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United Nations Research Institute for Social Development



**Economic Policy-Making and Parliamentary
Accountability in Hungary**

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I. Introduction

The framework of economic policy-making in Hungary: The international and domestic constraints

1. Theoretical framework

The study of economic policy-making and parliamentary accountability deal with a series of theoretical and empirical problems. Therefore, a theoretical framework must first be established before their analysis. An understanding of Hungary's development is linked to how well the country's stage of early democratic consolidation is defined and explained. This is further related to an understanding of the influence of the dual challenges of globalization and Europeanization. These two issues raise questions about the assumed tension between technocracy and democracy, policy-making and politics, and the nature of the process of parliamentarization in Central Europe in general and in Hungary in particular. These issues are briefly discussed in this introductory first chapter. They will be analyzed later in greater depth in the subsequent chapters.¹

1.1. The basic concept: early consolidation and performance crisis

Postcommunism as a common term for the former state socialist countries has completely lost its validity and explanatory power. As Dawid Lowell observes, "Postcommunism itself can be a misleading entity, for it encompasses a number of different countries in a variety of stages of economic development, with diverse histories and cultures." (Lowell, 2001: 27). For a special analysis of Hungary in a Central European regional framework, one has to distinguish first between the subsequent periods of democratization. Democratic **transition** concentrated on democratic institution building. Democratic **consolidation**, in turn, is considered as the period of the establishment of a pluralistic civil

¹ We give here, indeed, a "lean" explanation of these issues, since we have described them elsewhere at a great length, see Ágh, 1998, 2000a, 2000b, 2001, etc.

society and the general patterns of democratic culture. Unlike in Southern Europe, in Central Europe one has to separate the **early** and **mature** consolidation as sub-periods, since in this region consolidation takes place under more difficult external and internal circumstances and it will be longer and more difficult than in Southern Europe. Hence, despite Huntington's effort to describe all new democratizations as a common process (Huntington, 1991), it would be better to separate the South European and Central European democratizations as Third Wave and Fourth Wave. The period of democratic transition has left behind many unfinished problems but the EU requirements have also increased with accession getting closer for some Central European countries such as Hungary. The more the Central European countries advance in their particular democratization, the more one realizes the basic difference between the Southern European and Central European regions in their patterns of democratization. All the difficulties of further development have been summarized in the performance crisis, which is the typical feature of early consolidation.²

Democratic consolidation demands high performance from the new system of democratic institutions, based on the involvement of social and civic actors in the policy-making process. Hence, politics-oriented democratization may be mostly positive in democratic transition, but policy-oriented modernization becomes a priority after, during the period of democratic consolidation. It is true, however, that there was a special need for a policy-oriented and outward-looking approach even in democratic transition and there is still a continued need for the dominance of a politics-oriented approach in democratic consolidation. Equally, there is still a continued need for the politics-oriented approach in democratic consolidation (as a "return" to some basic values after the "valley of tears",

² We have used so far the term of East Central Europe (ECE) in our publications but many confusions have emerged with the much wider term of Central and Eastern Europe (CEE). Thus we have decided here to apply the term of Central Europe, in addition to Austria, for Poland, Hungary, the Czech Republic, Slovakia, Slovenia and Croatia. Historically, these seven countries have formed a region and this long-term historical tendency has definitely returned after 1989.

UNDP, 1997: 62). Consequently, the “policy determines politics” (or “policy matters”) principle (Theodore Lowi) can be both positive and negative in the ECE young democracies. Negatively, it can appear as a unilateral external dependence on the global institutions and positively, in the workings of the political system, as a higher efficiency resulting from the growing professionalization of politics and the political elite. Again, on the opposite side, it is true that the “politics matters” principle (Hans Keman) can also be valid in another contextual framework, as the national state becomes an effective state in global competition. Nonetheless, this principle may be negative if the political voluntarism of the new, transitory elite dominates.³

In this context of transition versus consolidation, one has to state that the first generation reforms are over in Central Europe and there is an increasing need for the second generation reforms. The **first** generation reforms were about the establishment of market economy and democracy, its basic legislation gave the backbone to parliamentary activity. Nowadays, it is high time to turn to the **second** generation reforms that are much wider in scope. They are not only about fine tuning after the basic arrangements and the corrections of dysfunctions and negative effects of the new market economy, but also about the creation of the social construction of consensual democracy. Second generation reforms are (1) market completing measures as corrections of market failures (antitrust legislation and effective guaranties of property rights), (2) equity-oriented programmes designed to ameliorate the widening distributional gap and (3) institution building initiatives aimed at good governance and citizen’s involvement in the policy-making process. Even the consolidated democracies have to make regular corrections to maintain both the proper workings and the efficiency of their democratic order, therefore the measures that are noted in the second generation reforms are not unknown in these countries either.

³ We have elaborated the conflicting approaches of Lowi and Keman in greater detail in Ágh, 2000b and 2000c.

The discussions on vertical and horizontal accountability and/or on the accountability of the elected leaders and the responsiveness of the democratic institutions has been on-going (see Maravall, 1996). As a new idea in the international debate, the model elaborated by Philippe Schmitter on the quality of democracy can be very useful for our theoretical exercise of analyzing accountability as a simultaneous evaluation of politics and policy in the parliaments of new Central European democracies. In his systemic approach to accountability, Schmitter describes the criteria for the quality of democracy in four basic terms as follows:

	input	output
citizens	<i>participation</i>	<i>accountability</i>
rulers	<i>accessibility</i>	<i>responsiveness</i>

Most probably this model (Schmitter, 2000) needs further elaboration, but it gives the key to the quality of democracy by setting a framework for the analysis of accountability. Citizen's input is **participation** and their output is **accountability** that is making the politicians and the institutions controllable. The rulers' input is **accessibility** and their output is **responsiveness** -- that is forcing the politicians and institutions to meet popular demands on particular issues. The criteria of democracy enter here at two decisive points of policy-making. First, the openness of the democratic system towards society appears in both participation and accessibility, that can be observed in the agenda setting, i.e. in its proper and efficient selectivity of the most important issues as input. Second, the accountability and responsiveness comes in at the end of the process as output, that is the control of society over the political system. Summarizing these terms, political efficacy shows how the citizen's efforts – casting votes and other political actions - influence effectively political decision-making as a whole.⁴

⁴ Philippe Schmitter presented this model in October 2000 at the Budapest conference “Ten Years of Freedom”.

These four terms make the evaluation of accountability possible, since it is evident that accountability cannot work properly without large participation of citizens on one side and without the institutional frames making the rulers accessible and transparent that opens a process forcing them to respond to popular demands. The institutional frame in our analysis is the parliament, in a close and intricate relationship with the government. The question can be reformulated whether accountability would lead to responsiveness in and by the Hungarian parliament, or popular pressure can produce proper reactions in the institutions concerned in economic legislation. Our central hypothesis is that accountability has by and large worked in the Hungarian parliament in the field of economic legislation. At the first glance, **accountability** has worked rather drastically in the Hungarian parliament by selecting out the MPs who have been considered as not doing their jobs: even in the Third Parliament only about 47 percent of MPs were re-elected. However, as its legislative activity has shown, the Hungarian parliament has been a rather **responsive** institution concerning both the needs of economic systemic change and popular demands, formulated mostly in socio-economic terms. It has had a relatively good performance in democratic transition but faces now, and has to overcome, a performance crisis under the new conditions of Globalization and Europeanization.

1.2. The Dual Challenge: Globalization and Europeanization

There has been a lot of analysis about the “simultaneity” of domestic economic and political changes, such as marketization and democratization. But the simultaneity of two basic external processes that of Globalization and Europeanization as answering the dual challenge of global accommodation and European integration, has been much less discussed. Compared again to the Southern European region (see e.g. Pridham, 1991), it is noticeable that their Europeanization process took place before the real start of globalization. Hence, for the Central European countries the accomplishment of Europeanization under the conditions

of advanced globalization has been complicated. In the first period of globalization a democratic state emerged in Central Europe that was too weak and too loyal to the global monetary institutions. No matter the extent to which it was necessary or avoidable then, this weakness and loyalty have to be replaced by the strength and self-confidence of the new democratic states in the second period. In the first period there was a firm belief in the Washington Consensus and the rapid homogenization effect of globalization. With the end of this period of triumphant neoliberalism, the importance of the national state has become clear in countering the negative effects of globalization (see UNDP, 1997 and World Bank Development Reports, 1997, 1999/2000). That is, in the so called triple transition, beyond democratization and marketization, nation building has regained its significance as a creation of an effective state for managing efficient global adaptation.⁵

The synthesis of the global and the Central European levels of analysis has to concentrate on the particular regional answer to the Global Challenge in the second period of globalization. Thus, despite the relatively good performance of the Central European political systems – at least in Poland and Hungary – in democratic transition (democracy and market economy) in the first period of globalization, these countries nowadays face a new crisis because of the new demands presented by the Global Challenge. Simply said, Global Challenge needs, as democratic consolidation does, an effective state with good governance. An effective state presupposes a high performance of the political system under the conditions of advanced globalization and EU accession. This new demand can be formulated as a switch from the narrow meaning of “democratization” as a more politics-oriented approach to political modernization as a more policy-oriented approach in order to improve the performance of the political system. Better to say procedural democratization was the main

⁵ The book edited by Hay and Marsh (2000) has pointed out that the first period of globalization came to an end in the second half of the nineties and a second period has begun.

task in the first period of globalization. Political modernization connected with substantive democratization, in turn, is high on the agenda of the current period.

The legitimacy of the political system, as well as its particular institutions, in modern democracies is twofold. On the “political” side, it is based on democratic procedures, and on “policy” side, on the efficient workings of the political system and its various institutions. The Central European institutions have been consolidated as democratic institutions with their routine procedures, but not yet consolidated as legitimate bodies because of their low performance. As the public opinion data show, there has been a huge gap in Hungary between the general support for democracy – moving around seventy percent – and the view on the performance of the new democracy, moving between twenty and thirty percents. This gap exists in the other Central European countries but it may be less shocking, since the Hungarians have had higher expectations from the new democratic order (see Plasser et al, 1998: 87, 97). The reasons for the low performance of the political system are rather obvious. First, the new institutions need a “running in” period to collect some experience and in this period they are in the situation of permanent adjustment. Second, it is always easier to eliminate the institutional gap than the cultural gap of those involved in managing the work of the new institutions, since the emergence of the new, professional political elite has been painfully slow. Third, there has been a big resistance of the “high” or elite politics to power devolution and decentralization from macro-politics to the level of meso- and micro-politics. Fourth, and as the most vital factor, the global challenge presupposes a very complex answer with a sophisticated coordination of policies, including the acceptance and management of the European policy universe. All these problems lead to the general requirement of completing the consensual democracy in order to create structural homogeneity with the EU (see Ágh, 2001a).

There has been a continuous effort in democratization literature to balance the principles of accountability and efficiency, politics and policy, or “democracy” and (technocratic) expertise. In the international political science field a big step has been taken by the distinction that has been made between **vertical** and horizontal accountability. The usual analysis in Central Europe has focused on parliamentary activities in democratic transition, therefore the vertical accountability has been in the forefront and **horizontal** accountability, so salient for democratic consolidation, has figured only in a low-key approach. However, in the spirit of consensual democracy not only vertical accountability is important for the political system as regular elections with democratic procedures. Equally important is horizontal accountability – a system of “checks and balances” in which some control institutions focus on the performance criteria of the political system as a whole. Horizontal accountability presupposes not only “limited government” at the level of macro-politics but also the elimination of the asymmetrical character of polity by the proper representation of the organized civil society. Efficiency in interest representation and policy-making as the "empirical" side of legitimacy is still weak in the Central European countries in meso- and micro-politics, though both are crucial for globalization and Europeanization. Thus, so far their parliaments and other institutions have under-performed in this respect. A "pathology of public policy" has resulted from the paradox of opportunity and capacity. With this deliberation we have wanted to argue that first, both the global and the EU pressure on the Central European countries to complete their adaptation point to the same direction. Second, this pressure is basically not of economic character but demands a socio-political transformation as a solution for the performance crisis. Central to our argument is that the solution of performance crisis presupposes a change from a mere **representative** democracy to a more **participative** democracy as it has happened in Western Europe in the EU

framework. This change has been closely connected with the new role of the parliaments and their policy-orientation (see later, Herzog et al, 1993).

Hungary is one of the most open economies of the world and it has been completely “multinationalized”. Foreign Direct Investment (FDI) already reached 30.3 percent of GDP in 1995, compared to 14.8 and 4.2 percent in the Czech Republic and Poland respectively (Greskovits, 2000: 144, see also Greskovits, 1998: 59-62). According to the **World Investment Report 2000**, Hungary had 1,896 US\$ per capita FDI, followed by the Czech Republic (1,580 US\$), while Poland received much less (775 US\$). By 1999, 40 percent of the enterprise assets was owned by foreign companies. Thus, in Hungary the Global Challenge appeared earlier and stronger than in the other Central European democracies. The same applies more or less to Europeanization. EU integration has advanced very quickly in building up administrative capacity and Hungary has been qualified “ready for Europe” (Nunberg, 2000). In these special circumstances the politics-policy dichotomy has also come to the surface in a more marked way.⁶

1.3. Democracy-technocracy and politics-policy dimensions

The relationship of politics and policy has been a central issue throughout the democratization process in Hungary and other Central European countries. In general, **politics** cannot solely be identified with democratic values of domestic accountability and **policy** with technocratic characteristics of foreign dependence. Technocratic policy-making basically means the separation of expert groups from democratic control. The same separation can be noticed in the case of political voluntarism as practiced by the political elite. Consequently, this politics-policy relationship is much more complex, although no doubt that with the

⁶ In 1999 in Hungary 26,433 enterprises had more than ten percent foreign capital, 59 percent out of them were completely owned by the foreigners. The total capital of these 26,433 enterprises was 3,155 billion HUF, out of which 2,625 was foreign capital (Népszava, 7 May 2001, based on the Report of the Hungarian Statistical Office and the World Investment Report 2000).

increasing globalization the tension between the “external” technocratic policy-making and the “internal” democratization comes more and more to the fore. In this spirit, the concepts of the global agencies have been presented as depoliticised views, although they have usually expressed a technocratic position as a specific political stand, advocated by a “close alignment” of national economic technocrats and international financial institutions. This “neutralization” of the global agencies has facilitated the work of the local technocrats to convince the national political elites and populations to accept these globalist concepts. The nineteen nineties witnessed the “domestication” process of global instructions and policy lines (Deacon, 1997: 198).⁷

Thus, some Western analysts think that the IMF and the World Bank have been incapable of learning or adapting to the specific Central or East European circumstances and have presented only a general neo-liberal set of policy proposals everywhere. Other analysts, in turn, point out that the Western approaches to the Central European economic and social policies have been very diverse and are marked by infighting within these institutions, including the global organizations (Deacon, 1997: 150). Under the pressure of increasing globalization, the so called global reformists call for the transformation of the global institutions. They argue that given the weakening national state, it is necessary not only to democratize the national decision-making processes in economic and social policies, but also and more importantly to make accountable the global institutions. Obviously, however, reforms are needed at the both ends of the policy-making, i.e. both in the global institutions turning to be more region-specific and in the national states becoming more effective.

⁷ In our parliamentary research we have moved more and more to the policy analysis of Central European and the Hungarian legislation. In the second half of the nineties we produced two Hungarian volumes on the most important policies in the Hungarian parliament, focusing on the economic legislation as budgeting and pension reforms (see Láncki, ed. 1997, 1999). Our present work draws on the conclusions of these papers.

