

12 Urban rehabilitation and residential struggles in the post-socialist city of Budapest

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Introduction

Benjamin Barber suggests in his book *If Mayors Ruled the World...* (2013) that city leaders make pragmatic and un-ideological decisions checked by the democratic control of active urbanites. Barber (2013) highlights the importance of local democratic participation in urban issues and suggests that cities can become global players and at the same time their residents can maintain their democratic control. According to Barber, ‘participation endows [people] with a capacity for common vision’ (Barber, 2004, p. 232, cited by Costa, 2015, p. 24). However, this assumption is problematic because it ‘privileges the benefits of localism without considering that certain interests can use these self-same principles of community and participation to promote inequality and injustice’ (Scerri, 2014, p. 410); in other words, it fails to avoid the ‘local trap’ – the inherent assumption that decisions made on the local scale are necessarily more democratic than on other scales (Purcell, 2006, p. 1921).

Finding consensual solutions for conflicts within cities can be almost impossible because of antagonistic situations (Marcuse, 1998). Strong business interests and state-led rehabilitation efforts often overwrite the interests of lower-status users and inhabitants (for example in cases of gentrification, as shown by Smith, 1996). With the words of Purcell (2006, p. 1921) we can have the ‘sense that urban neo-liberalisation threatens urban democracy’, and that decentralization of power does not necessarily mean more democratic and inclusive decisions.

Besides the enforcement of the market rule by state power and the attraction of capital investment, in certain contexts other factors are also at work against ‘urban democracy’. For example the emergence and effectiveness of urban movements is also determined by the social and political context and specific heritage elements such as widespread clientelism in Southern Europe after WWII (Leontidou, 2010, p. 1191). In the post-socialist context, a low level of citizen involvement and the influence of party politics in the civil society is still typical today (Kębłowski and Van Crielingen, 2014). In Hungary and other post-socialist states – with the terms used by Iván Szelényi

(2016) – neo-patrimonial and later neo-prebendal¹ elements influence – alongside emerging neo-liberalism – political and business relations. In this context neo-patrimonialism means that, as a consequence of the rapid privatization, the legal framework of the economic relations and other institutions of the transformation served the interests of politically connected cliques (see e.g. Stark and Vedres, 2012) and the acquisition of private property depended on political connections. Neo-prebendalism refers to the phenomenon that the legitimacy of property depends on political power relations and the will of the ruling political elite can lead to quick changes in ownership (Szelényi and Csillag, 2015, p. 29). Especially in the illiberal regime that emerged after 2010 – when the right wing party FIDESZ won the elections with a supermajority – more traditional power relations coexist with the legal rational (or liberal) authority (Szelényi, 2016, p. 12), and business plans, rules of the market or bureaucratic processes are often overwritten by political decisions.

The case of Budapest is worth analysing because during the long-term process of post-socialist transformation (see Stenning and Hörschmann, 2008, p. 329) we could observe different models of urban management and policy that influenced the chances of the articulation of democratic interests. Parallel with the neo-liberal shock therapy of mass privatization of property, market relations were influenced by the interests of political groups and networks and corruption (see Jávör and Jancsics, 2016). Besides market interests, urban projects were determined by the distribution of public spending, and later, by EU funds. A significant part of these sources were channelled directly or indirectly to parties and politicians and this influenced how and for what purposes the money was spent. Especially in the new regime after 2010, civic and grassroots organizations can hardly put pressure on politicians who are personally interested in certain projects while democratic institutions are hollowed out by new legislations and regulations introduced by the power of the two-thirds supermajority of the right-wing ruling party.

We think these consequences of the transformation are contextual features of urban democracy as practiced in Budapest, and illustrate with our case studies that ‘urban democracy’ cannot be alienated from other scales, especially the national scale of legislation, judicial practice and exercise of political power. We therefore claim that the suggestion to simply turn towards the urban scale for more democratic, progressive and just policies and social practices ignores the embeddedness of urban questions into broader social and power relations.

In the next section of this chapter we outline the theoretical debates concerning participation and urban democracy and discourses of the post-socialist social and political context of Budapest. In the third part of the chapter we describe the context of inner city changes in Budapest and discuss conflicts of urban investments, gentrification and functional change in different parts of the inner city, showing how the interests and rights of the residents were neglected. In the conclusion, we summarize our main findings in light of our research objectives.

The problems of urban democracy and the post socialist context

Barber (2013) assumes that urban issues can be handled democratically by active urbanites who participate directly in political decisions and planning, or control the power of mayors and other city officials. Later he envisages that the global network of these democratically governed cities can provide an answer to a series of global challenges much better than nation states can. In this chapter we only tackle the first but perhaps more fundamental claim of Barber: that urban democracy is less problematic than on other scales, and cities can overcome the national social and political contexts.

The problems of urban democracy

First, we examine the claim that active urbanites could maintain democratic control in cities through having their opinions heard in local issues. Participation and democratic deliberation is not a panacea (see Sorensen and Sagaris, 2010, p. 298), consensus is not self-evident (Silver, Scott and Kazepov, 2010, p. 453) and residents often cannot exercise their right to the city (Purcell, 2006). Deliberation among unequal power relations can be a tool for the legitimation of the existing hegemonic order: people can make their choices among market- and profit-oriented frameworks presented to them as 'natural', while owners of capital sacrifice some of their gains (Purcell, 2009, p. 146; see also Silver, Scott and Kazepov, 2010, p. 454). In other words: deliberation is not synonymous with empowerment (Silver, Scott and Kazepov, 2010, p. 455). Alternatives could be antagonism, where 'the other [is] an enemy to be destroyed', and 'agonism', where the conflict remains an 'irreducible' part of the society but without actual violence (Purcell, 2009, p. 151). Instead of consensual deliberation these approaches try to undermine the hegemonic order of neo-liberalism (Purcell, 2009, p. 152). Even if people are able to have their say about the issues of the city, it can be necessary to have top-down institutions that force other players to give voice to the most marginalized and disadvantaged (Silver, Scott and Kazepov, 2010, p. 467). In certain contexts even the help of advocates and facilitators can be necessary for their representation (Silver, Scott and Kazepov, 2010, p. 472). Although radical critics condemn deliberation and consensus seeking, examples of successful and long-term urban movements often involve bargaining with the ruling power (see Sorensen and Sagaris, 2010, pp. 305, 307, 310). Empirical data also show that a pragmatic approach and a cooperative attitude towards power (Sorensen and Sagaris, 2010, p. 312) are necessary for the successful and long-term operation of urban movements. However, maintaining the progressiveness of movements without the 'destruction' of the opposing side (also within movements) is indeed a challenge (Teo, 2016, p. 1425).

