

THE HUNGARIAN ADMINISTRATIVE SYSTEM: FROM CENTRALIZATION TO REGIONALIZATION AND BACK

Research Article

Tamás SZIGETVÁRI ¹

Abstract

The paper deals with the development of the administrative system in Hungary with a special focus on centralisation and decentralisation processes. The paper considers the historical patterns and the geographical characteristics in Hungary, and their impact on the above processes. It discusses the possibility of regionalisation in a highly centralised era of the socialist period, the regionalisation processes started during the transition period, and the impact of EU membership on the new structure of regionalism in Hungary. Finally, it presents the most recent changes under the Orbán government towards a stronger centralisation in administration, and its motives.

Keywords: Hungary, Administrative System, Centralization, Regionalization.

¹ Dr., Pázmány Péter Catholic University, Faculty of Humanities and Social Sciences, tamas.szigetvari@gmail.com ORCID: [0000-0002-5729-3153]

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Introduction

The diversity of public administration is a marked feature of European political circumstances. Administrative reforms carried out in the 20th century – both in Eastern and in Western Europe – were linked partly with political transformations and partly with the socio-economic and political development within the national frameworks (Pálné Kovács 2007).

The legal status and functions of the territorial administrations in the member states of the European Union have shifted to the benefit of the medium level (regions) during the 1980's in the majority of EU members. The strengthening of the meso-level, however, does not always mean decentralisation in the political sense. The central state often prefers the regionalisation of state services and public administration and the allocation of deconcentrated agencies in the regions, without real political decentralization. The phenomenon of regionalism is not always identical with political decentralisation and not dependent on the physical scale, either. The national characteristics strongly differentiate the meso-level of administration, despite some factors that contribute to the strengthening of the sub-national tiers (Pálné Kovács 2007).

The paper deals with the development of the administrative system in Hungary with a special focus on centralisation and decentralisation processes. It examines the possible existence and functioning of the meso-level in Hungarian public administration. It shows the causes of growing and later decreasing presence of this level in the Hungarian administrative system connected with partly with the EU membership of the country, but also with a new, more centralized approach to political administration.

The first part of the paper considers the historical patterns and the geographical characteristics in the Hungarian administrative system, and their impact on the regionalisation processes. The second part presents the structure of the Hungarian administrative system, the tasks and responsibilities of the different levels. The third part examines the legacy of the socialist period, and the possibility of regionalisation in this highly centralised era. The fourth part discusses the impact of pre- and post-EU membership on the new trends of regionalism in Hungary, and finally, the fifth part discusses the most recent changes under the Orbán government towards a stronger centralisation in administration, and its motives.

1. The Geographical and Historical Patterns of Administration in Hungary

Hungary has a monocentric spatial structure centred on Budapest. The capital city is the functional and hierarchical centre of the country. The selection of settlements for higher administrative and functional purposes, however, was always an important issue (Tóth 1994: 343). It was reinforced by the centralized system where the redistribution of national income and development sources was realized through county seats.

The Hungarian settlement pattern underwent three significant changes in the 20th century (based on Enyedy and Horváth 2002: 14-17)

1. Two-thirds of the Hungarian population in the first quarter of the 20th century lived in villages. Two-thirds at the end of the century lived in towns.

2. The border changes after the First World War (which will be mentioned later) fragmented a longstanding network of coexisting settlements. As a consequence of them, Hungary lost a third of its territory and its population shrank to less than half

3. The character of the spatial relations between village and town has altered in the last 3-4 decades. Previously, the settlement network consisted of a cluster of zones of attraction, with the towns connected to their districts and surrounding villages. These days the network is more complex and dominated by the connections between towns. Each village may be attracted towards several towns, while the worst placed villages may lose their urban connections altogether. In Hungary, as in other countries, residence and workplace functions have become mixed, with many people working in different settlements from the ones in which they reside.

There are two other features of the Hungarian settlement network worth emphasizing.

1. Budapest, the capital, is the only international metropolis in the country. It is preeminent among cities not only for its population, but for an unmatched concentration of modern urban functions. The Hungarian capital has been the impetus behind modernization in the Carpathian Basin for almost 200 years, as a receptor and disseminator for technical, organizational and institutional innovations. Its 1.8 million inhabitants pay around 40 per cent of the personal income tax levied in the country. It competes with other Central European cities such as Vienna, Prague and to some extent Warsaw. With Warsaw it competes for an economic role extending beyond the bounds of Central Europe. It will be seen later that Budapest in the 1990s absorbed a high proportion of the foreign investment flowing into East-Central Europe.

