

## When Crisis Hits Superman: Change and Stability of Political Control and Politicization in Hungary

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### ABSTRACT

Managing budgetary crisis is often seen as a process involving the extensive balancing between different, often competing interests and groups. Hungary's post-2010 history, however, presents the relatively clear case of a government – almost unconstrained politically and apparently free from the pressures to seek compromises – facing the challenge of re-balancing its budget. We examine whether and how formal and informal mechanisms of political control change under such conditions. The findings established shed light on the nature of politicization trends. It seems that informal institutions of political control compete with, rather than supplement, weak or dysfunctional formal institutions, thereby counteracting the latter.

**Keywords:** Debt management; Politicization; Informal institutions; Central and Eastern Europe

### 1. Introduction

Research on political control and politicization in Central and Eastern Europe (CEE) is mainly derived from one or both of two viewpoints. They focus on the formal institutional arrangements of political control and the dysfunctions of those formal arrangements (such as clientelism, politicization, corruption, nepotism), and/or on civil servants'/politicians' views, values and (role) perceptions regarding the subject matter. While these approaches are indispensable to understanding how and why political control functions, they are often limited in their ability to systematically study the presumably highly developed and dense patterns and dynamics of informal political control over government apparatuses. This seems to be a particularly important as well as a challenging task in the CEE context, where formal institutions are often seen as generally weak (Nunberg 1999) or even as "empty shells" (Falkner and Treib 2008).

Strengthening political control by any means necessary is a permanent fixture on political executives' agendas. However, this ambition is limited by a variety of fac-

tors such as formal institutions of checks and balances, powerful political players and organized societal/economic interests. Hungary's post-2010 period offers a special opportunity to gain a deeper understanding of general formal and informal political control strategies and how and why their workings change. This period is characterized by two rare and coincidental contingencies. The first is the continuation and deepening of the fiscal and economic crisis, which began in 2008 and led to a severe need for emergency management, thereby intensifying politicians' quest for political control. Combined with the first, the second contingency – namely, the emergence of a political superpower as a result of the parliamentary elections in the spring of 2010, when the center-right coalition (FIDESZ-KNDP<sup>1</sup>) acquired a more than two-thirds majority of parliamentary seats – is particularly important. The emergence of this superpower meant that most of the checks and balances counteracting the maximization of political control became obsolete, or at least much weaker than before. It is this historical coincidence of a sudden increase in the pursuance of political control, on the one hand, and the removal of many of the factors restricting that struggle, on the other, that makes the post-2010 period particularly apt for study with regard to the dynamics of informal political control.

The broad ambition of this study is to examine the way in which institutions of political control – including both formal and informal ones – changed in the years following the 2010 turning point in Hungary's post-transition political history. We do so, in the final analysis, in order to acquire a deeper understanding of our central subject of interest: informal institutions of political control, their nature and the way they function. In pursuance of this ambition, in the remainder of this section, we describe the context. In particular, we give an overview of (i) the prehistory of (mostly failed) attempts at shaping/strengthening political control, (ii) the concomitant broad-scope institutional and constitutional changes having taken place in the years following 2010, and (iii) the prehistory and involvement of the fiscal and economic crisis surrounding those changes. Section 2 contextualizes the study theoretically and conceptualizes the most important notions used. Section 3 explicates the research questions and describes the data and the method used. Section 4 summarizes the findings related to the first research question on formal mechanisms of political control while Section 5, focusing on the second research question, describes the changes having happened to informal institutions of control. The study ends with a brief concluding section.

## **2. Background information**

### **2.1 Dynamics of the political landscape in Hungary: A brief prehistory of the post-2010 era**

Hungary has been a unitary, parliamentary republic since 1990, when the Communist regime came to an end. Hungary's state structure – as it existed from 1990 to 2010 – can be assessed as a relatively unique one, characterized by a very robust system of institutional checks and balances. This was created as a result of political

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<sup>1</sup> FIDESZ: Alliance of Young Democrats, KNDP: Christian-Democratic People's Party

deals struck around the time of the system change with the purpose of blocking future attempts at reversing the liberal democratic transition. This system was essential to guarantee the successful transition into democracy. As an unintended side effect, the dense structure of checks and balances resulted in serious governance dysfunction in the longer run, and it is sometimes referred to as regulatory impotence (Hajnal 2010, Korkut 2012, Sárközy 2012).

After the 1994 elections, the majority-winner, the post-communist party (MSZP<sup>2</sup>) – in the hope to gain more legitimization and increase power at the same time – established a coalition with the liberal party (SZDSZ<sup>3</sup>), so the new governing power gained control over 2/3 of the parliamentary seats. In spite of the opportunity to modify the constitutional framework as a result of this supermajority, the coalition decided not to act without the consensus of the then opposition parties. In the absence of such a consensus, the basic institutional framework remained untouched.

