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Public Administration Shaped by Demand for Crisis Management

Hungary: Struggling with Crises and Taking the Blame for It



Summary

The issue of centralization is one of the classics of public administration science. Hungary's public sector reforms have raised the interest of international academic inquiry. Accounts of the reforms appear to share the same intrinsic judgement that centralization should be rejected per se while decentralization is unquestionably desirable. This has been contrasted recently with the evident need for effective crisis management that is usually attributed to clear hierarchic relations and top-down initiatives. The proposed paper has a context-oriented standpoint having in mind the important lesson of the policy transfer (and policy failure) theory, that solutions that appear to work in a certain context, might not work in another. In order to examine the Hungarian development path with a somewhat more detailed perspective, the following methods are used in the article: path dependence theory (pendulum effect) of public sector reforms on a factual basis and making comparison with the recent development path- a reference country in the region (Slovakia). The article puts forth propositions for the future how the crisis consolidation process is recommended to be completed by corresponding literature.

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CRITICISM AND DEVELOPMENT PATH

The current paper analyzes contemporary developments in Hungarian public administration and public service delivery. It appears that Hungary has gained popularity among theorists of political science and public administration as a research subject. Such popularity cannot be rationalized by Hungary's size or influence but by its unique development path of being a forerunner of democracy and becoming – as critics say – a semi-authoritarian pseudo-democracy. First of all, one should argue that there is a certain common latent assumption that certain countries ought to develop on a given path and if not so, a 'problem' occurs that generates theoretical criticism and scientific propositions of correcting, amending or modernizing reality to the ideal image of reference. Theorists' generally have a strong commitment of assuming an ideal development path which is best summarized in the public administration development path theory. The most obvious pattern of the development path for a country's public administration is the linear one. The linear – and somewhat naive – common theoretical perception on transition was that if the peoples of Central and Eastern Europe want democracy and capitalism all they need are good institutions installed as quick as possible and the new institutions will work effectively. This approach was cherished by such renowned theorists such as Rustow (1970) in terms of democratic transition and Sachs (1994) in terms of "shock therapy" or in other words: introducing capitalism overnight. Although both authors emphasize conditionality of transitions, they both believe in the necessity of transitions from point "A" to point "B". The concept of a linear development path of any polity enables criticism by any protagonist of point "B". The vision of a linear development path can be traced behind the "accession" drive of reforms that is also called "Europeanization" (Ágh, 2013). In terms of development path theory this signifies that the "B" (desired) status is represented by an external (moral) authority that demonstrates its superiority by its highly developed institutions and significantly higher living standards. In Hungary's case the neighbouring Austria has been a reference point as a country model in the early phase of transition.

International (financial) institutions have also been the promoters of policy transfer in terms of public finances, democratic institutions, property rights, human rights, public administration and public service performance, e-government and many other components of a young democracy. Institutional and policy transfer approach is well known in corresponding literature. According to Randma-Liiv, creating and stabilizing democratic institutions and market economy were the first priorities of public sector reforms in Hungary but these reforms did not facilitate public administration to become stable, democratic and professional (Randma-Liiv, 2008). This is not surprising since each international policy transfer institution is somewhat locked in its own mission statement and internal bylaws that limit its activities. The controversial nature of the operations of policy transfer institutions was analyzed by Sobis and de Vries (2009) in detail. The EU and the post-Communist countries' interaction is a special field within policy transfer oriented transition literature. Schimmelfennig (2005) and Vachudova (2005) argue that EU accession was a decisive motivation for the democratization of the new member states since they had an additional motivation to fulfil the Copenhagen criteria. Other development path trajectories designed to fit descriptive theoretic-

