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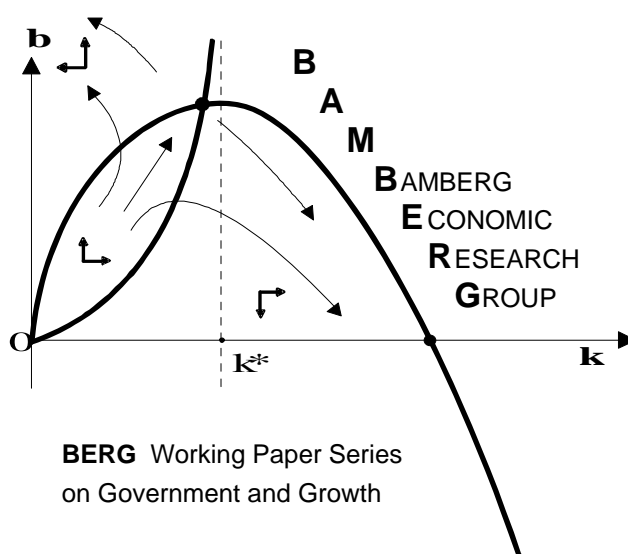
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# **A Post-accession Crisis?**

## **Political Developments and Public Sector Modernization in Hungary**

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**A Post-accession Crisis?**  
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**in Hungary**

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**Abstract**

The paper examines the relationship between the political system and the public administration modernization in the Hungarian transition. Its intention is to point out that there are various shortcuts and bottlenecks of the Hungarian modernization and the cumulative impacts of these deficiencies have caused characteristic difference of the Hungarian modernization trajectory from the typical Western trajectories.

**Keywords**

Hungarian incomplete modernization trajectory; phases of modernization and their international contexts; politization; Neo-patrimonialism versus Neo-weberian synthesis;

**JEL classification:** H11, H83



## 1 Introduction

In Hungary we experienced and still experience an incomplete trajectory. In the first stage a legal-institutional framework was set up of a Rechtsstaat with deficiencies in the practice. In the second stage from the three different contracts – which are the core of the modernization process in the EU countries (contractual based relationship between the regulative and service delivery function; contracting out for the involvement of private enterprises and civil society organizations in the service provision; Citizen's Charter for the legitimation of the reform steps in the society) – only contracting out has applied in the Hungarian practice. Citizens have been not empowered and even now no Citizen's Charter can be seen on the horizon.

In the third stage the administrative principles of the European Administrative Space (EAS) have been introduced but in an unbalanced way and the requirements of the increase of economic competitiveness were only partially implemented. These external requirements of the EU could be accomplished only with deficiencies, because when Hungary entered the EU cumulative deficiencies could be experienced in the public administration modernization.

By now – in the stage of a desired consolidation – the crucial issue is that which type of state will be consolidated: a Neo-Weberian or a Neo-patrimonial state?

It is evident that the transition from command to market economy and from totalitarian state to a pluralist state, multiparty democracy is not only a transition in itself but rather a long process of transformation and it requires essential reforms in the basic functions and institutions of the state (König, 1992), and it requires the emergence or re-emergence of a civil society as well.

First of all we have to make a clear distinction between transition and transformation. The term “transition” refers to the beginning and the completion of a historical process. In that sense the CEE countries have had a starting point, a party-state or a state-party system and in the coming 30-40 years they should manage a perfection of a market economy system and liberal democracy.

The term “transformation” covers the essential changes in the economy, society, and politics in the process. These transformation and transition processes have emerged on various historical background. There were differences in the starting point of the transition among the CEE countries and these differences have been deepened in the course of transition.

It means that you can find on one edge of the continuum functioning market economies and liberal democracies while on the other edge of the continuum liberal democracy is not a real-existing system but an instrument for the international legitimization of political systems which is more an enlightened absolutism than a liberal democracy. The relationship among them can be characterised as a “diverging convergence”.

It is the reason why the Hungarian experiments have to be carefully applied to all CEE countries. Perhaps the reform and modernization processes of the new EU member and accession states from the region are more or less similar to the Hungarian pattern. For the other countries in the region this pattern is less relevant and in a few cases the development of liberal democracy would threaten the political stability in these countries.