Second, and as mentioned in the introduction, the urban scale is not independent from other scales and privileging the local as the 'adequate' scale of democracy is misleading. Positioning the decentralization of decision-making as a 'necessary [tool] for democratisation is the essence of the local trap' (Purcell, 2006, p. 1925). Decisions in favour of local residents may have negative consequences for other residents of the whole metropolis (Purcell, 2006, p. 1935) or rural areas of the broader region (Purcell, 2006, p. 1936). However, some critical human geographers maintain that that we can experience problems of neo-liberalism 'most saliently' on the urban level (Jessop, 2002, p. 452), and that state capacities are often transferred downwards to local authorities (Jessop, 2002, p. 454). Therefore Jessop suggests a 'post-national' framework (Jessop, 2002, p. 459), where 'the importance of the national scale of policymaking and implementation is being seriously challenged'. This is a common element in the suggestions of Barber and the analysis of certain critical human geographers. In addition, Sorensen and Sagaris (2010, p. 302) claim that self-organized local community groups can give us examples of how to resist more powerful actors, how the 'right to the city' is 'enacted and made real' and how to practice their collective rights against state or private projects and individual property rights.

Finally, critical scholars argue that the political and social context of these local movements is global capitalism or neo-liberalization, as the 'meta-context' of all other local contexts (Brenner, Peck and Theodore, 2010, p. 202). Therefore market rule and business interests – often directed from a distance – outweigh the interests of locals in different ways all over the world. The issue of the social and political-economic context, however, seems to be even more complicated. A growing number of scholars are raising the awareness in their empirical and theoretical work that neo-liberalism is in fact just one method of governing among many (see Ong, 2007), and economic rationality and market organization can exist independently of each other (Collier, 2005). Moreover, if scholars only acknowledge empirical differences as modifying features of their universal explanation of neo-liberalization, these experiences 'remain varieties of a single genus' (Barnett, 2005, p. 8; see also Collier, 2012, p. 194), instead of being part of theory building (see Robinson, 2016). Robinson (2011) argues that national-level historical and political contexts can also be influential in specific urban cases (Robinson, 2011, p. 1096) and the goals of resistance can be different case by case (Robinson, 2011, p. 1104). Recently Pinson and Morel Journal (2016) also argue that there are other factors at play in urban development projects than neo-liberalism (Pinson and Morel Journal, 2016, p. 176), and criticize Brenner, Peck and Theodore (2010) for their mono-causal explanation (Pinson and Morel Journal, 2016, p. 193). Silver, Scott and Kazepov (2010, p. 457) also argue for the importance of regional and national social and political contexts of participation. In short, urban political decisions are not independent from global economic and power relations and local institutional and social contexts.

The post-socialist context

In our case studies from the post-socialist Budapest, the framework of neo-liberal market interests against the interests of the locals does not apply perfectly to every case. Besides neo-liberalization, urban changes and conflicts are also determined by more traditional (neo-patrimonial or later neo-prebendal – see above) power and property relations (Szelényi and Csillag, 2015).

Theoretical debates about the validity of the post-socialist category have been going on since the regime changes of 1989/1991. For example, in debates on gentrification, neo-Marxist scholars argue for abandoning the post-socialist perspective and adopting the narrative of global dependency instead (Nagy and Tímár, 2012, p. 122). Others in the same field argue for maintaining the category of post-socialism and taking into account the particular institutional changes in societies under transformation (Bernt, Gentile and Marcinczak, 2015, p. 105; especially Chelcea, Popescu and Cristea, 2015, pp. 128–129; see also Wiest, 2012, p. 838). Arguments against the concept of post-socialism are often expressed as if this concept would entail a totally different, oriental world (see for example Petrovici, 2015) or as if more pronounced neo-liberalization would be inevitable over time (see Sykora and Bouzarovski, 2012). However the ‘de-territorialized’ concept of post-socialism highlights that post-socialist states and cities are different not in general but rather in certain concrete social institutions and mechanisms (Tuvikene, 2016, pp. 132, 141). Tuvikene (2016, p. 142) suggests the concepts of ‘continuities’ and ‘anti-continuities’ in the post-socialist transformation are both the legacies of socialist dictatorships. Either these legacies exist today and fade away only slowly, or they can be sensed by the radical counter reaction. An example of the latter can be the ‘patrimonial’ (i.e. not market and investor friendly) housing privatization in Budapest that resulted in an ownership structure that differs significantly from the core capitalist cities (see below).

A good example of the relevance of the post-socialist category is a comparative study about two semi-peripheral cities, Cordoba in Spain and Sopot in Poland by Kębłowski and Van Criekingen (2014). The authors analyse participative budgeting (PB) in these cities. In the post-socialist Sopot the civil society proved to be significantly weaker (Kębłowski and Van Criekingen, 2014, p. 14) than in Cordoba, and the political actors only used participation as a tool to inform and educate residents or probe the public sentiment instead of letting them decide on certain questions. Unlike in Cordoba the local power did not consider residents as equal partners (Kębłowski and Van Criekingen, 2014, p. 16), and the mayor had the final word in decisions. The legacy of the centralized power and strict party hierarchy of state socialism (ironically similar to feudal relations) is a ‘continuity’ of the post-socialist case.

