely related economic phenomena from different perspectives. The topics of the seminars and the speakers are selected by a group of researchers delegated from the three member institutes.

In April 2016 a seminar titled “Migration and its social and economic implications” was hosted by the institute in Pécs. Previously, several researchers of the Centre participated in a major project of the Hungarian Academy of Sciences related to the topical issue of migration. Utilizing their accumulated knowledge the seminar could go even further in exploring these issues. The presentations covered diverse issues of migration including conceptual questions, the global and European aspects of migration, and the phenomena of the in- and out-migration and its implications in Hungary.

The library of CERS (including libraries in the branch offices) registered 437 new acquisitions in 2016, representing a value of more than 20 million HUF. The library’s staff carries out not only tasks related to information-processing and documentation but they are also involved in research-supporting activities. They participate in the elaboration of project proposals, they produce scientometric tables, publication- and quotation lists etc. In 2016 several bibliographies were compiled, and they are available on the websites of the institutes. The library takes care of providing electronic information services by subscribing to the relevant data bases. The library’s staff supports researchers in fulfilling the requirements for Open Access publications and it promotes the culture of information-sharing.

In 2016 the library in Budapest carried out additional efforts in connection with the planned moving to the new headquarter of CERS. Inventory and disposal of a considerable part of the library stock meant a heavy extra burden for the staff but the challenge has been met successfully. Additional or duplicate items (books, journals etc.) were sorted out and donated to the libraries of the Lucian Blaga University in Cluj/Kolozsvár, Romania and to the library of the Hungarian Economists’ Association in Romania.

In 2016 the research centre hosted the annual meeting of the external advisory board which is made up of renowned academics from Hungary and abroad. This year the board concluded its three-year appointment period. The members presented their final evaluation of CERS activities to the Academy of Sciences. In September a new advisory board started its mandate.

The research centre continued to strengthen its external communication. This was the second year that quarterly Hungarian and English newsletters were distributed to a wide range of partners. The newsletter successfully complements the website based external communication of the centre and plays an important role in its dissemination activity.

The newsletters can be downloaded from here: <http://www.krtk.mta.hu/hirlevel/>, <http://www.krtk.mta.hu/newsletter/>.

The institutes of the Centre and the Centre itself elaborated a comprehensive self-assessment report including the previous six (in the case of the centre the previous four) years and prepared their mid-term (2016-2019) strategic plans.

Based on the experiences and updating needs which emerged since the merging of the three institutes, the statute of the Centre was modified. The modified statute entered into force in June 2016. Also, a new regulation on the professional qualification and reclassification was introduced.

In accordance with the established practice of the Hungarian Academy of Sciences the Centre participated actively in consultations related to government-level *policy making*. Researchers have been requested to elaborate professional evaluations on government's documents on a regular basis. Member of the Centre represent the Hungarian Academy of Sciences in professional organisations (e.g. Hungarian Economic and Social Committee), too.

## **II. Research results of teams with staff from the three institutes**

The next section presents the 2016 reports of the Centre's inter-institute research teams which have been supported by the Hungarian Academy of Sciences and constitute a part of the General Director's action plan.

### **Economics of Networks Research Team**

The most important research projects of this research unit covered significant and so far under-researched topics such as the role of various networks of ties in spreading knowledge and how the knowledge flow generated by social networks affects economic performance (of a company, industry or region). In the first stage of this project researchers mapped the networks of labour-flow between Hungarian firms. They found significant empirical evidence that labour-flow between firms is an important instrument of knowledge spread and it has significant effect on firm performance, particularly on productivity. Researchers demonstrated that the influence of labour-flow on firm productivity is affected by the technological similarities of industries, as well as the experience from international operations.

In the second stage of the project researchers studied how the knowledge transfer transmitted by labour-flow affects productivity dispersion within industry. Several studies revealed that inconsistently with the basic models of market theory, significant differences of firm productivity can subsist within industries even in the long run. The equalization process of productivity differences was explained principally by the dynamics of market entries and exits in preceding studies: under the pressure of effective competition the less productive firms are forced to exit from the market and by the same token, they examined those factors which restrain this process, therefore enable the perpetuance of productivity differences. Contrastingly, the CERHAS research group explored the opportunities and limits of an alternative equalization process. According to their assumption, the knowledge transfer between firms is also able to reduce their productivity difference and the most important bearer of this knowledge transfer is the labour mobility between firms. Researchers also examined how the features of labour mobility network within and among industries influence this equalization effect. They studied the impact of skill-relatedness relations of industries on firm-level productivity heterogeneity: how these relationships of industries can explain the productivity differences of firms and what is their role in dynamics of productivity dispersion.