In Hungary it is convenient to break up the process of administrative reform into various phases. Three phases are distinguished from each other: the first lasting from 1989 to 1994, the second from 1995 to 2003, and the third from 2004 to the present time.

## **2 The first phase of modernization and its international context (1989-1994)**

In the first period the basic task was the creation of a strong legal state. But the task was not so simple because in the European tradition there were three different *Rechtsstaat* models.

According to Walter Kirkert the basic difference between the Napoleonic and German models is the following: “The Napoleonic state model, in which the nation state is united and the state serves the general interest, the administration is centralised, hierarchical, uniform, accountable and controlled, and state officials are highly trained and qualified, and organised in professional ‘corps’, also formed the foundation of Mediterranean states like Italy, Spain and Portugal. The German *Rechtsstaat* tradition can be recognised in countries like Austria. The main difference between the legalistic Napoleonic and the German *Rechtsstaat* model is that the Prussian state formation was not based on a revolutionary abolishment of monarchy by the bourgeoisie, but on the hegemony of the Prussian elite, in particular the ‘Iron Chancellor’, Bismarck. The nineteenth-century German idea of *Rechtsstaat* meant that the sovereign was to be bound by laws and rules, which were to be equally and fairly applied to all state subjects, and that judges and administrators, were to be neutral. Contrary to the French *principe de légalité*, in which the law is the expression of the *volonté générale*, of the people (Ziller, 2003),

in Prussia and Habsburg Austria the emperors remained in absolute power. Parliamentary democracy was only established in Germany after the First World War (Kickert, 2008. p. 5-6).

The third model is the liberal constitutional *Rechtsstaat* established in the twentieth century in many West-European countries. According to Kickert “The establishment of the *Rechtsstaat* also marked the beginning of modern professional bureaucracy. State officials transformed from personal servants of the king into servants of the impersonal state. They became properly educated and trained professionals with the proper expertise, they fulfilled an official, formally described task, held a formal and protected life-long position, with regular salary and pension. The ideal-type of bureaucracy (Weber, 1922) was born (Kickert, 2008. p. 6).

What type of *Rechtsstaat* model was established in Hungary? The Napoleonic model can be excluded because the authoritarian system was not abolished on a revolutionary way. The Hungarian ambition and intention was to create a liberal constitutional *Rechtsstaat* based on the primacy of the law. Legal sources should be the basis of administrative actions implemented by a modern professional bureaucracy. In spite of the fact that Hungary followed the German *Rechtsstaat* model in the period of the Austro-Hungarian Monarchy there were no attempts for its renewal (Hajnal-Jenei, 2008. p. 211-212). By now it turned out that serious deficiencies are in the implementation of the *Rechtsstaat* model. *Rechtsstaat* requires the separation of the three basic power branches; the legislative, executive and judicial institutions. In Hungary the separation of judiciary from the two other power branches is not completed even by now.

The courts are influenced by the executive on different ways; for instance in their agenda setting and for slowing down judicial process. The extent and the forms of arbitrary actions is also an Achilles heel of the system. Politicians and bureaucrats are not demarcated in the commitment of bribery and corruption. Sometimes elected politicians are the initiator. Sometimes it is a bottom up corruption when low level civil servant must give a certain share for their principal. But top-town corruption also occurs quite frequently when top level civil servants have to buy silence of the others. In Hungary one kilometre highway costs the double amount of money than in Croatia. However it is well-known that Hungarian highways are built on the great Hungarian plain and the Croatian highways are built in hilly regions. The corruption connected to public procurement and later on to PPP contracts proves that the autonomy of the public administration is limited and it is dependent from the leaders of the political parties.