The FIDESZ-led coalition governing since the 1998 elections suffered in a vein similar to its predecessors from having narrow elbow-room among the many clauses of the constitution, which truly hindered the governments enacting large-scale changes in the current setting of economy or society. Despite economic progress (i.e., growth of GDP that exceeded the EU-average and the significant reduction of state-debt), as well as the upcoming EU accession, FIDESZ failed to gain the mandate for an additional 4-year period of governance at the 2002 elections. Presumably, this outcome can be traced back – as the election-winning, left-wing opposition stated in its campaign – to the ruling party’s “antidemocratic behavior”, well symbolized by its conflicts with the Constitutional Court. This stigma was strong enough to compel FIDESZ to operate for eight years (two election cycles) in opposition. This was enough time to invent an ideology to support their intentions and manner of practicing power, which are embodied in the widely disseminated vision of the “strong state”.

By the second half of the 2000s – in comparison with the international mainstream conceptualizations that are somewhat specific and idiosyncratic – FIDESZ openly and emphatically committed itself to a concept of a “strong” and “neo-Weberian” state characterized by – among others – an unquestioned authority, moral supremacy, and practical control of the state over each and every societal actor – most of all, the market (G. Fodor and Stumpf 2007, 2008; G. Fodor 2012; for a critical reflection, see Hajnal and Pál 2013).

In the meantime, the governing center-left coalition faced, once again, the severe constraints limiting policy-making and political control. As a response, it attempted, from 2006 onwards, within the very tight political and legal framework available, to formally centralize power as well as strengthen informal mechanisms of political control. This – mostly failed – ambition is well represented by acts like abolishing the position of permanent state secretaries in ministries, regional reform aimed at re-centralizing middle-tier governance (finally blocked by the Constitutional Court, Hajnal and Kovács 2013) or sweeping changes in the public-administration staff, where even head-of-department positions were filled with those loyal to the new political leaders. The insupportable political and fiscal situation led to the coalition’s

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<sup>2</sup> MSZP: Hungarian Socialist Party

<sup>3</sup> SZDSZ: Alliance of Free Democrats

breakdown and a minority government with a new prime-minister (Bajnai), who tried to govern by substituting missing political power with the build-up of technocratic institutions (such as independent agencies) supreme in their political decision-making to balance its weakness. The steadily declining prestige and the lack of success in managing both the budget and the economy led to a significant fall in the popularity of the previously governing, left-wing parties, sweeping away all obstacles along FIDESZ's path to gain a 2/3 majority in the parliament at the 2010 elections.

## 2.2 The fundamental re-shaping of institutions (2010-2013)

After the inauguration of the new Cabinet, with Prime Minister Orbán as leader, a unique situation emerged that allowed the wholesale reformulation of the Hungarian politico-administrative landscape. At the heart of this spectacular change was a quest to further enhance political control over administrative apparatuses, in addition to broader sectors of the economy and society. It is the latter aspect – the re-shaping of political institutions at large – which received significant attention in international politics and in media, as well as (although to a much lesser extent) in scholarly work (e.g. Bánkuti et al. 2012, Korkut 2012). The former, much more “technical” aspect of seizing increasing, barely limited control over administrative apparatuses remained an area largely unexplored by systemic research. Hence, we will devote a separate research question to this issue and return to it in Section 4.

The well-thought-out series of steps resulting in a fundamental reshaping of political institutions involved, among others, the following elements:

- limiting, in several steps (including amendments to the Constitution), the Constitutional Court's scope of authority and filling it with prominent FIDESZ loyalists;
- the creation/basic reshaping of vital independent agencies such as the Electoral Commission, the Media Authority, the Competition Authority and the Central Bank and filling them with FIDESZ loyalists enjoying extended mandates (up to 9 or even 12 years);
- nominating a prominent FIDESZ loyalist (former party vice president) as President of the Republic;
- the adoption – notably without any consultation with either the parliamentary opposition or broader societal groups – of an entirely new constitution;
- a systematic weakening of a series of institutional checks and balances such as ombudsmen, the State Audit Office and the Budgetary Council by either eliminating them (partially or completely), limiting their scope of authority or replacing their leaders with prominent FIDESZ loyalists.

This incomplete and patchwork-like list suggests that the present government's ambition of seizing more control covers the broadest realm of political/state institutions. This is a key feature of the context in which the re-shaping of instruments controlling government bureaucracy – our key focus of interest – took place.

### 2.3 Deepening fiscal crisis

The fiscal and economic crisis, which started in 2008, posed a serious challenge to Hungary's public budget, which was already heavily burdened by a high level of public debt and deficit. In order to understand the political and economic situation of the austerity management during the post-2010 period, we present a short overview of the prehistory of the crisis.