2. The settlement pattern on the Great Hungarian Plain has two conspicuous features: giant villages and communities of scattered homesteads. Giant villages also occur in certain parts of Southern Europe, such as Sicily and Southern Spain, but the development of them occurred in different ways. In Hungary, the inhabitants of several villages came together for better protection in the period of Ottoman Turkish occupation in the 16th-17th centuries. Homestead settlement is general also in parts of Northern and North-Western Europe, where feudalism broke down (in the 13th and 14th centuries) and private peasant land ownership therefore developed earliest.

Let us say in advance here that there have been debates in Hungary about the concept and employment of regions, due to poor definition and uncertainty about the existence, borders and intra-state role of regions. Mention is made of the

differences in the way the EU (the 'Europe of regions') and the Central and Eastern European (CEE) countries developed into nation-states.

In Hungary, counties (*megye*) were the traditional mid-level administrative areas, the county public administration bears strong traditions. Royal counties have a long history: the first surviving written record of this was the so-called Kehida Diploma from 1232, in which the servants of Zala County wrote that they had received permission from the king to arbitrate in the cases of those suffering from "the wrongful suppression of powers" (Balázs et al. 2014: 30). Counties had an important role in the maintenance of Hungarian self-awareness: the network of counties existed even under Turkish oppression when most parts of the country were lost. In the second half of the 18th century, noble counties were established for self-defence in the place of royal counties. These noble counties became the representations of self-governance in Hungary during the Habsburg period. In the 1848 revolution, popular representation put an end to the counties' right to send representatives and issue orders – the privileged status of the counties started to fade away. The establishment of the royal courts in 1871 took away the judicial power of counties; they remained a unit with mere administrative functions (Balázs et al. 2014: 31).

The nation-states of the present-day EU came into being successively in the 18th and 19th centuries, through integration and/or absorption of earlier political formations (counties, princedoms and city-states, often with separate languages and cultures). The integration and often violent process of union, to which some languages and cultures fell victim, did not usually eradicate strong identities that developed historically in certain spatial units (for instance, those of the Catalans, Scots and Bavarians). The EU, embodying integration on a sub-continental scale, has revived these old units and turned such historical regions into the basis of the 'Europe of regions'. These regions have preserved the dialects, customs, self-awareness, etc. of their inhabitants through a process lasting a thousand years.

East-Central Europe arrived at nation-states along different historical paths. It happened not by integration, but by fragmentation or reduction of multi-ethnic empires, or in the extreme case of the Austro-Hungarian Empire, by its breakup. These nation-states developed in the 20th century and seem set to continue into the 21st (in the Balkans and perhaps in Eastern Europe). The first great wave of nation-state creation came after the First World War, when local forces were mobilized and encouraged by the geopolitical considerations of the victorious great powers.

The map of East-Central Europe's nation-states was drawn outside, in Western Europe. After the Second World War, further important border changes were made at the expense or to the gain of existing nation-states, again through outside intervention by the great powers. The second wave of post-war nation-state creation came with the breakup of the state-socialist system. Eight states were replaced by 26 new nation-states (including Soviet successor republics in Asia), although they reflected local initiatives, power relations and efforts, and bore the

bloody marks of local wars. One obvious consequence for regionalism is that these nation-states lack historical regions or possess them only exceptionally.

In the 20th century, borders of new nation-states were averse to giving ethnic groups and historical units any kind of administrative frontiers that might support claims to autonomy. Changing ('adjusting') administrative borders has been a ceaseless process in CEE countries in the last few decades.

Regionalization, territorial decentralization of power, division of labour between different municipalities in the Unitarian states of Central and Eastern Europe also got into the crossfire of disputes. The transformation of the political system, the globalization, integration into the European economy, the establishment of a self-governing structure that upholds the principles of civic democracy threw new light upon the relationship between territorial and local power, and on the harmonization of municipal autonomy and the meso-level administrative functions. (Horváth 2001: 38) In almost all of the former socialist countries, the basic transformation of the economic, political and functional tasks in the municipal levels has become the central issue. The former sub-national level has either ceased to exist (in the successor states of Czechoslovakia) or its functions have been significantly reduced (in Hungary), or transformed (in Poland), or new territorial middle levels were created (in Croatia or Slovenia).

2. Structure of administration in Hungary

State administrative tasks and powers are carried out by the central state administration, though in cases, when they are more efficient to be executed on a lower level of administration, they may be delegated to the local governmental level.