tical approach offer less room for normative criticism. Path dependence theory has various non-linear approaches in public administration theory. Bouckaert and Pollitt (2011:26) enable the assumption of a dialectic development path without proving it but offering it for further analysis. Pendulum-path is also a legitimate theory arguing that the strong state is one extreme and the minimalist or “hollow” state is the other extreme (Peters, 2008:11). According to this theory, countries tend to move on the pendulum path and appear to periodically change their direction of development (Wollmann–Marcou, 2010). György Jenei identified two development paths of Hungarian public administration after the regime change. One is the sustaining-preserving path with periods of modernization. According to Jenei, the sustaining-preserving period in Hungary lasted from 1990 to 2005. Onwards from 2006 the development path changed drastically first to the marketising than to the minimalization path (Jenei, 2009a). The changes of the 2006 reforms reflected the changes of the role of state in the general sense signifying that the (Weberian) concept of the capacity-building state gave way to a capacity-minimizing understanding of state right before the economic crisis. From the public administration theory one can crystallize that it is quite normal that certain countries tend not to remain in a constant status nor do they develop in a linear way but sometimes they tend to develop in a reverse route of the pendulum – leaving open the question whether this is still to be called ‘development’. In the Hungarian domestic theory there are at least two theorists who formulated a ‘vicious circle’ “development” path. Sajó powerfully demonstrated the self-sustaining worsening of a state-society relationship in Hungary (Sajó, 2008) while Szócska formulated a similar argument regarding the vicious management circle of Hungarian public health sector (Szócska, 2010).

CONTEMPORARY ACADEMIC CRITICISM ON THE HUNGARIAN DEVELOPMENT PATH

In the followings I collected the critical accounts of scientific importance regarding the Hungarian public administration development path. Hajnal, Csengődi, Ágh and other critics begin their analysis with the enumeration of vivid examples of recent powerful reforms of the contemporary Hungarian public administration. Since distinguished theorists collected such measures repeatedly, hereby I briefly enlist the major elements of reforms.

Hajnal and Csengődi start their analysis from emphasizing the reality that the landslide political victory of 2010 changed political landscape from a bipolar, coalitions-dominated party politics to a unipolar two-thirds majority parliament and to a virtually homogenous political landscape at the local level (Hajnal–Csengődi, 2010). Landslide victory itself is considered an institutional failure for the democratic institutions in Hungary by Ilonszki and Várnagy (2014). This statement appears to be rather strange since it implies the latent assumption that young democracies – due to a hidden ideal – ought to be governed by coalition governments. Hajnal and Csengődi argue that Central and Eastern European political culture can be characterized by “clientelism, politicization, corruption and nepotism” (Hajnal–Csengődi, 2010:39). It would be difficult to refute this statement however; it would be rather obvious to relativise it by reminding ourselves on Greek or Italian realms of politics-administration

relationships. Hajnal (2015) as well as Gellén (2014) argue that legalism is also an important element of Hungarian public administration legacy; they also prove that – despite strong legalistic tendencies – politicization has been increasing since the mid-2000s in terms of informal arrangements of political control above bureaucracy. Continuing the EU – new member state interaction principle (shared by Randma-Liiv, 2008; Schimmelfennig, 2005; Vachudova, 2005) – Sedelmeier (2014) argues that backsliding in democracy is the primary problem after the EU accession both in Hungary and Romania. Ágh’s criticism is somewhat similar (Ágh, 2013). Politicization – in terms of positioning political cadres to key positions overwhelmingly dominating public administration and public service institutions – is an important finding of his study. He emphasizes centralization as a main tendency of the Hungarian public domain, “reinforced by the recurring financial constraints” (Ágh, 2013:1123). In fact, Ágh has an important remark that is important as a path dependence determinant factor: permanent fiscal constraint: when there was decentralization on the local and county level (1990-2010), fiscal deficit was decentralized.