In the next section, we present our long-term ethnographic research of two urban rehabilitation projects in Budapest, and show that besides the

market rule, post-socialist political power and property relations are also at odds with the ideas of 'urban democracy'. We try to illustrate our finding that the political and social context of the city strongly determines urban processes and urban democracy as well. Urban movements in this context could hardly affect powerful political players who gain their legitimization through national elections, but control local authorities as well.

Case studies from post-socialist Budapest

As we already argued in the introduction, Budapest is an interesting case if we try to examine the role of the social and political context in 'urban democracy'. The high sovereignty of local authorities in place of central planning after the transformation – especially the independence of the districts of Budapest from the city; housing privatization (as radical anti-continuities); the EU accession and EU-funded urban rehabilitation initiatives; and since 2010, the re-centralization of power by the right-wing FIDESZ government (that reduced subsidies and took away a large part of the autonomy of local authorities) are all factors that could affect urban democratic processes. The cases of urban rehabilitation initiatives we present here are litmus tests of 'urban democracy', and we try to show how political changes influenced these processes.

After the regime change in 1989, one of the most important institutional transformations in the city was the quick and almost complete privatization of the housing stock (Hegedűs and Tosics, 1998). However, the transformation of property rights was realized differently in every post-socialist country (Sykora, 2005). In Hungary the method was flat-by-flat privatization of the municipality-owned housing stock for the sitting tenants and the transformation of every single building (or even operational parts of a bigger structure) into condominiums.² Tenants could gain full property rights for less than 10% of the estimated market value of the flats and they could even get low interest rate credits.

By the end of the 1990s 90% of the whole housing stock and 80% of the inner city housing stock became owner-occupied (Kovács, Wiessner and Zischner, 2013, p. 9). As Smith (1996, p. 176) and later Kovács, Wiessner and Zischner (2013, p. 5) observed as well, the approach towards privatization – carried out in the patrimonial fashion described above – and the condominium structure of dilapidated buildings made investment in the inner city difficult. Upgrading was often almost impossible because of the low status of owners, while a would-be investor in the building had to negotiate with many different owners, all of whom had different motivations. The consequence of this institutional setting was that gentrification was not the most pronounced phenomenon in Budapest during the 1990s and the status of some inner-city neighbourhoods declined even further (Kovács, 1998).

Even after the real estate boom of the 2000s and until the 2008 crisis, gentrification remained limited according to Neil Smith (see his self-critical

remarks in Czirfusz et al., 2015, p. 58). However, in areas where municipalities proposed rehabilitation or residents were not able or willing to buy their tenements, the housing stock could remain in public hands and larger scale projects were possible. Most of the rehabilitation and reinvestment was initiated by the districts with different methods (Kovács, Wiessner and Zischner, 2015), and it was carried out according to the availability of public or EU funding and not exclusively according to the real estate market rationale. However, it caused significant displacement (Ladányi, 2008) as local authorities used these funds to relocate and buy out residents of municipal social housing (we explain this in more detail in the case studies below). This process was most advanced in the District IX where rehabilitation started before 1989 and continues today (see Jelinek, 2011).

Between 2010 and 2015 symbolic and aesthetical interventions were initiated by the national government without the direct involvement of private investors (Kováts, 2014, p. 2) and without any public consultation with the citizens or the city of Budapest and the districts. Of course, these aesthetic and spectacle investments can be used later by entrepreneurs in the hospitality and tourism industry. Tourism and place marketing is the rationale behind national-level urban projects like the proposed Museum Quarter in the City Park, the FINA World Championship 2017 and the bidding for the 2024 Olympic Games.

However, besides marketing there are other motivations behind these state-financed mega-projects: overspending and corruption is also notorious. According to experts recently, 65% to 75% of all public procurements in Hungary were corrupt (Freedom House, 2011, cited by Jávör and Jancsics, 2016, p. 535) and kickbacks³ are part of the everyday practice (Freedom House, 2011, cited by Jávör and Jancsics, 2016, p. 541). More up-to-date data also shows that in the illiberal regime corrupt practices became more prevalent: more than 60% of public procurements were non-transparent (were realized without an open call for competition) compared to the 16% before 2011; and the numbers are even worse in the case of EU funds (CRCB, 2016, pp. 31, 34). The reason for this trend is the change of the legislation of public procurements by the new regime in 2011⁴ (CRCB, 2016, p. 31). This means that the highest level of power is involved in 'control deactivation at the inter-organizational level' (Jávör and Jancsics, 2016, pp. 546–547): for example under the value of 25 million HUF (85,000 EUR) a low transparency procedure can be applied in public procurements. After 2010 higher value public investments were won almost exclusively by the company of a college friend of the PM. After their spectacular break-up in 2014 companies owned by the mayor of the home village of the PM took this role and he became the fifth wealthiest Hungarian by winning billions of Euros in public tenders.⁵ The leader of a think-tank with close ties to the PM even expressed that what we see is not corruption but the building of a national capitalist class.⁶ Therefore we can look at these mega-projects initiated on the national level on the one hand as neo-liberal projects in favour of entrepreneurs, but on