The biggest problem of economic development in the nineteen nineties was that of economic crisis management: converting **economic** deficits into **social** ones by drastically reducing public sector, even in the fields of education and health care. With the **economic** construction of democracy more or less given, the major issue in the next decade in Central Europe is the **social** construction of democracy, that is the vital question is whether and how this social deficit can be eliminated (see the basic data in Table 5). Anyway, positively and/or negatively, economic and social policies have been inseparable. It will be even more so in the spirit of Europeanization. In Hungary because of the severe economic crisis throughout democratic transition the share of social benefits grew in the shrinking budget in order to avoid socio-political collapse. In the first half of the nineteen nineties, real wages shrank drastically and many people (about one quarter of the active population) lost their jobs -- hence there was an increasing need for a joint economic and social crisis management. And this “merger” of economic and social policies continues nowadays in a different context. In the present period of early consolidation with a sustained economic growth, a new institutional design is needed to draw up the borders of the new public sector.

In this respect for the still weak and “asocial” Central European states, it is vitally important that the EU formulates a policy change. The Lisbon EU summit in March 2000 raised the issue of the “Modernization of the European Social Model” and the Stockholm summit in March 2001 followed suit. The Presidency Conclusions of the Stockholm European Council (March 2001) state in the paragraph 50, referring to the Lisbon Summit (March 2000) that “Lisbon has successfully integrated economic and social matters.” It is the EU’s latest reaction to global pressures or competition, since the EU has to give a common answer. These developments toward Social Europe will influence certainly also the Central European model of economic and social policy. Parallel with this answer at the EU level, there has been a regionalization within the EU itself. With the increasing role of regions as sub-national units,

the candidate countries will have special EU assistance for their own social cohesion and regional developments. These factors determine the general framework within which the Central European countries, and their parliaments, can design their own economic and social policies.

Finally, the basic question is what the small countries in Central Europe can achieve in the present period of globalization. Obviously, within the general Central European strategy, all countries have to develop their own strategy of global accommodation. The specific starting condition is that Hungary has a constitutional arrangement based on the principles of consensual democracy and rather early, in the late eighties produced a democratic system of institutions. This early maturity, however, has produced a series of paradoxes. The **first paradox** is that the early maturity of democratic institutions has aggravated its performance crisis, since the contrast has become very big between the democratic-procedural character and the low capacity of these new institutions. It explains why Hungarians perceive the gap bigger between procedural and substantive democracy, or the values and functioning of democracy than elsewhere in Central Europe. This paradoxical situation, however, may open up good perspectives for global accommodation, if the work on consensual democracy will be completed.

There is a **second paradox**, too, formulated by Bob Deacon in his Hungarian case study on economic and social policy. On one side, Hungary has been the most eager country to cooperate with the global financial institutions, but on the other side, the impact of these institutions has still been rather low on Hungary (Deacon, 1997: 104-107). This case illustrates that the concrete political and policy demands in a given country make it to a great extent resistant to external pressures and instructions even if its successive governments have been ready to follow them as much as possible. The extensive literature on the activities of the Central European, including Hungarian, parliaments and governments have also proven that

the complexities of politics and policy have been very high and have made very difficult to apply foreign advice directly. External influence has been very big but its effects have become rather indirect, controversial and counterproductive in the implementation process.

The extended parliamentary research in Hungary allows us to demonstrate the contrast between economic and political developments in Hungary as a **third paradox**. Hungary has been rather successful in its economic development and its political development has been much less successful and more controversial. The real third paradox is that the “weak” politics, mostly “flying blind” in the last decade, has managed to create a “strong” economy. As a result, the strong economy has become independent from politics to a great extent, so the negative turns in politics and the “early senility” of the political elite could not stop the sustained growth of the economy as current developments suggest. At the same time, policy-making has not only remained government-centered as before but the power concentration in the central government has even drastically increased as can be observed in the incumbent government. Their efforts to marginalize all other actors, the opposition in parliament and the institutions of meso- and micro-politics (including business interest associations and chambers) have gone against the demands of a dynamic market economy.⁸

2. The parliamentarization in Central Europe

Parliamentarization has been a region-specific way of democratization in Central Europe. The substantive definition and general feature of parliamentarization is that the parliaments have been both a showcase and a workshop, i.e. the essential institutional framework for democratization as a whole – as this is the case everywhere in Central Europe. Analysts have noted the decline of parliaments in the West but in Central Europe during democratic transition an increasing role of parliaments could be observed. In early

⁸ According to the Central European Economic Review (December 1999, pp. 14-15), based on ten criteria, Hungary had the best economic performance in 1999 among all 27 “postcommunist” countries.

consolidation, this former, decisive role of the parliaments has come to an end but a new, important role has come to the fore connected with Europeanization and consensual democracy, which one can identify as a new meaning of parliamentarization under the condition of early consolidation and Europeanization. We discuss here briefly the parliamentarization in democratic transition and early consolidation. In our final evaluation of this process of parliamentarization in the context of Europeanization, we will return to this comparative perspective in the Conclusion.

2.1. The parliamentarization in democratic transition and consolidation

The main task of democratic transition is institution building, which began in the parliaments ("polity first", Merkel, 1998: 43, 56), while the task of democratic consolidation is the "cultural revolution", i.e. the emergence of civic culture and civil society. The process of democratic consolidation takes place unevenly in various social sub-systems, or in "partial regimes", i.e. it begins in some parts of the polity – parliaments and parties - earlier than in other parts. In Central Europe the democratic institution building in macro-politics has come to an end. In this respect parliamentarization had, at least, three meanings. First, the Central European countries created parliamentary types of democracies and step by step removed some early features of a presidential system - particularly, but not only, in Poland. Within the parliaments, they accomplished the **parliamentarization of macro-politics** and parliaments became the first properly and democratically working institutions. In the first years, the parliaments as mother and model institutions in Central Europe, dominated the democratic institution-building process, to the point where one can talk of the extremities of "over-parliamentarization", i.e. the quasi exclusiveness of parliaments in political life. Second, as a result of this process, there was a **parliamentarization of the parties**, i.e. parliamentarization means also their full institutionalization according to the rules of a parliamentary democracy. Third, in broad terms, the **parliamentarization of the society** means democratization of

society as a whole. It includes meso- and micro-politics with the emergence of self-governing "parliaments" and with the institutionalized relationship of these special "parliaments" to the real one. In democratic transition there was a narrow "parliament - macro-politics" relationship that has changed in democratic consolidation into a wider "parliament - society" context, as we shall see later.

Parliaments are the "central sites" and parties are the "major actors" of democratic transition - this may be the theoretical summary of the historical experiences of the Southern European parliaments in democratization (see Liebert and Cotta, 1990). This conceptual framework was an important point of departure for the parliamentary research in Central Europe. This research has pointed out that parliaments have been, indeed, the "model and mother" institutions for the democratic institution-building process. This increased role for the parliaments is still reflected in the observation that "Recent years have seen a renaissance of legislatures in many of the new democracies in central and eastern Europe." (Scully, 1998: 103). All in all, the Central European parliaments accomplished full institutionalization in the period of democratic transition according to Western standards and promoted the professionalization of the MPs, although a gap remained between the well developed institutional and the somewhat delayed "cultural" sides. The parliaments did a huge job in legislating the systemic change with an enormous amount of the acts and parliamentary decisions passed every year. The classical control function of the parliaments over the executive power was less pronounced but the Central European parliaments created a great number of satellite institutions (Constitutional Courts, State Audit Commissions, Chief Public Procurator Offices, etc.) for the control of the executive. Finally, the Central European parliaments developed their own staff as an expert community that represented also continuity against the relatively low incumbency retention rate of MPs, moving from 5-10 percent to 40-50 percent in the nineteen nineties (see Ágh, 2000a).

In the conceptual framework we suggest here, early consolidation starts with a switch from a "vicious" circle, in which economic, political and social systemic changes influence each other negatively, to a "virtuous" circle, in which these subsystems mutually reinforce each other. The decisive push came from the results of economic systemic change, i.e. from the emergence of the dynamic market economies in Central Europe. The process of gradually overcoming democratic transition was generated by the sustainable economic growth from the mid-nineties on and it has led to an early consolidation in politics. Democratic transition began in Central Europe with the institutionalization of parliament and its major actors, the parliamentary parties, therefore, the parliaments and parties have also been consolidated first. This consolidation has been testified by the emergence of a quasi-two party system, with large centre-left and centre-right parties. The quasi-two party system, i.e. two large and some smaller parties, has changed the political horizons of the MPs as well. In the early nineties many MPs argued in Central Europe that the left-right division had lost its validity and these terms were empty. Nowadays, most MPs have returned to these terms and they use the left-right division for their own political orientation too. In 1996, for example, already 68 percent of the Hungarian MPs supported the validity of the left-right scale in (parliamentary) politics and in 1998 this percentage grew to 73 percent (Simon, 1999: 6).

This reorientation has been part of the parliamentary learning process, the subjective side of parliamentarization. Thus, parliamentarization has been a very complex process during which the political system as a whole has been democratized in its contacts with, or under the influence of, the Central European parliaments. Moreover, parliamentarization includes its own institution-building process as part of the gradual overcoming of its own institutional and cultural deficits. The parliamentarization of parties (and their MPs) may be essential in this general process with the creation of party cohesion and discipline (Ágh, 1999: 181-185). The specific contradiction of "over-parliamentarization" and "over-participation" was somewhat

corrected after a couple of years but will disappear completely only with the mature consolidation or establishment of a full-fledged multi-actor democracy instead of a simple multiparty one. The parties are still too overwhelming, since the "institution density" of politics in particular and "organization density" of society as a whole in general has been rather low during democratic transition. Institution density, in fact, during democratic transition reaches a relatively high level only in macro-politics. But the "consolidation of civic culture and civil society completes the stabilization of the socio-political substructure of democracy" when these institutions "enjoy an abundant degree of trust" (Merkel, 1998: 40, 61). That is, in our terms, by mature consolidation the organization density of the society as a whole, with a rich web of civil society associations, will be high and, in such a way, the task of the entire systemic change will be accomplished.

Furthermore, as we have mentioned above, the switch from democratic transition to democratic consolidation means finally a change from democratization to political modernization (see Ágh, 1997: 417-419). This switch in the workings of the Central European parliaments may be even more serious than in other core institutions. It is well known that the legitimacy of the political system, as well as of its particular institutions, in modern democracies is twofold. On one side it is based on democratic procedures, on the other side, on the efficient workings of the political system and its various institutions what Wolfgang Merkel calls "empirical constitutional legitimacy" (Merkel, 1998: 48). The Central European parliaments have been partly consolidated as democratic institutions with their routine procedures, but partly not yet consolidated as legitimate bodies because of their low productivity in legislation. Efficiency in interest representation and policy-making as the "empirical" side of legitimacy are still weak, though both are crucial in Europeanization.

Most analysts have stated that the Central European parliaments have performed rather well in passing democratization legislation and this has been part of the establishment of the

minimal or procedural democracy. As Ellen Commisso notes, "Legislative output has been prodigious everywhere, even in legislatures in which party lines were poorly formed", with a "rather positive picture of procedural democracy" (Commisso, 1997: 5,6). Even more so, these parliaments have been "policy influencing" institutions, since no competing centres have emerged in this respect, although the governments have, in fact, monopolized the major policy decisions. The Central European parliaments have been also forced by Europeanization - legal and political harmonization - to have a major role in policy-making process than the typical European parliament. First of all, policy-making has been done in and by the parliamentary committees that have been workshops and schools for professionalization. It is true that the Central European parliaments have not been able to cope completely with these tremendous tasks that they have under-performed in this respect due to the contrast between opportunity and capacity.

The public policy approach offers an answer for this contrast and also for the above-mentioned gap between the general support for democracy and the low esteem of its functioning. It applies three criteria - effectiveness, efficiency and efficacy – in order to analyze the performance of political systems. First, effectiveness is used holistically, and refers to whether the institutions concerned have promoted systemic change in general or some basic legislation in particular. Efficiency relates to the internal operation of the institutions such as the use of time and other resources (in a cost-benefit analysis). Finally, efficacy indicates the process of turning the decision-making output into social outcome during the implementation process. In a policy approach, the effectiveness of democracy has frequently been analyzed as a central notion of the performance of democracy. Efficiency and efficacy have come to the fore as a measure of internal workings (to produce an output) and as an external outreach, with a contrast between political output and social outcome in the implementation process. These criteria have sometimes been used in the Central European

democratization analyses, but the application of all the three criteria together, in a systematic way, has appeared very rarely. Even more, the Central European governments have disregarded this policy approach to a great extent, including the feasibility studies of legislation, although without the application of these three criteria it is impossible to eliminate “the implementation gap” (**Agenda 2000, Hungary**), so often criticized by the EU.⁹

The legislative and the policy-making functions of the Central European parliaments are interconnected; the latter, however, needs a special analysis. Experts of democratization have frequently analyzed the effectiveness of democratic institutions as a central notion of the performance of democracy. Efficiency and efficacy as measures of internal workings (to produce an output) or external outreach, with a contrast between political output and social outcome in the implementation process, have also been rather frequently used in democratization analyses. But the application of all the three criteria together, in a systematic approach, has appeared very rarely.¹⁰

In fact, these criteria show a close similarity to those described by Wolfgang Merkel for empirical legitimacy in democratic consolidation:

“* social and political inclusion: no ‘structural’ minority group (racial, ethnic, linguistic and religious minorities) as well as relevant political minorities should be barred from or be at a disadvantage in gaining institutional access to political power;

⁹ The co-authors of this Hungarian case study participated in the common Central European analysis of parliamentary developments in the nineties, involving these performance criteria (see Ágh and Kurtán, 1995; Ágh and Ilonszki, 1996; Ágh and Kurtán, 2001, etc.). Actually, this case study has grown out from these analyses of the Hungarian parliament to a great extent.

¹⁰ E.g. Fuchs and Roller (1998: 48) note the salience of the term effectiveness of democracy and they quote its classical definitions like “the extent to which the system satisfies the basic functions of government” (S. M. Lipset). And “the capacity of a regime to find solutions to the basic problems facing any political system” (J. Linz) or “the effectiveness of different regimes in dealing with the critical problems” (R. Dahl).

* institutional efficiency: the political institutions must allow for efficient decision-making and policy-implementation;

* political effectiveness: the political decision-making must be seen to contribute to the solutions of societal problems." (Merkel, 1998: 48).

It is obvious that systemic change necessitates a general overhaul of the previous legislation. Analysts thought in the early nineties that just a few years would be enough for such legislation "with urgency". But we now realize, in the third parliamentary cycle in Hungary, that at least the nineties as a whole has been characterized by a hectic legislative pace, of necessity, despite its counterproductive effects. The breakthrough from the legislative factory to a body producing quality legislation has come to the fore everywhere in Central Europe. At the same time, it has been formulated as a means of overcoming the institutional and cultural deficit. This may be, again, expressing a general trend in the Central European parliaments.