It is important to consider whether only Hungary is exposed to such scrutiny regarding democratic quality. The answer is no. In international literature we find numerous scientific articles on challenges of various European democracies such as Italy under the Berlusconi era (Donovan, 2003; Hopkin, 2005) or the institutional incompleteness of facing the crisis (Mammone–Veltri, 2008). An important aspect in recent pro-democracy is that decline of disposable income draws back natural citizen participation in democratic activities (Pianta, 2013). Slovakia also used to be labelled as a semi-democratic or defected democracy by international scholarship (Henderson, 2004). Later on Slovakia „distinguished itself in the first half of this decade by launching a coherent set of economic reforms that limited government and transferred social and economic risk to individuals” (Fisher et al., 2007:977) carrying out a series of successful neoliberal reforms in the economy. Still, liberal approach in economics did not flawlessly apply to political rights: “Yet, the ethno-national agenda of the post-communist Slovak state- and nation-building meant that the minority was *de facto* excluded from political policy-making and institution-building, during the 1990s further policies were put into place to further restrict minority political participation in the country” (Agarin–Regelmann, 2012:450). In fact, international scholarship scrutinized the far from immaculate nature of Slovak party financing and “shadow democracy” after the notorious “Gorilla-scandal” (Bértoa et al., 2014). The list could be made longer: The corruption situation in Romania undermining democratic institutions (Hein, 2015), and the insufficient human rights in minority issues in Romania and Bulgaria (Ibryamova, 2013). Naturally – without lengthy explanations – it is easy to comprehend that contemporary developments in Greece do not appear to promote democracy since it is difficult to maintain democracy when fundamental human needs such as job security or access to one’s own wealth are not ensured. Similarly it is difficult not to recognize a threat to democracy when bank assets are confiscated en masse such as it happened in Cyprus recently.

As a conclusion from the literature review – that could be longer – it can be concluded that scholarly criticism is not at all limited to Hungary in terms of the quality or the maturity of democracy. This chunk of theory shares a certain approach towards democracy: namely a

certain unconditionality of democracy. Interestingly, relatively few scholars who deal with any aspects of democracy defects, flaws or backslides in the Central and Eastern European region pay significant attention to the fact that democratization itself is not necessarily a linear “A” to “B” path. Even fewer connect failures of democratization to certain historical conditions such as governance challenges in stern times of a financial, economic and social crisis that fulfils the definition of a perfect “wicked problem” or a full scale “perfect storm of a global recession” (Roubini, 2008). There are exceptions however such as Lazarus’ account on Georgia whereas good governance and good democracy are displayed as colliding interests (Lazarus, 2013). Ágh formulated a similar argument in 2001 by contrasting institutional performance with the quality of democracy in Hungary (Ágh, 2001). That time Ágh observed that although the level of democratization was satisfying but institutional performance was suboptimal in Hungary. It can be stated that similar policies can be labelled as a threat to democracy or as necessary reform steps for the purpose of efficiency (or any other legitimate ambitions such as simply winning the elections by a democratic party). As an example I refer to Peillon’s account from 1993. Peillon analyzed centralization reforms in public service delivery in 13 Western European countries. In five cases he could not find sufficient data. In eight cases however, he found that public service delivery on the local level was significantly centralized by the central state. In his account he does not even mention any backsliding in democracy (Peillon, 1993). Pollak and Puntcher-Riekmann have a logical statement that EU institutions – although they do not replicate the administration of a member states – per se create centralization while creating fragmentation on the national level (Pollak–Riekmann, 2008).

REGIME CHANGE WITH LIMITATIONS

In the followings I present a brief selection of the main characteristics of the Hungarian public administration development path until 2010. From 2010 I enlist the main measures done by the government by collecting the lists of critical theory. Finally, I make an attempt to draw a conclusion on what appears to be an exaggeration from critics and what needs to be corrected by the policy maker. By 1989, a pluralistic, democratic constitutional state came to life, having the first election in 1990, whereas local governments had a vital role in the process of democratization. In 1989-1990, the “big bang” of the regime change affected the entire constitutional system – with certain flaws however. In the formal sense, however, the constitution itself remained Act No. XX 1949 – having in the newly amended preamble that the constitution itself is temporary. Designing the local government system was also part of the smooth transition. The law on local governments was issued by the new Parliament in 1990 but it was prepared by the Ministry of Interior before the regime change happened (Gellén, 2012:154). Throughout the years of 1990 it turned out that the Socialist Party can effectively use local politics for maintaining its territorial network of interests and cadres. This turned out to be obvious later on when former heads of local soviets (former or Party commissars) successfully rebooted their former careers as town mayors en masse (Ellis, 1997). Unlike in Romania or in Poland, there were no significant policy steps to create a workable lustration regime in Hungary (Horne, 2012). Political contradictions of this transitional period offer an

understanding of why the Hungarian path to administrative development did not prove to be a continuous success story throughout the ensuing decades (Orenstein, 2008). The following are among the most important strategic factors of the post-regime change period:

Regime change happened in two phases. The first and most important phase happened before the political regime change (joining IMF Treaty: 1982, Act on Companies: Act No. VI, 1988, Act on Personal Income Tax: Act No. VI, 1987, Act on VAT: Act No. VI, 1978). The second phase took some time to unfold since the new democratic institutions needed time to develop and their legal guarantee systems took further time to be established. This phase-difference involved that newly established ownership rules and other legal institutions provided entrenchment for those who successfully transferred political clout into economic power. The non-democratic nature of this phenomenon was soon recognized by foreign observers as well (Ayres–Braithwaite, 1992:7). Administrative and welfare systems became under unbearable pressure because of a social and economic collapse. The first correction of the newly established democratic administration and public services system took place in 1995 (Kornai, 1996). In 1996, Hungary had to re-enter a standby loan agreement with the IMF. The pattern of post-communist systemic meltdown is well-known in the entire Central and Eastern European region of this time: oversized state-owned enterprises collapsed after the immediate disappearance of foreign markets – primarily due to the lack of solvency of post-Soviet partners (Román, 2005:55-56). Large public sector education, health, and pension systems were only modestly changed since it was these systems that absorbed the masses leaving the labour market (OECD, 2008:57-139).

- Privatization was not under social control, apart from sporadic victories, and mass privatization led to the loss of work competence and the loss of markets.
- The remaining work force was partly moved to services or low-added-value industries.

A so-called dual economy was conserved, with approximately 700,000 micro- enterprises that had little real chance for growth, and with a few (mostly foreign owned)¹ multinationals who brought production to Hungary (Pavlínek, 2004).

INSTITUTIONAL DEVELOPMENT PATH

Interestingly, the first wave of reforms hardly gained inspiration from the contemporary public administration theory. Onwards from the 1990s new institutional economics inspired a huge wave of international advice of donor organizations for public sector reforms since this approach generated intellectual spotlight for the importance of institutions including public sector institutions and institutional settings – determined by law. International donor organizations started to reform strategic settings of the target countries having their primary focus on the rule of law institutional systems and property rights (Prado–Trebilcock, 2009). After having the framework settings of rule law, other key institutions have been taken into focus such as jurisdiction and constitutional courts. Having a historical perspective, current theorists argue that probably other institutions could have more impact of the everyday experience of democracy and rule of law such as law enforcement, attorneys, revenue authori-

ties, and dispute resolution. So the typical sequence in Central and Eastern Europe was that primarily democratic and rule of law institutions were established and stabilized while public service (and public administration) institutions were being reconstructed. The latter however, suffered delay to the market economy institutions (Ayres–Braithwaite, 1992:7). Minimalization path – according to Jenei – arrived to Hungary in 2005 with a series of opaque PPPs and other outsourcing projects that marked the deconstruction of the institutional capacities of public sector (Jenei, 2009a). Finally, Hungarian central budget defaulted in 2008 and the country had to enter an IMF standby loan agreement again. This indicated that the minimalization path of the Hungarian administrative and public service capacities did not contribute significantly to a better fiscal balance.

THE SLOVAK EXAMPLE: PARALLEL DEVELOPMENT

The Slovak Republic as a neighbouring country serves as an excellent benchmark for better understanding the development path of Hungarian reforms. Despite the remarkable parallelism between the public administration development paths of the two countries, otherwise active international theorists did not appear to pay attention so far to extend their scrutiny to the systemic commonalities of the two countries.

