management institutions to influence the demand and digitalization of households in neighbouring regions, to develop online services in the practices of households. The measurement of the beta-convergence of consumption as an indicator of the sustainable development of regions, based on spatial-econometric models, provides *the novelty* of the work.

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Enhancing Our Understanding of a Regional Economy: The Complementarity of CGE and EIO Models.

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Abstract

Economic impact models are powerful tools for the assessment of policy changes in regional economies. Computable General Equilibrium (CGE) models have grown in popularity, becoming the dominant choice of practitioners and academics in this field. This popularity has been at the expense of an older class of model, the Econometric Input Output (EIO). The present paper demonstrates how both models, using the same input data, may yield different outcomes. However, the paper suggests that EIO has been underutilized but even though it provides a strong complementary tool accompany that enhance analyses using a CGE approach. This paper urges regional economists to rediscover the EIO model, especially two variants that are described in the paper, and bring them to the forefront of their research agenda.

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Does Foreign Investment Generate Regional Economic Growth in Emerging Countries and their regions? Case of Central & Eastern Europe and Hungary

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Abstract

The effect of foreign direct investment (FDI) on the host economy has attracted much research. Despite the literature is inconclusive it seems to agree that any positive effect of FDI on growth is largest in developed countries. However, in spite of this FDI is considered a panacea for the fundamental problems of economic growth in emerging transition countries including Central and Eastern Europe (CEE) where FDI became main source of investments from the 1990s. Post-socialist transformation is characterized by high dependency on FDI channelled by foreign MNCs into Central and Eastern Europe. In CEE economic restructuring was primarily driven by foreign direct investment (FDI) in the post socialist period, which in the short term contributed to the increased productivity and competitiveness. The paper examines the effects of FDI on GDP growth and GFCF, and tests the causal relationship between these variables in the Hungarian regions. Based on the econometric analysis, the study argues that it is not FDI that causes GDP growth, but more FDI flowing into the already more developed, higher-growth regions. The inclusion of Gross Fixed Capital Formation (GFCF) into the model also eliminates the significant positive effect of FDI. Government and EU-funds-generated investments play a much greater role in GDP growth than FDI. Our study demonstrates that the attractively of target regions for FDI can be explained by their initial higher level of development and geographical proximity to Western European markets. However, this paper also hints that FDI-driven assembly platform economy, in the absence of spillovers and additional factors of endogenous growth, are not sufficient to ensure the long-term prosperity of regions.

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