Further on democracy employs police and armed forces to guarantee internal and external security. But just recently Hungarian citizens could observe and experience arbitrary actions of the police and other law enforcement bodies in the limitation of their basic freedom rights (freedom of speech, right of assembly). The way how Rechtsstaat was established in Hungary had a controversial impact to the autonomy of public administration. In the beginning autonomy was decreased, even limited arguing that the bureaucracy served the previous authoritarian power. But bureaucracy played a controversial role in the crisis of the previous political system. In the first place it really was the executive part of the power, but on the other hand, based on its increasing autonomy, acted independently from the party system. This independence was declared in a critical phase of the transition in May 1989 and it was the main guarantee for a peaceful and consensus-based Hungarian transition.

After 1990 the new political parties not only restricted the autonomy of the public administration, but also politicized the activities of the bureaucracy. The result of the impact of the new parties was a decrease in the professionalism of bureaucracy.

It means that the legal-rational principle of the Weberian theory on bureaucracy was only partly accomplished. It turned out that no imitation of any Western models is possible, because of the impact of the Byzantine historical heritage. It resulted in that the legal-institutional framework was set up, but the political behaviour was not adequate to the framework and it caused serious deficiencies.

### **3 The second phase of modernization and its international context (1995-2003)**

Democratic legitimacy has two components: legal certainty and efficiency. The main issue in the first phase was to create legal certainty and the first phase was not completed when the second phase had to begin. The increase of the performance level of the economy and the public sector became an external requirement of Europeanization. The improvement of infrastructure, the quality of *public* services, and the performance of *public* administration became key long-term factors of economic recovery and modernization.

Institutional capacity building became the core requirement, and public management reforms were the answers to the challenge. According to the typology of Pollitt-Bouckaert (Pollitt-Bouckaert, 2002) public management reforms in Hungary had begun on the modernising trajectory in 1990. In the mid-1990s a shift has begun from the modernising because of the

weakness of the legal state. Then the accession to the European Union produced an external constraint to reinforce legalism, and strengthen effectiveness at the same time. The cumulative deficiencies were confronted with new waves external requirements and the result was a somehow chaotic situation.

Hungary has had an incomplete trajectory in an international perspective. From the three different contracts (contractual based relationship between the regulative and service delivery functions; contracting out for quality improvement; Citizen's Charter) only contracting out is applied in the Hungarian practice. The steering and rowing functions were not uncoupled. The day to day actions of the public agencies were not based on contracts between regulation and service provision. Only a performance appraisal system has been prepared without creating the opportunity for a correct performance measurement.

The consequence was that public agencies could not compete in the poorly regulated market of service delivery with private enterprises. No transparent mechanisms of accountability were built up for civil monitoring. Citizens were not empowered. No Citizen's Charter could and can be seen on the horizon.

The state monopoly is being replaced with private monopoly. In a county (where the ruling coalition has majority in the county assembly) the hospitals have been contracted out. There are four hospitals in the county. Three of them are already in the hands of a private firm. (In this "private firm" leading officials from the government are interested in investments.) This firm has made a bid for the fourth hospital with the support of the county assembly. The capital of the county – where the hospital is located – resists. Let us suppose that the private firm will win and control the fourth hospital as well. Who will compete with whom? How can the public control them? Will the regulative power of the government be efficient?

#### **4 The third phase of modernization and its international context (2004- )**

In 2004 Hungary was prepared for the EU membership and with this membership a new phase has begun. The main functions of the public administration were and are to consolidate

- a functioning market economy,
- a stable liberal democracy,
- and to improve economic competitiveness.

In the third phase consolidation became the key word. There are many pressures and challenges facing public administration. For instance people are losing confidence in all institutions, while at the same time every institution is faced with pressures on its resources and budgets. There is also a continuing push for more "direct" democracy as well as more opportunities for participation. These trends are accompanied by decreasing respect for traditional instruments of "representative" democracy and public agencies are already viewed with considerable scepticism (Jenei, 1999). Under these circumstances, reacting in an oppressive way, or trying to minimise problems creates a decrease in the credibility of public administration.