Both countries exited Communism at the same historical time and entered the EU the same year (2004). Jacko and Malíková (2013) offer the following summary of the Slovak public administration development path.

Table 1: Timeline of Slovakia's key public-administration developments

Year	Process	Events & measures
1989		Fall of communist regime in Czechoslovakia ²
1990–1998	Decentralisation & deconcentration	Creation of municipal self-governments ³ , dissolution of Czechoslovakia and creation of Slovakia (1993). Territorial change and reconstruction of state administration (1996). Creation of new districts [okres] (79 in total) and regions [kra] (8) with own district and regional offices representing and carrying out tasks by civil servants on behalf of the central government ⁴ .
1998–2004	Decentralisation & Modernisation ⁵	New public-administration reform strategy, creation of 8 regional self-governments (i.e. higher territorial units). Creation of the Civil Service Office and Ethical Code of Conduct for civil servants ⁶ . Public Service Act ⁷ passed and first regional elections held.
2004		EU accession

Year	Process	Events & measures
2005–2012	Politicisation	Civil Service Office abolished, and its roles were moved to ministerial service offices (return to resortism). Abolition of Regional Offices and fiscal decentralisation to regional and municipal self-governments. New Civil Service Act ⁸ removed all remaining civil-service neutrality safeguards.
2012–	Modernisation II	New one party government elected – public administration reform ESO commenced ⁹ . Plans announced to reduce the number of local state-administration offices from 613 to 79 until 2016. Regional Offices of Specialised State Administration abolished on 1 January 2013.

Source: Jacko–Malíková, 2013

The development path summarized in Table 1 appears to have a precise replication of what the public administration theory identified in Hungary. Decentralization period reflects the accounts of Ágh (2014), Jenei (2009b) while post-EU accession period appears to be “backsliding in democracy” (Ágh, 2013) – according to Jacko and Malíková (2013) without calling it as such. Attila Ágh however detected that “backsliding in democracy” appears to be a common post-EU accession pattern (Ágh, 2010). In terms of comparing Slovakia and Hungary it is “politicization” that dominates the post-EU accession period. Politicization is widely criticized by the public administration theory because it contradicts the Weberian model of separating public administration from politics. Regarding Hungary, Meyer-Sahling researched politicization powerfully, many domestic theorists took his example for further research such as Hajnal and Csengődi (2013). Still earlier accounts can also be found on this theme. Gryzmana-Busse connected politicization with the instability of party systems in Central and Eastern Europe arguing that governing parties are not embedded in the societies of the new democracies, their power positions are not secure therefore they tend to opt for more established power security by taking over public administration (and public service) structures (Gryzmana–Busse, 2003). Despite politicization is one of the central arguments of theorists warning from democratic decline in Central and Easter Europe, Western theory views politicization as an essentially democratic phenomenon that happens from time to time in Western Europe. Rouban argues that politicization can be useful in the process of bringing down traditional bureaucratic interests (Rouban, 2003). It is a matter of contradiction to state that after a Communist dictatorship, multi-party politicization is labelled ‘non-democratic’ while it is democratic in established democracies. First it would have to be proven that the nature of politicization is different in Central and Eastern Europe than elsewhere. Lacking this argument, theorists make attempts to prove that a given politico-administrative system is non-democratic because it is politicized. In terms of Hungary this appears to be the case by Ilonszki and Várnagy (2014) and Hajnal and Csengődi (2010) stating that a monocentric party structure is par excellence non-democratic. Interestingly, this argument cannot be found regarding Slovakia despite “In March 2012, Slovakia saw an unprecedented election result with the Smer-SD party winning enough votes and seats that it formed the government