Hungary's transition from a communist regime to a democratic republic occurred simultaneously with the transition from an indebted and ineffective state-socialist economy to a market one. This led to an intense recession in the economy and a deepening crisis in the state budget. As a result of the comprehensive post-transition stabilization package in 1995, Hungary's economy progressed toward a stable and sustainable growth path, characterized by a GDP growth exceeding 3% and declining public debt (having decreased to a remarkable level of 52.7% in 2001). This hopeful trend burgeoned after 2002, when – in the campaign of the parliamentary elections – the competing parties engaged in a mutual and cumulative spiral of significant fiscal pledges, which was seen by many observers as unfeasible and dangerous. These worries seem to have been well founded. Only the two weightiest elements of the “pledge package” – the increase of pensions (13<sup>th</sup>-month benefits) and the 50% raise in salaries throughout most of the public sector – alone caused an additional deficit amounting to 1.8% of the GDP. Additional tax reductions led to another 1.5% increase of the deficit. As a result of these uncovered measures, public debt increased directly and permanently to a significant extent, from 52.7% of GDP in 2001 to 55.9% in 2002. It reached 65.9% by 2006, coupled with a deficit of the current balance amounting to 9.4% of GDP.<sup>4</sup> The fiscal expansion systematically exceeded the otherwise promising GDP growth rate, thus making the course of events unsustainable. Nevertheless, the same governing coalition was re-elected in 2006. The old-new governing coalition – with an extremely thin majority in the parliament – was not able to constrain the growth of debt that reached 67% of GDP in 2007, the last pre-crisis year. Thus, market-based financing of the sovereign debt seemed impossible already in the first months of the crisis. An IMF/EU credit of 20 billion Euros had to be opened and partially drawn upon. Subsequently, the debt rate reached the record proportion of 81.8% in 2010.

An important plank in the election campaign for the election-winning FIDESZ party was the containment of fiscal expansion and a reduction of public debt. (Of course, these were key points in the EU/IMF agenda, too, coupled with the excessive deficit procedure of the European Commission. In a sense, the Cabinet had no room for maneuver in this regard.) The Orbán administration entering office in May 2010 found itself in a situation requiring profound and immediate structural changes in the public household.

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<sup>4</sup> Source: EUROSTAT (Government statistics, [http://epp.eurostat.ec.europa.eu/portal/page/portal/government\\_finance\\_statistics/data/database](http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/data/database))

### 3. Conceptual framework of the study

As the above overview suggests, the broader context in which these changing patterns are examined is not a “normal” one, but is rather characterized by an acute crisis situation. This is important, since crisis and political control are far from being unrelated. Existing research seems to support the expectation that crisis situations tend to heighten the quest for political control. Peters (2011) examines the proposition that crisis has a tendency to strengthen centralization and the political character of decision-making. On the basis of previous experience and theoretical argumentation, he concludes that, with some exceptions to the rule, other considerations become secondary: “For the same reasons that decisions become more centralized in these [crisis] situations, there is a tendency for decisions that might have been more technical or managed through bureaucratic means to become more political” (Peters 2011, 78; for broadly similar conclusions, see Kickert 2012, Peters et al. 2011, and Raudla et al. 2013).

In the following subsections, we conceptualize our central dependent variable, informal political control of administrative apparatuses, by first scrutinizing the concept of politicization as an all-encompassing term covering the numerous and diverse forms of non-formalized political control and subsequently drawing a line of conceptual demarcation between formal and informal institutions.

#### 3.1 Politicization and political control

Politicization of government apparatuses is often conceptualized simply as “the substitution of political criteria for merit-based criteria in the selection, retention, promotion, rewards, and disciplining of members of the public service” (Peters and Pierre 2004, 2; see also Flinders 2008). There are numerous attempts to embrace the many additional ways in which government apparatuses and policies can be influenced by informal values (societal, political or organizational), interests and aspirations (e.g. Eichbaum and Shaw 2008, Peters 2001).

In his research of regulatory agencies in four of the largest European countries, Thatcher (2002) concludes that there are important channels of exerting direct, institutionalized, formal political control over agencies at politicians’ disposal. These include the nomination and early dismissal of senior staff, allocating the resources – especially budgets – of subordinate organizations, and the power to overturn decisions of these organizations. Interestingly, his empirical analysis concludes that politicians – with some minor exceptions – do not use these formal powers. According to Thatcher, this finding raises the question whether elected officials control agencies through “means such as creating resource dependencies and/or informal relationships” (Thatcher 2002, 962).

What are these informal channels of influence? Peters (2001, 244 ff.) goes into substantial detail enumerating and delineating politicians’ tools – formal and informal – or, as he puts it, “ploys” of politically controlling bureaucratic apparatuses such as creating special (e.g. budgetary) institutions and controlling the staff by means of politicization.

While some of these so-called ploys may be located in the realm of quasi-formal institutions, others are more informal. Unfortunately – at least from our current point of view – Peters does not go into detail regarding this distinction. In order to concep-

tualize this from our critically important research problem at hand, we have to look for some additional building blocks.

