

Regional policy in Hungary before accession to European Union

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Regional disparities in Hungary sharpened remarkably in the 1990s following the change of political systems. An estimated 1,5 million jobs ceased to exist; production in the former industrial centres declined and transformation of the economic structure began. As a result of these factors, regional policy in the early 1990s was mainly concerned with crisis management. By the middle of the decade, prospects of accession to the European Union had caused planned regional policy to become more elaborate, and saw the establishment of its institutional background.

In this study major characteristics of current regional policy in Hungary are reviewed. These include the development of regional disparities, the role of Budapest in relation to policy, economic development in border regions, the nature of local authority systems and regionalisation. Primarily, this paper deals with tangible issues in the context of preparation for Hungarian EU accession.

Key words: regional policy, spatial development, European Union, regionalisation, cross-border co-operation

The effects of member states to the EU structural policies

Beáta FARKAS

This study draws attention to various research projects which examine the effect of individual EU member state's regional policies on overall EU structural policy. The effect of other EU policies on regional policy at national level has long been analysed; research has taken new directions in the past few years.

There are considerable differences between regional policies of member states, but expenditure allocated to regional policy decreased in the 1990s throughout the EU. Other policies of a regional nature, such as urban policy, rural development etc., promote the objectives of regional policy. Among horizontal policies, R&D tends to increase regional inequalities, while employment policy actually decreases them.

Compared to these issues, the role of interregional transfers derived from the central budget is far more important. As is well known, EU regional policy is accounted for on the basis of GDP per capita, although when taking state transfers into account, the relative position of the regions changes considerably. Research in Hungary also suggests effects of other policies have to be considered due to the efficiency of regional policy, as similarly observed in EU member states.

Key words: European Union, regional policy, Structural Funds

Competitive agricultural production and competitiveness of regions

László GAZDAG

Basic determinants of efficient agriculture include capital concentration, diversification, and optimal measures of individual farm size and cultivable land. The farm structure of Western Europe cannot viably compete with that of North America, therefore it is not recommended to adopt such a structure in Hungary. The former 'Hungarian model' would have been suitable for agricultural development and achievement of levels of production to remain competitive in world markets.

An intense concentration process of food markets is being seen in highly-developed countries, typically originating from the food processing and retail industries. The nature of the food industry increasingly determines agricultural production. The farm or 'kolhoz' issue is misleading in this context. It is important to have the optimal measurement and sufficient capital, whether production derives from farms or co-operatives. It is also necessary to rebuild vertical integration chains.

Key words: agriculture, rural development, food industry

Factors of regional competitiveness, particularly on the Southern Great Plain

Imre LENGYEL

This study presents a comparison of competitiveness of Hungarian regions with NUTS-2 level regions of the EU and examines major socio-economic indicators of individual counties in the Great Plain region. The paper is based upon published findings and reviews the conceptual background and specific criteria of regional competitiveness. A common standard definition of competitiveness is 'the ability of regions to generate relatively high income and employment levels, while being exposed to international competition'.

The competitiveness of areas of the Great Plain is rather poor, and in contrast with the rest of Hungary no significant economic growth has yet occurred. Neither has competitiveness begun to catch up with EU average levels. The employment rate and rate of labour productivity is very low, and local firms are usually unable to export. In an attempt to improve regional competitiveness, the paper outlines five basic factors, which might be usefully incorporated in regional development strategies.

Key words: regional competitiveness, factors of competitiveness, Southern Great Plain Region

Clusters and rivalry of regions

Norbert BUZÁS

Different forms of co-operative networks have only entered the scope of economic interest in the last decade. Enterprise groups willing to co-operate under certain, well-defined criteria brought forth a new level of network association, which can rely on its own unique characteristics to be able to compete alongside multinational giants. The need for such networks, especially industrial clusters, can be seen in regional plans for Hungary presented with announcement of the law for regional development. An overview of the origins of and basic possibilities provided by cluster-based economic activities is therefore worthwhile for those interested in undertaking ventures in such areas.

