



Széchenyi István University

Doctoral School for Regional Economic Sciences

György Nagyházi

Possibilities for Local Resources Mobilizing Regional Development Policy

Thesis of Doctoral Dissertation

Supervisor: Dr. Habil. Edit Somlyódyné Pfeil PhD

Associate Professor

Győr, 2014, September

Contents

The actuality of the dissertation.....	3
The doctoral research project, the main issues	3
The structure and the methodology of the dissertation	5
Summary, the new results of the research	8
The evaluation of the hypotheses	14
The model of Győr.....	19
Lessons learned, recommendations	20
References of the Thesis Book.....	22
The Author's Publications in the Topic of the Dissertation	25
The Author's Presentations in the Topic of the Dissertation	26

The actuality of the dissertation

After the accession to the EU by the help of the practical application of the European regional and cohesion policy, Hungary has tried to develop its socially and economically backward regions, and at the same time the country has provided assistance for the development of its more competitive regions. Since 1996, the national regional development policy – complemented by the EU funds – has placed great emphasis on balancing out territorial development differences. Despite these efforts, the country is demonstrating large disparities between developed and undeveloped areas (ÁSZ 2013 and Jelentés 2012). Regional inequalities within the country have intensified further, and the development gap between the Hungarian regions and between the EU average has not been reduced (KSH 2012 and 2013). Based on these evidences, the effectiveness and the usefulness of this public policy can be questioned. *The present dissertation aims to contribute to the evaluation of this particular public policy area by trying to provide some new principles and perspectives.*

In the dissertation, I have examined what reasons may be behind this visible ineffectiveness of the regional development policy instruments and institutions, causes because of which these have been unable to reduce the differences between developed and less-developed regions. The underlying principles of this policy and the relevance of targets vary depending on the region-specific regional context. In many cases, the different non-conventional, non-strategic local level solutions can be regarded as success factors. However, in spite of all central assistance and intervention in economically disadvantaged areas, these regions have been unable to improve their situation. *In this dissertation I have examined some new theories which may be able to provide better foundations for analysis and at the same time better conceptual frameworks for renewing the concerned public policy, its institutions and its tools.*

The doctoral research project, the main issues

The problem which is in the focus of the analysis of the paper is, that what could be the principles and elements of national, regional and local development policies which are able to mobilize internal resources.

In the context of the Hungarian regional science, attention has already been called to the importance of locations, the real role of the centers highlighting the need for adequate representation of the issue in regional development policy (Farago, 2006). The promising and wide ranging research works, which had been launched based on this principle, – the formulation of the National Settlement Network Development Concept – were stopped. In the meantime the regional and national institutional system went thorough of a series of radical changes – the focus of regional development has become the county level – and the preparations and the development planning activities for the new cohesion period do not necessarily follow the conceptual changes in EU cohesion policy where the role of urban centers have become more important.

The significance of locations has become a very substantial element of the documents underlying the EU's cohesion policy for the period 2014–2020 (Barca 2009 and Bartha 2012). These ideas are based primarily on the concept of territorial capital which concept – in my view – can be understood also as a specific spatial constellation of institutions.

Recent theories in development and new institutional economics and the best practice cases these schools of thought have analyzed are providing the possibility for creating new public policy principles and practices. I have found especially important the ideas of adaptive efficiency, and the role of formal and informal institutions. The ideas of dominant and secondary practices in a given specific (local/regional) institutional system are also very important for my analysis.

One of the main question of the dissertation was that if a successful developing and an underdeveloped region was analyzed on the basis of these new theoretical frameworks, can we find causes and reasons with better explanatory power, in describing development and backwardness?

Based on these considerations this dissertation is aimed to answer the following questions:

(1) Based on the neo-institutionalist theories' ideas of formal and informal institutions, dominant and secondary practices, is it possible to understand the adaptive efficiency as the key element in economic development at regional and national level?

(2) Can the concept of territorial capital – the new approach in understanding the supply side of the economic development – be considered as a regional approach to adaptive efficiency?

(3) In the case of the economically and socially unsuccessful Salgótarján what explains the rather negative processes: the institutions or the territorial capital?

(4) Whether in the case of the successful economic transition of Győr, the above mentioned economic development policies, principles and practices (1) have been the key factors or the elements of territorial capital were more decisive?

The structure and the methodology of the dissertation

Firstly within the framework of the thesis, I have looked through various analyses which are highlighting key processes and describing the factors determining the political and economic development of the country and its system of regional development institutions within the European and national context. My aim was to create a framework for the interpretation primarily for those events and processes which have determined the regional economic development processes and institutions.

I have analyzed the studies which have been focused on the domestic financial resources based and on the EU funds based regional development instruments and institutions (Boda – Medve 2009). Primarily the reports and studies from public administration, the relevant regional science studies and papers, and the analyses of the National Audit Office have been in the focus. We can find the through and detailed history of the Hungarian regional development policies and institutions in the work of János Rechnitzer and Melinda Smahó, which have been published in 2011 (Rechnitzer – Smahó 2011). In this dissertation I have tried to complement this comprehensive and detailed analysis with raising some other aspects.

In addition to the examination of the Hungarian system I have also analyzed and compared the other three Visegrad countries' (the Czech Republic, Poland and Slovakia) regional development institutions. In taking stock of the similarities and the differences I have demonstrated the correlation between the economically backward regions' development pathways, and between the institutional systems in each country. Especially important

relationship was found between regional development processes and between local government systems in each country. The result of this analysis have found that in Hungary and in the other Visegrad countries, the territorial and local governments are the key players in the development of regional economies. With the analysis of the similarities and differences in the dissertation I have tried to find out that what are the real possibilities in Hungary to promote regional convergence in these circumstances, and what would be the general regional and national institutional conditions for successful regional economic convergence.

Then, I have analyzed the recent theoretical approaches which are considering the territorial capital, the institutions and social learning as the key elements of (territorial and local) economic development. The concept of territorial capital have been presented largely by the analysis of the works of its main authors (i.e.: Lengyel 2012) and also its Hungarian reception. The present study only marginally dealt with the genealogy of this concept, I was rather more interested about the factors that make it relevant the concept of territorial capital in the present circumstances.