unilaterally and is seven seats short of a constitutional majority.” (Jacko–Malínová, 2013:6). In fact regarding Slovakia one can easily find non-democratic tendencies regarding minority rights and especially regarding the connection between minority rights and public administration reforms (Topidi, 2003). Both the tendencies of politicization and the single-party government appear to match. In terms of politicization Jacko and Malínová conclude the following “The year 2001 was crucial for the public-administration-reform continuance – both in terms of decentralisation and modernisation. The peak reform efforts were reached in 2004 when Slovakia joined the EU. Afterwards, Slovak civil service has experienced a move back in terms of further politicisation of politico-administrative relations.” (Jacko–Malínová, 2013:10). The next question is whether the institutional reforms have similar characteristics – in terms of development path – after changes took place in both countries. The change from multiparty coalition systems to single-party governance systems were in both cases drastic departures from the two decade long era of coalitions. This happened in Hungary in 2010 and repeated in Slovakia in 2012.

FRAMING CENTRALIZATIONS

Hungarian developments are mostly listed by above cited authors as follows: centralizing 75% of the competencies of local governments while establishing township offices and county government offices under the supervision of the Ministry of Public Administration and Justice, later on (after 2014 this portfolio was taken by the recently re-established Prime Minister’s Office). Public services were also centralized, especially public schools and hospitals. Two welfare sectors: public education and public health service received their central organs of institution-management. Such centralization steps are able to fulfil requirements that were agreed with IMF by the previous government on better fiscal control of these sectors.¹⁰ Naturally, higher level of centralization is more appropriate for politicization if the ruling political structure has a strong central structure. On the other hand, a decentralized structure might be appropriate for implementing politicization for a decentralized political structure. This is not only an academic argument. It is known that the Hungarian Socialist Party (successor of the former Communist party) has been typically strong on the local level. Therefore decentralized structure was used to favour the Socialists while centralizing favoured the Fidesz party structural interests. This basic element of political reality is hardly discussed in academic literature of the recent public administration theory.

In Slovakia, municipalities having local governments amounted to 2890, while in Hungary it amounted to around 3200. It has been a common understanding in Slovakia that administration became too fragmented, complicated and too expensive to run. “As a result, one of the clearest government reform goals of 2012 was to decrease the number of most state-administration offices from 613 to 72.” (Jacko–Malínová, 2014). Similarly, in Hungary, county government offices incorporated previous patchwork of public administrative organs. In Slovakia government dissolved 64 regional offices of specialised state administration and merged most remaining local state administration offices (Jacko–Malínová, 2014). “One stop shop” front offices were created in the 79 Slovak districts similarly as “Government windows”

in Hungary. In Slovakia the Ministry of Interior is in charge of local government issues, same as in Hungary while in the latter country Prime Minister's Office (between 2010-2014 Ministry of Public Administration and Justice) is in charge of County Government Offices that incorporated most of the sectoral public administration. In Slovakia the system of regional Support Units (*Jednotky podpory*) has been established in each of the District Offices in order to do purchasing and certain organization activities more efficiently. The county level Government Offices in Hungary also contain the idea of utilization of economies of scale in purchasing, IT, logistics, HR, and office and facility management.

CONCLUSIONS

It appears that in certain cases certain forms of centralization appeared to be rational in Central and Eastern Europe in controlling the socio-economic crisis. Still, international theorists appear to dislike centralization reforms if they occur in Central and Eastern European countries. It appears so far that at least at the technical sense – and also in the fiscal sense – such reforms might have proven successful. Has politicization happened? Definitely but it has been happening since the political marketing approach became a main governance principle in the former Communist countries (Mazzoleni–Schultz, 1999). Are these steps harmful for democracy? It would be difficult to prove that centralization itself would hinder democracy. What can be proved relatively easily is that centralization creates opportunity to decrease central funding from centralized institutions. This is what the IMF suggested to Hungary in 2008/2009 (IMF, 2009).

Having a look at the 2015 OECD Government at a Glance report on Hungary, one might get puzzled.