2.2. Parliamentarization as a vehicle of Europeanization

During democratic transition the Central European parliaments moved more and more from the establishment of the constitutional state to the task of the EU **legal** harmonization. In early consolidation a new challenge came when the accession negotiations began. By the late nineties they have become more and more important vehicles of **political** harmonization with the EU, at the same time their main partner, the European Parliament has also become an important power centre inside the EU. This, to a great extent, has led to the "parliamentarization" of European integration, including the enlargement issue. Whereas the European Parliament had not been active in the enlargement issue in the early nineties, it became much more involved in the enlargement discussions in its legislative period of 1994-99. This greater involvement is due partly to the new competencies resulting from the Treaty on the European Union, and partly to the "participatory revolution" in the member countries

mobilizing citizens and organized interests and created an increased popular pressure for both the European Parliament and the national parliaments. This period was only the introductory phase in the relationship between the European Parliament and the parliaments of the candidate countries. With the increasing significance of the European Parliament as a power centre, the contacts with the national parliaments of the candidate countries will become more intensive and more important for the whole enlargement process.¹¹

The EU has set no detailed requirements for the workings of the Central European parliaments. Even the Agenda 2000 repeats almost the same, very general sentences concerning the parliaments of the candidate countries: "Parliament functions satisfactorily. Its powers are respected and the opposition plays a full part in its activities." (Agenda Poland, 1997: 14, see also in Agenda Hungary, 1997: 16 and in Agenda Czech Republic, 1997: 16). In other respects the Agenda is usually much more critical and analytical, demanding significant transformations and setting high standards for economic and political institutions in a detailed way. As to the parliaments, obviously, the principle of "minimum democracy" applies. In this respect, the EU interests seem to be reduced to the national or ethnic minorities' parliamentary representation in a minimal consensual democracy and to the regulation of the referendum for enabling the control of direct democracy. Hence, there is no scrutiny behind the statement that

¹¹ In this period the European Parliament organized two meetings about the role of the parliaments in the European integration and the enlargement process (Vienna in March 1996 and Paris in June 1998). In addition, the International Institute for Democracy (Strasbourg) also organized, in cooperation with the German Bundestag, a similar conference in the framework of the East-West Parliamentary Practice Project (Berlin in May 1997). These and other events have been supported by several Central European initiatives, two conferences took place about the same topic in the Hungarian and the Czech parliaments (Budapest in April 1997 and Prague in September 1997). For the proceedings of these conferences see Földeák and Horváth (eds, 1997); Mansfeldová and Klíma (eds, 1997) and about the Berlin conference see Parliamentary Development Programmes (1998). The EU has organized many programmes for the staffs and members of the Central and East European parliaments. Beyond this, in my view, there is a need to organize a comprehensive programme also on EU affairs for the MPs of the ECE candidate countries. So far, however, the real importance of the European Parliament and the Central European parliaments has not been fully articulated in these meetings and the ensuing publications.

the Central European parliaments are "working satisfactorily" and that the opposition is playing a "full part" or a "normal role".

Consequently, this document elaborated by the European Commission does not yet take into account the fact that in the second half of the nineties, the European Parliament has become a major player in EU politics. In his comprehensive analysis, Geoffrey Harris states quite clearly that it is confusion in the candidate countries believing that the power centre in terms of preparing for enlargement is still in the negotiation task force, i.e. the European Commission. According to Harris, nowadays there is no single power centre of this kind. The role of the European Parliament will be more and more decisive, given the fact that members of parliament, whether they are national or European parliamentarians, have an obligation to reflect the opinions of their electors regarding the enlargement issues. In practical matters, for many years the European Parliament has been an important site for discussing the enlargement issue in depth, unlike the short meetings between political leaders at the EU summits or at the Association Council sessions. Harris notes that "The parliamentary dialogue therefore fills an important gap in terms of exchanging ideas and encouraging debate, both at parliamentary level and within public opinion, both in the candidate countries and within the European Union itself." (Harris, 1998: 15). Thus, it is "reasonable to argue that the European Parliament has already established itself as an active participant in the enlargement process". Thus, "The European Parliament will also be stepping up efforts to raise its public profile in the candidate countries where, up to now, EU public information efforts have relied entirely on the Commission." (Harris, 1998: 22). Finally, "Enlargement since then has become a much more central political issue and the members to be elected in June of 1999 will take office already well aware that they may have to exercise their vote on the question of enlargement before the next election in 2004." (Harris, 1998: 12). Keith Dowding has recently argued that "Academics are increasingly turning to the EP as it takes on a more important policy-making

role and the EP is beginning to behave more like a parliament with a party system." (Dowding, 2000: 133).

The parliamentarization of the EU and the ensuing need for the Europeanization of the Central European parliaments have also changed the task of these parliaments beyond recognition. Reinforcing this external challenge, there are, however, three internal reasons as well pushing the Central European parliaments to change. First, when the basic democratization and marketization legislation, or the legal systemic change, is more or less over, the Central European parliaments are faced with the huge legislative task of the detailed legal and political harmonization bills or the "Euro-legislation" as the domestication of the *acquis communautaire*. Second, these parliaments have a decisive role in formulating the national interest for the EU negotiations by aggregating the interests of social groups. Third, they have to communicate the process and the results of accession negotiations to the population at large. When, however, these parliaments are faced with these demands, again a major paradox appears. As long as internal democratization was the main focus for the Central European parliaments, until the mid-nineties, the parliaments were the major sites and vehicles of democratization and institutionalization. Despite their relatively low productivity in legislation and many other problems discussed above, by and large, the parliaments have kept their very positive role until late nineties. Paradoxically, however, the Central European parliaments are nowadays not only the promoters and vehicles but have also become to some extent the bottlenecks in, and obstacles to, Europeanization in terms of political harmonization. In a word, they are much less able to perform their current role in the "external" political harmonization than they were in their previous role in promoting "internal" democratization.

Association with and accession to the EU can also be considered as two subsequent periods of "general" and "particular" Europeanization. That is, in the association period there

was a challenge of democratization in general; in the accession period the copying and domesticating of the concrete rules of the "EU polity", and the treaties as its "constitutions" in particular, has become the major task. This shift from the general to the particular in Europeanization or Westernization has caused serious problems for the Central European parliaments and so far they have not been able to cope with the difficulties of the new situation. As a result, at least for a transitory period, these parliaments have become bottlenecks to the Europeanization process. The issue of the institutional and cultural deficit has re-emerged in this new context of the Europeanization of the Central European parliaments. The inclusion of professionals and the extension of their own independent expert-base for the Central European parliaments already indicate the main direction for overcoming the cultural deficit. It is certainly more difficult than overcoming that on the institutional side. The "opportunity-capacity" paradox appears here as a contradiction between the "Euro-mindedness" and "Euro-capacity" of the MPs. In the Hungarian case, the EU accession has overwhelming support among the MPs, e.g. in 1998, 97 percent of them approved Hungarian membership in the EU. The vast majority of the MPs, 82 percent, supported membership, first of all, for economic reasons; and 83 percent of them expected the accession to take place within five years. Altogether, the European identity of the MPs is quite high - 6.12 on a seven point scale (Simon, 1999: 14-17).

The Euro-mindedness of the Hungarian MPs has already formed but the emergence of their Euro-capacity, that is their understanding and managing of Euro-affairs, has lagged behind. The first limitation is rather obvious, this is the language barrier, followed by the lack of a proper knowledge about the workings of the EU institutions. The real problem, of course, comes to the surface as a lack of orientation in the current Euro-affairs and as a contrast between the Euro-mindedness in general and its distortion on concrete issues in particular. Many MPs understand and accept that the EU citizens will have the right to live and purchase

landed property in Hungary. Even more, there is a slightly decreasing percentage among the MPs supporting openness between 1996 and 1998 that indicates an increasing demand for restricting immigration because of the growing worry about unemployment. At the same time, there was also an increase in concern among the MPs about the costs of EU integration and about its dangers for the Hungarian national identity. One can notice also a shift in support for the need for a greater state intervention in the economy to secure more employment and to maintain welfare at least at the current level. Some changes between 1996 and 1998 were connected with the more conservative attitude of the rightist parties such as their less liberal attitude about abortion. In general, in the self-identity of the leftist MPs the support for Hungarian EU membership is in first place, while for the rightist MPs it is only in the fourth place, preceded by the support for the Hungarians living in the neighbouring countries (Simon, 1999: 13). This survey indicates that in the Second Parliament there was no sufficient Euro-capacity yet at the Hungarian MPs. The situation is not much better in the Third Parliament (1998-2002) than it was in the Second Parliament but the external challenge can already be felt as we discuss it in detail in Chapter I.

In fact, Europeanization is a broad process embracing all the three major areas of the political-legal structures, the economy and civil society. It is an old story that the economic features of European integration have mostly been overemphasized and the socio-political ones have been neglected or at least minimized in the description of both Europeanization and the criteria for full EU membership. In the late nineties, however, the political harmonization, that is the structural adjustment of the Central European polities to the EU standards, comes more and more to the forefront and it has become more important than the economic and/or the simple legal adjustment. In the case of four CEFTA countries (Poland, the Czech Republic, Hungary and Slovenia), the democratization process has by and large come to an end. Democratic order as one of the preconditions for full membership has been taken for

granted. Meanwhile, however, more and more problems have surfaced with the efficient "working" of the political system or with the criteria for an "effective" democracy. The EU has increasingly questioned the Euro-capacity or Euro-conformity of the Central European polities from this angle. Simply stated, the new democratic structures, the newly (re-) organized or established institutions have still only a rather low capacity to transfer home and to apply Euro-policies. In general terms, the actual political performance of the new democratic institutions is still insufficient, that is, their effectiveness, efficiency and efficacy do not yet meet the requirements of the EU.

Consequently, political harmonization cannot be limited to the establishment, "domestication" and "copying" of Western constitutional models and major institutions, including those of the EU, and the creation of "interface" structures to get in contact with them. Beyond this, as a second phase, political harmonization increasingly demands both political and administrative modernization to raise the "poli-technical" capacity of the Central European political systems in order to cope with the Euro-issues effectively and efficiently, and to implement them with high efficacy as real "working" democracies. One of the major reasons for the relatively low Euro-capacity of the Central European polities has been the state or government overloads in general and in the management of the EU affairs in particular. In order to solve this problem, the Central European countries have to switch from the institution transfer to the policy transfer.

The management of accession to the EU in Central Europe has been a typical case of state or government overload. Therefore, it has been not only politically counterproductive (i.e. creating a democracy deficit by alienating the population) but also "functionally" inefficient and, finally, ineffective as well, that is, not producing the desired results. As to the constitutional structures of the democratic institutions, the Central European polities are already structurally homogeneous with the EU and its member states, but these countries have

still to enhance their political capacities to apply EU decisions and basic policies efficiently. They have to break out from the narrow horizon of the governments' activities and broaden it to a multi-actor approach, represented and mediated mostly by the Central European national parliaments.

The Central European parliaments, of course, have to "Europeanize" themselves, too. They are the classical case of the "institutional" Europeanization on one hand, and the "functional" lack of Euro-capacity on the other. Paradoxically, at the moment when parliaments could have taken a leading role in the European integration process from the governments, the parliaments are not only weak in their performance in general, but they are especially weak concerning the handling of the European policy universe in particular. All Central European parliaments have established some kind of a European Affairs Committee that is the partner institution with a committee of the European Parliament, forming together a Joint Parliamentary Committee. These JPCs and the European Affairs Committees have made great efforts to support the European integration. Yet, these EU committees have been the weakest parts of the Central European national parliaments and they have usually been among the least important and powerful committees. They show a shocking contrast with the strong "grand committees" of the latest Nordic entrants. Nowadays, the Central European parliaments are obviously not yet able to meet the challenge of Europeanization, but this challenge provides institutional pressure for them to perform their own internal Europeanization and political modernization. Europeanization "has arrived" at the level of party politics and at the public debates of organized interests as well. But it becomes a serious political and policy issue for the Central European countries if and when an influential and legitimate opposition emerges against it, enabling the proper articulation of views and interests for and against the Europeanization. This public debate reflects already more and more the real conflict of interests and it could create and institutionalize an articulated and

structured social support for Europeanization. We are now at this turning point, but the creation of widespread and articulated public support for Europeanization may be more difficult in the next stage of democratic consolidation than the establishment of a system of basic democratic institutions was in the former stage of democratic transition. Constitutionalization as a long-term process comes to an end in a historical perspective with the accession treaty to the EU.

2.3. Participative democracy and the Central European parliaments

The Europeanization of the Central European parliaments is still high on the agenda for the next decade. It is no longer simply a learning process for the MPs, but a question of opening towards civil society, including an intensifying social pressure upon parliaments which results in the growing institutional density of macro-politics and organizational density of (civil) society. In this respect, the Central European parliaments are only at an initial stage in the EU policy-making process. For an advanced system of policy-making, a new feedback loop is needed between the EU and the candidate countries, and their parliaments. It is even more important between the "parliament and society" as the title of a relevant book suggests (**Parlament und Gesellschaft**, see Herzog, Rebenstorf and Wessels, eds, 1993). Based on this innovative book, and by far not exhausting its rich theorization, some major directions for the analysis of Central European parliaments and their relationship the society can be outlined:

(i) There has lately been a "functional change" in parliaments from the classical function to new functions. It has been connected with the new, complex meaning of **representation** (e.g. social and policy representation) that has also transformed the former workings of interest representation as well (Herzog, 1993). This change is much more important and difficult for the Central European parliaments.

(ii) In interest representation, mediation, coordination and conversion processes the parliaments act as "clearing houses", their function in terms of social **responsiveness** becomes even more decisive (Herzog, 1993 and Hirner, 1993). This function is for the Central European parliaments an urgent task of aggregating the conflicting interests into a national interest for the EU negotiations.

(iii) The classical "teaching function" of the parliaments has been transformed into a capacity, and also a duty, to develop strategic **perspectives** and alternatives, while the governments are much more engaged in the management of short-term issues (Herzog, 1993 and Werner, 1993). Development of strategic perspectives for Europeanization is the greatest task now facing the Central European parliaments.

(iv) The representation function of the parliament, including interest representation and aggregation, has to be conceived as a **communicative** model. The communication function is central to modern parliaments between the legislators and the population at large as well as among elite groups (Wessels, 1993). It creates a common language for political discourse and solves the problems of the "cultural lag" between those governing and those governed. The communicative model ushers in a new period in the understanding of the Central European parliaments in general and in the "political marketing" for the EU accession in particular.

(v) The EU integration has created tremendous **difficulties** for the parliaments of the older member states as well. A strong statement has even been formulated that some member parliaments like the Bundestag are not yet ready and able to act in the EU context (Brückner, 1993: 233). It indicates the difficulty and complexity of Europeanization for the parliaments of all member states but it cannot be an excuse for the delay of the parliaments of the Central European candidates.

Altogether, this problem setting outlines some lessons and solutions for the Central European parliaments:

(1) There has been a paradox between the high visibility of, and the low trust in, the Central European parliaments. However, the high visibility is not only a burden that makes obvious all the vices and contradictions of the new democratic systems in their parliaments. It may also become a great potential for the parliamentarization -- that is, it makes possible the elaboration of a communicative model in the case of the EU accession. High visibility is very helpful in the creation of a common language for a public discourse about the next stage of Europeanization. Parliaments are in a better position than governments are for a "political marketing" of the EU accession as a preparation for a national referendum.

(2) The Central European parliaments still have a narrow understanding of representation and they are between the corporative-consensual arrangements and majoritarian-governmental decision-making. Through widening the meaning of representation to its full complexity and by completing the corporative-consensual arrangements, these parliaments can take part in the job of coordination of the EU accession with the governments. First of all, the parliamentary committees can act as honest brokers between the parliaments as representatives of the long-term national interests and the organized interests, with the particular groups of populations behind them.

(3) Finally, in this process consolidation can be seen as a reconciliation between the institutional and cultural approaches, at the same time, as overcoming both the institutional and the cultural deficit of the Central European parliaments. Democratic political culture has been institutionalized in civil associations - civic communities - and vice versa, the organizations of civil society have been based on the commitments of citizens to democratic values. Thus, the increasing institutional density in politics and organizational density in civil

society are running parallel with the professionalization of MPs and the routinization of the democratic patterns of behaviour among the population.

Parliamentarization means in this respect not only creating these institutions according to the parliamentary model but also connecting them to the parliament through various intermediaries or "modules" like the national top organizations (e. g. Social and Economic Council, Federal Chamber and National Organs of NGOs). Parliamentarization can, and has to be, extended to civil society proper, therefore we can talk about the parliamentarization of civil society associations. The shift from democratic transition to consolidation has also been connected with that from "vertical democracy" to "horizontal democracy" as follows:

(i) Democratic transition began with the parliamentarization of the polity. Democratic consolidation has to start with parliamentarization, too, but in a new framework of the parliament-society relationship. This will accomplish the parliamentarization of both politics and policy-making.