I consider the ideas that have been put forward by the new institutional economics school about economic development essential, since in my view, the concept of territorial capital basically is a territorially focused new assessment of institutional conditions that are essential for promoting and inducing economic development. Based on this consideration I think it was appropriate to look at the concept of the territorial capital within these broader theoretical frameworks. Then, I have analyzed the relationship between economic development and the institutions mainly based on the ideas that have recently been put forward by Daren Acemoglu, James A. Robinson, (Acemoglu – Robinson 2012), Douglas C. North (North 1992 and North – Wallis – Weingast 2009) and also by their critics. In addition to this, the relevant elements from Elinor Ostrom's public choice theory based approach (Ostrom – Ahu 2007 and Ostrom 2010) have also been considered, mainly those ideas which are dealing with those institutional aspects that can promote or hinder economic development. Based on all these considerations I have tried to summarize all those elements and circumstances that are the most important and relevant for inducing local and regional economic development. Based on the institutional approach I have analyzed and presented the two fundamental concept of adaptive efficiency and the concept of social learning. Based on the analysis I have also discussed the possibilities of the state.

According to my view, by the result of the summary of the institutional approach, broader theoretical, political philosophical considerations have arisen which are sometimes fundamentally questioning some of the – usually unstated – assumptions of classical economics. The concept of social learning can be comprehended more in detail by the help of the broader concept which is focusing on the development of people's capacities and capabilities. Amartya Sen's idea (Sen 2007) of development as freedom considering people as active agents and not as subjects of development. This comprehensive theoretical framework, in my opinion, makes it possible to interpret correctly all the elements and aspects of an economic development theory which is primarily focusing on social learning. Other theoretical approaches have also been considered, primarily that school of thought the representatives of which have been inspired by the works of Albert O. Hirschman (Hirschman 1958). Primarily Ricardo Hausmann, Dani Rodrik (Hausmann – Rodrik 2003), Charles F. Sabel (Sabel 2005) and David Ellerman (Ellerman 2005) works have been analyzed in this study. These authors are considering those individual and social activities in economic development of a given region, which are primarily aimed at internal resources mobilization, and focused on promoting the social learning processes.

At the end of this chapter I have summed up the complex context by the help of which I think the concept of the regional capital, the role of the various key micro and macro-level institutions, the broader policy and philosophical context and social learning (local / regional) processes can be seen as a coherent concept.

On the basis of the theoretical considerations' summary I have developed the methodology and the aspects for the empirical study, largely based on the concept of territorial capital. By the help of this methodology I have analyzed two towns' Győr and Salgótarján economic processes after the regime change of 1990.

In Hungary, the local level has become dominant in the municipal system, especially those local governments have become important, which are having real economic power based on their resources, which are partly or wholly independent of the central government. The source of this is most typically the local business tax. The business tax provided relative economic autonomy and the public services that are provided by of county rank status towns are jointly raised the importance of these places, essentially to the role of potential regional growth poles. Despite the two different development path of the analyzed towns, they are having some things in common: both have long industrial traditions. Salgótarján because of its crisis

and underdevelopment have been the constant subject of various regional development aid schemes. The basis of the choice of the two towns was that Győr is a successful industrial center, while Salgótarján have continuously been fighting with its economic crisis. The role and the functions of the two towns within the Hungarian settlement network have also been analyzed, and the local and regional programs that are intended to attract domestic regional development and EU funds also been looked into, together with various development projects as well.

The integrated urban development strategies and the relevant sub-regional development plans were also been analyzed. This is followed by examination of the interviews which have been conducted with two towns' key players in their industrial and economic development in the last two decades. On the basis of these results an evaluation have been made in order to see whether the theoretical and practical considerations that have been formulated at the end of the theoretical chapter are relevant in the interpretation of the towns' local economic development pathways. I have tried to find out that to what extent the theoretic assumptions and the analytical framework that have been developed based on these proved to be correct in formulating and evaluating the hypotheses.

Summary, the new results of the research

In the dissertation I have presented that in Poland, in the Czech Republic and also to a lesser extent in Slovakia too, real decentralization processes have taken place focused on the local and regional authorities, while in Hungary we have witnessed an essentially continuous centralization process, practically since 1990. Here, apart from the county towns and other municipalities with high level local business, local governments and regional development councils have not been enjoying any real fiscal autonomy.

In Hungary according to my view, the major transformation of the local government system (including the territorial local governments) after 2004, and also the radical transformations in 2010 and 2012, had not been based on broad social dialogue political consensus, unlike in the Czech Republic and in Poland, and also partly in Slovakia. The central government in Hungary simply bypassed the weightless mid-level municipalities the counties, by setting up

development councils on county and later on regional levels in the process of joining the European Union.

In the other two Visegrad countries, the Czech Republic and Poland, regional authorities considered to be the main depositary of regional development, as can be seen from Table 1, also. In Slovakia and in Hungary, the central government has a decisive role in this field. With the exception of Hungary, the other three Visegrad countries, the institutional systems of regional development on both central and regional levels are characterized by a high degree of stability. In the Czech Republic and in Poland the regional self-government and the regional level development institutions are not separated, in both countries basically the regional self-governments have become almost entirely responsible for these policies as a result of systematic and thorough decentralization policies and institution building. The main players in regional economic development in the Czech Republic and Poland are the regional self-governments, while in Slovakia the counties are not able to play this role yet.

In my opinion, the so frequent changes in the regional development institutional system in Hungary, which have been almost impossible to follow, where the territorial focus and the policy preferences have been constantly modified as well, made it impossible to consolidate the formal institutions, so players in this field have forced to rely on informal institutions and practices.