In Hungary, the legislative power is exercised by a unicameral National Assembly. The members of the Assembly are elected for a four-year term by popular vote under a system of proportional and direct representation. Until 2014, the Assembly was consisted of 386 seats, elected in a two-round election. Out of the total 386 seats, 176 were decided in single constituency vote, 152 on the basis of 20 district lists (county and municipal), and 58 seats on the basis of national lists. Following a reform in 2012, general elections are now conducted under a one-round, two-ballot system. One ballot is to choose MPs from 106 single-member districts; while 93 party-list seats are allocated according to a combination of the second ballot and "wasted votes" from the first ballot (the Hungarian system is thus a mix between parallel and proportional voting). The Parliament enacts laws with a majority of the votes of the Members of Parliament present. Legislation may be initiated by the President, the Government, all Parliamentary Committees, and individual members of Parliament.

The Constitution of the Republic of Hungary (Act XX of 1949 Constitution, which underwent profound amendments in 1989/90) itself emphasized the importance of self-government and granted constitutional protection to municipalities. Article 42 of the Constitution specified and defined the right to self-government: "The community of the electorate of the village, the city, the capital

and its districts and the county shall be entitled to self-government. Local self-government is the autonomous, democratic management of local public affairs affecting the electoral community and the exercise of local authority in the interest of the population. ”

The Act LXV of 1990 on Local Authorities further strengthened the importance of the principle of self-government in its preamble, since it identified self-government through the independent and democratic management of local issues by local voters. It also declared the acceptance of the European Charter of Local Self-Government, which was incorporated into the Hungarian legal system under Act XV in 1997. In accordance with the principle of subsidiarity, the Charter states that the right of citizens to participate in public affairs is best exercised at local level, and, that only local authorities with real responsibilities can at the same time ensure efficient administration that is close to the citizens. (Nagy 2019)

Hungarian public administration consists of two main frameworks: bureaucratic and democratic institutions. The first includes central government bodies and their organs at local and territorial level (de-concentrated institutions) that are subordinate to the state administration. The second type of structure is the system of local self-governments (decentralized institutions) based on principles of autonomy and subsidiary.

Hungary is divided administratively into 19 counties, which are further split into 174 districts. Budapest has a special status as the capital city, and divided into 23 districts, each headed by its own mayor. There are also 23 cities and towns with county status. Local self-government system in Hungary exists at two tiers: local and regional level. There are no hierarchical relations between the two types of local self-governments, as declared by the Constitution the fundamental rights of all local entities are equal.

The difference between the two lies in the administrative tasks delegated to each. Municipalities have broad responsibilities in service provision. They provide local public services to their settlements. Counties have a subsidiary role in that they provide public services which settlements are not capable of performing, as well as that have regional character.

A decentralisation of financial instruments of the central budget enabling the execution of tasks is also needed. A law or government decree should authorize the local government and delegate tasks and competences for local governance. Concerning tasks and powers, the Act on local self-government in Hungary makes a distinction between local government and state administrative tasks and powers (Balázs et al. 2014: 45).

The regulation makes also a distinction between various levels: level of **basic municipalities** (obliged to carry out all core mandatory tasks laid down by the law which satisfy the basic needs of the population and to provide access to the required public services within the territory of the given municipality); **cities and administrative centres of districts** (charged with the provision of basic services within their own territory and within the catchment area of the entire territory of

the district whose provision it can guarantee in an economical, efficient manner, in compliance with the professional regulations); **cities with county status** (which implies the extension of service provision beyond the boundaries of the given municipality to the majority or the entirety of the county's territory); and **the capital city and its districts and counties** are all treated separately (Balázs et al. 2014: 45).

Local governments have both compulsory and voluntary tasks. Voluntarily undertaken local public affairs, however, cannot endanger the fulfilment of obligatory local government tasks and powers prescribed by the law. They can be financed by the municipality's income or by separate resources set aside for this purpose (Balázs et al. 2015: 46).

In small villages with fewer than two thousand residents, the administration of local governments operates as joint local government office together with neighbouring villages, due mainly to economic reasons. Villages with more than two thousand residents may also be affiliated to a joint local government office. In order to create an efficient administration, the joint local government office must cover at least seven municipalities.²

The budget for municipalities is part of the national budget, although it is a separated subsystem. Local governments tasks are funded either by own sources of the municipality, or funds received from the state for special purposes (health, education, etc.), or on state subsidies. The annual budget of the municipality should cover the funding of mandatory and voluntary municipal tasks and delegated administrative powers. A new element of the Municipal Code is that an operational deficit cannot be planned for; thus, expenditures made to ensure the performance of municipal tasks cannot exceed the revenues (Balázs et al. 2015: 46). Deficit can only be planned for only if it is used to finance investments and development. Local governments are burdened by the consequences of loss management, and the central government is not responsible for the obligations of the municipalities (Balázs et al. 2014: 45).