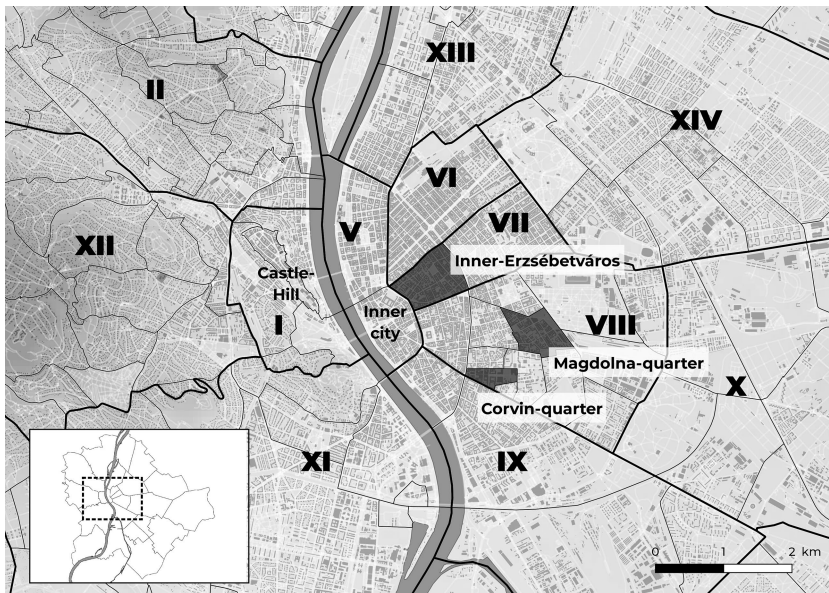


Figure 12.1 Rehabilitation areas in Budapest.

the other hand, nationally and EU-funded procurements often have no economic rationality at all and market competition is strongly influenced by these corrupt public investments.⁷

Methodology

Our data stems from two parallel, long-term ethnographic research projects in District VII and District VIII (since 2006 and 2011, respectively) in Budapest where significant social and functional changes have happened since the early 2000s. The research areas are the innermost part of the District VII and the ‘social rehabilitation’ area of the so-called Magdolna Quarter in District VIII (as indicated on the map in Figure 12.1). We chose these areas of the inner city because there were significant social changes induced by the rehabilitation plans of the local authorities in both areas. In this chapter we concentrate on the struggle of the residents in light of these changing circumstances.

In District VII, we conducted 23 semi-structured interviews with local residents who were involved in the rehabilitation and the functional changes of the area since 2006. Many of these residents lived in local authority owned buildings, and we asked them about their experiences with the rehabilitation, the changing function of the area and the night noise. We also conducted eight interviews with local pub owners about the story of their

enterprise in the area and the conflict with the residents and authorities. We also participated in the regular meetings of the civil group of pub owners (called 'Azért') between 2010 and 2014 to help understand their strategy and the ambivalent relations towards the local authority. We also participated in several residents' forums and civil meetings in the area and we recorded them or made field notes. Local politicians were not particularly useful sources of information, but their participation in residential forums or meetings of the entrepreneurs were quite telling about their attitudes. We also recorded over 40 newspaper articles about the changes in the neighbourhood.

In the case of the Magdolna Quarter, we conducted 10 interviews with local active residents who participated in the civic engagement project of the rehabilitation programme and had experience in negotiating with the local authority. Altogether, we interviewed over 40 residents about their overall experiences in the stigmatized neighbourhood and about the effects of rehabilitation. We also participated in the residents' forums in 2013 and 2014 that were focused on the new phases of the rehabilitation project where attitudes of the local politicians and the divide between groups of residents could be observed (namely those who attended the meetings and those who almost never did). Some local politicians and officials were important sources of information in this research area. We met them repeatedly and asked for insights about the details of negotiations, debates and decisions. All in all, our methods are quite similar to the methods of classical neighbourhood research cases applied for example by Small (2002, p. 47) or Pratt (2009, pp. 1044–1045) where all sorts of data and insider information are collected to understand the stories observed and social mechanisms behind them.

Inner-Erzsébetváros – a post-socialist gentrification process

The Inner-Erzsébetváros (the most central part of District VII) became very dilapidated during the state socialist era. The proportion of local authority owned buildings that were never turned into condominiums was relatively high in District VII – in the early 2000s more than 10% (Csanádi et al., 2010). This could happen due to the proposed plans of the Mátyás-promenade (Román, 1997–1998), which meant that dwellings on the planned track of the promenade were not for sale for tenants in the privatization process. Those plans, however, were never realized. In the early 2000s, when real estate prices started to increase rapidly, the local authority decided to vacate the municipality owned buildings. The costs of this action were to be covered by the privatization of entire buildings. Tenants of the municipality dwellings did not have much say in this process: they could choose from three exchange flats or take the cash compensation, which was hardly enough to buy another apartment on the outskirts of the city.

This may look like a typical case of state-led gentrification. However, the privatization was realized through a corrupt scheme and the buildings were sold to speculative investors. The neo-patrimonial element in the process

was that municipal politicians and bureaucrats were using their political power and connections for personal financial gains in the privatization in the early 2000s. The municipality sold the right to buy the buildings for low prices to firms owned by the straw man of local authority politicians, after which this company – through an offshore company – was sold to a foreign investor. The difference between the two prices was the embezzlement of local politicians (Sipos and Zolnay, 2009). Though the investigation started in 2006, the culprits were only caught after 2009: the mayor was sentenced for two years and the first degree defendant – the former vice mayor of the district – got eight years in jail.

During the privatization, the rules of heritage protection were neglected as well and many buildings were demolished against the regulations, similar to the inner city of Moscow (Badyina and Golubchikov, 2005, pp. 113, 122). This was another aspect of the rampant corruption (see also Jávör and Jancsics, 2016, p. 545): after the demolition of the old buildings, many more new apartments could be squeezed onto the plots. Entrepreneurs with good political connections had no fear of taking these drastic steps. Because of the corrupt privatization, most of the new owners of the buildings were speculative investors, with the intention to resell their property for higher prices, except the 2008 crisis hindered their business plans. Instead of the expected higher status residential area, a party district developed on the ruins of the vacated buildings, which are now used by hospitality entrepreneurs as ‘ruin bars’ (Lugosi, Bell and Lugosi, 2010; Csanádi, Csizmady and Olt, 2012). Meanwhile, residential apartments have been turned into tourist accommodation, which increased the exchange value of inner city real estate. This case of post-socialist gentrification highlights the importance of the social embeddedness of the gentrification process (Bernt, 2016, pp. 642–643) and the commodification of inner city housing (Csizmady and Olt, under review).