Table No. 1. The Main Players and their Responsibilities in Regional Development of the Visegrad Countries, 2007–13

Responsibilities	Players in Regional Development			
	Regional Development Councils (Hungary)	Voivodships (Poland)	Regional Councils (Czech Republic)	Counties (Slovakia)
Level of Fiscal Autonomy	None	Mediocre	Mediocre	Low
NUTS II Level Regional Operative	7 Regional OPs	16 Regional OPs	7 Regional OPs	1 Regional OP

Programs				
Executive Role in Regional Operative Programs	Until their wind up, the owners of the Intermediate Body Organizations	Managing Authority and Intermediate Body Organizations	Managing Authority and Intermediate Body Organizations	Intermediate Body Organizations (not exclusive responsibility)
Decision Rights	No decision rights, only consultative role	Independent decision rights	Independent decision rights	No decision rights and no consultative role
Elected/”Delegated” representatives	The majority of the representatives are “delegated”	Only elected representatives	Only elected representatives	Only elected representatives

Source: the author’s own compilation

In the dissertation I have presented that development interventions can be based upon the key “soft” elements of territorial capital only in the case when those theoretical aspects are considered which are well beyond the usual horizons of economic theories, and upon which these “soft elements” importance can be founded and which even constitute them. *It is also important to note that there is a close relationship between economic development and pluralist democracy.* Development as such is never a value-neutral process, and we cannot simply concentrate solely on income conditions. I found that the examination of the elements in the "innovative cross of" territorial capital can detect social learning processes. In my view, any public policy which is aiming to strengthen those elements of territorial capital, which elements are enabling social learning processes are possible only when it takes into consideration their political theoretical sociological and anthropological foundations – beyond the usual economic theory horizons. It is important to point out that an open and developing society can very easily be detracted and can become an economically failing, access limiting exploitative system. At the same individual communities within the same national level political and economic frameworks might end up with very different development pathways, not because of their primary endowments, but rather because of the differences in their social

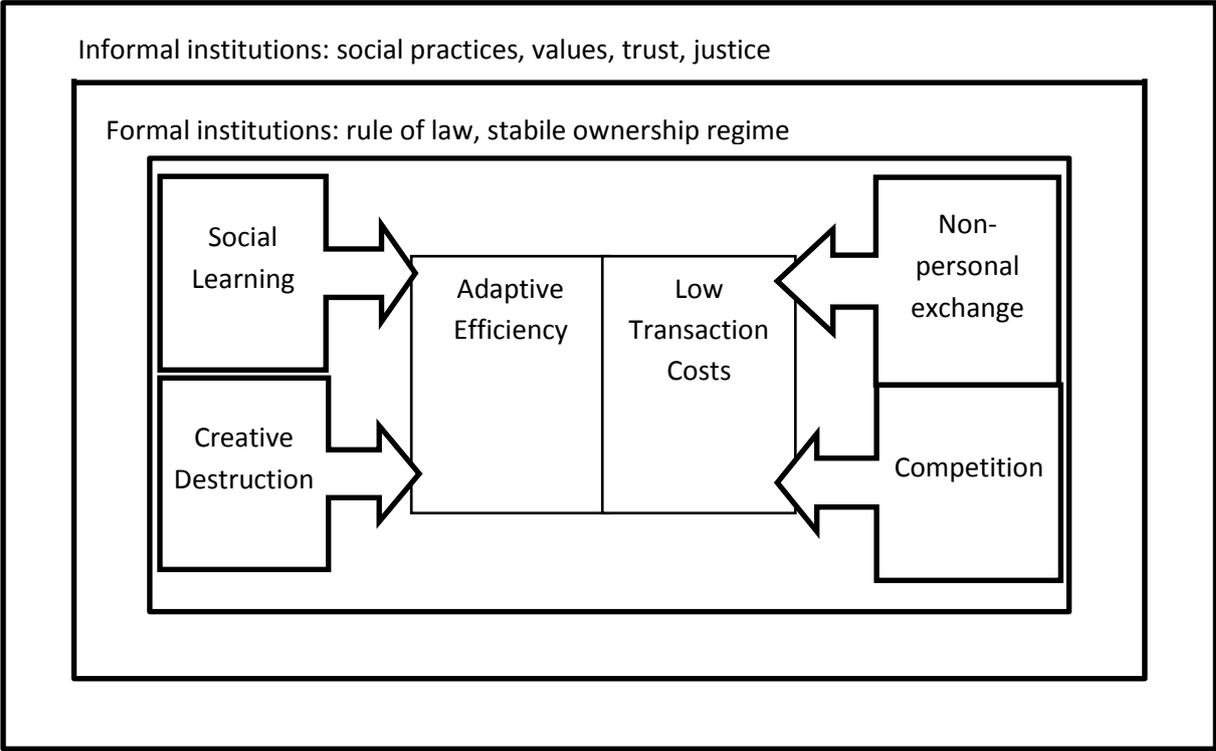
learning processes, in which path dependency and the “iron law of oligarchy” may play important role.

The “development as freedom” approach is based on the idea, that, ”the people have to be seen, in this perspective, as being actively involved – given the opportunity – in shaping their own destiny, and not just as passive recipients of the fruits of cunning development programs. The state and society have extensive role in strengthening and safeguarding human capabilities. This is a supporting role, rather than one of readymade delivery." (Sen 1999, 53.) The need for development arises as a result of the confrontation with underdevelopment. To address this, the classical economic approach based recipes usually describe that what should already be exist and operate, while at the same time the roads leading to these usually left in the dark.