This paper describes the origin of co-operation between industrial branches, from typically post World War II 'Marshallian' industrial districts to economic clusters of the present day. It also provides an insight into reasons leading to the organisation of clusters and shows how clusters can be categorised. Finally, it discusses the respective economic gains of cluster formation.

Key words: industrial clusters, regional advantages, development of clusters

Main economic aspects of the 'diamond-model'

Szabolcs DEÁK

Michael Porter, one of the pioneers of competitiveness research, published the results of an empirical competitiveness investigation lasting over several years, in his 1990 study 'The competitive advantage of nations'. He systematised the factors of the sources of industrial competitive advantage in a so-called diamond model. This paper discusses the original diamond model with special reference to constituting economic terms used therein. Porter has revised his model several times since its first publication; the ideas, definitions and connections underwent several waves of modification before they arrived at their present form.

Factors determining the competitive advantages for various industries are systematised into four main determinants: factor conditions, demand conditions, related and supporting industries and context for firm strategy and rivalry. Government action and chance (unforeseeable circumstances) influence all these variables. The impact of them is not exerted in isolation but rather as a dynamic system. This paper therefore discusses not only the four determinants but also their relationship with each other. A separate chapter is dedicated to the discussion of the role governments play, and also to that of clusters produced by the interaction of the four main determinants.

Key words: diamond-model, competitive advantages, regional competitiveness

Competitive advantages by fundamental transformation

László CZAGÁNY – Zsolt FENYŐVÁRI

The model of fundamental transformation was fully developed by O. E. Williamson, one of the greatest exponents of institutional economics. As such it provides a theoretical framework enabling the effective accommodation of some of the major issues in regional economics, including the competitiveness of regions. The economics of transaction costs contributed an insight by many economists into clarification of the debate relating to existence of companies and markets as institutions, and how to account for co-ordinating mechanisms of such institutions. As opposed to neo-classical tradition, with this approach centralisation tendencies do not necessarily lead to a market threatening monopolisation; they can also have a favourable impact on the efficiency and health of markets.

Institutional economics also allows for the acquisition of a much more detailed picture of competitive advantage. This is well exemplified by the positive influence it exerted on the theory of comparative advantage. Attempts to solve the Leontieff paradox have yielded some alternative theories which construe the availability of co-ordination mechanisms as independent sources of comparative advantage. This reinforces the hypothesis that the criteria for effective regional co-ordination cannot be expressed solely in terms of production yield expenditure; transaction processes must therefore also be taken into account.

Key words: transaction cost, new institutional economics, competitive advantages

The role of externalities in the explanation and growth of regional economic performance

Ferenc MOZSÁR

The subject of this study is a complex phenomenon essential to the explanation of many social and economic tendencies: externalities. The primary aim of the paper is to clarify the actual content of this phenomenon (input-output processes) and thus unravel the mystery and misunderstanding surrounding it. In order to reach a highly generalised definition, the deficiencies and vagueness of often used terms such as the hypothetical 'third person', the lack of 'market transaction', 'unintentional' acts, etc, are pointed out. Besides the loss of social efficiency resulting from insufficient output levels, the potentially negative impact of external effects on the input structure are also discussed. The interpretation of demand as a special kind of input will then pave the way to dealing with all the different external effects that shape the spatial structure of towns and regions in a single unified input-output scheme. The topic of risk, a factor that is almost always external, is also briefly examined. Fur-

thermore, attention is drawn to the fact that external effects are always the consequence of deficiencies in operating conditions of markets. Thus the best way to minimise their impact is to positively fulfil such market conditions.

Key words: externalities, regional economics, input-output processes

The role of public sector improving the regional competitiveness

László DINYA

Among other factors, competitiveness of a region is a function of development of the public sphere, but to define its role more precisely it is necessary to make clear terminological questions and their various potential roles. This paper examines the most important terminological problems and suggests some definitions for basic terms concerning the public sphere. Then it establishes categories for potential roles of the state in development of regional competitiveness. It also investigates the relationship between population demands and the fulfilled role of the state based on a representative sample.