(ii) In Central Europe, unlike in the Balkan or East European regions, parliamentarization has been accomplished in the period of democratic transition with relative ease because of the Central European democratic traditions and less acute economic crisis. The Central European parliaments have performed rather well in constitutionalization and legal harmonization (effectiveness) but have had relatively low efficiency in legislation and poor efficacy in implementation.

(iii) Parliamentarization in Central Europe is nowadays, and will be in the next decade, much more difficult in the period of democratic consolidation. It is so in both ways, in the Europeanization of the Central European parliaments, i.e. in its relationship to the European Parliament externally as well as in the parliamentarization of the socio-political life domestically, in reaching and penetrating the realm of civil society.

3. The participation and accessibility deficits in Hungary

The successful democratic transition in Hungary has created **new** contradictions that present a major obstacle to further democratization in general. They can be identified as the participation and accessibility paradox that have been overcome but stayed as participation and accessibility deficit. As we have already indicated, participation and accessibility appear more on the input side, and accountability and responsiveness on the output side, forming one coherent system of democracy. We would like to argue in the Conclusion that Hungary has never been a “defective democracy” but in a later stage, in early consolidation it has developed democratic deficit, which is very similar to the mature democracies but more marked.

3.1. From the economic to the social deficit

In democratic transition the participation paradox means that democratic institution building presupposed the disempowerment of masses that is their exclusion from meaningful political participation. Therefore, in order to have a system of accountability, after the process of institution building in democratic transition new efforts have to be made to create a **participative** democracy. In the early consolidation period it has to go beyond formally **representative** democracy through the involvement of politically “silent” or marginalized population in the political decision-making processes. In the mid-nineties only 15 percent of Hungarians (and 7 percent of Poles) associated democracy with participation, but 31 percent of Austrians did (Plasser et. al., 1998: 75). Accessibility paradox means that the real social actors were also missing in the decision-making process, better to say, the emerging new actors were too weak to represent the interests of the major social groups in the main political institutions. There was for them only a limited possibility to channel particular interests in a legitimate and transparent way into the macro-political institutions, especially into the Hungarian parliament. All these problems go back to the deep economic crisis in the early

nineties and to the drastic economic crisis management in the mid-nineties. Although the ensuing social crisis has been deep and wide enough in Hungary, still one has to repeat that the Hungarian case is special as being the least painful transition. As Deacon mentions, public social expenditure as a percentage of GDP in the mid-nineties was still the highest in Hungary (Deacon, 2000: 153).

While both the political and economic construction of democracy have been by and large completed in Hungary, the social construction of democracy has not only been delayed but also disturbed and distorted by these successful political and economic processes. Again, formulated also in a simplified way, the removal of the **economic** deficit has created a serious **social** deficit and the new problem is how to cope with this new deficit. Moreover, democratization has led to **political** demobilization and disempowerment of the masses. The new agenda is how to mobilize and empower them in the stage of early consolidation. One can identify the major problems in terms of key words or catchphrases, such as “the decivilization process” and “the demobilization of voters” and/or “the depoliticization of public life”. In general, these issues have been discussed as the “social costs of transition” (see detail in Deacon, 2000: 148-152), while the “political costs of transition” may be added to them for the same reason. Supported by extensive literature on this topic, Béla Greskovits has recently described the whole controversial nature of democratic transition in its complexity, therefore we will follow his argument here. First of all, he points out that “Hungary underwent a transformational recession (Kornai, 1994), which, however, was milder than the recession in many other East European countries, both in depth and length. (...) While the recession resulted in impoverishment and increasing social inequality, the alarming degree of social dislocation characteristic of countries of the Balkans, the Baltic states and, even more of many ex-Soviet states, was absent in Hungary. (However, the available evidence suggests that after 1995-6 the implementation of a draconian stabilization

and adjustment package resulted in a large deterioration of the standards of living in Hungary.)” (Greskovits, 2000: 127)

Indeed, Hungary experienced a decade of “social patience” with “empowered winners”: disempowered, “patient losers” experienced a long march through the “vale of tears” (R. Dahrendorf), which did not result in significant social upheavals and disorder. Nonetheless, even after the first, difficult decade of democratic transition, social discontent has loomed large and this disillusionment in the social construction of democracy has turned out to be a very important political factor. Hungary could have been one of the most successful countries in both democratization and marketization, still it has fallen backwards into the trap of materialist needs. For a two-thirds majority of the population, the post-materialist agenda has been postponed for a remote future of 15-20 years. Against gloomy expectations, Hungarian democracy survived the transformation recession but the crisis left behind much political damage. Namely, democracy took root only at the cost of its full representativeness and its capacity to uniformly provide and protect civil liberties. Throughout the past decade it was obvious that the new system would be incapable of meeting even the most justified demands for acceptable living standards and the security of large social groups. The major dilemma the political system had to face was the political representation of the masses who were pushed to the margin by the transformation strategy and crisis management policies. If their demands had received strong political representation, they would have paved the way to economic chaos and a short-lived “populist democracy”. Thus, Greskovits concludes on the dual nature or internal contradiction of democratic transition, which has in fact been characteristic of all Central European states:

“Conversely, if the essential democratic institutions and capitalism had simultaneously taken root under economic stress, the political system had to exclude justified but unfeasible economic demands from the discourse as political non-issues. In this sense with a bit of

exaggeration: the emerging Hungarian democracy had simultaneously to perform the democratic agenda of political integration, and the authoritarian agenda of political and economic exclusion. It succeeded in both, consolidating a democracy with strong exclusionary features. This is the price Hungarian democrats paid for building capitalism in democratic settings after socialism. (...) As a consequence, large sectors of the Hungarian society continue to be both marginalized in the economy, and excluded from political representation.” (Greskovits, 2000: 139-140)

3.2. *“De-civilization” and demobilization processes in Hungary*

There were two harmful processes in the early nineties in Hungary that led to the de-politicization of masses as the major forms of social deficit. The first and the most shocking process may be called de-civilization process. It would need, of course, a very long list to enumerate the civilizing effects of democratization in Hungary. But the opposite side also appeared through the large-scale disinvestment in education and health service that produced less civilized Hungarians in a great number and a rapidly increasing rate of criminality (Table 5/B). Aggression and lack of solidarity became rather general patterns of behaviour, even in the upper income group. Polarization and marginalization penetrated the schooling and health care systems, so an increasing part of Hungarian society could not afford proper schooling and health care for their children and themselves. As a result, all the data have clearly shown a deteriorating health situation in Hungarian society. Large “illiterate” groups of youth have also emerged with a missing educational level for the post-industrial society as if they were “trained for unemployment”. Hungarian society has paid for the drastically reduced social provisioning and increasing polarization by a high criminality rate that has doubled since 1989. Finally, rapid marketization and democratization have been managed mostly by an economic and political elite engaged in a “war at the top”. Moreover, there has been an “infantilization of society”, since most people have gone through this period of Great

Transformation in the spirit of “we do not understand anything from the world around us”. The infantilization of society has produced on its part politically silent or absentist people “en masse”.

The second harmful process was the demobilization of voters translated even more directly to the de-politicization of public life. The largest base for demobilization and de-politicization was the economic and social exclusion from the productive world. The economic activity rate (the percentage of economically active persons in the age group between 15-64 years) was only 58.7 percent in 1998 (66.6 and 51.1 percent for men and women respectively). This Hungarian activity rate is very low even in the late nineties, not only compared to Western Europe but also within ECE (in Poland: 68.0 – 74.9 and 61.4 percent). The employment rate (the percentage of employed in the age group between 15-64 years) is equally low in Hungary. In 1998 it was only 53.9 percent (60.6 and 47.3 percent). Hence, the low unemployment rate (about 7.0 percent in the early 2000s, see Table 5/A) is somewhat misleading because it is based on the high percentage of economic and social exclusion, first of all that of half of women in their active age. There was a quick reduction of employment and increase in unemployment in the early nineties. The worst news is that since 1996 economic recovery has returned (see Table 5/A) but it has not led to a significant improvement in employment rates, that is, many people have left the labour market forever, especially women. In the nineties the social crisis seemed to be transitory but it has proved to be more and more protracted and will be with us at least for the entire decade of the 2000s.¹²

The demobilization of the masses was in some ways a conscious process in the early nineties by parties and politicians in order to avoid populism. But this was even more an unintended result of the economic and social marginalization discussed above. The two major institutional aspects of demobilization have been in the world of civic associations and

¹² The above data are from the Eurostat, see also the data attached to the latest regular report (November 2000) by the EU Commission on Hungary.

industrial relations. I have described the first process elsewhere as “over-parliamentarization” and “over-participation”, since parliament became the only site for politics and was monopolized by the parties. There has been a pervasive lack of both civil organizations representing various losers’ groups, and channels – other than voting in elections – for civil control over state policies in general. Second, the trade unions were delegitimized and marginalized, so the interests of employees remained mostly underrepresented at both national and shop floor levels (Greskovits, 2000: 139). Actually, depoliticization has been much wider than demobilization. There has been a concentrated effort by subsequent governments to exclude all social actors from the political process, even the employers’ and/or business organizations, professional chambers etc., although they have to move to the central stage for a successful consolidation. As a result of this demobilization process, during the last general elections (1998) the turnout was as low as 56 percent (65 and 68 percent in 1990 and 1994).

The common wisdom is that the state was weakened because this was what global and local neoliberal elites wanted. Actually, the situation has been more complex in the young democracies as Joel Hellman suggested. Velentin Ganev has recently returned to the argument developed by Hellman in 1998. According to Ganev, the statement that the political will or policy choice of neoliberal elites weakened state capacity fails to generate a convincing explanation of diminished administrative capacity in those state where elites could not implement the “neoliberal agenda” like in Romania (Ganev, 2001: 3). For a deeper analysis, however, that approach may also yield some insights: the winners in the early reforms, especially the waves of privatization that made them beneficiaries of democratic transition seek to retain their privileged positions. As Joel Hellman notes in his paper in 1998 that provoked the debate, “Indeed, it is reasonable to assume that the winners might have an implicit veto power in the decisions over separate components of economic reform” (1998:

222). The key word in Hellman's theory is the implicit veto power that has been exercised by the empowered early winners. It means also that the reform should not be constructed in terms of a policy choice at one critical juncture. It is a process, "a sequence of many distinct choices over time on separate components of an overall reform plan (...) that do not necessarily coincide with the electoral calendar" (Hellman, 1998: 221-222). In Ganey's comment, the beneficiaries of the first reform measures who constitute the "early winners" and seek to retain their privileged positions and their influence remain a constant casual factor throughout the whole economic reform process. In another rejoinder to Hellman's paper, Yusuf Bangura refers to the difference between the parliamentary and presidential systems, the former having been more successful in implementing economic policy reforms than the latter. Indeed, "policy isolation" of technocrats has been easier to associate with presidentialism. One has to note, however, that the period of pre-transition crisis with the weakening political power facilitated "policy isolation" was a positive process for the "technopols" from the decaying authoritarian regime. Obviously, the same isolation turns into negative after the power transition in the new democratic regime. Technopol is a term borrowed by Bangura from the Latin American literature, meaning a specific breed of technocrats or highly trained individuals who become elected politicians in their own right (Bangura, 2001: 7,13). In our view, the term "technopol" may be also applied in a Hungarian context, since there were very popular experts or technocrats in the late eighties who later have become successful politicians based on the fame of their expertise.

Consequently, Hellman's approach has some explanatory power for the Hungarian development as well, in which the multinationals have played the role of the early winners. In a much broader context, we have identified this situation as the accessibility paradox. It means that democratization produced in the first decade a relatively privileged access of some social groups representing the winners to parliamentary legislation in particular and political

decision-making in general based on their monopolistic social capital and access to special information. On the other side, and based on the lack of above mentioned resources, most of the social actors representing the losers were excluded from, or strictly restricted in, access to legislation and political decision-making. Both participation and accessibility paradoxes as constraining conditions have been general phenomena in Central Europe. They appeared also in Hungary but have been removed step by step to the extent that democracy has been completed. In the first years of democratic transition, the parties built up their clientura on one side and the politicians were seeking business opportunities on the other. Although these features that have influenced first of all the economic legislation have not disappeared completely, but they have been significantly reduced in Hungary. There has been a self-correction process in the Hungarian parliament by the legislation on the legislators, that is, through the acts on conflict of interests (separating politics and business, Act V/1997) and on public procurement (separating administration and business, Act XL/1995 amended as XIII/1997). In 2001 even a new act on lobby activities has been prepared to separate long-term institutional interest representation from the individual lobby actions of special lobby agencies. Still, due to the contrast of high visibility and low efficiency, the Hungarian parliament has always suffered from the twin diseases of high distrust and low popularity.

3.3. High distrust in public institutions, including the parliament

There has been a large literature discussing the high distrust or low trust in public institutions in “postcommunist” countries (Olson and Norton, 1996; Longley and Davidson, 1998; Johannsen, 2000 and Noergaard, 2000). Because of their high visibility, the distrust in the emerging parliaments in Central and Eastern Europe has been especially overwhelming. The high distrust in and the low popularity of the public institutions were well known already in the Southern European democratizations (Liebert and Cotta, 1990). They have been even more marked in the Central European democratic transitions, since the public expectations

have been bigger and the capacities of the new parliaments have been smaller than in Southern Europe. There have been extended research surveys on trust in the new democratic institutions. As a result of those surveys, David Lowell has recently concluded that the political system in the new Central European democracies “was characterised by low levels of trust in the new institutions of democracy” (2001: 31).

In Hungary, in the mid-nineties the level of trust in the parliament was only 19 percent (and 46 percent in the former West Germany), but was 39 percent in the media (Plasser et al, 1998: 114). In a different approach but indicating the same tendency, the prestige of the Hungarian parliament declined – on a scale between 0 and 100 – from 61 in 1989 to 37 in 1998; so did the prestige of government (from 56 to 43), the trade unions (from 61 to 32), and all public institutions (as an average from 60 to 48). The only exceptions are the President of Republic and the Constitutional Court (in 1998 62 and 59, respectively) (see Kurtán et al, Decade book, 1998: 823). Despite the small improvement, the legacy of the active mistrust in the macro-political institutions is still haunting Central Europe. Therefore, as Lowell suggests, the politicians, first and foremost the MPs, must now establish a new role as representatives, aggregators and mediators, in order to create and reinforce the centrality of public interest above the self-interests of politicians and administrators (2001: 33-37). These distortions – high distrust and low popularity - have to be taken into consideration when we analyze Hungarian legislation. But in our view they were transitory features not preventing the basically proper working of the Hungarian parliament. We will show that despite these distortions, the Hungarian parliament by and large has kept both its accountability to the citizens and its responsiveness to popular demands.