3. Administrative patterns during the socialist period

After the communist takeover in 1948, a Soviet-style political system was introduced. The Communist Party became the centre of decisions, while the legislation, the executive branches of the government and the legal system were all subordinated. Political parties were abolished, and the Hungarian Social Democratic Party was forced to merge with the Communist Party and thus form the Hungarian Workers' Party. After the Revolution of 1956 it was reorganized as

² Efficient administration can be provided through associations of local governments. The Fundamental Law entitles local governments to associate voluntarily with other local governments, and exercising this right can affect their administrative structure (Balázs et al. 2015: 46).

the Hungarian Socialist Workers' Party, which survived until the fall of communism in 1989.³

The reduced territory of Hungary after the First World War possessed an administrative system of counties largely unchanged for a thousand years. The county (*vármegye*) had remained the intermediate unit of local government until 1950. In the state-socialist period (1948–89), the county authorities were subordinated directly to the Presidential Council (collective head of state) and the Council of Ministers (government). The county continued to function as the basic unit of territorial organization. The elected bodies in the villages and towns were subordinated to the county councils. In 1950, local authorities of individual settlements were abolished, and the newly formed councils were established, with the single task of carrying out the orders of the central government.

The counties played a substantial role in the redistribution of public resources. The structure of the state remained basically centralized until the change of regime. It is important to note that although the role of an external pattern has always been visible in the development of the Hungarian public administration, centralisation was also supported by the belated socio-economic development (Pálné Kovács 2007).

The highly centralized economic and political administration did not even tolerate efforts by the settlements to rely on their own resources (Horváth 2005: 53). Still, the first comprehensive regional development policy was adopted in the late 1950s. A government decree in 1958 laid down the principles and methods of regional planning. To help the process of central planning, the country was divided into nine planning regions, with boundaries adjusted to the country's urban network. A new method was introduced, slightly more decentralized, with specific regional development plans not based directly on the five-year national economic plans (Solymodiné Pfeil 2005:108). The process of planning, however, remained institutionally centralized, though regional and local bodies produced master plans for their administrative areas. Due to the institutional divisions within the administration, regional planning could never operate as a functional whole (Solymodiné Pfeil 2005:108).

In 1968, a new chapter was opened in regional development. The reform of economic management encouraged the decentralization of decision making. The new regional development policy regulated the administrative procedures of regional planning, and included a social objective, to decrease inequalities in regional living standards. Opponents of the reforms, however, were able to launch a counter-offence for re-centralisation. As a consequence, the regional development remained rather centralized, local councils have no financial autonomy the authonomy of regional decision-making was purely formal. With increasing economic problems in the late 1970's, financial restriction meant a new form of central control as well (Horváth 2005: 54). The regional system underwent

³ <https://www.britannica.com/place/Hungary/Government-and-society>

some modernization in 1982, but the overall approach to planning and its principles did not change fundamentally.

State socialism in Hungary, as elsewhere, abolished private property (apart from small dwellings), and the property of financial and market organizations and institutions, to produce a complete dominance of state ownership. Agricultural land was distributed to the landless, but most of this was later transferred to collective (cooperative) farms. The economic system it created was state-run and centralized and aimed at autarky. This was dominated for the first two decades by forced, accelerated industrialization of a Stalinist type, which gave development priority to mining, traditional heavy industry (steel, petrochemicals, heavy engineering, etc.) and the fuel economy, while neglecting to maintain or develop other areas (such as the infrastructure).

As a result, large state-owned enterprises and industrial zones and districts were created in Budapest, the north-east and central Transdanubia. Their locations were decided by central planning, which reduced the differences of economic development between the larger regions of the country. The process also contributed to building up a network of cities, which had not existed in the modern sense before the Second World War. According to György Enyedy, 'The settlement network was modernized formally: the major difference in living conditions in villages and towns remained, but it was not possible for a local society resting on a bourgeoisie and capable of self-organization to develop. The basis of the settlement network contained a closed, inward-looking economy in which the enterprises - with few exceptions - were not in direct touch with the players on the world market.' (Enyedi (1996): 12-17). The counties and settlements had very little room for manoeuvre or separate decision-making competence.

