

The role of FDI and territorial capital in diverging development paths of Hungarian regional capital cities

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The notion of territorial capital introduced in European Cohesion Policy (ECP) has gained prominence as a possible solution to the „rebalancing challenge” at the level of individual countries and the EU and the excessive concentration of innovation and economic activity in European MEGAs and FUAs. Alongside the S3, the most significant industrial policy initiative at the level of the EU, it represents an alternative approach to FDI-based economic restructuring of peripheral cities in less developed regions. The uniqueness of territorial capital emphasises the importance of location and anchoring as a source of advantages for firms and is related to the „city-as-product” approach which recognizes the importance of local policies focusing on untapped capital assets as possible drivers of innovation and growth. In this view, city policy can do much to raise a city’s profile to enhance its attractiveness and connectivity. Conversely, the structuralist-Marxist „city-as-byproduct” approach deemphasises local agency against the backdrop of large-scale social or technological processes, refuting the claim whereby city policies are able to influence city growth or decline in any meaningful ways. The notion of city power, in line with the growth-decentralisation hypothesis emphasises city agency and the primordial role of cities in tackling large-scale challenges. The increased academic appreciation of cities recognizes their political, cultural and economic role as engines of growth within their national economies and key generators of economic and social innovation. The city is the creative milieu par excellence, the „milieu of milieus”, a generator of relational resources specific to institutionally thick urban environments. The role of the creative milieu – or „genius loci” as presented by Reznitzer (2016) is to ensure the permanent renewal of the local economy by helping to avoid situations of lock-in stemming from monofunctionality. It highlights the successful growth trajectory of the regional capital city of Győr which, thanks to virtuous cycles of path dependence, has seen its position reinforced. City policy matters, as the case of the more peripheral regional capital city of Pécs clearly indicates (Egyed-Rácz 2020). The city, after the decline of its leading industry, was able to redefine its growth trajectory along previously neglected factors such as culture or health. Situated in a peripheral underdeveloped region, exposed to foreign capital flight and seeing its position decline in the national and global division of labor, it has to increasingly rely on its indigeneous assets to reverse processes of decline and marginalisation.