4. The Hungarian parliamentarism and policy-making

4.1. The Hungarian Parliament and its institutional framework

Hungary has a fully developed parliamentary system with a Constitution based on the principles of consensual democracy. In the late eighties it emerged from an elite driven negotiated transition and produced rather early a democratic system of institutions. In discussing the nature of parliamentary system and structure of its political institutions, one has to make it clear that Hungary is very close to the classical case of parliamentary democracy. It has a very strong, centuries-old parliamentary tradition and, despite the current debates about its performance, a high social prestige. The Hungarian parliament is unicameral and inherited from the seventies and eighties an extended standing committee system. It has altogether 386 MPs, out of which 176 MPs are elected in single member constituencies (individual MPs), 210 MPs from the party lists (list MPs). Hungary has had three free elections so far, electing accordingly the First Parliament (1990-1994), the Second Parliament (1994-1998) and the Third Parliament (1998-2002). In these parliamentary cycles the following parties have participated: Hungarian Democratic Forum (HDF), Hungarian Socialist Party (HSP), Fidesz-Hungarian Civic Party (quoted as Fidesz), Alliance of Free Democrats (AFD), Independent Smallholders Party (ISP), Christian Democratic Peoples Party (CDPP) and Party of Hungarian Justice and Life (PHJL) (see Table 1).¹³

Hungary established in 1990 a prime-ministerial system of executive power in which the president has played only a rather minimal, symbolical role. From the very beginning of democratization, the parliament has been dominated by a simple majority of the governing coalition that has minimized its direct control function over the executive. Despite its

¹³ The Hungarian Centre for Democracy Studies has edited the Political Yearbook of Hungary since 1988 with full documentation of political events, including the parliamentary activities. Our Tables here are based on this documentation. In 1998 our Centre published a Decade-book in two volumes, which summarized the decade of democratic transition (1988-1998).

weakness in controlling the executive by traditional means, the Hungarian parliament, however, has a broad system of “checks and balances”, including the Constitutional Court, ombudsman, State Audit Office, Chief Public Prosecutor, Chief Judge and National Bank for controlling in restraining the power of the executive. Therefore, political and technocratic decision-making has to be analyzed in Hungary in this wider context. The workings of the Hungarian parliament have been organized around the party factions and there is a division of labour between plenary and committee sessions. The screening of the parliamentary elite shows various social connections and influences both through party-political and policy-community lines. In a word, all the three Hungarian parliaments have been “penetrated” by vested interests and the activities of several lobby groups. The behaviour of the Hungarian parliamentary elite has regularly been analyzed through questionnaires by the team of the Hungarian Centre for Democracy Studies and the survey results have indicated the outside linkages of MPs. Although the workings of the Hungarian parliament are to be looked at also in the First Parliament, the focus of investigation is the Second and the near-completed Third Parliament.

Certainly, in the young democracies there has been a need for a “legislative systemic change”. Hungary has been an outstanding case, since the Hungarian parliament has worked as a “legislative factory” by producing more than hundred acts every year (Table 2), and, indeed, the political output has also been very big in the other institutions (Table 3). Beyond this political approach, there are some specific factors demanding a more policy-centered approach of the Hungarian parliament even in the period of democratic transition: First, the legislative overload, or decision-making overload in general, that would have demanded an increasing efficiency of the institutions concerned, above all in the parliament. Second, the negative effects of coalition politics with a high blackmailing capacity of small parties that harboured low-capacity politicians and over-dimensioned the particular claims of some social

strata. Third, the need for a drastic economic crisis management that presupposes a coordination and concertation of several policy fields in policy formulation and implementation process, first of all between economic and social policies.

In the analysis of the relationship between economic policy-making and parliamentary accountability one has to take into account the fact that, according to the Hungarian political system of “chancellor democracy”, policy-making has mostly been pursued by the government. Robert Jenkins has aptly summarized this: “The policy-making process in Hungary remains highly centralized, with basic decisions made by the government (the prime minister and ministries), which is the primary initiator of legislation. Due to the strength of the prime minister’s position, the independence of ministries from the parliamentary control, and party centralization, Parliament exercises only limited influence in the development of policy. The yearly budget is the main source of parliamentary influence. But the government makes the preparation of the budget, with the Finance Ministry playing a decisive role. The government and the individual ministries have broad powers to use decrees as administrative tools.” (Jenkins, 1999: 176). Since July 1993 the government has had to prepare a feasibility study before initiating a draft bill but this requirement has been neglected by the governments very often referring to the urgency, the lack of time.¹⁴

Moreover, Jenkins points out that although the formal interest representation institutions are formally in place they are not important sites of decision-making. Instead, as he formulates (1999: 177) interest groups work to lobby ministries and the Prime Minister’s Office and the parliament, since both professional and economic interest groups are experienced at such lobbying techniques. Much of this access is informal and occurs behind closed doors because Hungary is a small country and long years of working together in

¹⁴ An AFD MP, Alajos Dornbach raised this issue in the Third Parliament and Csaba Hende, the State Secretary in the Ministry of Justice answered that the government tried to keep this rule but there was no time for feasibility studies (Magyar Hirlap, 13 December 2000).

professional situations has led to dense networks of professional ties, which have kept the system of informal bargaining alive. Jenkins thinks that it is rather hard to transform these “behind the closed doors” type of bargaining or lobbying activities into public negotiations. Although his description is still correct in many ways, the self-correction process in the Hungarian parliament has proceeded to a great extent.

The biggest problem of political development has been, however, the tendency of majoritarian democracy, “the winners take all” approach. The regular parliamentary elections are not sufficient controls over politics in general, even more so in young democracies. In such a situation the rule of the simple parliamentary majority can be distorted as a tyrannical majority. In addition, coalition politics as an effort to create a simple majority can also exert some pernicious effects on both democratic polity and efficient policy. Altogether, Hungarian economic policy-making has been a government-centred process in a parliamentary framework. Hence we have to deal with the executive power as it formulates the legal-political inputs for legislative power. Otherwise, the relationship between economic legislation and the “rest”, mostly political legislation, varies from period to period, even within one parliamentary cycle in the Hungarian parliament. The analysis of the evolution of economic policy-making in and by the Hungarian parliament needs special care concerning parliamentary participation and its role in final decisions. Economic legislation has played an eminent role in the life of the Hungarian parliament; it has to be analyzed in its dynamism separately, and at the same time in its relationship with political legislation. There has been a high number of economic legislations since 1990: it constitutes one third of all legislation but its significance has even been much bigger (see Table 4). In economic legislation the issues of politics and policy, or democratic and technocratic decision-making appear in a concentrated way.

There are some focal points in the analysis of economic legislation that deal with parliament-government relations. First, it has to be mentioned that the Hungarian National Bank, which is responsible for the monetary policy of the country, is independent from the government and has been controlled by the parliament. Thus, the advantages and disadvantages of its special position can also be investigated from the side of its parliamentary scrutiny. Second, the whole problematic of the technocratic or democratic decision-making comes to the surface in the most marked way in budgeting which is a concentrated expression of the political will of the executive. The parliamentary discourse on the budget and the special parliamentary budgeting process will be central in this analysis. At the same time, the budget debate shows the “viscosity of parliament” (Jean Blondel), i.e. its resistance to the executive and the orientation of opposition in economic policy. Third, beyond budgeting and connected closely with it, taxation laws represent also a concentrated form of the politico-economic interests in all states, but first of all in young democracies where the economic construction of democracy is still in the making. Therefore, this field offers itself as a summary of an investigation of economic policy and parliamentary accountability, with special regard to technocratic policy-making and democratization.

4.3. The structure of the Hungarian case study

In this Introduction we can now summarize the general situation following the extended research on the socio-economic development in Hungary (see first of all Cox and Mason, 1999; and Cook et al., 1999). Hungary has been the best performer or one of the best performers in the Central European economic development (Table 5/A). The marginalization of domestic actors may characterize the Hungarian economic developments as a foreign capital led privatization. At the same time, the policy-making is government centered, although for instance the National Bank has become fully independent and controlled only by the parliament. The independence of the National Bank is good for the policy-making, since it

protects the National Bank from the arbitrary decisions of the government. It opens the way, however, to the influence of international monetary institutions and gives rather big opportunity to the national monetary elite to influence the decisions (see Gedeon, 1997). This controversial situation illustrates at the very start the whole complexity of our topic, the relationship between economic policy-making and democratization. Our central hypothesis has to be repeated here: Despite all distortions the Hungarian parliament has played an eminent role in democratization. It has kept both its accountability and responsiveness in democratic transition and in early consolidation and it has rather successfully united the political and policy dimensions. Given an extended “checks and balances” system of (economic) institutions attached to the parliament, the Hungarian parliament has mostly avoided the technocratic style of decision-making, i.e. escaping democratic control in economic legislation. Although the system of chancellor democracy has provided the government with a major weight in policy-making, economic legislation has happened in a parliamentary framework, through public discussions and control. However, the Hungarian parliament has to face a new challenge of the performance crisis due to the dual challenge of the Europeanization and Globalization that will be discussed in the Conclusion.

This Introduction has outlined the main problems – both the theoretical framework and the social context – of economic policy-making and parliamentary accountability in Hungary. It has prepared the field for the more concrete, empirical analyses of this issue. The case study of the Hungarian parliament needs a two-dimensional analysis. First, that of the internal workings of the Hungarian parliament as the activities of the MPs in the party factions and committees. Second, that of its institutional environment, namely its relationship with the economic institutions on one side, and with the government on the other.¹⁵

¹⁵ The Chapter I offers a broad description of the Hungarian parliament with many Tables and other data. Therefore, in order to facilitate the overview of data, we have separated the Tables into two groups. The Tables 1-5 indicate the general situation in Hungary and have

These empirical analyses will provide a detailed picture with many nuances in a very critical approach emphasizing all negative features and distortions. For sure, the first ten plus years have been very rich in conflicts even in Hungary. All processes have been extremely controversial – as a particular mix of positive and negative features – which necessitates a complex analysis. It means separating these positive and negative features for an in-depth treatment and putting them in the proper context. In order to facilitate the discussion of our central hypothesis, we introduce here four auxiliary hypotheses, two-two for both Chapters.

First, we depart from the assumption that in the early nineties the new democratic institutions and the new politicians were still inexperienced in policy-making. By the mid-nineties, however, they become much more experienced in both keeping expert advice under control and handling the ensuing social crisis more skillfully. By the late nineties, the parliamentary parties and their factions became well organized, their party discipline and cooperation with specialization was formed, so they were established as modern parties with an early freezing in a Rokkanian sense (see Ágh, 1999).

Second, we consider that the problems that have emerged in the Third Parliament (1998-2002) are of different kind. The economic crisis has been completely overcome and the fight between the government and the parliament has begun for the competencies in a nearly consolidated democracy. In addition, this technocratic style has also been strengthened during the incumbent government with a tendency towards “presidentialization of democracy” and successfully reducing the role of parliament in the control of government at the economic legislation (e.g. passing the two-year budget in December 2000).

been attached to the Introduction (and have been referred to also in the Chapter II). The Tables I-XXVII, in turn, have been attached to the Chapter I, since they are more directly referring to the detailed analysis of the Hungarian parliament in this Chapter. The Chapter II operates first of all with budgeting figures and its main data have been advanced in the Tables 4 and 5.

Third, we assume that some issues in economic legislation have been more prone to the technocratic style of policy-making and have become more isolated from public supervision (privatization and debt management) than others (taxation and budgeting) that have been more under public, democratic control.

Fourth, we presuppose that there were some particular points in time where public control was weak and the technocratic decision-making to some extent escaped public control. This was the case in 1990-91 and 1994-95 when there was a big external pressure on Hungary because of its huge international debt. Finally, this problem returns in the Third Parliament with the above-mentioned presidentialization of democracy.

After the detailed analyses of positive and negative features in the economic legislation, a coherent picture will be presented in the Conclusion. In our expectation, it will prove the central hypothesis through these four auxiliary hypotheses that despite all distortions the Hungarian parliament has performed rather well so far. Thus, the summary of the key findings is left for the Conclusion. Again, we have to realize that early consolidation and the EU accession have produced both new challenges and opportunities that can also be seen in the Conclusion.

Tables

Table 1

(see separately)

Seats in the Hungarian Parliament (1990-1998)

	1990				1994				
	ID	TL	NL	ALL	ID	TL	NL	ALL69	
AFD	35	34	23	94	16	28	28	20	
Fidesz	1	8	12	21	-	7	7	38	9
HDF	114	40	10	165	5	18	18	209	1
HSP	1	14	18	33	149	53	53	26	5
ISP	11	16	17	44	1	14	14	22	1
CDPP	3	8	10	22	3	5	5	-	
PHJL	-	-	-	-	-	-	-	-	
independent	7	-	-	7	2	-	-	2	
All	176	120	90	386	176	125	85	386	1

ID: Individual Districts, TL: Territorial lists, NL: National List

Table 2**Legislation in the Hungarian Parliament**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	
New acts		29	55	50	61	43	67	75	82	49	84	97
Amendments		48	38	42	60	56	59	55	77	45	42	50
Decisions		55	73	92	103	75	128	120	126	95	109	104
All	134	166	184	224	174	254	250	285	189	235	251	

Table 3**Decision-making output**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Gov	32	188	177	185	190	179	242	288	245	228
CC	84	180	167	145	149	169	239	191	150	229
Om	0	0	0	0	0	0	3353	2477	2556	2308
SAO	28	52	72	38	31	54	158	59	44	37

Gov states for governmental decrees CC for the Constitutional Court decisions. Om states for the issues treated by the three ombudsman offices (citizenship rights, personal data protection and minority rights). They began their activities in 1995, so I present here a joint figure for 1995 and 1996. SAO states for the reports of the State Audit Office.

Source: **Political Yearbook of Hungary 2000**: 503

Table 4
Economic policy legislation in Hungary (1990-2000)

Year	Total of passed laws	Total of economic laws (percentage)
First Parliament		
1990	77	25 (32,5%)
1991	93	29 (31,2%)
1992	142	34 (23,9%)
1993	119	37 (31,1%)
1994	49	16 (32,7%)
<i>Total</i>	<i>480</i>	<i>141 (29,4%)</i>
Second Parliament		
1994	50	15 (30%)
1995	126	41 (32,5%)
1996	130	36 (27,7%)
1997	159	43 (27%)
1998	34	6 (17,6%)
<i>Total</i>	<i>499</i>	<i>141 (28,3%)</i>
Third Parliament		
1998	59	21 (28%)
1999	126	11 (8,7%)
2000	147	17 (11,6%)
<i>Total</i>	<i>332</i>	<i>49 (14,8%)</i>
1990-2000	1311	331 (25,3%)

Table 5
Main data on Hungary

A. Macro-economic data (in percent or US\$ billion)

year	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
1.	-0.7	-3.5	-11.9	-3.1	-0.6	2.9	1.5	1.3	4.6	5.0	4.5
2.	(-)	1.9	8.2	13.9	14.0	12.0	10.2	9.9	8.7	7.6	7.0
3.	17.0	28.9	35.0	23.0	22.5	18.8	28.2	23.6	18.3	14.2	11.0
4.	(-)	-7.1	-10.4	-2.6	2.0	12.5	-4.3	6.7	9.2	12.0	(-)
5.	(-)	-3.6	-5.6	0.0	1.9	-0.2	-7.1	-2.7	1.7	4.0	(-)
6.	(-)	-4.0	-5.1	-1.8	-3.9	5.2	-12.2	-5.0	4.9	3.5	4.4
7.	(-)	0.5	-3.0	-6.2	-6.6	-8.4	-6.4	-3.0	-4.8	-4.8	(-)
8.	25.3	26.4	31.9	31.8	33.1	30.5	29.2	27.5	25.5	20.8	(-)
9.	0.187	0.311	1.459	1.471	2.339	1.146	4.453	1.987	1.653	1.700	1.800
10.	(-)	(-)	22.7	21.4	24.6	28.5	31.7	27.6	23.7	24.5	24.6
11.	(-)	(-)	18.7	17.1	17.9	21.8	19.7	17.8	15.3	15.1	6.9

1. – GDP, 2. – unemployment, 3. – inflation, 4. – investments, 5. – household consumption, 6. – real wages, 7. – balance of public finances as percentage of GDP, 8. – black economy as percentage of GDP, 9. - FDI (US\$ billion), 10. – gross state debt (US\$ billion), 11. – net state debt (US\$ billion)

B. Social policy expenditures (and all criminal cases)
(all social expenditures in 1991 HUF billion)

Year	1991	1994	1995	1996	1997	1998	1999
1.	138.9	137.3	126.2	115.5	120.4	125.5	120.5
2.	137.6	137.3	126.2	115.5	120.4	125.5	120.5
3.	516.4	489.6	424.7	376.5	373.6	399.6	409.2
4.	100.1	46.3	45.5	38.2	39.1	36.7	30.9
5.	42.8	48.8	40.7	36.5	28.4	31.5	32.8
6.	953.9	882.5	762.9	687.1	696.9	739.3	739.5
7.	440,370	389,451	502,036	466,050	514,403	600,621	505,716

1. – education, 2. – health care, 3. – social services, 4. – communal services, 5. - cultural services, 6.- all welfare functions (total), 7. – all criminal cases (1981: 134,914; 1989: 225,393 and 2000: 450,673).