### 3.2 Informal and formal institutions of political control

In their impressive contribution, Helmke and Levitsky (2004) offer a starting point useful for our current purposes. They conceptualize informal institutions as “socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels” (ibid., 727). The Table 1 presents a typology of the various sub-types of informal institutions.

Table 1: A typology of informal institutions

OUTCOMES	Effective formal institutions	Ineffective formal institutions
Convergent	<i>Complementary</i>	<i>Substitutive</i>
Divergent	<i>Accommodating</i>	<i>Competing</i>

Source: Helmke and Levitsky 2004, 728

The vertical dimension of the Table 1 indicates whether the informal institution in question strengthens or weakens the purported outcome of the respective formal institutions – that is, whether its outcome points to a similar or to a different/opposite direction. The horizontal dimension indicates whether the corresponding formal institutions function or not. The upper-left cell (complementary institution) corresponds to the functional while the lower-right cell (competing institution) to the dysfunctional type of informal institution. The former may be exemplified by bureaucratic norms guiding behavior in cases not sufficiently regulated by formal rules; while the latter can be illustrated by, for example, political clientelism superseding formal channels of administrative accountability. Of the remaining portions of the table, the upper-right cell of substitutive institutions is, from our current perspective, of particular importance. This may be illustrated by a professional ethos ensuring effective collaboration in a public organization (e.g. an emergency service) where formal lines of accountability do not work sufficiently well.

Turning specifically to how the above issues appear in the CEE region, one may notice some important differences. Besides the general observation that after the EU accession, politicization increased and merit-system arrangements weakened, two key differences should be noted here (Beblavy and Beblava 2012, Meyer-Sahling and Veen 2012, Kopecky and Spirova 2011; for a critical comparative analysis of these approaches, see Gajduschek 2012<sup>5</sup>).

First, a key function of political appointments is to ensure control by the political masters in a world of weak/non-functioning control instruments. This motive appears

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<sup>5</sup> For some additional insights on the topic, see the various contributions to the Fifth Trans-European Dialogue in Public Administration (TED5) – many of which are published and/or summarized in Verhoest et al. 2012.

only rarely and marginally, if at all, in accounts of Western systems (although, for an exception, see the typology in Peters 2001, cited earlier). It is important to add that the strength of this informal institution is seen as resulting from the weakness of formal institutions of political control (Gajduschek 2012, Meyer-Sahling and Veen 2012). Using the categories devised by Helmke and Levitsky (2004), the politicization of civil service seems to appear here not so much as a competing (or dysfunctional), but rather as a substitutive type of institution. Second, the term politicization is often misleading in the CEE context, because the core relationship is based not on a political, but often times on a fundamentally personal type of loyalty – the latter being independent from or occasionally even running counter to the former. (In an interesting contrast to the above, Meyer-Sahling et al. 2012 suggests that CEE civil servants largely reject the practice of direct political control and the application of political criteria to management, and they prefer performance benchmarks as a basis of judging performance.)

In summary, one may conclude that the increasing politicization of senior civil service as an instrument of informal political control has received considerable attention in recent CEE area studies. However, the causal mechanisms behind the subtle purposes served by these informal institutions figured much less (although for some attempts, see Hajnal 2012 and 2011). A key ambition of this paper is to contribute to a better understanding of the nature, origin and functioning of these institutions.

## 4. Research questions, the data and the method

### 4.1 Research questions

As noted earlier, the ambition of this study is twofold. First, we wish to track how the formal and informal mechanisms of political control changed under the unique conditions that have emerged after 2010 and are characterized by a co-occurring fiscal and economic crisis and the emergence of a political superpower in the Hungarian political system. Secondly, we examine – and if possible make inferences regarding – the nature of informal political control instruments. The broad ambition delineated above may be boiled down to two research questions that are – along with the associated hypotheses – presented below.

Our first research question is a predominantly descriptive one:

*RQ(1): What are the basic patterns and mechanisms of formal political control in Hungary? How did they change (if at all) during the new institutional and constitutional setup of the post-2010 era compared with the pre-2010 patterns?*

There are several – partly theoretical, partly empirically grounded – arguments supporting the expectation that formal control instruments were substantially strengthened after 2010.

Firstly, there is – not compelling, but weighty – evidence that the quest for increased political control on the part of politicians increases as a result of crisis (Kickert 2012, Peters et al. 2011, Peters 2011, and Raudla et al. 2013). Secondly, the doctrinal foundations of the new constitutional framework and the governmental paradigm pursued by

the post-2010 governing forces – in particular, the “strong state” thesis raised in the introductory section – speak for a significant tightening of the “transmission belt” between the political power center, on one hand, and policy processes and outcomes, on the other. This implies an increasingly “political” mode of governing, as opposed to one characterized by significant bureaucratic autonomy and by other societal, technical or professional influences. Thirdly, as we saw in the background section, the political opposition and institutional checks and balances restricting the extension of formal control instruments have been overwhelmingly eliminated since 2010.