Key words: public utility service, public administration, regional competitiveness

Place-marketing as a tool of local government's competitiveness

Ábel GARAMHEGYI – Balázs RÉVÉSZ

In recent years, *place-marketing* has become a common phrase among Hungarian city development experts. Marketing strategies are being devised with a more or less scientific background. But successful implementation is rarely found in practice. This factor is therefore examined most carefully.

Reasons why place-marketing came into prominence in city development are reviewed in addition to introducing unique tools and characteristics in the framework of marketing activities. Possible difficulties with detailed analysis of the marketing-mix are also highlighted.

Three major problems relating to local government activities are emphasised in the second part of the paper. Firstly, the role played by local government in the marketing process is examined, then characteristics of governmental marketing organisations, and finally the willingness of individual local authorities to engage in competition and co-operation.

Key words: place marketing, local government, city development

The role of public utility services improving competitiveness of the Southern Great Plain Region

Erzsébet HETESI

Following deregulation of the telecommunications market, the energy market monopoly is soon to be dismantled. In order to prepare for expected competition, public utilities are testing new strategies to meet customer satisfaction. In the Southern Great Plain region of Hungary communal organisations jointly prepared a survey for their customers with a new service providers magazine entitled 'Everyday'. This study therefore concerns response of residents to this exercise. Questionnaire results suggest the target group responded positively to the magazine; hence this method of communication could be viewed as efficient.

This paper attempts to draw attention to the need for public utilities to improve their marketing activities in order to remain competitive. No matter how global the market is, regional companies should not forget they have to retain customers in their own region. By differentiating their services and improving product quality, they should provide a sense of growing regional competitiveness.

Key words: public utility service, communal organisations, energy market

Empirical research of organisational culture in South Hungary

Éva MÁLOVICS

A lot of authors have established that in terms of behaviour the heritage of Hungarian companies is 'an intensive culture of power'. The culture of power was characterised by lack of trust, autocratic management style and obedience forced out through authority, the reluctance to take the risk or the responsibility and trying to avoid conflicts.

In Hungary in the last ten years accelerated the globalisational processes in consequence of the social and economical transformation. The inflow of the foreign capital and the appearance of the multinational companies yielded new organisational forms and values. An important principle in the management of the multinational companies the uniform of the managing of the human resources. So became an interesting question the analyse of the values, the change the values as the members perceived and the identity with the values of the organisational culture.

By my hypothesis there are meaningful differences among the values in different type of the organisations. From the identity with the values may be concluded which practice of the developing of the new values the firm chose. We used in our researches the 'Globe' Questionare.

Key words: organisational culture, economic transformation, human resources

Relations between higher education and labour market

Zoltán MAJÓ

Higher education in Hungary underwent significant changes in the 1990s. These affected not only those involved in higher education but also society in general. This paper aims to provide an overview of methods and changes essential for the development of effective interaction between higher education and labour markets.

The significance attached to the role of human resources and expertise in value-producing processes has been increasing for decades. A growing number of young people consider a degree in science or arts an important success condition for their professional career. Furthermore, university degrees have become a generally accepted indicator of the relevant skills of candidates entering the labour market. The aim of this paper is to illustrate the various routes leading to an equilibrium between higher education, understood here as *producers* of 'output' (or one of the basic forms of human capital investment) and labour markets accordingly understood as *'receivers'*. Forms of capital investment and problems associated with it in Hungary are also investigated as is the possible theoretical relationship between higher education and labour markets and gradually emerging Hungarian practice.

Key words: higher education, human resources, labour market

Main features of regional business networks

Márton VILMÁNYI

In the early 1990s, issues of evolution and operation of business networks became central to organisational theory. Such networks were perceived as economic organisational units with characteristics never previously observed. Their evolution and operation could partly be explained by theories of transaction costs, resource reliance, organisational learning and competition strategy; all of which approach the same phenomenon from different perspectives, complementing rather than competing with each other.