The change of system was preceded by a long decade (1978-1989) of economic stagnation, except in the preferred area of tourism, when the equalization process between settlement types was halted. This applies especially to the quantity and quality of the infrastructural networks of smaller communities. For differences of standard correlated strongly with settlement size (town, larger village, smaller village). Surveys show clearly that satisfactory infrastructural provisions in Hungary are a privilege reserved for townsfolk.

The state-socialist period and its system of control over the economy and society led to an approach of giving preference to centres and eliminating grassroots, spontaneous, individual initiative. The infrastructural networks were installed hierarchically on a radial plan and lacked horizontal, bilateral links or cooperation. This approach was reinforced by the established historical structure of the transport network, in which radial links between Budapest the county seats and other towns and villages were not accompanied by direct network and service links between communities of equal size. This is also reflected in the marked differences of infrastructural provision within the settlement hierarchy, not only in Hungary, but in all CEE countries, for instance in telephony in towns and villages. Low in any case, telephone provision in Hungary in 1990 showed a ratio

of 5:1 between Budapest and the provinces and 7:1 between Budapest and rural areas (Ehrlich 1992).

Development was considerable in the less technically sensitive and capital-intensive infrastructure – education, culture, health services and to some extent housing – even by comparison with the economically developed market economies in some respects. However, these cannot be more than mentioned here. One specific Hungarian feature was a volume of domestic and still more foreign tourism far greater than in other socialist countries (Ehrlich 1995).

As in other socialist countries, domestic tourism was extensive and heavily subsidized, so that it acted as a social reward for working people. Likewise untypical of the socialist bloc was Hungary's inward international tourism, which developed markedly in the last two decades of the state-socialist period. Most socialist countries suffered chronic food shortages and generally poor supplies of consumer goods. Hungary, largely thanks to the 1968 'new economic mechanism', managed to produce a mounting agricultural surplus, allowing it to increase its agricultural exports substantially and improve supplies of many consumer goods. This turned the country into a shopping centre mainly for people in other socialist countries (especially ethnic Hungarians in neighbouring countries) and to some extent for visitors from the West, due to the favourable consumer prices. In addition, Hungary became a meeting place in the 1970s for citizens of the two Germanies, whose direct visits were still severely restricted. The number of visitors from Germany, Austria and other Western European and overseas countries increased substantially, attracted not only by the prices, but by the albeit relative freedom compared with other CEE countries and the services of a reviving small-scale private sector. The extensive domestic and increasing international tourism contributed greatly to the expansion of legal and non-legal accommodation services, tourism-based retail trading, catering, and under-the-counter barter, from which locals and domestic and foreign visitors made gains. The tourist industry that developed and prospered in Budapest, on the Danube Bend, at Balaton and along the Western borders was partly state-owned, but to an extent unusual for a socialist country, also privately owned. It offered lower quality standards than in the economically developed market economies, but it satisfied the requirements of shopping tourists and mass tourists and Germans seeking a family reunion (Ehrlich 1995).

In that respect, the development in Hungary was unusual and conspicuous for East-Central Europe. The growth of international tourism in the 1960s and 1970s contributed greatly to rise in unregistered income and the standard of living among the Hungarian population and to the state's foreign-exchange earnings. Perhaps more important still, the openness of society was enhanced by the freer access to foreign travel and the visits by Western tourists (Ehrlich 1995).

The effects of tourism just described and the general upsurge of the private sphere and private ownership were concentrated in the parts of the country already mentioned, where the tourist industry was concentrated. This meant that these processes contributed to increasing regional development differences.

4. Regional development and administrative features during EU pre-accession and membership period

Regions are an old concept in geography but new in common parlance in Hungary. Like districts, they are contiguous areas of land, but the basis of them is often not natural or historical, but provided by the administration of state. The official, legal division of Hungary into regions took place in the 1990s.

After the change of system, the counties received local government powers and tasks under Act LXV/1990. In principle, the counties may not receive direct funding from the central budget other than defined normative allowances for performing specified tasks. Governments of settlements in turn receive normative funding for budget allowances and maintaining and teaching in childcare institutions, kindergartens, primary and secondary schools, and usually but not invariably, possess revenues of their own (e.g. local business taxation) to cover county-level costs and investments.