Source: Different publications of the Hungarian Central Statistical Office

Chapter I

Efficiency and accountability in the Hungarian parliament in the context of the parliamentary elite

1. Some background thoughts for the empirical research

The broad problem area of democratic governance necessarily includes the analysis of the elites who govern and the issue of elite and mass linkages. The nature of the political elite (its internal distribution, its open or closed character, its skills, etc.) have an impact on how government works both in the sense how democratic accountability prevails or how democratic norms are maintained and in the sense how well and how **efficiently** the policies are conducted. These issues will be presented in two major dimensions. First, those factors will be examined that constitute **accountability** with respect to the parliamentary elite, and second those areas will be placed in the focus that signal the **professionalization** of the parliamentary elite and thus - even if indirectly - might contribute to the efficiency of the Hungarian parliament.

The two concepts (accountability and professionalization) received a more thorough attention in the Introduction, thus here we shall follow a more pragmatic approach: we shall construct or rather reconstruct the two concepts on the basis of experience and available evidence and will leave out some areas that might also be important but have not been thoroughly examined. While the parliamentary political elite is a usual and significant part of similar studies about established democracies this should be even more so in democratizing countries where the transition was elite-led, like in Hungary, for example. The chapter seeks to provide a view on the development of the above issues during the period of democratic government from 1990 to 2000 and seeks to be as precise, well-documented, and concrete as possible to help a better understanding of the developmental process.

In order to achieve this aim some initial clarification is necessary: what kind of elite conditions and political framework conditions have prevailed? Without going too much into details and without returning to „history” one shall have to keep in mind the following particularities that have an impact on the parliamentary elite framework and thus are consequential to accountability and professionalization patterns.

First of all, we have to emphasize that the democratic transition was mainly the artecraft of the political elites - both in power and in opposition. Mass involvement, mass participation remained peripheral, even the so called round-table talks between the old and the newly emerging elites were secretive (in contrast for example, to the Polish transition). This characteristic of the transition was complemented with early party formation and party consolidation which, however, mainly covered and included the consolidation of the party elites themselves - the parties' organization remaining weak in most cases. Early party formation concluded in the phenomenon of early freezing: indeed, basically the same party framework prevails in 2001 than in 1990 - at least in terms of the parliamentary parties. Table I shows that there was only one change: the KDNP was replaced in the parliamentary arena in 1998 by the MIÉP. This certainly provides a special position for the parliamentary elite, although we shall see in the more detailed analysis that the picture is more complicated in this respect as well.

A second important but still general background information could be that inspite of the party stability the parliamentary elite circulation is still larger than in stable democracies. From professional literature we know (Pedersen, 1977) that circulation involves at least three dimensions: how people get into parliament, how they get out of parliament, and there is intra-parliamentary fluctuation as well between different parliamentary positions. The relatively high circulation of the Hungarian elite concludes from two sources: first, the electoral strength of the otherwise frozen parties changed substantially over the three

legislative periods (See Table I), and second still a relatively large proportion of MPs decide to leave politics because they prefer to retain their amateur political status (this was particularly the case after the First Parliament) and do not want to convert to professionalism. These changes necessarily inhibit professionalization although with respect to the second dimension of the parliamentary elite circulation (intra-parliamentary, or I would rather broaden the concept to intra-political movements) we can witness the evolution of professionalization patterns. Overall, a consolidation of the parliamentary elite is the dominant tendency.

A further point to note is that despite the stability of the party system the individual parties themselves represent changing political and economic profiles. Some parties consciously transformed their policy and political orientation (like the Fidesz which used to be left of centre in its ideological and political profile, while Thatcherite in its economic profile but in the past years it is centre right in its political and ideological stances but represents more centre positions in its economic orientation, occasionally with nationalist overtones). Other parties have been internally divided in these respects (like the AFD representing both a left of centre and a right of centre liberalism). The first governing party, the HDF - as a huge umbrella party - inevitably was divided on major economic issues, not to mention the HSP which still includes the employee's interest representation trade union branch but also has the strongest employers' affiliated group within its ranks. It goes without saying that under these circumstances economic policy making occasionally seemed haphazard and coalition formation, what is more the performance of coalition governments from this perspective was sometimes problematic.

The first coalition government was not built on a coalition document at all (it is understandable in the transition year), the second and third governments prepared detailed coalition contracts but these rather focused on the political and not on the economic issues.

We can argue that the uncertainties of the parties' economic policy intentions (they appear sometimes as moving targets) and the lack of clear coalition agreements on economic policies caused some efficiency or rather inefficiency problems. During the first government this is easy to prove: the leading HDF and its coalition partner, the ISHP, actually became hostile because of differences about privatization-reprivatiation policies. Eventually, the ISHP party leader with a group of MPs left the coalition and left the remaining party in a position that made governance more difficult. During the second government the market oriented section of the HSP made an ally with the coalition partner AFD trying to segregate those forces within the HSP which wanted to slow down the space of market reforms. This was a particularly interesting period because (as Table I again helps the understanding) the HSP-AFD cooperation represented an oversized coalition which otherwise would have been a clear case of efficient and clear policy making. Due to the above mentioned problems this was not necessarily the case, although the macro-economic indices improved substantially but budgetary and macro-economic policies were not complemented with coherent policies in other realms (social policy, for example). In the case of the third government the strong and pushful style of the leading coalition party, the Fidesz and the increasing political weakness of the other two members of the coalition, the ISHP and the HDF led to a situation when coalition conflicts do not visibly emerge in economic policy making but in the implementation of policies (through ministries belonging to different parties).

From these short remarks it seems clear that coalition governments more often than not caused difficulties in clear policy-making. Just to conclude this section, a last point is worth considering: in several cases these policy or political conflicts appeared in the division between extra-parliamentary parties and intra-parliamentary party elites. A different perspective of the parliamentary elite (let it be more constrained, more government oriented,

or more professional - we shall see) occasionally built up divisions between them and the external party.

As we have seen in the Introduction, accountability is not a mere output feature but has an input element as well. In the following we shall apply this approach. One must also add that the patterns of accountability represent a high profile in the more recent discourse in current academic literature (see the issue of European Journal of Political Research, Vol. 37, No. 3, especially the paper of K. Strom). It seems that the significance of accountability has increased mainly due to the increasing representation gaps not only in between national institutions but also between national and international (European and/or global) institutions. What constitutes the accountability of the parliamentary elite - or what can be applied from the theory of delegation chain for the parliamentary elite? According to the theory in the chain of delegation there are some concrete levels: from the voters to elected representatives, from the members of parliament to the government, from the government to the executive departments, and from the executive departments to the civil servants. In return, the chain of delegation is „mirrored by a corresponding chain of accountability that runs in the reverse direction.” (Strom, 2000: 267) Thus the two mirroring or parallel developments provide an inside view on democratic governance.

In addition to this one must note that the actors of policy-making are more numerous. The parliamentary elite operates in a process of delegation where the Member of Parliament is placed in the centre of a network of voters, parties, the government, courts, interest groups, sub-national governments, executive agencies, and international actors (Saalfeld: 2000: 355). That is, while the simplified model included only the MPs in the context of voters, parties, and government more recently we have to include other actors. In the chapter we shall make an attempt to refer to this point also - at least regarding interest groups and some international actors. They will also be a target in Chapter II and in the Conclusion.

This model of delegation certainly does not equal a prospective model of accountability. For example, it can be easily imagined that the courts or international actors delegate demands or expectations towards the Members of Parliament, but they cannot be regarded as explanatory factors of accountability: accountability exists within or assumes a principal-client connection, and an element of responsibility, even reciprocity. On the other hand it seems that a further requirement of accountability, namely openness, is not necessarily fulfilled: Members of Parliament might be accountable to principal groups that are hidden, even are not regarded as legitimate in a given political system. We can add that political systems vary according to what accountability constituting factors are accepted as legitimate and are undertaken openly before the public. An example to the point could be the hypocrisy with which the Hungarian political system handles interest group politics and interest group pressure on the Members of Parliament - although in some cases accountability prevails much more between the client MP and the principal interest group than between the constituency-principal and the MP-client.

After this general **background information** the chapter will follow a more practical approach. First, the accountability of the parliamentary elite will be analysed on the following lines:

1/ the political profile of the MPs will be presented - such as their party political connections, their place in the party hierarchy, local political connections, and their embeddedness in the constituency.

2/ special interests profile of the MPs will also be examined - such as their interest group connections, in addition the economic embeddedness of MPs will also be touched.

3/ finally it will be clarified what MPs themselves think about their accountability patterns.

The party, constituency, and interest group connections conclude in certain legislative activities: to put it simply, these connections and contexts explain why do MPs act in the way they do.

The second part of the chapter seeks to identify how the professionalization of MPs might contribute to the efficiency of the Hungarian parliament in general. As the Introduction suggested the „policy determines politics” principle would appear positively in the workings of the political system as a higher efficiency resulting from the growing professionalization of the political elite. Also, efficiency is described in the internal operation of parliament, largely dependent on the professionalization of the political elite. While the critical remarks of the Introduction regarding the parliamentary elite can be justified, here the aim of the chapter will be to show the changes, the prevalent tendencies, and from some concrete developments to forecast the potential signs of professionalization. In this process

1/ the sociological profile and some political characteristics of the MPs will be provided,

2/ the institutional and personal framework of policy making will be analyzed,

3/ an analysis of the committees will be presented both in the context of their policy functions and their special role in making the parliamentary elite more professional and possibly more efficient,

4/ finally, in the conclusion the impact of some international developments will be examined.

In this analysis we shall use some hard evidence: data have been collected on several areas, MPs were surveyed in the three consecutive terms by a questionnaire (1992, 1995, and 1999-2000,) interviews were conducted with a selected sample of committee members in the second parliament. They will also provide some evidence how the parliamentary elite thinks

about their own role, and the importance of the expertise and professionalism in parliamentary decision-making.

2. Accountability patterns of the parliamentary elite

2.1. The party connection

As in most European political systems party is the centre of the political process. Similarly, the party belonging and/or party background of the MP is one of his/her most determining factor. As it is put in the introductory chapter party factions (or parliamentary party groups) constitute the most important organisational-structural element of the parliament, and Members of Parliament are embedded and do belong to factions - with a few exceptions: at each election 1-2 party-independent candidates won a direct seat, and during the First parliament 50 while during the Second Parliament 54 MPs left their original party group due to internal - either personal or political - conflicts. Even in these cases, however, the "independent" politicians tried to join another parliamentary party or occasionally even tried to establish a new parliamentary party group. Party is not simply a functional umbrella but the parliamentary party provides resources for the MP, and these resources seem inevitable for survival or even more for efficient work in parliament (an example where accountability patterns can be easily connected to efficiency requirements).

Thus, the party political profile of the parliamentary elite is their important characteristic background. Parties and (prospective) MPs connections develop well before the elections and these connections can be well described by some important functions of parties. Parties seek to mobilise or at least seek support in a given constituency (region, electoral district, focus group). In this process, a group of "partisans" emerge, that is persons, who are willing to devote their time and energy to a political cause or imagine their future career within party politics. On this background, the party selects the people who it can rely on in political, organisational matters. Among the selected group there will a couple of hundreds

who are willing and capable of running for a parliamentary mandate. Even in those cases where the person does not become a party card holder he/she does not have much opportunity without the financial and organisational support of the party during the electoral campaign. Not much additional argumentation is necessary to accept the point that the parliamentary elite's most important connection is the party connection. Former research has proved (Ilonszki, 1999) that although open conflicts and debates are very rare in finding and nominating candidates for parliament between the party hierarchy and the local constituency, this process is largely centralised and in well institutionalised parties is handled by political means and much refinement. The importance of party as an independent variable in determining MPs accountability can be demonstrated with a different argument as well. According to surveys, particularly in 1994, it was found that 60 percent of electors who said they knew their MPs would have denied a second mandate to their Member of Parliament because they were dissatisfied with the general performance of the institution (Szonda-Ipsos, 1994). This public will or intention was not regarded as important by the parties themselves. The analysis of the nomination process proved that "no questions arose about the importance of the former parliamentary activity of the deputies. The local party organisation normally supported the former deputy, which was reinforced by the presupposition that a person with publicity had better chances than somebody new and unknown. The parties did not examine how and with what success the members of the parliamentary party group had kept in touch with their districts." (Ilonszki, 1999:83).

This pre-election functional image and argument is strengthened even further when we turn towards the parliamentary arena. At this point the connection between the MP and the party is doubled - the intra-parliamentary party organisation, that is the parliamentary party group (faction), and the extra-parliamentary party organisation, that is the party hierarchy and the regional, local party organisation become the party actors. This duplication makes the

accountability patterns even stronger, although not necessarily more unified, because it might well happen that the two party actors represent different perspectives, preferences, immediate interests.

We can identify the areas, or events, in which these different party arenas have a direct impact on MPs careers and political existences. On the one hand, the parliamentary party groups are responsible for selecting and nominating the committee members from the faction. Also, they elect their own leadership, which of course means resources. Finally the faction mainstreams the policy process in parliament. On the other hand the extra-parliamentary party organisation might exert influence on and according to significant political lines (if the party leadership and membership is organised even if not strictly or firmly institutionalised but still existing platforms with different political and policy preferences) or if strong pressures come from the regional, local units.

Let's see briefly how can the accountability of the parliamentary elite be effected in these two arenas. Evidence from surveying the parliamentary elite shows that the individuals themselves "apply" for committee positions, mainly in a field that they have expertise or where they have served before. (This is also connected to the issue of efficiency among the parliamentary elite, and will be targeted in the second part.) While these "applications" are most often accepted personal decisions are sometimes involved. Delegation patterns between the parliamentary party and its members do obviously exist. Although after the nomination the MP has some discretion in the committee work the interviews with MPs revealed that the parliamentary party groups to a large degree determine the committee's working environment. This is not surprising, of course, considering the reality of party government and the importance that parties acquired in Hungary. The MPs' double position: in the party faction on the one hand and in the committee(s) on the other helped to develop an internal organisation, namely the working group within the party factions. The members of a parliamentary party

group from the same committee constitute a working group (or in smaller factions members from similar committee responsibility areas constitute a working unit). In this way, working group members connect the parliamentary party to the committee, and an uninterrupted connection between the party and its MP (even when in committee) is ensured. In relatively large party groups the working groups overlap the committee structure, and the leader of the working group is the highest-ranking MP in committee. As mentioned above, smaller parties cannot establish such a functionally refined working group system. Consequently, in large parties members have the luxury of specialisation, while in small parties they have to struggle with a variety of issues at the same time. (This is again an issue that might determine the efficiency of the parliament - from a parliamentary elite perspective.)

Just to clarify the party connection of the committee member it is good to know that committee members will be responsible for a certain legislative motion in the party. The responsibility is shared if there are several members in the committee from the same party group. Working group members acquire information, meet lobbyists, inform the parliamentary party, discuss the case with experts, and make decisions. The parliamentary party regards the working groups as the competent authority in their own fields. This institutional development partially resulted from the party leaderships seeking efficiency and from their understanding the importance of connections with committees. Since all parliamentarians are non-experts (bringing the argument between government as experts and parliamentarians as politicians to the extreme) the parties must rely on the judgement of the working groups, or the representative of the working group. For example, the working group will suggest to the parliamentary party how to vote on a bill in the plenary.

All in all, the party and the parliamentary party contribute significantly to the behaviour of the parliamentary elite. Table II and III show evidence of this.