Interest articulation of the municipal tenants

In one particular building, the tenants wanted to privatize their dwellings after 1989 but that was denied because of the plans of the Madách-promenade mentioned above. The tenants discovered in 2004 just by accident that an investor had gained a pre-emptive right to buy the building. As a first reaction, 39 of them decided to file a lawsuit against the local authority that had neglected the pre-emptive privatization rights of the tenants (Somlyódi, 2007). Residents in this building were somewhat higher status than in others and many of the tenants had known each other for decades, two of the tenants were even lawyers. As a tacitly accepted and common reaction of the Hungarian politicians, a council member threatened the tenants that if they did not cooperate, the municipality would not renovate the building for another 15 years. One of my interviewees, who was an important organizer of the resistance in the building, was laid off from her job at a municipal institution without any explanation.

After three years, the investor (a company owned by the straw man of the local politicians) offered rather high prices for residents to leave. They would have taken these generous offers, but because the investigation in the corruption case had already started, the local authority stepped back from the privatization of the building at the last moment. After the political changes in 2010 not much happened in municipal housing except for a 100% rent increase in 2011. Although the prices were still low, this represented a huge problem for poor families. In 2014 the tenants of the building unexpectedly received a letter from the municipality (before the municipal election) that announced the privatization of the apartments for the tenants with the usual discounts for sitting tenants and because of the physical deterioration of the building.

Although the residents had wanted to stay put when they started the lawsuit, many of them bought their apartments in late 2014 and early 2015 at the discounted prices for tenants and left the neighbourhood within weeks after selling their apartments at market prices. Because of the 'party district', most of the residents did not want to stay anymore. The 'Airbnb fever' started in Budapest in 2015 and since then even a bad quality flat in a dilapidated building can be a financial asset instead of the low-use value for owner-occupiers. Because of this commodification process (Csizmady and Olt, under review), the market prices were two or three times higher than what the tenants had to pay. In 2016 a co-worker of the municipality turned to the state attorney and the press because he felt this practice of privatization was another case of fraud. However, it turned out to be just privatization according to the rules established in the 1990s. This ironic reaction in 2016 illustrates well the patrimonial nature of housing privatization: municipalities wanted to get rid of their housing stock so badly that it was indeed very similar to a simple case of fraud.

The privatization for tenants was unexpected because real estate investors – as we explained above – are interested in entire buildings. However as suggested by our interviewees, the transcript of the economic committee of the municipal council and newspaper articles,⁸ the real motivation of the flat-by-flat privatization was to sell the retail spaces of the building to certain entrepreneurs. This would explain the anomaly: the retail space of a municipality-owned building cannot be procured on its own, but if the apartments are privatized and the building becomes a condominium, the retail space (still owned by the municipality) can be sold. The arbitrariness of the real estate policy is well illustrated by the fact that a similar building nearby was vacated between 2013 and 2016 and is waiting for investors, as the neo-liberal logic would suggest. In the case of our building, however, the neo-patrimonial relations intervened. As in many other cases of privatization, gaining property rights depended on political connections and not on market logic or on whoever has the most capital.

This is why we choose to explain this case in such a detailed manner: besides the neo-liberal real estate policy of the municipality, there are other

factors at play in this context, namely the political control of property rights and the political influence of business interests. As a consequence, residents in different situations have different interests, and this divides people in otherwise similarly disadvantaged and disempowered situations.

The weak resistance against the municipality has several other reasons. First, many of these residents are in such a weak financial position that social housing is their only alternative. As they explained to us, discretionary bureaucratic decisions are one of the ‘continuities’ of the socialist era in the social housing sector as well. On paper every tenant has equal rights, but – as was also common in the socialist era – people with connections or means to bribe officials could gain social housing rights much more easily and even choose better quality apartments.⁹ In cases of vulnerable social tenants, officials and politicians could exercise grace (like patience with backlogs) for political gains. Many of the tenants had difficulties paying the rent, and it was always a political decision to evict them or not, which is also of course dependent on personal relations and political interests. Uncertainty and lack of transparency because of the corruption was also an obstacle before the successful interest articulation of residents: without getting proper information or without a sound rehabilitation plan it was very difficult to organize resistance in general. Struggles remained on the scale of single buildings, where people knew each other and lawyers and politically active residents were among them, as in our example.

The conflict of the party district

As we mentioned above, the area became a ‘party quarter’ in the last 15 years (Csanádi, Csizmady and Olt, 2012). The process started with the intermediate use of the buildings that had been vacated by the local authority, but were not yet sold to investors (until the mid-2000s). After the 2008 crisis the real estate development stopped, and the new and mostly speculative private owners had to deal with the buildings, which were in ruins but also gained heritage protection during the mid-2000s (Perczel, 2007). Now these buildings serve as scenery for binge drinking tourism.

The rules for commercial activities changed in 2009¹⁰ in line with EU directives. The law and governmental regulations protect the right for free enterprise more than the rights of the residents according to the ombudsman of civil rights,¹¹ and also according to the practice of the authorities and courts in these disputes. Real estate investors signed long-term contracts with pub operators. The level of noise at night increased, and residents complained to their local politicians. The only measure in the hands of the local authorities was the restriction of opening hours, which was instantly introduced in the adjacent District VI: after 10pm every commercial activity without special permits had to close. After many modifications the regulation stayed quite strict in District VI, where discretionary decisions of a committee are necessary to gain the right to stay open after midnight. In District

VII, right before the municipal elections in 2010, opening hours restrictions were introduced as well. However, the local regulation was actually against national-level laws so it was never really implemented. Because of the rehabilitation (and the above-mentioned corrupt privatization) in District VII, there were more empty buildings and more ruin bars than in District VI, and this was another reason why it was more difficult to handle the situation.