In this dissertation I have established the following complex relationships among the key elements in economic and social development:

- *A well-functioning society and economy can be characterized by adaptive efficiency and low transaction costs.*
- *The most important processes of adaptive efficiency are creative destruction and social learning.*
- *The two key elements of low transaction costs are competition and non-personal exchange.*
- *Competition and non-personal exchange are based on the rule of law, on the stable property rights system as formal institutions, and also on informal institutions formed by the social practices and values formed.*
- *The transaction costs are kept low as a result of trust. The understanding of rules of the game as fair is also very fundamental in this, when these rules are accepted by the majority of a given community as fair. These relationship can be illustrated like in figure No. 1:*

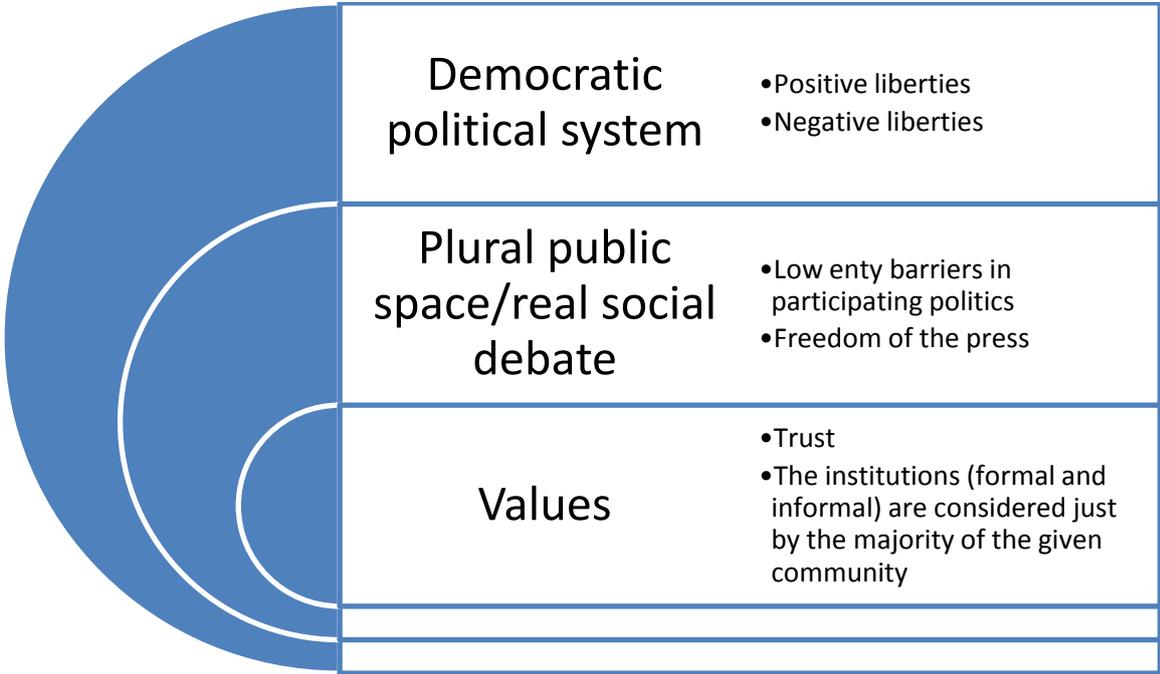
Figure 1: The institutional context that are determining adaptive efficiency and lo transaction costs



Source: the author’s own compilation

The justice criteria adopted by any given community cannot be known "in advance" without a real public debate. Indeed, if the existing formal institutions are at odds with informal institutions created by social practices – which can be the case when real public debate about these have not taken place – then this would result a conflict which can effectively block the development of any given smaller or larger community. Real public debate can only be understood within the framework of a democratic political system. In my view these elements are the necessary building blocks of the general framework (Chart 2), within which any program can be defined, which is aiming at economic and social development through the improvements of the institutions.

Figure 2: The context of the most important values for social and economic development



Source: the author’s own compilation

Any program which aiming for the development of a given narrower or wider community should be concentrating on reducing the contradiction between the formal and informal institutions in a way, that will increase freedom, and at the same time this program also must be taking into account the phenomenon of path dependence and the iron law of oligarchy. Both phenomenon can characterize the social learning processes of the given community. In order to change social learning processes, one have to choose activities, which are able to convert these, that are having real transformative potential. By the help of these a given community will be able to acquire new knowledge, skills, technologies, processes and will be able to "localization". It is common in the ideas that are concentrating on "self-discovery", "learning by monitoring" and "bootstrapping development" that the design and the implementation of interventions are respecting for the autonomy of the parties concerned, and were implemented by the stakeholders. These ideas constitute such a new approach towards development and towards the development process, that according to my view, based on these, new principles and methods can be defined.

Consequently the possible roles for the state for supporting development are:

- *On one hand providing and securing those previously mentioned elements of the political and economic frameworks, that constitute positive environment for development,*
- *On the other hand, it should support (and design) experiments and secondary practices that can provide possibilities for smaller and wider communities to be able to transcend the limits of their development, by breaking their path dependency.*

Fundamentally a properly operating democratic political system is needed on the level of the larger community, while at the level of smaller communities real autonomy is required, where the principle of subsidiarity is observed (Amin 1999).

The role of the central government must be supportive rather than the provider of readymade solutions in regional development. If one wants to change the social learning processes of a given community, than she or he has to choose activities that are really having transformative potential. In my view, it is possible to formulate these kinds of activities based on the ideas concentrating on "self-discovery", "learning by monitoring" and "bootstrapping development".

As the result of this study, in the case of Győr, a set of complex factors have been discovered, which are the real causes of economic development here. These factors are operating here based on the web of wide ranging social learning processes. In Győr the study have detected all crucially important elements which have been defined by Camagni (Camagni 2009) as parts of the “innovative cross” of territorial capital.

The evaluation of the hypotheses

The first hypothesis of the thesis:

(1) The ideas of dominant and subdominant practices of economic sociology and the neo-institutionalist economics theory's formal and informal institutions can explain better the economic development differences of regions.

The assumption that institutions play an important role in determining the developmental differences in the two cities can be regarded as justified. For Salgótarján the sole actor in the

town's economic development, the local government essentially proved unable to identify problems and initiate the development of the economy. Here the appropriate skills and capacity did not develop mainly due to the management model that has been inherited from the time of state socialism. The town has "manufactured", but not "sold" its products, and only in a few cases was in fact the control over the entire product line maintained locally. This deficiency reverberates to this day being present as a kind of path dependence in the local public thinking. Essentially no secondary practice has been evolved, upon which the town could have made a successful transformation after the economic collapse of state socialism. The dominant practices and habits resulting from its past, Salgótarján's customs and informal institutions determine the fate of the place today.