In another research project carried out with Swedish partners the team studied the role of social networks in regional productivity growth. Researchers showed that co-worker networks can be important channels of local learning, thus they could offer a new explanation for differences in regional productivity growth. The project confirmed firstly a central statement of economic geography according to which the density of social networks has a positive effect on productivity growth of regions. Additionally, by means of co-workers networks, researchers also found new evidence that diverse knowledge externalities have more important role in metropolitan regions of large cities, whereas in regions of middle-sized cities, the knowledge externalities based on specialization have a dominant role.

The team had 9 publications in 2016, including 1 book chapter (international), 7 journal articles (4 international and 3 domestic), 1 working paper, and 1 additional paper is under review.

### **Borders and Border Areas Research Team**

The Research Group in Border and Borderlands Studies targeted the realisation of objectives of an NKFIH project launched in 2015 (Change and Continuity in Hungarian Spatial Imaginaries: Nationality, Territoriality, Development and the Politics of Borders) according to project workplan in 2016. The research group constantly monitored state border related phenomena triggered by the migrant and refugee crisis in the spotlight of Hungarian public opinion and concluded that apart from its direct cross-border effects (border fences), the issue had largely contributed to shaping the processes internal to the Visegrad Group Countries. The Visegrad Group Countries, formerly known as a Eurosceptic formation, have become transformative agents in the EU.

The targeted dissemination plan for the first year of the project was fulfilled, each member submitted its publications, conference participation was extensive, the group attended the most prominent scientific events (Association of American Geographers, AAG San Francisco, International Geographical Union, IGU Beijing). In February, a new young research fellow joined the group. Several manuscripts were submitted to highly qualified journals, raising the international visibility of the Research Group in the coming years. The manuscript version of a monograph on the history of Hungarian borders was also prepared. At the mid-term of the research, the preparation of plans to publish our results in a thematic issue of an IF-journal and co-authored foreign-language monographs and to ensure project financing in the post-2018 period have commenced. In addition to a number of individual grant applications, a H2020 geopolitical project proposal was elaborated at the end of the year.

### **FDI Research Team**

In 2016 in the course of numerous workshops organised by the FDI team several significant research findings were presented. As an example one can refer to the workshop organised with the European Trade Union Institute (Brussels) which dealt with the possible policy scenarios as a reaction to the post-crisis low-FDI environment and also with the implications for locally-owned (potential) supplier firms and for those competing with foreign-owned affiliates. Another interesting result was presented on the workshop on International New Ventures (INV). It turned out that in the case of Hungarian INVs in the biotech and ICT industries next to the personality of the CEO, his or her (personal) network plays a crucial role. The scalability of the latter, however, has been questioned.

### **International Comparative Studies Research Team**

The International Comparative Studies research group carried out two main activities in 2016. Firstly, work has been continued within the framework of previously launched NKFIH

research project titled "Varieties of Capitalism, varieties of direct economic involvements of the state". New studies have been completed and they were discussed on the regular forums of the Institute for World Economy. Secondly, the research group organized the 2nd SVOC (The Role of State in Varieties of Capitalism) international conference, where also several presentations were made by the members of the group. Research has resulted in several interesting insights. It has revealed the fact that the classic developmental state concepts can only be used today with substantial amendments if at all, considering the established multilateral institutional framework's requirements and limitations. Another research output was the presentation of market conform models of running state owned companies with relevant empirical evidence of several advanced market economies. Inquiries were made also into the practice of political rent-seeking through public enterprises. The spread of this practice as well as its social costs may be larger or smaller depending mainly on the efficiency of market- political- and social control institutions. In this respect Central- and East-European countries that possess relatively weak institutional background may face higher propensity of using the state-owned sector for (party)policy rent-seeking. In more established market economies state sector serves rather economic policy goals in the benefit of the society.