Nevertheless – especially in the last years – constant efforts were made to produce some kind of visible results in creating a customer-friendly administrative service, with introducing the one-stop system or implementing shop e-government measures. However, there are strong indicators showing that experiments with the application management techniques were failed, because the very basic classical bureaucratic virtues are often missing from large segments of the central government machinery. For example, basic coordination and information tasks are not carried out, and structures and processes are often largely chaotic and anarchistic, reflecting the temporary interests and aspirations of different, conflicting (micro-) political and, more typically, personal power centres. Moreover, even the most basic lines and mechanisms of bureaucratic accountability are often missing on multiple levels of the system (See Hajnal-Jenei, 2008).

Moreover the reform efforts are only slogans and in the reality they are not reforms, but actions or reactions under external and internal pressure. It was a cut back in the civil service because of financial constraints and it was and is called reform. But the name is misleading. This process does not meet the term “reform” used in EU countries, because it is not led by a strategic vision, and the actions are not legitimised by the civil society. There are neither participative nor civil dialogues. The administrative principles of the European Administrative Space (EAS) are only partly implemented. In an international comparison the following conclusions can be drawn.

#### **4.1 Representative versus participative democracy**

The democratic political system in Hungary is in the stage of a representative democracy now. I would add that a special version of representative democracy has been implemented in Hungary. In this version the party leaders supposed to be charismatic and democracy means

for the citizens a regular participation in the voting process. And nothing else! It is based on a simplified version of the theory of Schumpeter emphasizing the following component in defining democracy: “that institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people’s vote” (Schumpeter, 1947. p. 269).

There are two problems with the Hungarian version. Firstly strong social groups of the Hungarians do not accept it. The public opinion polls show a frightening decline in the personal prestige of the politicians. Very limited confidence exists in the political institutions and in the public agencies anymore. (Exceptions are a few local politicians, among them even city mayors as well.) This level of mistrust endangers the stability of the system.

This political orientation can be characterised with the instruction of a party leader. It was given in a county party meeting in the 2006 election campaign. The very essence of the instruction was that “the basic principle what we have to follow that two functional illiterate matter more than a Nobel Prize winner. They have two votes compared to one”.

This statement has a logic. But it does not fit to the value orientation of strong social groups and secondly it does not meet the requirements of increasing the economic competitiveness of the country. It has become quite evident by now that the economic competitiveness of the country depends on such factors as the quality of public service provision, the performance level of public trust in the public agencies, the openness, transparency, predictability, reliability and accountability of the public sector. The main problem is that the current tasks of the public sector modernization require a post-parliamentary democracy, in the terms of the EU a participative democracy.

But in Hungary participative democracy is the only a demand of the trade unions and of several civil society organisations. There are ongoing efforts for organising referenda against the government. In this special situation direct democracy is applied because of the lack of participative democracy, because it is the only – and costly – opportunity for pressure groups to express their criticism or resistance to governance.

In a comparative perspective we can raise the question: What model of democracy has emerged in Hungary? Definitely it can not be described with the terms of liberal democracy. The very essence of this model of democracy is the widespread political participation, the direct and active involvement of citizens as decision makers in public policy making. The Hungarian model does not meet with these criteria, because the institutional mechanisms of

participative involvement either have not been set up (mechanisms of civil dialogue) or however they are established, but they do not function in the day to day practice of policy making (mechanisms of social dialogue).

The Hungarian model is somewhat similar to the representative democracy when regular competitive elections are the core of the political system. But with deviations. The parties in Hungary are not only competitors, but they created a polarisation in the competition which resulted in a fragmentation in the party system and a lack of trust toward the state and a mutual one inside the society.

The Hungarian democracy is in a deadlock situation. The integrative political organizations, the pressure groups and the civil society organizations are not able to force the parties moving out from this deadlock of fragmentation. The Hungarian democracy has an unbalanced institutional background. The centrifugal forces (parties) have essentially more strength than the centripetal, integrative forces (trade-unions, pressure groups, civil society organizations). Even sometimes these centripetal, integrative forces only imitate their socio-political functions, because some of them were created by parties and therefore they are extended arms of various parties.

The Hungarian model is far away from the current forms of modern democracies. In this model of democracy the role of social groups is much greater than in a representative democracy. In these participative democracies pressure groups have grown up alongside the formal institutions of government and political system. They developed a bargaining power and governments and parties had to seek the consent and cooperation with these pressure groups. Sometimes this model is called “post-parliamentary democracy”, in which decisions are negotiated between public agencies and pressure groups.