After the political changes in 2010, the proposed solution was to create designated zones within the 0.5 sq km neighbourhood where there are no restrictions in terms of opening hours. The zones included the pubs that were members of an organization of pub owners called 'Azért'. This civil organization included only about 20 of the hundreds of pubs but at least they represented someone to whom the new local authority bureaucrats and politicians could talk. They were typically the entrepreneurs who had started their business before the mid-2000s. Meanwhile, organizations of residents were probed as well. One of them told us: 'They wanted us to say nice things about this regulation in our official communications and in exchange, our buildings would be outside the designated zones ... they wanted to bribe us. I found that so disgusting'. Because pub owners who were not part of the Azért loudly protested against the regulation, it was not implemented.

In late 2012, the national-level regulation changed, which made it possible for the police to restrict opening hours or close down venues if they were 'dangerous' or causing 'too much trouble'. More than 20 pubs in the Inner-Erzsébetváros received a fine or restriction of opening hours within a week. Because the 'ruin bar' scene was already an internationally known tourist phenomenon, a heated press debate followed these verdicts. At that time, the success of the scene also attracted entrepreneurs with much more capital and better connections and they tried to use them against the regulation. The freshly appointed vice-director of the municipal trust went to an 'Azért' meeting and agreed to a solution: for an additional tax, the pubs could be open after midnight. Because a lawyer representing the entrepreneurs participated in the codification process, the tax turned out to be very low (because of a cap that maximized the sum) and difficult to collect.¹² The current local regulation, implemented since 2013, permits opening hours in the Inner-Erzsébetváros until 6am. In the autumn of 2017 a more organized residential protest started with the involvement of 'professional' politicians and managers, and successful demonstrations were held. The local authority did not, however, change the legislation but decided instead to organize a local referendum in the future. This decision postponed the change of regulations, disappointing the residents and leading pub owners to complain about the uncertainty of their situation.

In this conflict, the local authority had to decide between the votes of the local residents and the income from the entrepreneurs' industrial and local taxes. It was not obvious which option they would choose during the entire process (see the adjacent District VI, District VIII or the recent regulation of District IX that prescribe closing times at midnight, 10pm and 11pm,

respectively), but the national-level legislation and governmental regulations as well as the larger number of empty buildings pushed the regulation in a market-friendly direction. On the other hand, the rapid changes in the national-level regulation and the codification process showed the importance of political connections, and other inner city districts made steps towards 'maintaining order' instead of supporting tourism and hospitality business interests. According to our informants, officials of the local authority were not even aware of the taxation cap in the regulation. The interest of the residents was neglected after 2013 and though FIDESZ lost their majority in the local council, the mayor supported by the state party still won the local elections in 2014. Under the illiberal regime, a municipality with non-FIDESZ leadership can lose government subsidies and go bankrupt quickly.

The rehabilitation of the Middle-Józsefváros

District VIII was the lowest status inner city district of Budapest already before the political changes of 1989. Many of the higher status residents left the area after 1989, deepening the 'ghettoization' (Kovács, 1998) and the stigmatization of the area (Czirfusz et al., 2015, p. 64). To improve the reputation of the district, the local authority, together with the city of Budapest and a Hungarian bank, established the Rév8 urban development company in 1997 (Alföldi, 2008, p. 27). First, the company spent 5 million EUR on aesthetic refurbishments, and later as part of a large-scale development plan vacated and demolished 22 hectares of a low status social housing area in the district to make room for a residential development with a 70 million EUR initial private investment (Alföldi, 2008, p. 30) that increased to 850 million EUR by 2010 (Czirfusz et al., 2015, p. 64). The tenants were relocated in social housing within the district, or were compensated in cash to a degree that was hardly enough to buy an apartment on the outskirts of the city. The other major rehabilitation initiative in the district was the social rehabilitation project of the Magdolna Quarter Programme (MQP).¹³ Social rehabilitation meant that 85% of the residents had to stay put. Our examples of the residential involvement and struggle are taken from this process.

The right-wing turn in Hungarian politics was preceded by the mid-term mayoral election in the district in 2009 (during the implementation of the second phase of the programme). The new mayor of the district became an important representative of the right-wing FIDESZ party. As a consequence, the 'social' part of the rehabilitation became much less important and the pronounced revanchist politics of the mayor appeared in the rehabilitation project as well (Czirfusz et al., 2015, p. 70). However, application for rehabilitation funds and successful implementation of the project remained a priority since this was a possibility to spend EU money (with the contribution of firms related to the party)¹⁴ and communicate 'results'.

From community building to political control

The first phase of the MQP was small-scale and was not even supported by the national-level EU funds distribution agency (Alföldi, 2008, p. 32). It entailed the refurbishment of four buildings, but also 'soft' elements like crime prevention, the facilitation of civil engagement and cooperation, and the establishment of a 'community space' that was to serve social goals. The 2.7 million EUR budget was mostly funded by the city of Budapest and the District VIII itself. Rév8 had high sovereignty in the planning and implementation of the project. The selection of the buildings depended, among other factors, on the application of the tenants and on their will to cooperate in the actual physical work of the refurbishment. This participation was supposed to facilitate communication among tenants within the buildings, and this had unexpected consequences. A very skilled former trade union leader organized the tenants of the four buildings (they called themselves 4 House Association), and criticized the implementation of the programme vehemently, while demanding crime prevention in the buildings and a more transparent social housing policy (drug trafficking in the district happens mostly in illegal sublets). The implementation of the programme was in the authority of Rév8 but crime prevention and housing policy was not. The local authority and the social housing management company never replied properly to these claims.