Networks considered in the context of regional economic development offer wide ranging advantages. These include optimal size and flexibility resulting from shared exploitation of resources, wider ranging developments resulting from concentration of SMEs, faster utilisation of information facilitated by co-operation and increased developmental capacity due to technological shadow effect.

Network building in Hungary is hindered by several factors, including a lack of entrepreneur capacity and lack of intent and capacity to co-operate. Significantly, there is a limited capacity for individual institutions to participate in network building and insufficient levels of knowledge and expertise in the field of network management.

Key words: business networks, regional development, SMEs

Problems of measurement and reliability in territorial statistics

Tamás KATONA

One of the most debated issues concerning development of the Hungarian economy concerns the competitiveness of regions. Major issues include fit of regional economies with the national economy and fit of regional economies with each other. It is also prudent to ask if Hungarian regions are competing among themselves or if competition emanates from the wider CEE region, or maybe from the whole of Europe. These are questions which might be answered by statistical analysis. As the science of quantification and comparison, the obvious contribution of statistical analysis would be quantification of competitiveness, in as much as this relates to viable enterprises.

In statistics two general methods are used to analyse the competitiveness of regions. One method attempts to characterise the situation with one single index. This method has of course several shortcomings; primarily it is unable to represent the finer shades of a more complex situation. The other approach relies on several statistical indicators to characterise a situation and to establish an order. This method enables clearer presentation of a situation to emerge. The main drawback is that by following this method it is more difficult to establish an order among observed units, which is generally acceptable.

A statistical system is a useful tool for the economic situation of regions to be evaluated both within their own country and in the EU. It may be a long time before the potential of European regional statistics is fully exploited. Furthermore, competitiveness is also too complex a category to be easily quantified. Nevertheless the statistical approach is not to be ruled out and certainly the generally accepted GDP/capita figures for a given region offer a reasonable approximation of competitiveness.

Key words: statistical system, regional competitiveness, statistical measurement and reliability

Competitiveness: theoretical background and national opportunities

József BOTOS

Competitiveness may be referred to at both micro and macro level, it can be found at the level of companies, industries, regions and regions overlapping borders. It may be seen in the capacity to produce income and gain profit in a lasting, non-transitory manner which increases common wealth and employment by selling goods and services.

The relative position of a national economy in terms of international comparison is illustrated by indicators of competitiveness such as market share and its relative tendencies, international terms of trade, GDP/capita, price and wage levels, their tendency and growth rates. Changes in these indicators reflects the direction in which an economy is heading such as upward or downward growth tendencies or stagnation.

To measure, compare and establish an order of competitiveness among regions within a national economy requires the same procedures and indicators. For example, a comparison of relevant indicators will show that the difference in GDP/capita in the regions of the Southern Great Plain and Central Hungary is at least 90% attributable to differences in the income producing capacity of employees (measured in terms of wages and profit) and only 10% attributable to differences in industrial structure. To reduce this gap significantly would require at least 30-35 years assuming a fundamental appropriate change in agricultural policies and successful development of the tourist industry based on spa resorts and related industrial activities.

Key words: competitiveness, Southern Great Plain Region, regional economic development

Regional indicators of economic statistics

Péter PUKLI

Economic categorisation of differences in development of various regions and its statistical measurability has become an important 'material force' in EU regional development policy. GDP, as a significant economic measurement reflecting the impact of several factors, plays a primary role among regional indicators. It has long been used to compare the level of development of various countries, however only recently has it been applied to compare development of regions within countries.

In measuring and comparing economic development, GDP is only a partial indicator when compared to general systems of indicators describing the whole of an economy. This leads to the conclusion that GDP should not be made a fetish, inasmuch as it might be seen as the only true indicator applied to counties and regions. Other statistical indicators should also be used in regional analyses. Thus general experience suggested by Hungarian data implies that differences between regions tend to be significantly smaller when measured by other means than simply by GDP-related production. Statistical ranking of Hungarian regions by indicators representing infrastructure development is often different from ranking by means of GDP.