## **4.2 Lack of reforms in public policy making**

The second reason is that public management reforms are not coupled with reforms in policy making. In 2005 OECD published an analysis and evaluation on the results and problems and on the innovative efforts (OECD, 2005).

Measuring on the criteria of this overview the main deficiencies of the Hungarian public sector some critical points can be found:

- The openness of the government is on the traditional level. No progress has been made in transparency, accessibility and responsiveness.

- Performance management and budgeting has not been implemented in a series of public agencies.
- Public policy making exists only as a web of actions without a relevant strategy. We can speak about strategic management mainly on the local level.
- Progress was made in the efficiency of public agencies, but the implementation of effectiveness is only sporadic.
- There is a widespread abuse and mismanagement of the market type mechanisms.
- The core issue has to be solved is the adaptation to the changing needs of social groups and maintaining coherence of public policy and continuity of governance values at the same time.

### **4.3 Weaknesses in professionalism among civil servants**

The relationship between politicians and civil servants is not consolidated. It means that every change in the coalition – which happens quite frequently in Hungary – had an impact on the composition of public administration on the top and the middle levels. It was the main obstacle of building up a neutral bureaucracy based on professional expertise. Party affiliation mattered more in the nomination of top– and middle level bureaucrats.

The process has begun already in 1990 when top level technocrats were ousted from the government. In spite of the fact that their attitude was basically loyal to the new government, following the good old slogan originated from the time of the Austro-Hungarian Monarchy: “Maul halten und weiter dienen” (Shut up! And do serve further!)

This procedure was repeated every four years from that time on. Unfortunately there was an exchange in the governing position in almost every election. It was the result of a series of punishment votes and the opposition forces always emptied not only the key positions, but the mid-level positions as well. They had to pay out their supporters of the previous election campaign. The ideology was: “democracy is a learning process”. The problem was that they repeatedly learned, the public paid the costs, and a lot of the new leaders were weak, hopeless cases. It resulted in a decline in the professional expertise of civil servants. Sometimes they identify themselves as independent, but the question of the public for them: “On which side are you independent?”

The situation is somewhat better on the local level. Either in cities or in villages continuity can be experienced. It is favourable for the development of professional expertise. But in the current situation the relationship between politics and administration is unstable and over-politicized. In Hungary it is also relevant what Verheijen and Rabrenovic pointed out on the CEE level and which is quoted by Meyer-Sahling (Meyer-Sahling 2008): “The prevailing pattern is still the (...) civil service changing with each election or, in worse cases with each government reshuffles”(Verheijen and Rabrenovic, 2001:441).

Politicization of public administration is also characteristic for Western democracies (Goetz 2001), but in a comparative perspective the Hungarian practice is different from the prevailing modes of politicization in Western democracies (Meyer-Sahling, 2008:2). The main differences are as follows:

- personnel turnover is essentially higher than the international standards after every elections,
- new appointees have been recruited from outside mainly based on their political affiliation rather than from the public agencies,
- governments appoint officials who are “returnees” as Meyer-Sahling argues “in the sense that they work in senior administrative ranks under governments of the same political colour, leave when a government is formed by parties of the opposite political spectrum, but return to senior ranks with “their bloc of parties” after having bridged the out-of-office period in the private sector, academia or at a political party” (Meyer-Sahling, 2008:2).

In Hungary a partisan politicization has emerged which is different from the other modes of politicization, namely the non-politicization, and the bounded politicization. This mode is the heritage of the authoritarian system where the politicization of public administration was strong and dominant. It was a one-party system, in which the career paths were merged among the leading positions of the party, of the public administration and of the economic enterprises. This party dominance survived the authoritarian system, but in a modified form. In the new multi party systems the “ancient mode” of politicization has been preserved and it was taken over by the newly established parties as well.

An additional problem is the relation among the various elites. What type of elite theory is relevant for the Hungarian political and administrative developments? In modern democracies political elites are composed of political party leaders in the government and in opposition, of high ranking civil servants, military leaders, leaders of economic enterprises, and sometimes of

aristocracy and royal house. There are different kinds of elites and their position is partly related to the development of large-scale organizations.