Colin Crouch and Marteen Keune wrote (Crouch – Keune 2005) that – similarly to the Thatcher era's sudden change from post-Keynesian industrial policy to monetarism – a dominant practice has also been replaced by a previously established secondary one in the case of Győr. According to the authors the formation of this particular secondary practice has taken place at the time of late socialism, in the seventies and eighties when the managers of state socialist enterprises gradually have acquired Western management skills. The research of this present dissertation has led to somewhat different results. In any event, it seems to be justified in Győr, secondary practices have replaced successfully the dominant practices of state socialism. However, contrary to the previously quoted authors, the research found that these replacing practices have not originated from the western relations of socialist managers.

These local secondary practices, which have been the key in the development of Győr – oddly but rather similarly to other cases world wide – can be connected to a lucky accident. The establishment of the communist regime in the Hungarian industry had started by installing the so called “worker-directors” as chief executives in every bigger and smaller company. In the case of the Rába factory of Győr, the appointed “worker-director” had some other affiliations than the primarily important communist activism; he had very intimate links with the West Trans-Danubian industrial heritage and culture. These links had played a key role in maintaining and developing this tradition among the hostile conditions of state socialism's planned economy. This phenomenon was for a large part the reason for that the quality and accuracy requirements of the international company AUDI were by no means strange or unknown in the local industrial milieu. The surviving and developing industrial culture had also resulted that able and talented people have been successfully established their businesses which have been flourishing since then and for which companies the requirements of modern

industry are no special. The formation and evolving of the secondary practices had been took place within the Raba company, which have been able replace the state socialism's dominant practices after the regime change of 1990. The other important intervention that has shaped the fortunes of the town was the establishment of the technical college which later became university. It was a long-term commitment, and a systematic development of the institution has taken place which influenced so much the town's fate. The university has followed a very successful mix of conservative and innovative practices at the same time and has very strong and well-established ties with the local and the regional economy and industry.

The question is that to what extent the regional development tools and institutions have contributed to the development of Győr, and how they were able to help Salgótarján to catch up. In the case of Győr their effects are negligible, compared to other local factors, processes and institutions. In the case of Salgótarján the regional development institutions and tools have been ineffective for the town's and its smaller region's socio-economic development. In addition to this however, the possibility can be raised that this ineffective but functioning system: an essentially external resource based and dependent "catch-up" policy practices was the chief cause that behind the survived mindset that caused the city underdevelopment, which consisted of path dependence. The town's leadership was relying more on this "proven" practice rather than venturing to break new pathways.

Overall, the first hypothesis of the study considered to be justified on the basis of the results of the research. The institutional system is always a cause and an effect as well. Cause of development or decline, and the consequence of social learning.

The second hypothesis of the thesis:

(2) The successes or failures of the selected two areas are mainly explained by differences in territorial capital.

The results of the research show that in Győr significant territorial capital accumulated, while there is a weak territorial capital in the Salgótarján area. The so called "soft elements" in territorial capital are relevantly explaining the development level and prospects of a region. The level of territorial capital shows how the development of a region is based on its internal resources, or that are available at all to it. Thus, the elements of this are operating dynamic, value creation processes maintaining and closely-related factors. These elements are primarily

processes and not factors or indicators, and they are resulting not “showing” the competitiveness of a given region, they are not phenomenon, but essential elements.

In the case of Salgótarján innovation and knowledge utilization feeds are coming from external sources, which are not linked closely to the processes of the local economy. The local connection system is weak, the co-operative networks within industries, and these links are not typically local ones among the companies. In Győr there is a robust relationship network based on trust between the local companies. The daily business is frequently based on informal cooperation and exchange of information. The Széchenyi University is a key player in innovation, knowledge sharing and utilization, which role has been developed for decades. From the point of view of territorial capital, the most important institution in Győr is the university, the role of which can be situated in the middle of the "innovative cross", as a manager in the middle of the local cooperative networks. The institution is also very active and effective at the other four areas of territorial capital (private services, proprietary networks, social capital and R & D transfer agency role). There are very good relationships among the three key players in the development of the town: the municipality, the University and the AUDI.

The regional development tools and institutions in Hungary never seriously focused on human capital development and on the deepening of local and regional cooperation. It would have been difficult because it requires an institutional and policy stability which has never really been the case in Hungary, contrary to the other Visegrad countries, especially the Czech Republic and Poland.

The second hypothesis of the paper considered to be justified: on the basis of the research, the territorial capital and its soft elements that are described in the "innovative cross," are explaining the differences in development prospects and the existing economic realities of Győr and Salgótarján. An analysis of territorial capital is able to show incomplete and dysfunctional elements in an area which are the obstacles to development, but this analysis does not give the recipe to remedy the troubles. On the basis of it a diagnosis can be set up, and the areas in need for development can be identified, but the actual content of the development – i.e. the effective interventions which can induce the locally/regionally relevant social learning processes – might not necessarily can be defined.

The third hypothesis:

(3) The existence of social learning and its intensity explains primarily the success or failure of a given location/area.

The research found far-reaching and long-established social learning processes in Győr. The local technical university has created a unique system of technology and knowledge transfer, which is largely integrated with the economic organizations in the region – sometimes into their daily operations.

In the case of Salgótarján there is no or hardly any trace of effective social learning processes that would be able to induce the long recovery after decades of crisis. This can be explained by the inherited incompetence of the local elite, which as a serious path dependency, blocking the way in front of any social learning processes to start.

The question, that what should need to be done (learning) is cannot be separated from what is going on now (monitoring), and it is also necessary to discuss the principles upon which the future losses or profits will be shared. Well-functioning institutions of social learning are capable to enable the participants to redefine their role by developing a common frame of reference through these new discussions.