The expression 'regionalisation' became widely known in Hungary, because intra-state regions play a very strong role in the European Union (EU), where mention is often made of a 'Europe of regions' and efforts made to even the regional economic inequalities, including sizeable financial ones. In Hungary there have been debates about the concept and employment of regions, due to poor definition and uncertainty about the existence, borders and intra-state role of regions (Enyedy 1996).

The change of system brought transformations and reorganizations that produced a number of new regional processes and phenomena. The state-socialist economy declined almost overnight as a result of the change of system. Hitherto 'developed industrial areas' found themselves suffering grave economic and employment crises. Many state-owned enterprises and other business organizations still competitive on Western markets despite outmoded equipment and technologies faced immediate insolvency. Others converted into companies and/or were privatized, in some cases becoming wholly foreign-owned. Most of the peasant-owned agricultural land under state socialism had been farmed collectively by cooperatives. It became possible during the transformation to withdraw such land (or land received under compensation schemes) from the cooperatives. Mainly for political reasons, assets of large-scale agricultural concerns and cooperatives were paid out as compensation, divided up or scattered, so that most of them ceased operating. As a result, more than half the country's farmland came to be divided into holdings too small for modern farming methods to be employed. The regional consequence was the emergence of crisis regions, with a surge of unemployment and impoverishment. The resulting territorial inequalities have become apparent in living conditions, including infrastructural provisions and availability of public services. Naturally, privatization and the subsequent extension of the private sector and arrival of foreign investment were concentrated in territories (counties, regions, towns, etc.) where the conditions of operation were the most favourable (Ehrlich – Szigetvári 2003: 17).

Stronger market forces and economic competition strengthened the processes differentiating and selecting within the economy and the regulation supporting those processes. The post-transformation recession affected different parts of the country to different extents. Districts dominated by weak territorial structures and crisis industries became the losers by the change of system and the regions with diversified structures the winners. The change of system heightened the differences between centre and periphery. The differences in economic potential between Budapest and the provinces have grown. Building up the market economy has benefited developed areas, especially Budapest, more than backward areas. The spatial differences in production are far exceeded by the differences between Budapest and the provinces in income and capital accumulation (Horváth 2002: 400-404).

With Hungary's accession to the EU, there were two focuses for reorganizing the system of public administration that operated previously.

1. The Hungarian counties (dating back a thousand years, as mentioned already) are too small to exercise every potential integration function and force. They are also too small to meet EU size criteria for subnational units. Their size would have been an obstacle to them being treated as single units within the EU administration. Hungarian counties have an average population of 500,000 and area of 5000 sq. km, as against average sizes for EU (NUTS2) regions that far exceed these figures (Faluvégi 2000: 128).

2. The developmental autonomy of counties in Hungary and financial opportunities open to them are extremely limited. The major decisions about county developments are taken nationally (albeit at the instigation of the country) and largely financed out of the central budget. The county authority's own revenues are insufficient to perform the county's immediate tasks, let alone to finance developments. Statutory tasks are financed by transfers from the central budget calculated according to normative costs.

The solution was seemingly simple. In the words of a Hungarian authority on the subject, 'The local-government-area structure of the Hungarian economy does not currently meet the competitiveness requirements of the post-industrial age and European integration.'

1. A system of local government has to be created by merging counties, three to a region. (Proto-regions already exist in terms of EU administration, but otherwise only in a formal sense.)

2. A much higher proportion of the budgetary revenues deriving from counties (regions) has to be turned into county (regional) revenues, to provide the vitally important financial basis for self-government.

However, these ostensibly simple solutions are by no means simply to apply. First, there is a historically evolved apparatus for performing the functions of today's counties and county seats, with concomitant customary laws and infrastructural provisions. What government is going to accept political responsibility for choosing one of the three historic county seats as the regional

seat in a position of national sub-centre and for demoting the other two cities? Consequently, the governments since the change of system have done only the minimum to comply with the demands of the EU bureaucracy in creating and operating Hungary's regions.

Secondly, such financial independence based on revenue from each region's territory under a requisite system of more or less uniform, decentralized financial sources (tax and other revenues and scale of these) presumes that the units will be roughly equal in development level and capacity to generate revenues. This study shows in several dimensions that the opposite is the case in Hungary. If the financial independence of the counties (regions) rested on more or less uniform revenue regulations, the sizeable historical differences between comparatively rich Budapest and the counties of Northern Transdanubia on the one hand and the poorer counties of North Hungary and the Northern Great Plain would increase, not diminish. So the centralism of development and other decisions of a structural character, along with the financial system behind it, cannot be abandoned. Roughly speaking, the state revenues would have to be centralized and redistributed to finance county (regional) tasks, using various well-chosen methods of earmarking funds, by devising and applying rules agreed among all those concerned. Of course, the taxation and the earmarking mechanism may be well or ill-chosen, but centralism can only give way to decentralization slowly and steadily as the chances arise over many years.