Therefore, we may formulate the following hypothesis in relation to RQ(1):

*H(1): In the post-2010 period, a significant extension and strengthening of formal instruments of political control is likely to have occurred.*

As we argued in the conceptual section, informal institutions of political control may emerge, at least in part, because formal institutions are weak. Notably, however, this weakness – in our view – is not necessarily understood as failing to reach institutions’ formal, stated goals. Rather, weakness may imply the lack of goal achievement as viewed and understood by the political masters. Therefore the mere weakness of formal institutions may imply the emergence of dramatically different – most importantly: “substitutive” versus “competing” – types of informal institutions (Helmke and Levitsky 2004, see Table 1 above). This distinction boils down to the genesis of informal political control mechanisms. Thus, our second question is the following:

*RQ(2): Do informal institutions of political control in post-transition Hungary reinforce underperforming formal institutions; or, rather, do they serve different/contrary purposes? I.e., are they of a fundamentally “substitutive” or “competing” nature?*

This question is difficult to answer in a direct, straightforward manner. Rather, it is the specific context in which the current survey takes place that enables one to make inferences regarding the nature of informal political control institutions. Namely, if the previous hypothesis H(1) is confirmed – that is, formal control institutions are shown to be substantially strengthened – then we can form differing expectations with regard to informal institutions, depending on their function and nature.

One presently dominant stream of recent work implies that politicization is of a “substitutive” nature (Gajduschek 2012, Meyer-Sahling and Veen 2012). Substitutive institutions, according to this view, exist to supplement weak or non-existent formal mechanisms of political control. Therefore, their existence and scope is negatively associated with that of formal institutions, and we may formulate another hypothesis as follows:

*H(2/Null): The strengthening of formal institutions leads to a decrease in politicization and weakens other informal institutions of political control, implying that the dominant function of informal control mechanisms is of a substitutive nature.*

However, it may be that politicization and other informal ploys of political control serve possibly illegitimate – or even illegal – purposes that are different from, and in conflict with, the formal, stated objectives of formal control instruments. This is the case, for example, when senior officials' personal or political loyalty is required in order to ensure the illegal channeling of funds/resources to required destinations, the sustained operation of networks of favors and counter-favors, or other kinds of illegitimate utilization of organizational and political resources. If this is the case, indeed, then – contrary to the assumption of the null hypothesis – the strengthening of formal instruments cannot be expected to lead to a weakening of informal control institutions. This would imply an alternative hypothesis as follows:

*H(2/Alternative): Informal institutions of politicization and political control do not strengthen as a consequence of strengthened formal institutions, implying that they are of a basically competing nature.*

## **4.2 Data and method**

Given a general lack of published empirical research into the topic, the empirical basis of our answer to RQ(1) is the analysis of selected laws and regulations (and legal measures amending them) relevant for the problem complex of politicization and political control. In addition, we have carried out in-depth interviews with both former and active middle-level and senior executives presumably knowledgeable about the surveyed topics. Altogether, seven such interviews were conducted between June 2012 and July 2013. The names and institutional affiliations of the interviewees are kept confidential, since this was a key precondition of gaining their cooperation. In order to supplement and contrast insiders' views with outsider perspectives, data from another five semi-structured interviews are used, too. These interviewees involved the leading officials of the largest public-sector unions and the directors of the largest public-sector consultancies. Altogether five such interviews were conducted during the autumn of 2013.

Systematic research regarding the patterns of politicization and informal political control in the post-2010 years is possibly even scarcer. The analysis, therefore, relies on two pillars. First, a substantial portion of the in-depth interviews mentioned above were devoted to surveying respondents' perceptions regarding politicization. Second, selected items of a senior civil servant questionnaire were analyzed in order to gain a quantitative insight into how politicization changed. The online survey was conducted in June 2012 among medium- and high-level civil servants working in the central government apparatus. The response set contains 351 responses, meaning a response rate of about 30%. The survey was not based on a sample, but extended to the entirety of the target population (senior managers in general government, with a larger emphasis on the health and employment sectors).

## **5. Changes in formal control instruments**

The re-shaping of formal institutions of political control occurred in tandem with a comprehensive and substantive reform of the structure of Hungarian public admin-

istration. An indicative rather than exhaustive list of the changes relevant to our analytical focus is provided below.