In Hungary from among the tools of national level regional policy instruments, pilot projects, and even more importantly systematic policy evaluations and their feedback to policy tools have largely been absent. Thus regional development policy is evidently not a tool for social learning here.

In the case of Győr, it is evident that the currently detected social learning processes have evolved under a long period of time. The basis of the success was that the main actors of the town economy have reacted rightly to the previous challenges essentially in a cooperative manner. These problems or "disorders" have become the springs from which a uniquely adaptable milieu have developed, in which the university's role is predominantly important. The companies in Győr have responded to the crises in a creative way that in many cases we can talk about learning organizations: the daily problem solving and learning from them are integrated into their daily operations. Here again, this is a significant industrial heritage of the city, as the precision and the order requirements essentially as an ever-present problem to be solved and – as it was also find by this study – the cognitive adaptation process was based on "the right attitude". In Győr the ideas about the good life include accuracy, clarity and

expertise, they are considered as the basis for success here by many people. One survey which had been focused on the values of the local elite (Csizmadia, Páthy 2010) found in 2008 that the university, public safety and the role of local small and medium enterprises highlighted by the respondents as the key factors in the town's competitiveness. The right attitude of the local political leadership had also been positively evaluated. Typical values of the town according to the locals are its nicety and friendliness, but followed closely by the features of diligence, independence and reliability. As Amartya Sen has pointed out economic successes are relying on social conventions, habits and knowledge, things that are outside of usual scope of the economy in which the various aspects of freedom plays key roles all over the world, just as the case of Győr. Based on these evidences the third hypothesis of the study can be considered as justified.

The model of Győr

Győr is involved into global production networks through a large international company, while by the help of the systematic development of its existing local capacities has also been to integrate into the international knowledge networks, too. The success of regions in the world are based on specific local contexts that can be described as positive social and institutional context, which can induce a positive dynamics of learning (social learning), new knowledge creation and use. In the present dissertation I have shown the existence and the operations of this positive local context in Győr while in the case of Salgótarján the lack of it.

Based on the review of the theoretical works, on the results of analyses studies, the elements that are behind the development of Győr can be summarized in three respects. These are factors, processes and institutions. In factors, I understand the existing elements of territorial capital in Győr. Under the category of processes I understand the practices of dynamic adaptation, which takes place sometimes in small steps, while in respect of the institutions in Győr success enabling formal and informal institutions belong to the model.

Lessons learned, recommendations

The paradox of problem solving is that, while facing with an unexpected problem to find the correct answers one need to find the correct questions first. In doing so, new ideas, the possibility of error and risks are always present. According to the well-known definition of subsidiarity, problems must be solved at the level where the most information is available for this. In Hungary the economic, the administrative and the political spatial structures have separated from each other. The various transformations that have been taken place recently in regional development, state administrations and in the local government system took little account of this. *A successful local and regional economic development requires the necessary skills, public powers and adequate economic resources necessary to ensure consistency and concentration on the essential points.* The European Commission therefore considered important the urban centers role in the preparation of the 2014–2020 period of cohesion policy as the engines of growth. In these centers the kind of institutions' formation, social capital accumulation and social learning processes taking place by the help of which these centers and their regions effectively can connect into the global economic processes. The importance of urban areas have been in the focus in Hungary and the topic has been thoroughly researched (Somlyódyné, 2008, 2012). It seems that despite the recent policy and institutional changes that have not taken this issue in focus, the importance of urban centers will surely be a central topic for the future debates.

What the plans are good for? In the case of Salgótarján these are the basis for very basic building work focused urban regeneration investment. In the case of Győr on the contrary development plans are providing space in a complex way for the development of the economy. Based on the results of the research and the analysis of the plans, the content elements and the focus of the integrated urban development plans and strategies can be reconsidered, especially in the case of such regional centers like Győr. It can be seen that the factors that are enabling and moving the development of the local and regional economies are not appropriately covered in the existing development plans. In any case, it would be important to include the "soft" elements of territorial capital into the scope and the topics of the situation assessment analysis of the development plans especially in the case of regional center towns.

The analysis of the dissertation was an attempt that besides the question of “what should be done” – that have been extensively covered by literature of economics and regional science – put the question of “how it should be done” into the focus, and to provide some new principles upon which one can try to formulate answer to this latest question. It is clear that despite the fact that the bigger towns in Hungary are not reaching the appropriate size required for the role of being regional economic growth pole – they are under the critical mass to this – it would be necessary to examine the possibilities for more and real decentralization, with a special focus on the urban centers. It is a plain fact, that regional development policies in Hungary have been ineffective because of the weak territorial self-governments. It is therefore necessary to rethink the entire local governmental system where the currently diverging space structure of the state administration, the local governments and the economy should be harmonized. These structures must be in harmony also with the spaces of political participation and real (fiscal) autonomy. The town-county idea of István Bibó (Horváth 2011) and the territorial self-governments at regional level both might be a suitable candidate to solve this. It is indeed impossible to establish and create the proper forms and functioning institutions at once to this. Long-term commitments to values, experimentation in the search for solutions, and most importantly evaluation should have to be taken as the most important issues in this process.

It would be important to support such local experiments which are presumed to be able to promote social learning and "self-discovery". Predictability and experimentation at the same time are that should characterize the regional development initiatives.