The failure of creating regions matching EU standards can be explained not just by the lack of regional identity, but rather by the unwillingness of the central political elite to decentralize. Decentralizing notions have failed in Hungary previously as well. The barriers to progress in every decentralizing period have been erected objectively by wide development differences in the country and subjectively by a combination of resistance by central power...and historically determined provincial behaviour in the country's system of district administration. In vain did documents from the end of the 1920s to the present day emphasize the importance of the region-forming functions of big urban centres. Political elites with short-term interests obstructed in every age any move to develop outside the capital the critical mass to exert the strength to impose a decentralization of power, given a favourable conjunction of circumstances' (Horváth - Rechnitzer 2000: 456-8).

Hungary's accession to the EU in 2004 was not strengthening the competences of the regions either. Instead, a centralised management system of structural funds was introduced; and the formerly created micro and macro regions, along with the old counties were only residual actors in planning and fund allocation. A great dilemma was to decide whether the micro-regional (NUTS4), county (NUTS3) or the regional (NUTS2) level should be in the focus of the regional political intervention and institutional system. The decision was not based on professional considerations, the national or European priorities of regional policy but on purely pragmatic arguments. By the decision, if it was a

decision at all, the legislators meant to integrate all three territorial tiers into the system of regional political institutions (Pálné Kovács 2007).

Little has been done to use decentralization tools that have been successful in Western Europe, for example, for multipolar development. Neither the first nor the second national development plans initiated major changes, although attempts were made to institutionalise decentralization. Although the plans aimed at modernizing the country's spatial structure and increasing national competitiveness, decisive decisions were not made. (Horváth 2014: 27)

5. Current trends of re-centralisation

Before 2010, however, partly as a consequence of the 2008 financial crisis, a growing number of problems and anomalies have been emerged in the local government system, primarily financing difficulties. There were frequent complaints from local government leaders that the municipalities do not receive proportionate support for the increasing number of mandatory tasks, and that compulsory wage increases (such as the salary increases of the public servant in 2003) presented a serious challenge to municipalities, which in many cases they tried to deal with borrowing. According to the State Audit Office, the bond and loan debt of the local government subsystem increased from HUF 756 billion in 2007 to HUF 1247 billion by 2010 (Nagy 2019). Especially for poorer municipalities the financing and maintenance of hospitals and schools have become a major financial problem.

The new government of FIDESZ⁴ lead by PM Viktor Orbán in 2010, therefore, was able to refer to the fundamental problems of the local government system and the need for change. The Orbán system responded to these problems by centralization, as a result of which the autonomy and margin of maneuver of local governments was significantly reduced.

Above all, the constitutional foundations have been created for centralization. The constitutional protection of local governments has been greatly reduced: the definition of the right of local self-government and its constitutional protection have been omitted from Hungary's Fundamental Law in force since 1 January 2012. Article 31 merely states that 'local authorities shall be responsible for the administration of local public affairs and for the exercise of local public authority'. Although the preamble to this law makes reference to the European Charter of Local Self-Government, it is no longer 'adopted' by the existing legislation, but merely 'with attention' to it.

Between 2010 and 2014, the Orbán government took over most of the debt of local governments, but municipalities can only borrow since with the permission of the government. On the other hand, local governments have suffered serious political weight loss by losing the maintenance of primary and secondary schools. The heads of these institutions are no longer elected by the local government, but

⁴ FIDESZ is a national-conservative, right-wing populist political party in Hungary that has been in power between 1998 and 2002, and since 2010.

appointed by the central government (or more precisely by the Ministry responsible for education). Initially, the state withdrew only the maintenance from the municipalities, the operation of the institutions remained by them, but - due to bad experiences - soon the operation was also transferred to the central government (more specifically to the local school districts).

The takeover of hospitals was also a major loss for the municipalities, as the other crucial areas of daily life were taken over by the government, which means that the competent minister appoints the directors of the hospitals. Politically, the consequences are similar to those of public education: municipal representative bodies representing the local community have lost control of the hospitals, meaning that hospital decisions directly affecting the population have gone beyond the local level. (Nagy 2019)

It is worth noting that in the new system local and regional governments have lost their former independence and space of movement. The county assemblies have lost all of their former public service institutions⁵, their task was limited on managing some parts of the European structural funds (Pálné Kovács 2017). It is still a question, however, how county assemblies will cope with this task without the administrative capacity, and real social embeddedness.