- The ministerial structure became more centralized (8 instead of 13 ministries). This action served, among others, the stated goal of reducing inter-ministry conflict and consultation and thereby accelerating governmental decision-making.
- The regional (middle-tier) branches of central public-administration agencies have been integrated into 20 county-level (so-called) “Government Offices”, strictly controlled and directed by the government and headed by political appointees (MPs, political state secretaries, etc.; for a detailed description, see Hajnal and Kovács 2013).
- Local self-governments’ scope of duties and competencies (many important functions in the field of operating secondary education and health-care facilities) were dramatically reduced by transferring them to the newly created District Government Offices (strictly and hierarchically subordinate to County Government Offices). Later on, additional administrative tasks and the related bureaucratic capacity of local government offices were taken away and transferred to the District Government Offices, too. Elected and decentralized county-level self-governments, as a result, lost most of their previous – and already quite modest – functions.
- The new regulation on civil service in the central government (Law LVIII/2010) and its subsequent modifications greatly changed the employment conditions of civil servants. These changes were so extensive in relation to labor protection that employers could, according to the first version of the new law, dismiss civil servants practically without any justification. That is, the extended labor protection of civil servants which had characterized the previous twenty years of Hungarian civil-service regulations practically ceased. Although this provision was later invalidated by the Constitutional Court, it remained in effect long enough to enable political executives to make profound personnel changes in the civil service to a legally unlimited extent. The subsequent new regulation (Law CXCIX/2011) continues to assess loyalty – a rather vague and very broad obligation – as a requirement for employment for every civil servant. Lacking this characteristic constitutes legal grounds for dismissal from civil service. In addition, the – legally undefined – condition of a civil servant’s “non-conformance with the supervisor’s value standards” became a ground, on which (s)he can be dismissed, without further justification.
- The new civil-service legislation placed the central-state administrative apparatus’s recruitment and hiring under strict vertical (administrative and political) control. Recruitment is strictly regulated by the core ministry (Ministry of Public Administration and Justice). This is considered a right of veto, enabling its holder to enforce political considerations over administrative/technical ones. This vertical coordination measure has been unknown in governmental practice up until now (Müller 2011, 135).
- Control and surveillance instruments were broadened and strengthened to an unprecedented degree (possibly by international standards). For example,

active anti-corruption measures (such as approaching officials with fabricated bribe attempts made by undercover agents) were institutionalized in the policy and tax services. Moreover, according to a recent piece of legislation, civil servants and their family members can be subject to secret intelligence/surveillance on a preventive basis – that is, even in the absence of any formal accusation or investigation and without permission by the judicial court.

Looking over these changes, we can conclude that a substantive and comprehensive transformation of the institutions serving the political control of government machinery has taken place. The changes made to the bureaucratic apparatus may be expected to lead uniformly to an ever more direct and resistance-free transmission of central political will, from the highest echelons down to the “street level” of government bureaucracy.

## 6. Changing patterns of politicization

### 6.1 Key informants' views

Seven out of twelve of our interviewees were chosen on account of the fact that they are among the few who have served in senior management positions for substantial amounts of time both before and after 2010. Therefore, all of them have substantial personal, first-hand experience regarding the nature and the extent of changes that they have noticed in relation to how political control has worked pre- and post-2010.

As one of our interviewees recalled, after the earlier elections – before 2002 – the post-election cleansing campaign mostly affected only higher levels of the hierarchy (state secretaries, deputy state secretaries and agency heads); technical levels – the *par excellence* administration – were affected to a much more limited extent. In the 2000s, this scope was gradually extended, reaching heads of departments or heads of units (one or two levels down the hierarchy chain from deputy state secretaries – *főosztályvezető, osztályvezető*). However, after the 2010 elections, practically “all positions became political spoil.” This means that the practically full and unconstrained possibility for the political executive to fill all ranks in the central government apparatuses with politically loyal, “reliable” civil servants – created by the legislation on civil service and overviewed in the previous section – was in fact used to a large extent.

Despite this sweeping politicization of personnel, quite interestingly, the fundamental lack of mutual trust between politicians and high-level decision makers has not decreased since 2010, compared to the pre-2010 levels. Important decisions are made on the state-secretary level, with the inclusion of a few political aides only. Lower echelons of the administrative apparatus, possessing the necessary systemic and technical knowledge, are frequently excluded entirely. Department and section heads and their units play a role only in the implementation of decisions already taken and elaborated with great detail further up in the hierarchy. Because the institutionalized possibility and practice of replacing “unreliable” personnel exists, and there are further incentives to be/remain loyal, the lack of trust between the top-level leaders and lower-level professionals in the administration constitutes a phenomenon that requires further research to be explained.

This *modus operandi* is not entirely unusual, however, since it was the general practice before the 2010 elections that decisions on major policy goals and intervention areas were usually made outside public administration – by experts, think tanks and political aides directly subordinate to the (prime) minister. However, the apparatus did play an important role elaborating the details of these decisions. This ensured that the substantive and procedural knowledge and information possessed by the apparatus were channeled into the decision-making process. This created a sense of ownership over new policies on the part of ministry employees. According to multiple accounts, this role in the policy formulation process seems to have overwhelmingly disappeared after the post-2010 arrangements stabilized.

## 6.2 Politicization: Survey findings

Below, we briefly examine our survey data in order to establish findings directly related to the here and now of political control and politicization in Hungarian public administration. First, we briefly analyze the extent of turnover in the various organizations and ranks of central government administration. The Table 2 shows the proportion of those who have been working for more than five, *versus* less than five, years in their current organization. Note that the survey was conducted exactly two years after the 2010 inauguration of the new government.