References of the Thesis Book

- Acemoglu, D. – Robinson A. J. (2012), *A hatalom, a jólét és a szegénység eredete. Miért buknek el a nemzetek? (Why Nations Fail? The Origins of Power, Prosperity and Poverty)* HVG Kiadó Zrt. Budapest.
- Állami Számvevőszék (2013), Jelentés a regionális és kistérségi fejlesztési tanácsok forráselosztási tevékenységének ellenőrzéséről. (Report on the Regional and Small-Regional Developmental Councils' Fund Allocating Activities) <http://www.asz.hu/jelentes/13072/jelentes-a-regionalis-es-kistersegi-fejlesztési-tanacsok-forraselosztasi-tevekenysegenek-ellenorzeserol/13072j000.pdf> (Downloaded at: 16 May 2014.).
- Amin, A. (1999), An institutionalist perspective on regional development. *International Journal of Urban and Regional Research* 23, pp. 365–378.
- Barca F. (2009), An Agenda for a Reformed Cohesion Policy, *A place based approach to meeting European Union challenges and expectations*, Independent Report prepared at the request of Danuta Hübner, Commissioner for Regional Policy, April 2009. http://www.europarl.europa.eu/meetdocs/2009_2014/documents/regi/dv/barca_report_barca_report_en.pdf (Downloaded at: 20 February 2014.).
- Bartha A. (2012), Kormányzás, kultúra vagy a demokrácia minősége? Az intézmények szerepe az Európai Unió gazdasági fejlődésében. (Governance, Culture or the Quality of Democracy? The Role of Institutions in the Economic Development of EU) *Politikatudományi Szemle* XXI/2, pp. 101–122.
- Boda Zs. – Medve B. G. (2012), Intézményi bizalom a régi és az új demokráciákban. (The Trust in Institutions in the Old and in the New Democracies) *Politikatudományi Szemle* XXI/2, pp. 27–51.
- Camagni, R. (2009), Territorial capital and regional development. In: Capello, R. – Nijkamp, P. (edited) *Handbook on regional growth and development theories*. Edward Elgar Publishing. pp. 118–132. Northampton, MA.
- Crouch, C. – Keune, M., (2005) Changing Dominant Practice: Making Use of Institutional Diversity in Hungary and in the UK. in: Wolfgang S. – Kathleen T. (edited) *Beyond Continuity, Institutional Change in Advanced Political Economies*, Oxford University Press, pp. 83–102.
- Csizmadia Z. – Páthy Á. (2010), Győri elit és a városfejlődés – a gazdasági és társadalmi

- folyamatok megítélése. (The Elite of Győr and the Development of the Town, Opinions on Social and Economic Processes) *Tér és Társadalom* XIV/2, pp. 63–91.
- Ellerman, D. (2005), *Helping People to Help Themselves*, The University of Michigan Press, Chicago.
- Faragó L. (2006), A városokra alapozott területpolitika koncepcionális megalapozása. (Laying the Conceptual Foundations for City Focused Territorial Development Policy) *Tér és Társadalom*, XX/2. pp. 83–201.
- Hausmann, R. – Rodrik, D. (2003), Economic Development as Self-Discovery. *Journal of Economic Development*, Volume 72. Issue 2. pp. 603–633.
- Hirschman, A. O. (1958) *The Strategy of Economic Development*, Yale Studies in Economics 10. Yale University Press, New York.
- Horváth M. T. (2011), Mindig ígéret Bibó István területközigazgatás-politikai javaslatai. (Still Promising István Bibó on territorial units of local public administration) *Tér és Társadalom* 25. évf. 4. szám pp. 175-783.
- Jelentés (2012) az ország területi folyamatainak alakulásáról, a területfejlesztési politika és a területrendezési tervek érvényesítésének hatásairól, az Országos Területfejlesztési Koncepció felülvizsgálatáról, valamint a magyar településhálózat helyzetéről. (Report on the Territorial Processes of Hungary, the Effects of Regional Development and Spatial Planning Policies, Revision of the National Spatial Development Concept, and About the Conditions of the Settlement Structure of Hungary) *A Kormány előterjesztése 2012. augusztus*.
- Központi Statisztikai Hivatal – KSH (2013) A gazdasági folyamatok regionális különbségei 2012. (Differences in Regional Economic Development Processes). 2013. december <http://www.ksh.hu/docs/hun/xftp/idoszaki/regiok/debrecengazdfejl/debrecengazdfejl12.pdf> (Downloaded at: 15 August 2013).
- Központi Statisztikai Hivatal – KSH (2012) A gazdasági folyamatok regionális különbségei Magyarországon 2011-ben. (Differences in Regional Economic Development Processes in Hungary). 2012. december <http://www.ksh.hu/docs/hun/xftp/idoszaki/regiok/debrecengazdfejl/debrecengazdfejl11.pdf> (Downloaded at: 15 August 2013).
- Lengyel I. (2012), Regionális növekedés, fejlődés, területi tőke és versenyképesség. (Regional Growth, Development, Territorial Capital and Competitiveness) In: Bajmócy Z. – Lengyel I. – Málovics Gy. (szerk) *Regionális innovációs képesség, versenyképesség és fenntarthatóság*. JATE Press Szeged, pp.151–174.
- North, D. C. (1992), Institutions, Ideology, and Economic Performance. *Cato Journal*, Vol.

- 11, No.3 pp.477–488.
- North, D. C. – Wallis J. J., Weingast B. R. (2009), *Violence and Social Orders*. Cambridge University Press, New York.
- Ostrom, E. (2010) Beyond Markets and States: Polycentric Governance of Complex Economic Systems. *American Economic Review* 100 (June 2010) pp. 641–672.
- Ostrom, E. – Ahn, T. K. (2007) The Meaning of Social Capital and its Link to Collective Action, *Workshop in Political Theory and Policy Analysis*, Indiana University, Bloomington W/07–19.
- Rechnitzer J. – Smahó M. (2011), *Területi Politika (Territorial Policy)* Akadémiai Kiadó, Budapest.
- Sabel, C. F. (2005) Bootstrapping Development: Rethinking the Role of Public Intervention in Promoting Growth. *Paper presented at the Protestant Ethic and the Spirit of Capitalism Conference, Cornell University, Ithaca New York, October 8–10, 2004.* (14. Nov 2005. version)
<http://www2.law.columbia.edu/sabel/papers/bootstrapping%20deve%20send5.pdf>
(Downloaded at: 5 May 2012).
- Sen, A. (2003) *A fejlődés, mint szabadság. (Development as Freedom)* Európa Könyvkiadó Budapest.
- Skocpol, T. – Finegold, K. (1982), State Capacity and Intervention in the Early New Deal. *Political Science Quarterly*, Vol. 97. No. 2 pp. 259–278.
- Somlyódy P. E. (2008), A városi térségek a közigazgatási struktúra és a „governance” keresztmetszetében. (Urban Areas at the Crossroads of State Administrative Structures and of „Governance”) *Tér és Társadalom* XXII/1. pp. 27–43.
- Somlyódy P. E. (2012), A nagyvárosi térségek intézményesítési feltételeiről az európai városverseny által befolyásolt térben. (About the Conditions for Institutionalizing Large Urban Areas within the Competitive Space of European Urban Centers) In: Somlyódy P. E. (szerk.) *Az agglomerációk intézményesítésének sajátos kérdései, Három magyar nagyvárosi térség az átalakuló térben*. Publikon Kiadó, Pécs pp.43–66.