The second and third phase (MQP2 and MQP3) of the programme were financed by EU funds distributed by the national agency. As our interviewees explained to us, this meant much stricter bureaucratic control and there was much less space for experimentation. After the mid-term elections (mentioned above) the new mayor introduced much stricter control over the Rév8. Especially in MQP3, decisions about the main elements of the programme were made by the local authority and the mayor. Although there were soft programmes in the budgets, the main focus was on physical upgrading, for which contractors were chosen directly by the local authority. This explains why these social rehabilitation programmes were still important: the flow of EU money could be tapped and aesthetic changes became campaign elements. A good example of this attitude can be illustrated by the repeated – and probably unnecessary – renovation of a public square almost every second year. Although the power and independence of the Rév8 was radically reduced, residents were still arguing with them if they were unsatisfied with the results of the renovations in spite of the very limited influence of Rév8 on the local authority officials. This constellation distanced even further the residents from the actual decisions, while the Rév8 had to engage in a two-front battle.

In MQP2 many of the soft programmes were realized by civil organizations, which got a chance 'to do something good' by cooperating with the local political power. Meanwhile, they also tried to criticize the programme, the Rév8 and the local authority. In MQP3 this type of partnership with

civic organizations was out of the question and institutions of the local authority (like the Family Support Agency) realized the soft elements. The renovation of a square was realized with a participatory planning approach. A civic organization evolved from this participation (Partners for the Teleki Square), which is eager to maintain 'order' in the square. The association was supported by the local authority and mostly agreed with its revanchist attitudes. Even if they expressed their criticism towards the mayor they believe it is better to criticize within a partnership. Of course this makes them more politically acceptable.

Illiberal urban democracy

In the case of MQP2, legitimation of the territorially bounded social programme was also provided by the 'professional' engagement of the civil societies and their involvement in the neo-liberal mode of governance (see Silver, Scott and Kazepov, 2010, p. 461). In MQP3, however, the implementation was even more strictly controlled by the 'illiberal' mayor: directly through the employment of the staff. The illiberal attitude is echoed by the supported civil association mentioned above. As our interviewee from this association explained to us he strongly disagrees with the 'extreme liberalism' of other civil organizations or active residents – such as the group of progressive locals called 'KÖZÖD'. This means that active locals are divided: some of them cooperate with the power and try to influence it while others resist directly and try to enforce political changes.

The situation of the tenants is very vulnerable, so their resistance against power is highly unlikely. In an earlier publication (Lepeltier-Kutasi and Olt, 2016), we explained the situation of tenants who asked for reparations and fairer rules of sharing the operational costs of their freshly renovated but half empty building. They were quite afraid to take these steps because some of them already had rent arrears. The local authority and the municipal trust do not have to take into account the sum of the rent arrears, and could start the eviction process without any further debate. Members of KÖZÖD helped these tenants in the legal dispute. In another case a tenant who tried to defend her housing rights in a legal dispute with the local authority was evicted rapidly because of 'anti-social behaviour'. Since it was a made-up accusation to solve the dispute with her with less hassle, she started to collect signatures from other tenants to prove that her family causes no trouble in the building. The local authority now accuses her of forgery and tenants who signed her petition deny that they ever signed anything for the evicted tenant.

Municipality-level decisions about social housing are not controlled by any other authority at all. A housing right group called AVM¹⁵ turned to the human rights court of Strasburg in a case of another accelerated eviction of a family. Meanwhile according to our interviews and a detailed description of the application procedure for municipal housing some local politicians received nice social apartments.¹⁶ Progressive groups like 'KÖZÖD' or

‘AVM’ can achieve only small and partial success and cannot defend the tenants in general against the uncontrolled power of the municipality trust and the mayor. Tenants who engage in political struggles can lose their home in a blink, and national-level institutional changes would be necessary to exercise civic control over the district-level housing policy.

The increase of political control in MQP fits well with the national-level political changes after 2010. The national-level political context is quite important on the district level as well: the mayor, thanks to his position in the ruling party, can secure resources that are distributed by strictly controlled and politically engaged bureaucrats. The implementation of the National University of Public Service in the district is another symbolic project of the anti-liberal ideology, and it was realized with even less local civil control since it is a ‘national project’. The national political power relations are also visible in the local elections, albeit that there are a few council members from opposition parties, the mayor easily won the 2014 elections. In a recent mid-term local authority council election in the constituency of the Magdolna Quarter, the opposition parties could not agree on a common candidate and FIDESZ won the seat again in spite of the fact that their former council member had to resign because of a corruption case. In short, the context of the illiberal Hungarian democracy drastically reduces the chance of political opposition on the local level as well.

Conclusions

In this chapter we focused on the assumption of Benjamin Barber (2013) that city leaders can democratically represent the interests of urbanites. This democratic legitimation – that supposedly results in a progressive political agenda – is the precondition of fairer and humane solutions to global challenges by the ‘parliament of mayors’. However, as the introduction of this volume highlights as well, democratically elected local politicians are just one factor among many in democratic struggles in cities (reference: introduction this volume: page nr.). Global business interests and the social and political context on the national level are just as important.

Our intention was to illustrate how the national political and social context affects the presupposed ‘urban democracy’. In post-socialist Hungary, the neo-patrimonial (-prebendal) power and property relations mean that political interests can easily overwrite the legal authority of the state (Szelényi, 2016; Szelényi and Csillag, 2015, p. 26). Obvious cases of corruption are tolerated and end without real political or legal consequences.¹⁷ Even if local politicians are punished by the popular vote every now and then, the political power of FIDESZ gained through national elections can easily be used to control the mayor of the city and the mayors of districts. In this situation the deliberative consensus is either neglected or limited to marginal issues. Agonism or open resistance are also very risky alternatives, since economic actors who depend on EU-funded public spending and people

who depend on discretionary and non-transparent political decisions can be divided and ruled easily, while their fundamental rights are often shamelessly violated.