**Table 2: Proportion of respondents with more versus less than five years of employment in their current organization, broken down by organization type and level of hierarchy within the organization (n=297)**

		Tenure in organization		
		<5 years	5 years or more	Total
Ministries	Top hierarchical level in the organization	62.5%	37.5%	100.0%
	Second hierarchical level in the organization	54.8%	45.2%	100.0%
	Third hierarchical level in the organization	53.3%	46.7%	100.0%
Sub-ministerial level (agencies and their territorial branches)	Top hierarchical level in the organization	39.3%	60.7%	100.0%
	Second hierarchical level in the organization	34.0%	66.0%	100.0%
	Third hierarchical level in the organization	16.1%	83.9%	100.0%

According to the data, the probability of turnover

- increases as one moves from lower to higher positions within the same organization type and
- is higher in ministries than in other organizations.

The data indicate that large-scale replacement of personnel is likely to have happened, especially in the higher echelons of civil service. This finding is in line with our interviewees' perceptions. All of them talk about a very high, possibly unprecedented, turnover of personnel enabled by a new civil-service legislation.

The politicization of civil-service nominations can be examined on the basis of perceptual data, too. Survey respondents were asked to express their perceptions regarding political influence on appointments.

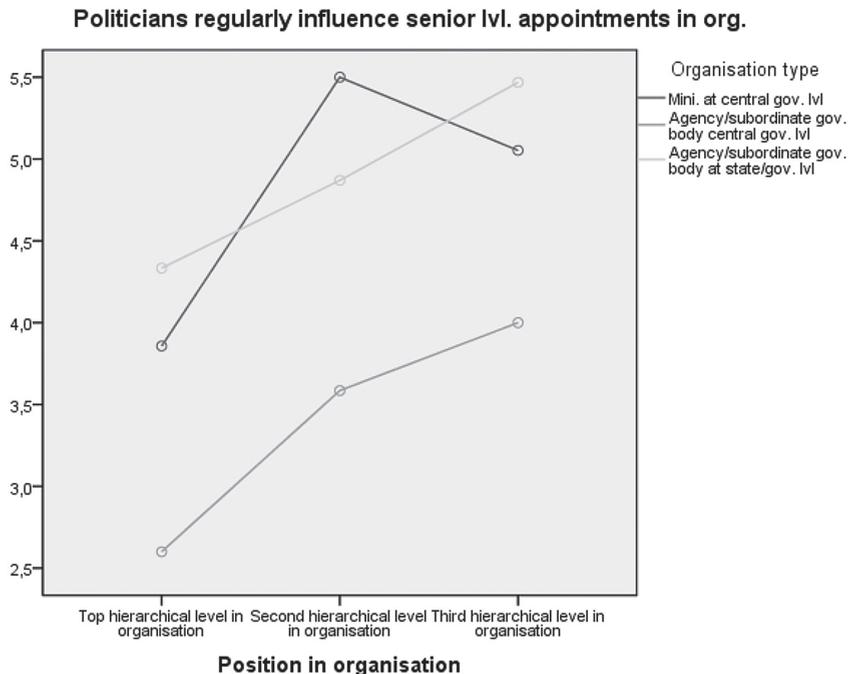


Figure 1: **Politicians regularly influence senior management appointments in my organization. (1 – strongly disagree, 7 – strongly agree; n=228)**

The two-way ANOVA performed on the data showed significant main effects ( $p < 0.01$ ; the interaction effect is not significant), meaning that the effects depicted on the Figure 1 are statistically significant. This signifies two things:

- The lower one goes in the management hierarchy, the stronger respondents perceive the political influence coming from above. This reinforces our earlier qualitative finding that rank and file public managers feel overwhelmed by uncontrollable political intrusions. Moreover, it sharply contradicts the traditional, “top-down” conceptualization of politicization, whereby it is predominantly thought to characterize the top echelons of administration.
- From an inter-organizational perspective, it is an interesting and (in the view of other analyses not detailed here) robust pattern that politicization is high in ministerial and territorial (de-concentrated) organizations (reaching mean

values above the 4.5 mid-point), whereas significantly lower in central-government agencies. The difference between ministries and central agencies is not surprising, since it reinforces the picture of a highly politicized policy formulation (in the ministries) and a relatively more technical implementation process (in central agencies). Interpreting the high politicization found in relation to territorial agencies would, however, require substantial additional analysis not feasible here.