As Table II demonstrates the members of the same party faction constitute the most important consulting body before making a decision in all the three parliaments. While the responses are pretty similar in the three parliaments some dimensions are worth special attention. The consultation „intentions” with either party or independent experts has grown steadily while on the other hand contacts with other factions or government’s representatives remained on a low level. Table III shows that a large majority of MPs finds the faction meeting very important or important (90 percent). The differences between members elected in single member constituencies (direct members) and those elected on lists (list members) are interesting: list MPs tend to find it very important in large numbers. The difference between government MPs and opposition MPs is striking indeed: since government MPs in that government term mainly came from direct constituencies while opposition MPs from lists, the list MPs' preference towards the importance of factions meetings is reinforced. Half of the opposition delegates find the faction meeting very important. This might also reflect another characteristic of party government: government delegates have more diverse political engagements, and have several other fields of activity, can acquire information from more resources, etc. thus they do not need that much and do not rely that much on parliamentary party group meetings.

Nevertheless, other evidence shows that members of the same party faction are not equal at all. More concretely, although the attendance at faction meetings is high (absences are monitored), that is close to 100 percent of MPs report that they often or very often attend the meetings, the internal weaknesses or rather the hierarchical character of the parliamentary elite structured on party positional lines becomes obvious. The activity of parliamentarians at the meetings is not always reported favourably. More than half of the respondents said that they are not very active, and another 16 percent said that they are not at all active at faction meetings. Here again, in harmony with the findings mentioned in Tables II and III, list MPs

and opposition MPs report higher level of activity - for them these forums are important indeed. Otherwise, working group leaders and faction leaders dominate the scene (faction leadership positions have become more numerous over time) while backbenchers feel underprivileged. This is particularly the case with large factions where government pressures, a large number of new members, and diversity of interests place some groups within the faction in peripheral position.

This leads us to the other important element of the political profile of MPs: their general position in the party hierarchy. Obviously those with a high rank party position enjoy higher prestige than the rank and file. This difference is strengthened by the situation that former government position also increases the weight of a politician, and also by the fact that due to large electoral volatility the size of parliamentary party groups have undergone enormous changes, which implies that in several parties in addition to the core group of politicians unknown, grey members, or even non-members had to be brought in politics and parliament to be able to fulfil the changing electoral demand and the parliamentary benches.

A long tendency by now is that the party hierarchy virtually overlaps parliamentary membership. Non-MPs in the party executive are rather the exception than the rule. If we examine the party political background of MPs we can find interesting differences and changes in the overall trends as is shown in Table IV.

The proportion of leading party position suggests that in the first election some parties were forced to place all their leaders in the parliamentary arena: the Fidesz and the ChDPP specifically, relatively minor parties at that time), while in the Second Parliament there was a more balanced distribution between MPs with a party position and those without. Altogether close to four-fifth of MPs came from the parties' hierarchies in 1990, while now this figure is less than one-fifth.

That is, during the three parliaments the proportion of those MPs who have a position in the party hierarchy has decreased (we shall see below that within this time framework the proportion of those who come from local politics has increased considerably). This would suggest, and we shall find evidence and justification for that in the other parts of this analysis that although the Members of Parliament do not at all lose party as a factor constituting their political profile this is not connected necessarily to the party hierarchy, and MPs more diverse connections come to the surface. This is clearly the case with the local political connections, which might transform the accountability patterns of MPs considerably. It remains to be seen whether the constituency connections and the interest groups connections have also been on the increase or not.

2.2. Interest group connections

Still a lot of controversy prevails in this respect. While it is widely known that interest groups try and do have an impact on the parliamentary elite, and on policy-making in general this is not publicly admitted. Those who work in this field - either as politicians or experts or in the academia - accept this reality and even would urge the regulation of the process (publicity and regulation being the only means to be able to find out and identify who actually „speaks” when an MP formulates a question or puts forward a proposal), the public remains hypocrite in this respect. People would like to believe that parliamentarians are independent persons, not tied to any worldly interests, but only to their own consciences - while the voters would not oppose (rather they would expect) if that same MP would do case work for them or for the constituency.

We shall begin the analysis from a broader perspective: how has the issue of the conflict of interest emerged and been regulated after systemic change. This is of course a broader issue than interest group connections because conflict of interest refers to a more direct connection, for example to a situation when the parliamentarian is employed by a firm

that can be under direct state influence (that is for example, indirectly under parliamentary supervision). Initially, only the law on the legal status of MPs (Act LV/1990) dealt with some areas of conflict of interest. Finally, (Act V/1997) the areas of the economic conflict of interest were clarified while other areas of conflicts of interest were also summarized in this law. (Kurtán, 2000:113 and ff.) Although there was an attempt from the HSP MPs to challenge this law before the Constitutional Court, the CC suggested modification only with respect to the time framework. It ruled that conflict of interest prevails in those cases as well where the economic post/engagement preceded the political election of the person. As a result, about 30 MPs had to decide in the Second parliament whether they keep their economic position or political position instead. It is interesting that eventually only two MPs resigned from politics. Among others, conflict of interest prevails with respect to the management of public enterprises, the management of firms established or owned by local authority, and in all the firms where state ownership exceeds the 10 percentage level. The regulation is regarded very strict by international standards. Moreover, MPs are obliged to report on their various labour (working) positions, their business firms, positions at foundations and public bodies, and they have to declare in details the economic/property/financial conditions of themselves and the members of their family.

Returning to the more concrete issues in this field, that is to the interest group connections of MPs, the controversial evaluations might prevail because on the one hand MPs admit their contacts with interest groups while on the other hand they are unwilling to reveal concrete cases of influence or the direct impact that interest groups have on policy-making. One side of this paradox can be demonstrated, for example, by Table V. The figures demonstrate that about one-third of MPs say they are very often or often contacted by interest groups via party channels (about 60 percent often or very often responses). From the same survey we know that interest groups most often contact the MPs by letters, while telephoning,

personal meetings, and party channels come "second", virtually with the same proportion (somewhat less than one-third often or very often responses). It is also interesting that about half of MPs' information is reported to come from interest groups, and MPs even emphasize the importance of meeting lobbyists or interest groups (about a half say it is crucial or important, another third say it is important, cc. 15 percent say that it is of little importance, while only a few - 1.6 percent - say it is unimportant). The other side of the paradox can be demonstrated for example with the miniscule figures on the interest groups focus of representation that we have in Table IX when asking about the representative focus of MPs in the Hungarian parliament.

These paradoxes or controversial findings make a different approach more useful. First, it might be better to find out about the concrete interest group background of the MPs, and second to follow concretely how has a certain political decision or a legislative piece been formed or transformed under interest group pressures. While this second approach has not been materialized yet, we have some evidence on the former, namely the interest group connections of MPs (See Table VI). While the interest group connections of MPs have to be examined on the basis of the individual, it is sometimes argued that the parties attempt to establish a network of organizations and groups around themselves because of their low level of embeddedness in the society. Undoubtedly, in several cases it is not difficult to identify the party political "belonging" of an interest group - let it be a certain type of trade union, women's organization, or a professional group. Still in other cases, however, the interest group seems neutral. This is often the case with locally or regionally tied interests, environmental groups, or even cultural associations, groups. Party manifestos or the parliamentary parties' regulations do not include any rules about the interest group membership of interest group representation of the members. Corporate techniques are not looked at favorably in Hungary, and when the HSP established an electoral cooperation with

the National Association of Hungarian Trade Unions (MSZOSZ) the public and political response was mainly negative.

In 1998, data were collected on the concrete interest group membership of the two governing parties, and the Fidesz. The results are shown in Table VI. In the case of each single MP the interest group connections were attempted to identify. The task often proves difficult because not all the connections are reported in the official Almanach of Parliament (Almanach, 1996).

In accordance with standard professional literature the data have been streamlined into five broad categories of interest groups: **entrepreneurial groups, trade unions, professional groups, cultural organizations, and non-party political groups** were identified. At first glance it became clear that there are huge differences between MPs in this respect as well. At one extreme there are quite a few MPs whose interest group connections are zero (or at least officially nothing could have been identified), while in other cases some parliamentarians are connected to 6-8 organizations.

We can note that trade union affiliation is remarkable only with respect to the HSP. Entrepreneurial affiliation is also important with respect to the HSP and to a smaller degree with respect to the Fidesz as well. Professional-occupational groups are important in each party. Since these are almost exclusively intellectual occupational groups, the sociological strength of the highly educated persons (that we shall see when describing the sociological profile of MPs) receives here further emphasis. Connections with cultural organizations also mushroom.

With a further step we tried to find out how far the interest group connections of the MPs materialize in concrete legislative steps: not only the number of their motions, proposals, initiatives was identified, but also the policy fields that they most often touched upon. In some cases, it was possible to find the connection between affiliation and legislative activity. The

overall evaluation at that time was that the Members of the Fidesz touched the issues of possible interest groups the least. Most often they dealt with issues of their own profession, or with issues that they developed responsibility for in the working group of the parliamentary faction. Since the Members of the Fidesz were all list MPs obviously they did not come forward with local interests or issues, but even in the case of the HSP and the Fidesz it was found that MPs rarely engage in constituency problems at this level. Within the Fidesz faction in case of 44 members were interest group connections identified. Out of them 31 MPs often chose or initiated topics that were connected to these groups while 13 did not touch these areas at all.

2.3. Local political connections

Until 1994 some local political posts (mayorships and councillorships) were contradictory to parliamentary positions. This was amended by law (Act XVII/1994). Although the opposition found this unconstitutional, eventually the Constitutional Court accepted the new regulation. Since then many MPs serve in the Hungarian parliament who have also local political positions. It seems that local politics serves as a jumping board for a national political career. At the 1998 elections 14 mayors and 11 vice-mayors were elected (Kurtán, 2000: 112).

While in the previous section we have seen that - at least in the Third Parliament - MPs rarely came out with issues of local political relevance, the impression we can receive from more recent political developments and even from other figures and types of information is that somehow the importance of local politics has been on the increase. Some parties particularly seek to emphasize recently this issue. It occasionally appears as a conflict (or the solution of the conflict) between the capital city and the countryside. In 2000, first the Fidesz decided that the party would balance its ticket between Budapest and the countryside, and then the ISP came out with the idea that the countryside should be represented in the party -

forums, and hierarchy. It is worth noting that in both cases these initiatives were connected to a party crisis. Turning towards local politics, establishing local ties might be a fruitful strategy to increase the parties' shrinking support. Another explanation for the increasing importance of local politics could be that regional differentiation and diversity have reached an unprecedented level in Hungary - for the worse, one can add, because this issue is most often connected to economic, cultural etc. deprivation. Tables VII and VIII provide some evidence on the role and size of local politics. Table VII demonstrates that the number of those MPs who come from local politics in the different parties has dynamically increased through three parliamentary terms. Table VIII adds that in 1994 the share of local councilors reached or increased the one-third level in the larger, parliamentary parties.

The data and the arguments possibly prove that local politics is gaining importance and will deserve extra attention if in the future we want to identify the patterns of delegation or accountability among parliamentarians.

2.4. Constituency connections and general evaluation

The constituency connection was revealed in three consecutive surveys among MPs - together with other foci of representation - thus it is relatively easy to draw some conclusions. In all the three years (1992, 1995, 1999) the representation of the constituency came second. An overall evaluation is provided by Table IX.

The Table shows that representation of party comes third. The other dimensions all appear with smaller percentage figures, but it is interesting that the regional connection (representation of the city or region) here again seems to increase - in harmony with the findings of the previous section. This might be connected to the fact that more and more politicians come from local politics and are tied to local politics through political posts. Differences between direct and list MPs seem to prevail on similar lines over the three terms.

An important feature of the constituency connection is the method by which it is maintained. Some interesting phenomena can be revealed. (See Table X.) During the First Parliament constituency connections were relatively vaguely institutionalized. Since then several positive developments have occurred. More have local office and permanent staff in the constituency, and visits and other connections are also more numerous than in the first period of parliamentary government. List MPs have particularly increased these types of connections. Although we do not quote it here in a table format, but survey evidence also shows that the sources of information for the MPs have been somewhat restructured in the past couple of years. Professional organizations and professional media enjoy a higher profile now than in the First Parliament, and in contrast the meetings with citizens, citizens' forum have lost in the final count. This suggests on the one hand that constituency connection might mean more indirect connections than we assume, and on the other that professional organizations regain importance. The role of media as a source of information has also increased in the third parliamentary term.

The relevance of some of these connections and accountability patterns is demonstrated in Table XI, which shows what impacts or considerations find the MPs important when they make a concrete decision in parliament.

3. Professionalization and Efficiency

As it was already mentioned the conceptual clarification of efficiency is not easy. We hypothesize that professionalization of MPs will indirectly contribute to efficiency as well. In this section we attempt to grasp some dimensions of it both through some characteristics of the parliamentary elite and through the working of parliamentary institutions.

3.1. Political and sociological profile of MPs

The construction of the concept of professionalism is a complex task. Sartori (1971) identified four aspects of it, and some of them are indeed applicable thirty years later as well.

He argues that professionalization includes a functional aspect (the acquisition of skills), a representative aspect (MPs become detached from their social origin), an occupational aspect (they live off politics), and he even adds a personality aspect, which has negative value implications, namely that the professional politicians develop a certain degree of opportunism and neglect of principles to be able to remain in politics under all circumstances. Leaving this last approach out, the other three aspects can be justified. The representative implications were already demonstrated when we analyzed the accountability patterns of MPs. Here we can add that due to the growing consolidation of the parliamentary elite or to put it in another way due to the tendency of decrease in its circulation an ever larger proportion among them chose politics as an occupation.

Table XII simply shows the percentage of MPs with a parliamentary experience. We can see that in 1990 only 5.2 percent, in 1994 36.3 percent, and in 1998 47.4 percent served in parliament before. We can add the assumption that the more experienced the MPs are they are not simply more professional but they might be more efficient in their work - in the sense that they know the rules, norms, regulations, they know how to do the job of a parliamentarian. This is related to the functional aspect. In order to acquire the skills the MPs naturally create an environment, which makes their work easier: most importantly they develop their own field, that is they specialize so that they really become experts or professionals in something. This tendency is visible in the committee framework.

Since committees are fundamental working institutions within the parliament it is revealing how the professional background of MPs within them has been formed. Table XIII shows the proportion of the educational background (put under five broad terms: social sciences, agricultural sciences, medical sciences, engineering, law, and economic sciences) of MPs in different committees. It is clear that committees show different professional degree patterns. For example, in the Constitutional Committee, the Committee on Constitutional

Preparation and Immunity Committee the number of law degrees is much higher than the parliamentary average; economics degrees dominate in the Budgeting, the Economic and the European Integration committees, and humanities degrees in the Education Committee.

While we cannot entirely exclude from the analytical reality those cases when politics determines policies too much, or to put it another way when signs of political voluntarism can be witnessed among parliamentary elites (a counterproductive behaviour to efficiency) the major tendency however is that the majority tries to find his/her field: seeks committee assignment according to his/her qualification and/or interest and seeks to have a policy input on legislation and other parliamentary activities. This tendency of professionalization cannot be questioned. Nevertheless, there is another tendency, which is not contradictory to the thesis of professionalization, rather runs in parallel and has implications on the prospective efficiency of the parliamentary institutions. The concept of career politician - as opposed to professional politician emerged with a new force in the 1990s (Verzichelli, 1998). The career MPs - so the argument goes - get into politics earlier (at a younger age), they are less rooted in party career, they have high social visibility, they have high level professional profile, and very often keep their original occupation which gives them social status. This type of career politician can be already found in the Fidesz - not surprisingly in a party where the weakness of the party organization has made the political mobilization of a potentially professional political elite improbable. In Table XIV we can see the conditions with respect to average age as well, in addition to the fact that the group of managers, entrepreneurs has also increased in the three parliaments. The distinction of career MPs and professional MPs should be a focus of further analysis, all the more so because it will have consequences on the policy making processes and efficiency in general. Western academic literature argues that the former group shows a higher level of politico-administrative experience (Verzichelli, 1998:143) - but they add that this contributes to maintain consensus politics, what is however not at all the case in

the Hungarian context where we can witness several non-consensual tendencies in parliamentary elite behaviour. Table XIV demonstrates some other sociological characteristics of MPs as well.