Key words: economic development, regional indicators, economic statistics

The characteristics of regional human resources

Judit LAKATOS

The importance of examination of regional human resource characteristics is continually evaluated in the context of forthcoming European Union accession. However, the extent of data sources containing relevant information is somewhat limited. Among other sources of basic data, regional social security records can be used to state local irregularities.

Statistical surveys introduced as part of the Labour Force Survey of 1992 meant a significant step forward. However, it is questionable whether regional level analysis required by the European Union is suitable for presentation of domestic regional analysis processes.

Further enlargement of the sample to include county data, would need significant financial backing; finance is severely limited at the present time. Census modification will be prepared in the near future as a wider means of surveying regional differences. However, this should take into consideration that census formation can only take place to a very limited extent in the context of time between censuses. A 10-12 year interval between censuses is too long in the life of a region to suitably summarise corresponding socio-economic changes.

Key words: human resources, social statistics, labour force survey

Evaluation of competitiveness based on criminal statistical data

István VAVRÓ

Having a longstanding and deep-rooted tradition in public administration, Hungarian experts and laymen still find it difficult to dispense with familiar administrative units such as the country, town and village. However, adaptation of the now widely accepted region-based thinking requires a change both in terms of data processing and analytical methods. Analysis of regional data is one of the main tasks of *criminal statistics*. Adaptation of a new methodology will certainly also be reflected in results. Actual criminal statistical will be subject to alteration, as well as in related court cases. This study contrasts results based on traditional administrative divisions, with results attained from adaptation of region-based analysis. The general tendency and extent of such alterations is demonstrated by example of the Southern Great Plain. Competitiveness of regions and sub-regional administrative units is not solely determined by economic performance, but is also influenced by social characteristics which include negative features such as crime rates and success of crime detection. Thus the successful operation of law enforcement is also an important contributory factor to the competitiveness of a given region. This study illustrates vary-

ing results in analyses of criminal justice statistics, emanating from both the traditional administrative approach and the region-based approach.

Key words: criminal statistics, regional competitiveness, Southern Great Plain

The '90s from the Southern Great Plain point of view

László KLONKAI

Regional differences acquire larger significance and a new meaning with prospects of accession to the European Union. Among the regions of Hungary, the Southern Great Plain is the largest geographically and the second most populated. It is somewhat economically underdeveloped, and its relative backwardness in comparison with more developed regions is increasing. With regard to economic growth, the region usually occupies the last place in inter-regional rankings. Workforce education is at a low level, there is a low investment level and foreign capital is generally not attracted to the region. Regional economic structure is certainly unfavourable, being dominated by moderately developing sectors or those not suitable for further expansion. The unfavourable economic situation produces relatively low income and pension levels. These effects are noticeable in the composition of household provisions and acquisition of various goods and services. Economic conditions and the general income situation influencing living standards have an indirectly bad effect on the demographic index.

The region's rate of catching up would require the recognition of developmental supporting steps. It would certainly be advisable to break with the traditional sector-centred way of thinking which is responsible for the existing situation, and a special improvement programme should be devised for the Southern Great Plain area.

Key words: regional differences, spatial development, Southern Great Plain Region

Spatial comparative analysis of seasonality in capacity utilisation

Sándor HERMAN

The aim of this study is to provide a comparative analysis of seasonality in capacity utilisation in two Hungarian counties. Seasonal capacity utilisation is influenced by several factors. This paper deals with just one such effect, so it cannot provide a comprehensive view of capacity utilisation. Economic changes may induce further changes in the intensity of seasonal variations; therefore the methodology used here accounts for such changes as opposed to other models which use a single constant to account for seasonal effects.

This study provides in-depth analysis of the numbers of paying guests in commercial accommodation in Baranya and Csongrád counties over the period 1991-1998. A complex comparative study, namely a county database complemented by a regional approach and analysis of small regions, could provide a comprehensive view from which the study of seasonal effects could reveal additional information on seasonal capacity utilisation and competitiveness.

Key words: seasonality, capacity utilisation, public accommodation, analysis of time series