A note of caution on the interpretation of survey-analysis results and their validity is in order at this point. The Hungarian civil service is traditionally very cautious and defensive in relation to any outside attempt to reveal perceptions, opinions or even simple facts. This claim is difficult to support with compelling arguments besides the experience of one of the authors, who has, over the past one and a half decades, conducted several nationwide and several other more focused questionnaire surveys and numerous qualitative surveys among Hungarian civil servants. In view of the changes described on the previous pages, this secrecy and lack of trust has significantly worsened, understandably, since 2010. Civil servants, especially in higher ranks, often seem to behave in ways which strike the outsider as paranoid (although closer familiarity with facts and urban legends makes one more sympathetic to these attitudes). Consequently, a general caution has to be exerted, more so than in “normal” cases. Responses are likely to be considerably more optimistic than true perceptions.

## **7. Conclusions**

As regards RQ(1), the analyses of formal legal institutional changes, as well as key informants’ perceptions and views, clearly confirm that formal institutions changed dramatically after the 2010 elections. The changes consistently point towards increasing levels of both formal political control and (partly formal, partly informal) politicization in the sense of increasing politicians’ influence over administrative appointments and other HRM decisions across all levels of the hierarchy. There is also evidence that much of the powers instituted by the new legislation were indeed used. (Note, however, that “using” an instrument may mean different things. For example, the even formally unlimited possibility to fire civil servants – which existed, in its purest form, from the summer of 2010 until it was annulled by the Constitutional Court in May 2011 – was, in fact, widely used. The legal instrument substituting the annulled one – removal on the basis of “loss of confidence” and “non-conformance with the supervisor’s value standards” – was, presumably, used infrequently. However, this measure may well function even without being actually used. The possibility of applying the provision already ensures a large extent of political control and enforced loyalty).

The mere fact that formal, *de jure* instruments of political control, in addition to their *de facto* application, have substantially strengthened after 2010 does not, in and by itself, imply that this is a consequence of the financial crisis having occurred beforehand. Rather, it is the contrary. Actually, what we can see already in Hungary’s pre-2010 history is a pattern of repeated attempts to strengthen political control and politicization. Therefore, it is possible that a decisive electoral majority – such as the

one that emerged in 2010 – would have instituted such changes even in the absence of a fiscal crisis. Thus, we may only claim that our findings are congruent with the expectations underlying Hypothesis (1); that is, one or both of the driving forces mentioned there – the crisis and the “strong state” doctrine – may have played a role.

Turning to RQ(2), we analyzed whether informal institutions of political control act towards reinforcing underperforming formal institutions or rather serve purposes different from (or possibly even running counter to) formal institutional purposes. In other words, using the terminology developed by Helmke and Levitsky (2004), do they manifest informal political control of a fundamentally “substitutive” or “competing” type? We considered whether the strengthening of formal institutions leads to a decrease in the strength and proliferation of politicization and other informal institutions of political control; or, on the contrary, whether informal institutions of politicization and political control do not grow stronger as a consequence of strengthened formal institutions. Answering yes to the first question would imply that institutions of informal political control are of a substitutive nature, whereas the “alternative” answer implies the presence of competing informal institutions.

Our various pieces of evidence are clear-cut in this regard. Informal political control has not weakened, but rather substantially strengthened, even after the new and greatly extended control instruments were institutionalized. Consequently, informal political control and politicization as it exists in Hungary can be thought of as a set of institutions subverting, rather than reinforcing, the purposes and operation of formal institutions of control.

In our view, this is the most significant finding of this study. It is indeed somewhat confusing that politicians first create – albeit without legislative difficulties, but still with substantial political (and other) costs involving conflicts with European bodies and the ECJ – an institutional framework that enables them to hire, fire and promote anybody in the governmental apparatus at will – a situation which all previous governments could have only dreamt of. Then, using the opportunities thus created, they indeed remove much of the personnel, deep down into the hierarchy, and replace them with personnel carefully selected (or at least, well approved) by political actors. Moreover, they create unprecedented and extremely harsh instruments for the surveillance and monitoring of those who remain employed. Ultimately, though, they have an extent of confidence in these officials which is far below the (already modest) level manifested by previous administrations.

As intriguing as this puzzle is, however, its solution is unfortunately beyond the scope and capacity of this study. At this point, there is only one “proto-explanation” we are able to devise, rooted in scattered and anecdotal evidence and admittedly hypothetical. Namely, it may be that political masters’ lack of confidence in their apparatuses stems not from the classical principle-agent problem, whereby principals strive to minimize agents’ incentives to deviate from the observance of official, previously-stated goals, acting according to ideas of their own or of some other stakeholders. Rather, this peculiar pattern may be explained by political principals’ “double” goal system: besides and/or, possibly, instead of the achievement of formally stated goals, they expect their agents to follow an “informal agenda,” obey illegitimate expectations of their political masters and participate actively in informal networks of “favors” and “counter-favors.” Of course, the lack of compliance with

such expectations is difficult to sanction through official, institutionalized channels. It is this insufficiency – or, in Helmke and Levitsky’s (2004) words, “weakness” – of formal institutions that triggers the dense network of informal control instruments.

Whether and to what extent this hypothetical explanation is valid, and what its temporal, geographical and organizational scope is, is subject to further inquiry.

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