Progressive political movements are active in Budapest as well, but their connections with the countryside – where neo-patrimonial (and -prebendal) power relations are even more prevalent and tangible – are rather weak. Struggles of the progressive movements thus seem to be urban issues to which the people of the countryside – the majority of the voters – cannot easily relate. Because the concentrated power of the ruling party is legitimated on the national level and mostly by rural voters, the ‘post-national’ framework (Jessop, 2002, p. 459) would miss an important factor in the urban political struggles of Budapest.

From a more general perspective we note that market processes are not just enforced by the state but strongly influenced by political relations as well, and capitalist class interests are divided along political networks (see again Stark and Vedres, 2012). This does not fit very well in the mainstream conception of neo-liberalism as a class project (Harvey, 2005 cited by Barnett, 2010, p. 270), and this is why we need to refer to more traditional – feudal – power relations as well. If we try to explain the weakness of the civil society in the post-socialist context (Kębłowski and Van Criekingen, 2014, p. 14) exclusively with the semi-peripheral and subaltern position of these countries, how could we account for the more developed urban movements in similarly semi-peripheral Greece (Leontidou, 2010) or Turkey (Akcali and Korkut, 2015, pp. 86–87)? This is why we argue that the heritage of the state socialist dictatorships and the process of post-socialist transformation are significant contextual features of ‘urban democracy’ in post-socialist Budapest.

All in all, our case studies suggest that it is necessary to look beyond ‘fundamental political-economic rationalities’ (Barnett, 2010, p. 269) and understand the interplay of the local contexts and historic trajectories with global forces. This approach could be more helpful to understand how ‘more limited forms of rupture, in particular institutional settings’ are possible if we accept that the revolutionary overthrow of the whole global system is not plausible (Teo, 2016, p. 1426). There is still a long way to go to achieve ‘urban democracy’, but local movements can be examples of democratic struggles anywhere. How they could have an effect on other scales, however, is a different question.

Notes

- 1 Patrimonialism is defined as ‘feudalism’ where the vassal is compensated by the ‘fief’ and the lord appoints the administrative staff. The ‘fief’ can be inherited but it remains inalienable and cannot be mortgaged (Szelényi, 2016, pp. 14–15). In prebendalism ‘[t]he member of the staff can remain in office and retain property as long as he or she assures the master of loyalty and offers valuable services to the master’ (Szelényi, 2016, p. 14). The neo-patrimonial power and property relations turned into neo-prebendalism, when political bosses like Vladimir

Putin, or 10 years later Viktor Orbán, renationalized and then privatized again certain companies and assets, often with the help of new legislations and the judicial branch of the state accusing or even imprisoning former owners (see Szelényi, 2016; Szelényi and Csillag, 2015).

- 2 A condominium is a building or complex of buildings containing a number of individually owned apartments or houses. In Hungary if a building is a condominium it also means that the owners of the individual apartments have undivided common property rights over the common spaces of the building such as the basement or the attic, the staircases or the roof. This form of ownership meant that the refurbishment of the undivided common property was the responsibility of the owners of the apartments, who often had no financial means to pay for it.
- 3 Entrepreneurs who win competitions for public procurements have to give back part of their income (about 25%–30%) to the decision-makers for the ‘favour’ of winning the competition. We also have to mention here that scandalous public procurements were also prevalent before 2010.
- 4 Act no. CVIII. of 2011.
- 5 http://index.hu/gazdasag/2017/04/27/100_leggazdagabb_napi.hu_2017/
- 6 http://index.hu/belfold/2015/12/21/a_szazadveg_elnoke/
- 7 Of course there is corruption everywhere in the World, however the extent, mechanisms and acceptance of corruption is highly varied among different contexts. In Hungary, for example, the global position of the country as a new member state on the fringe of the European Union and a recipient of massive amount of EU funds combined with the neo-patrimonial relations of the transformation resulted in a situation where a large proportion of EU money landed directly in the pockets of politicians and their ‘vassals’.
- 8 <http://nepszava.hu/cikk/1009404-orban-fogorvosa-elintezte>
- 9 For example in District IX relatives and business partners of municipal council members could privatize freshly renovated apartments for extremely low prices: <https://tldr.444.hu/2017/05/04/25-eve-vartak-arra-hogy-ne-kelljen-a-folyosora-kimenniuk-vecezni-aztan-jottek-a-fideszesek-es-bekoltoztek> [Accessed 1 June 2017].
- 10 210/2009. (IX. 29.) Government regulation of the 2005. CLXIV. Law.
- 11 OBH 6327/2008 and AJB 1765/2010.
- 12 T/11473 proposal accepted in 2013. CXVII. act; see also http://index.hu/belfold/2014/01/09/elszamoltak_a_rogan-fele_romkocsmaadot/
- 13 The demarcation of quarters was made by the Rév8.
- 14 www.direkt36.hu/2017/08/22/tortent-buncselekmeny-a-jozsefvarosi-nagyberuhazasnal-de-a-rendorseg-szerint-nem-lehet-megtalalni-a-tettest/ [Accessed 1 September 2017].
- 15 The group was established on the model of Picture the Homeless in New York.
- 16 http://mijozsefvarosunk.blog.hu/2014/03/16/119_lakaspalyazatok_jozsefvarosban see also endnote nr.9
- 17 Since 2010 the legislative and to a large extent the judicial branch of the state – particularly the state attorney – is controlled by party interests similar to the socialist dictatorship.

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