The Author's Publications in the Topic of the Dissertation:

- Nagyhazi Gy (1998), Report on the local governmental environmental policies and legislative framework, In: *Qualitative Requirements and Framework for Environment and Transport Telematics*, Country Report on HUNGARY, Regional Environmental Center, Szentendre
<http://archive.rec.org/REC/Programs/Telematics/CAPE/qualsrvy/qualsrvy.html>.
- Nagyhazi Gy. (2000), Esettanulmányok a „Nytott hivatal, átlátható önkormányzat” kötetben, Önkormányzati Képzés Alapítvány és a British Know-How Fund önkormányzati programjának közös kiadványa, Budapest.
- Nagyhazi Gy. (2002), *Country Report on the Hungarian Government's communication policies;*” prepared for the UNDP project “Improving Communication from Governments to Societies in the Visegrad Countries and in the Baltic States,”
http://europeandcis.undp.org/files/uploads/PAR_AC_Communications/CommHungEdited.doc.
- Gáspár M. et al. (2006), *Telecentre Handbook, How to establish and manage a telecentre, Practical guide for telecentre practitioners based on the Hungarian telecentre model.* UNDP Bratislava Bureau, ICT for Development; <http://otp.unesco-ci.org/ar/node/5236> .
- Nagyhazi Gy. – Kovács B. (2005), A fenntarthatóság az EU politikáiban és a hazai területfejlesztésben, 2005. *Ma & Holnap*, V. évfolyam 8. szám Különszám
<http://maesholnap.hu/20060316-023845> .
- Nagyhazi Gy. (2009), Megújító kezdeményezések a területfejlesztésben: a területfejlesztési tervek új szabályozásáról; *Falu Város Régió* 2009/3 pp. 68–74.
- Nagyhazi Gy. (2009a) Könyvismertető: David Ellerman Helping People Help Themselves *Tér és Társadalom* 2009/2, pp. 265–268.
- Vanyó P. P. – Nagyhazi Gy. (2010), A településhálózat fejlesztési koncepció város-klaszterei és az ott lakók attitűdjei, *Falu Város Régió* 2010. 2–3. sz. pp. 21–27.
- Nagyhazi Gy. (2010), A civil szervezetek részvétele a területfejlesztésben –nemzetközi kitekintés és javaslatok a továbbfejlesztésre civil szervezetek számára, *NIOK Alapítvány 2010*, online hozzáférhető tanulmány
<http://tarsadalmiegyeztetes.honlaphat.hu/index.php?menu=1332&langcode=hu> .
- Nagyhazi Gy. (2011), A Sziléziai vajdaság gazdaságfejlesztése, *Közép-Európai Közlemények*, 4/2. pp. 172–181.

The Author's Presentations in the Topic of the Dissertation:

Delivery Agricultural Services to Farmers through Telecottages since 1994: The Hungarian Public-Private Partnership Model. *World Information Technology Forum*, 22–24. August 2007. Addis –Ababa; Ethiopia.

Identity History and Politics. Perspectives on Political Change in Central and Eastern Europe, Past and Present; *University of Glasgow Department of Central and Eastern European Studies 3rd Summer University*, 2009. July 11-25. Tartu, Estonia.

A fejlődés elméletek (Development Theories). *"Tanulás – Tudás – Gazdaság – Sikerek" avagy a tudásmenedzsment szerepe a gazdaság eredményességében. Tudományos konferencia* 2010. április 14. Győr.

A fejlődés elméletek új irányai, (New Directions in Development Theories). *Innováció, Versenyképesség, KKV-k Nemzetközi Konferencia*, 2010. november 5. Budapest, Kodolányi János Főiskola.

Szilézia regionális fejlesztése (Regional Development in Silesia). *Többnemzetiségű államok keletkezése és felbomlása Közép Európában III. Virtuális Intézet Közép Európa Kutatására (VIKEK) 4. szekció: Regionális folyamatok, regionalizmus és regionalizáció) Közép-Európában*. 2011. március 4. Szeged.

The Critique of the Rational Agent View of Neoclassical Economic Theory by Amartya Sen and Douglas C. North. *12. Gazdaságpszichológiai Kutatási Fórum „Racionalitás versus érzelmek és indulatok a gazdasági döntésekben és folyamatokban”*, 2011. május 6. Szegedi Tudományegyetem Gazdaságtudományi Kar, Közgazdaságtani Doktori Iskola Gazdaságpszichológiai kutatóműhely.

Discussant on the papers presented in the section. *The Functioning of Multi-Level Governance and Partnership on the Ground: Central and Eastern European Perspective*, November 29–30. 2011. Institute for European Integration Research, Vienna.

Gazdasági válsághelyzet és az intézmények: a gyors társadalmi gazdasági adaptáció lehetőségei, (Economic Crisis and the Possibilities for Fast Social-Economic Adaptability). *Ifjú Regionalisták Konferenciája*, 2012. október 15. Győr.

Működőképes-e a területfejlesztés új rendszere? A területfejlesztési törvény módosításának főbb elemei. (Is the New System of Regional Development Operational? The Main

Elements of the Modified Law on Regional Development). *A regionális tudomány ma és holnap, a Magyar Regionális Tudományi Társaság vándorgyűlése*, 2012. november Győr, Széchenyi István Egyetem.