The systemic reforms outlined in the current Hungarian administrative reform program (Magyary Program) launched after 2010 is on the belief that a public administration with stronger ties to the central government has a greater professional competence and/or stronger loyalties to politicians than public servants working in decentralized organizations (agencies, local governments). It also assumes that political decision-makers have greater control over a centralized public administration than over a decentralized one (Rosta 2015: 11). The reforms have also meant the cancelling both the NUTS2 regions on the administrative map and the decentralisation on the political agenda (Pálné Kovács 2017). A completely different governance model was created, with a strong, neo-Weberian state that has been expanding at the cost of local elected governments.

The Orbán government has strong centralisation efforts intending to increase the power of the Hungarian state, because, in his opinion, in order to address market failures that had emerged after the transition, a strong central state is necessary (Rosta 2015: 198). The primary goal of centralization is to increase the efficiency and effectiveness of the administrative system. It is questionable whether the efficiency benefits from centralization exceed the costs of eliminating decentralization. It also remains to be seen whether there will be a synergy or conflict between the systemic and organizational reforms proposed in the program (Rosta 2015: 198)

⁵ County governments were sometimes maintainers of some secondary schools or hospitals, but they also lost the right of maintainers, as did municipalities. Other institutions of county governments (such as archives, libraries) also came under state or municipal authority,

The level of centralization introduced by the Orbán government is significantly higher than the level of centralization implemented in the Western-European public administration systems as a response to the economic crisis. The possible reasons were also demonstrated; (1) the strongly centralized organizational structure and operation of the governmental party, (2) the cultural and economic policy attitude of FIDESZ, (3) the desire of the intellectuals supporting FIDESZ to replace the elite groups that did not take place at the time of the transition, (4) the prime minister's and the his allies' views on human nature and their approach of democracy, (5) the need to increase the power of the state and finally (6) the impact of the economic crises were described as possible reasons for centralization (Rosta 2015: 204).

Conclusions

The elements of centralised and de-centralised administration have always existed in Hungary. In the historical patterns we can find example on periods characterized by shifts towards either directions. Geographical specificities and the territorial inequality have also had an impact on the administrative structure.

In almost all transition countries, an essential issue both at local and regional level is the character of the state administration and local governance, as is their relation to each other. There are differences in the division of labour between the two sub-systems, but it is almost universal in these countries that the clear coexistence of the two can only be seen at the local or regional level(s). And it is usually the local government that is responsible for a broader range of activities.

It is almost a common characteristic of the development of public administration that there is a strong "anti-hierarchy" feeling within the local government system. There is no subordinate relationship among the local governments elected at the different tiers, they are responsible for the implementation of their tasks on their own, and they are only obliged for a lawful operation. The importance of regional development during the EU accession processes was increasing, new structures and new spatial elements appeared, or old ones transformed. Regional development was partly adapted to the general territorial division, but independent spatial elements have also been created within this activity.

In the new EU member states, the decentralisation initiated by the European regional development policy has created new challenges for the central administration to cope with. It created new dilemmas related to the creation of the territorial administration and the administrative meso-level, the special organs of regional policy and their interconnections with public administration.

Recently, the Hungarian government has started strong centralisation efforts intending to increase the power of the state. As consequence of the reforms most of the decision-making power has been transferred to state organs (i.e. the government). While county governments were considered an important element of local political life before 2010, their political role has since been greatly devalued. It can be stated that a major shift of power has taken place in favour of

the central government. Thus, the dismantling of the county governments means that the elected representatives of the population are being pushed back against the central state power.

The majority of the local decision-making elite is no longer made up of people dependent on local governments, but of state-dependent local leaders. Government-run municipal leaders have the opportunity to place people close to them into key positions, assign jobs to nearby entrepreneurs and firms (for example, road renovation, municipal building reconstruction, land construction, IT tasks), thereby making them interested in the success of the government party.

Officially, the principal goal of the administrative reforms in Hungary is to increase the efficiency and effectiveness of the administrative system. It is questionable, however, whether the efficiency benefits from centralization exceed the costs of eliminating decentralization. It also remains to be seen whether there will be a synergy or conflict between the systemic and organizational reforms proposed in the program.

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