Table 2: Structure of general government expenditures by function, as a share of total general government expenditure (%) in Central and Eastern European countries, 2012 (Government at a Glance. How Hungary Compares, 2015)

	General public services	Defence	Public Order and safety	Economic affairs	Environmental protection	Housing and community amenities	Health	Recreation, culture and religion	Education	Social protection
Austria	13	1,3	2,9	11,3	1	1,2	15,4	1,9	10,8	41,3
Czech Republic	11,3	2	4,1	12,5	3,1	1,6	17,6	6,1	10,9	31
Germany	13,7	2,4	3,5	7,7	1,3	1	15,7	1,7	9,7	43,3
Hungary	18,6	1,7	4	12,8	1,5	1,9	10,8	3,9	9,9	35,1
Poland	14,1	2,8	4,1	11	1,3	2	10,9	2,8	12,9	38,1

	General public services	Defence	Public Order and safety	Economic affairs	Environmental protection	Housing and community amenities	Health	Recreation, culture and religion	Education	Social protection
Slovak Republic	15,9	2,8	6,4	9,3	2,5	2	16,3	2,6	10,2	32
Slovenia	12,1	2,2	3,7	8,1	1,5	1,6	14,5	3,7	13,3	39,3
CEEC	13,3	2,5	4,6	10,2	2,1	1,8	14,8	3,8	11,8	35,1
OECD	14	3,5	3,9	9,9	1,7	1,6	14,6	2,7	12,3	35,9

Source: *Own edition*

On one hand Hungary has the lowest relative expenditure in percentage of total public expenditures on health (10.8%) and on education (9.9%). Both of these fields are targeted by centralized supply organizations in Hungary while general public services have the highest rate (18.6% of public expenditures). One could think that certain elements of expenditures have been simply transferred from the sectoral categories to the general public services category due to recent centralization efforts. In the case of Hungary, the contrary is true. According to the OECD, Hungarian central government debt was among the highest across the OECD: 85.2% of GDP in 2012, using the System of National Accounts (OECD, 2012). The annual central budget debt service is approx. 7.7% of total government expenditures that is included in the „General public services” column¹¹ (OECD, 2015:33). If we correct the general public services data by ratio of debt service per annum, it appears that Hungarian public administration itself was exposed to extreme cost cuttings from 2010 onwards; it appears to operate at a relatively low cost. Centralization appears not to be harmful for democracy; on the other hand, centralization may be a prime weapon of ‘fiscal dictatorship’. It can be added that de-centralized structures can work as stabile and comfortable conflict-containers. Centralization does not solve the conflicts instead it elevates the conflicts from the local to the higher level. What can be seen in retrospect is that the Hungarian local government’s debt equalled 1.9% of GDP in 2005 which increased to 4.9% of the GDP by 2009. The new government halted this trend and fiscally consolidated the local government sector. What happened was that the central supply agencies in education and in the public health sector began to operate as new conflict containers as they accumulated structural debt. Today this is far less than what local government debt used to be.

NOTES

- ¹ Dual economy is a systemic market development failure characteristic in the Central and Eastern European region - according to Petr Pavlínek - whereas foreign direct investment creates a separate economy upon the domestic economy and the two have very limited connections with each other (Pavlínek, 2004).
- ² Three levels of public administration, which were each run by the system of national councils.
- ³ Municipal Act 369/1990.
- ⁴ Act no. 221/1996 [Zákon o územnom a správnom usporiadaní Slovenskej republiky].
- ⁵ Modernisation is sometimes also referred to as “professionalization of public administration” or “civil service reform”.
- ⁶ Civil Service Act 312/2001.
- ⁷ Act no. 313/2001.
- ⁸ Act no. 400/2009.
- ⁹ One of the first legislative measures of the reform has been Act no. 345/2012 on Some Measures Regarding Local State Administration.
- ¹⁰ <http://www.imf.org/external/pubs/ft/scr/2009/cr09105.pdf> Retrieved: 12,12,2019.
- ¹¹ Author’s own estimation based on Final Accounts on Central Budget Delivery, State Audit Office, Hungary. [xternal/pubs/ft/scr/2009/cr09105.pdf](http://www.imf.org/external/pubs/ft/scr/2009/cr09105.pdf) Retrieved: 12,12,2019.

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