Liberal democracy operates in the modern state through the interactions between the various elites and the bureaucratic elite between the elections, and through the competition between party elites in the regular election period. It is the very essence of democratic elitism, which means competition, but also circulation and replacement, among the elites. In Hungary the relationship between the elites is unbalanced. The system of “Checks and balances” is not implemented. The behaviour of the political elites is similar to a ruling class behaviour. This means that there is a lack of compromise oriented political culture in the way how party coalitions govern.

The second bottleneck is the weakness of other elites compared to the party elites. Neutral, independent bureaucracy does not exist at all in Hungary. Top and middle management of public agencies have been directly influenced by the governing parties very frequently. Civil society organisations – in many cases – are supported financially, based on their party commitments.

The signs of clientelism are quite transparent. It is also a deadlock and no forces can be observed on the horizon with the ability to push the current situation into the direction of democratic elitism. The emergence of a neo-patrimonial alternative is a real danger.

## **5. Conclusions**

Even in the EU countries there are tensions between the administrative principles. There is a broadly discussed tension between the principles of professional integrity and professional loyalty. And a well-known consequence of customer orientation, quality improvement and application of management techniques is the tension between legalism and managerialism. But in the EU the development of the “Rule of Law” and the introduction of “Public Management Reforms” was a sequential process.

Compared to this the essential difference in Hungary was, that only in the early 1990’s the legal and organizational framework of a “Rechtsstaat” was established and shortly after this they have also got the challenge of introducing managerial methods and techniques in the public sector. Basically the development of the “Rule of Law” and of the “New Public Management” has become a parallel process. The result was multiplied deficiency and deviation from any Western patterns.



Creating a legal – organizational framework for a “Rechtsstaat” does not mean that it is already a functioning legal state based on Weberian principles. But without a functioning Weberian democratic system, without regulative and monitoring power of the state the initial steps of “Public Management Reforms” result in uncertainties and deviations in the legal state and even strengthen corruption.

On the other hand without introducing the quality models the CEE countries cannot increase the competitiveness of the public sector which is an essential component of the economic, social and political modernization processes of these countries.

Are we really in the trap situation? Is it a way out from this post-accession crisis (Ágh, 2008)? The only solution is that Hungary must not try to avoid the Weberian phase of development. A functioning Rechtsstaat is a necessity in the course of modernization but you have to add to this development the application and implementation of the western quality models as well. You need a balanced position and public administration needs a stable political background and strong consensus of the political parties in supporting this process.

A Neo-Weberian State became the requirement without having a completed Weberian state, because it is the only solution for providing a synthesis between legalism and managerialism. It is the new constraint.

A Neo-Weberian State, in which governmental actions are based on the Rule of Law, in which private enterprises are involved for competing quality in the service delivery, and in which civil society organizations have a full range involvement in public policy making, from decision making to service provision.

As for Hungary is concerned: only the Neo-Weberian State means that the light at the end of the tunnel are in sight and without this synthesis we are just running in a long tunnel further multiplying the deficiencies of modernization.

There is no doubt: in a normative approach Neo-Weberian State would be the optimal solution. But taking into consideration the multiplied deficiencies either of the legal state or of the public management reforms, and the controversies between the rhetoric and the actions of reform efforts another alternative appears on the horizon: the new-patrimonial state.

It is sure that new-patrimonial alternative would be a dead-end street. Now Hungary is just at the entrance of this dead-end street. The only guarantee not to enter in this street is the strengthening of civil sector and its organisations.

Hungarian politicians divide society into a polar spectrum containing marketplace on the one side and government on the other side. In this approach civil society is dependent from these two centres. But we need an approach in which market economy, government and civil society are parts of a three-legged chair. The first leg creates market capital, the second one creates public capital and the third one creates social capital. Civil society has to develop to a third, independent force in public policy making and then the Hungarian perspective is a Neo-Weberian synthesis and not a combined mistake of a neo-patrimonial state.

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