We know from other sources that the last three Hungarian parliaments are overqualified by any standards (virtually all members have a degree of a sort). On this background the problem and the meaning of representation has often been raised (large social groups simply lost the comparative representative status they seemed to enjoy before). Table XIV goes further than this general evaluation, but it shows the profile of some groups. An increasing number of politicians and a decreasing number of the human intellectuals is a major tendency that we might evaluate as a development towards professionalization of the parliamentary elite.

3.2. Policy-making: actors and facts

In concrete terms, the overall legislative performance of the Hungarian parliament is impressive as far as the number and range of laws are concerned. In the First Parliament 432 and in the Second Parliament 498 new laws or amended laws were passed. In the Third Parliament until December 2000 273 laws were passed (126 in 1999 and 147 in 2000) (See Table XV). Table XV provides several other hindsight into the legislative process - the strength of the different actors (government, committees, and Members themselves) and the proportion of successful bills and their background. It does not require much expansion to draw some conclusion on the parliament-government connections and power-relations as well. Naturally, the government initiates and controls the legislative agenda but as the figures show not to the degree as it is regularly assumed. We can see that a large proportion of bills is initiated by the government (although this did not even reach the 50 percent level in 1999) and also among the accepted bills the government bills do dominate. While we could not include all the information with regard the past decade we know that already initially

committees participated actively in initiating legislation presumably because the first new government was not well prepared to fulfil this function. In the first full year (1991) they proposed close to two dozen laws while in the Second Parliament the entire number of laws initiated at the committee level was not much higher. The government had an increasing role in the Second Parliament in the initiation of bills, while the role of committees undoubtedly diminished, and the role of individual MPs somewhat decreased. The share of committee initiated legislation was 7 percent in the first term and a mere 2 percent in the second term. Their success rates improved: 26 were accepted in the First Parliament (50%) and 11 (68%) in the Second Parliament. The success rate of government bills was well above 90 percent (94) while the success rate of individual members' bills was a mere 18 percent in the 1994-1998 period. The success rate of government bills remained high in the third parliament but became more and more complemented by MPs' initiatives. We must add however that the share of both committee bills and individual Members' bills was very low in 1999, with some increase in 2000. Out of all accepted bills the proportion of MPs' bills was close to 10 percent in the Second Parliament, diminished to cc. 3 percent in 1999 and rose above 10 percent in 2000 (their success rates being 18 percent, 5 percent and 15 percent respectively). Accepted committee bills out of all bills remained notoriously low in these periods: cc. 2-3 percent.

Some preliminary conclusion can be drawn before going into more details: 1) government dominance is complemented by other actors' activity, 2) diminishing government's performance is balanced by individual Members' initiatives and 3) while we know that committees have a large share in the preparation of laws (as well as in other fields) their function as initiator is miniscule.

To understand the function of committees in the legislative process, some elements must be clarified. First of all, the committee does not have the power to postpone decisions on legislative proposals. Moreover, the committee cannot kill a governmental bill, although it has

the authority not to forward private members' bills to the plenary session. The role of committees was meant to increase as compared to the role of individual members according to the Standing Orders of 1994. The committees were given the right to accept or reject the motions and amendments of individual MPs. Previously, all the motions of the individual MPs reached the plenary session, causing an enormous workload. Now, the committees act like a filter, because they do not have to forward an individual MP's motion to the plenary if it does not get at least a one-third support in committee. This saves a lot of work at the plenary level and has an impact on the activities of parliamentary party groups and individual MPs. Even in these cases, however, the parliamentary party group of the given individual member has the right five times during a session to appeal to parliament to place the initiative on the agenda. After these largely formal events and decisions in the committee, it is the Speaker of the House with the House Committee and the less powerful but important Meeting of Committee Chairs who decide to send the bill to committee(s) for the first proper review.

There were some changes between the First and the Second Parliaments in this complex process. Bills were forwarded to more committees in the first cycle than in the second one. The majority of bills were sent both to the Constitutional and legal Committee to help with codification and to the committee(s) functionally related to the bill. Occasionally a committee may ask for a bill even when it is not originally referred to it. The committee itself is entitled to propose amendments. The amending procedure in the committee is finalized with a vote. If there is a minority opinion in committee, it will also be put forward on the plenary. The obvious area for committee activity lies not with the actual bill-preparation but in other parts of the legislative process. For example, in the First Parliament, committees proposed 760 amendments to bills. In the Second Parliament, in addition to amending bills they successfully filtered motions. The committees now are entitled to prepare and present

broad discussion materials to the plenary session for general debate to clarify the implications of a particular piece of legislation.

Besides these institutional arrangements in order to understand the processes of policy making a different approach, a different perspective must also be deployed. In the following we shall briefly examine how parliament-government relations look like and how does decision-making is influenced by the nature of these relations. The most widely accepted model in this respect is that of King's (1976), which was more recently adopted to more than a dozen established democracies (Andeweg et al. 1995) with the conclusion that basically there are three modes of interaction between government and parliament: the non-party mode where the fundamental logic of division prevails between government versus parliament, the inter-party mode where connections are strong between ministers and MPs from the same party and thus they interact with ministers and MPs of other parties either in-coalition or in opposition format, finally the cross-party mode where ministers and MPs combine to interact on the basis of cross party interests.

The analysis of the Hungarian parliament and survey evidence suggest that in Hungary the inter-party mode is the dominant one and occasionally the non-party mode can also be identified but in this respect the MPs often complain about the remoteness of their own ministers. Members of government are often non-party members, which makes this opinion even more justified or in the other cases they have a high party political profile, which again distances them from „grey” parliamentary members. Table II has already provided a broad overview on the decision-making partnership among MPs. Tables XVI/a and XVI/b show more clearly the mandate type and the political profile dimensions. It is the members of own faction that MPs consult most often before making a decision while government representatives and even their own faction leader are regarded as more remote actors. They hardly consult with colleagues from opposing factions. This clearly contradicts to the

assumptions that we put forward before, namely that with the development of professionalism more technocratic methods of policy making will evolve thus possibly contributing to the efficiency of parliamentary institutions. All in all, we have to add that controversial tendencies reveal themselves: incumbency, transformation of the social background, some signs of the appearance of career politicians, intentions to develop an expertise approach etc. cannot surpass strong government dominance and party-dominated political divisions.

3.3. Committees and policy dimension

Despite the above pessimistic statement it is worth examining the committees in more detail because potentially an institutional determinant of parliamentary elite efficiency might be the committee framework itself: what can they do in committees? As we have seen, regarding legislation, committees have the right to initiate and amend bills, but their right to turn down bills is limited to private members' bills. The activity of committees is mainly determined by the Standing Orders, but everyday practice is often formed without the 'authority' of the Standing Orders. In addition, the Standing Orders are occasionally modified by statements of the House Committee, the Meeting of the Committee Chairs, or the Constitutional and Legal Affairs Committee. This committee is one of the most active in the House and has a particular authority in legal and procedural affairs.

An important external activity of the committees is the connections and consultations with experts. There are virtually no permanent experts connected to committees, but they are invited to give their expertise in concrete cases. The amount available to prepare background materials is very limited, although there is some increase since democratic parliamentary government was established. The committee chair frequently invites the experts but members can propose them as well. A majority of the committee must agree on the suggested person. Despite limited opportunities there are big differences in whether committees use experts and how often they use them. There is also a difference in whether the experts are more closely

tied to the chair or to the committee as such. A chair with strong position in the party hierarchy and/or one who is closely tied to the professional field of the committee will play a more activist role. This is also true of external connections. Whether or not to invite the press, how often, if at all, to hold a public meeting will largely depend on how the chair perceives the function of the committee.

Another important external connections are to organizations and interest groups. Committees seek to involve them, and thus they invite groups that they think would be interested in the discussion of a given bill. In the first parliamentary term this tendency was still relatively vague, but in the second term it became common practice that committees inform and invite interested groups to their meetings. This became more common after a register of interest groups or lobby-list was put together by the Secretary General of the House. The lobby list is a public document, published in official format. Nevertheless, we cannot witness in Hungary anything like an iron triangle between committees, government, and interest groups or the situation when interest groups do consciously place members into committees. Committees tend to be the potential forum for experts and are not dominated by interest groups.

The committees can initiate institutional changes within parliament, particularly concerning the committees themselves. For example, as a functional differentiation, sub-committees might develop into proper standing committees. This is what happened to the agricultural committee. Initially it existed as a subcommittee within the economic committee, but in the face of functional demands it developed into a standing committee. Altogether the number of standing committees has increased from 10 in 1990 May to 22 as of now. In parallel with this the number of standing committee positions has grown from 249 to 486 (by June 2000). This indicates that there are more positions than MPs, and since only a mere 47

MPs do not have a committee position (mainly due to government or other obligations) many MPs have more than one committee position.

Subcommittees are worth considering from other respects as well. Different committees can form a joint subcommittee. This provides an opportunity for introducing new forms of cooperation and diversification, while the activities of the MPs are removed from party restraints. For example, the subcommittee, which considered the law on ethnic minorities within the Human Rights committee, developed into an all-party forum of cooperation in its field while remaining connected to the committee.

Subcommittees embody the tendencies that many parliamentarians report missing and would like to envisage as dominant future trends. That is professional viewpoints are more pronounced in subcommittees with regard to membership and policy-making behavior. At the same time subcommittees are less strictly formalized. For example, there is no quorum for decision-making; anybody can participate with the right of discussion; invited experts can join in the discussion without the formal voting procedure and special permission that prevails in standing committees; advisers who can really contribute information and expertise can substitute for members of the subcommittee although they are not entitled to vote. These features indicate that subcommittees have the potential to develop into an important background institution in policy-making.

While subcommittees might acquire an increasing role in the legislative function of committees, committees have potentials in oversight. The oversight function of committees is much wider than that of the plenary session, not to mention here those special - but rare occasions - where particular investigation committees are created to look into a concrete political matter. Due to their external connections and rights, the committees can control public officials and make them report to the committee. They can also examine the implementation of laws and the general consequences of a legislative piece. As a special field,

related both to legislation and oversight, each committee is involved in budget issues. Analysts generally agree that committees still do not utilize their oversight opportunities to the extent that is possible under the laws and Standing Orders.

It would be possible to widen the committee potential by establishing a circle of experts around the committees. Despite financial constraints, it will be in the interest of each party to ensure an intellectual capacity around the committees irrespective of party membership. This will happen when it is understood and accepted that each party can be in the opposition, and thus would need expertise independent of the parliamentary party group and government resources. In fact, all MPs, when asked about their needs, admit that this development would be essential.

It is possible and desirable, MPs say, to involve interest groups more fully in the work of committees. Of course, these changes would reinforce each other: a larger policy-making or oversight role will attract more external input from experts or interest group, and external inputs will increase the influence of the committees.

The above potentials embedded in committees are important to note for three reasons. First, the committees exceed the opportunities of the plenary sessions because party restraints are less obvious within committees. Second, due to their size, inclination, functional position etc., committees might be the forerunners of some tendencies that can develop in the wider parliamentary framework. And third an increase in the functional importance of committees is very much in harmony with the opinion of members, who - according to interview evidence - seek the ways and means to turn from party centered to more policy centered parliamentary institutions. Time, financial and party constraints are the major limitations on parliament in most parliamentary democracies. Some of these constraints are impossible to eliminate. Nevertheless, some do not seem eternal and might diminish in face of functional transformation and changing orientations.

With respect to limitations, differences between committees become obvious. The subject area of a committee will determine how seriously it is taken by the governmental or external experts. This is reflected in the number of bills referred to committees, in the number of reports they receive, etc. On the other hand, relatively weak committees might compensate for their limited strength in some areas by increased activity in other areas, for example by attracting more external attention. Another difference results from special constitutional regulations regarding certain subjects of legislation. That is, several policy areas require a two-third-majority vote. Although this was not a problem in the Second Parliament when the government had a safe 72 percent majority both in the House and in committees, important decisions that would otherwise take place in the committee are transferred to all-party bodies with respect to these bills requiring a two-thirds vote. Although these committees are important due to their subject areas, they lose their importance in the concrete processes.

Very often, of course, the weaknesses or shortcomings of committee work are not rooted in the committees themselves. Committees cannot be well prepared if the government's programs are not precise. Although the government puts forward its prospective legislative plan, some of it is never or belatedly placed in front of parliament. Others appear unexpectedly not providing the committees with the opportunity to prepare their positions. In addition to this, the ministries have diverse attitudes to committees. While the ministries' working programs could be a major source of assistance with the preparation of committee work, committee members report that cooperation with the ministries largely depend on personnel and party sympathies and the professional connections between the ministerial staff and committee members.

The life of opposition committee members is made difficult due to several other reasons. For example, minority experts are only rarely invited to committees. Most often it is

the expert of a majority parliamentary party group who helps the committee. This means that minority opinion cannot be supported by the opinion of a minority expert.

In addition to these mainly party-related problems, it is a major complaint of committee members that their role is only secondary in deciding the agenda. That is, they cannot report in advance on issues that they find important. They cannot draw the attention of government to certain subject areas where action would be necessary. Of course they can put pressure on their parliamentary party, but this is conclusive only if the party is in government.

Whatever the shortcomings are, the MPs became more interested in and more conscious of the committees. This was demonstrated both by a questionnaire survey and by interviews about committee work. (See Tables XVII and XVIII) In the questionnaire, the MPs were asked to evaluate three fields of committee activity: legislation, government oversight and public relations. In the Second Parliament legislation was regarded the most successful area, although it only received a middle grade, while government oversight was graded lower, and public relations the lowest. Differences were not significant between government and opposition MPs' answers.

The lack of a significant difference agreed with the findings of the interviews, also conducted in the period of the Second Parliament, namely that a common committee position sometimes diminishes the importance of party-political loyalty, and helps a common committee rationale to develop. Nevertheless, in the Third Parliament everything changed. There developed a common understanding that committees perform better in scrutiny than in legislation, but what is even more important is that government and opposition opinions moved apart: government MPs became more critical and their evaluation was opposite. This reflects the weakness of non-party mode of government-parliament relations as discussed above, as well as the division between party-government leaders (the top elite) and the

backbenchers who are either individualist career politicians or are exposed to the criticism of the external party as opposed to the parliamentary faction.

Another question asked what the MPs thought about the government's attitudes towards committee work. In the second term a not insignificant number of MPs from the government and the opposition (8 percent), thought that the government is not receptive to the committees' work. In contrast, the differences were high between government (32 percent) and opposition (5 percent) respondents who believed that the government cares about the committees' activities. In the Third Parliament the picture is painted darker: 24 percent reports on the government's lack of responsiveness - the opposition MPs are particularly dissatisfied - and altogether the share of those who thinks the government responsive is negligible. Obviously, the government majority in committees is better connected to ministries and the executive in general than the opposition but the figures also reflect hostile and tense atmosphere dominating the Third Parliament. The above analysis suggests that committees exist under particular political constraints even if they have broad political institutional freedoms and promising personnel professional tendencies within them.

3.4. The EU challenge

As it was mentioned at the beginning of this chapter it is more appropriate to apply a new, broader chain of delegation - even if not accountability - in the current examination of parliamentary institutions because new and influential actors appeared on the scene. The information provided in Tables XIX - XXVI show how the responding MPs see one of these new actors, the European Union. Initially it must be mentioned that with the exception of the smallest parliamentary party, the PHJL all other factions advocate pro-European political opinions, which of course does not necessarily mean that they are equally supportive of concrete policy consequences as well.

The answers reveal that the majority of respondents have not yet been fully exposed to the EU challenge (personal- institutional contacts are minimal), but they know that Hungary's entry would imply more tasks - which they find more important to mention than the improvement of quality of laws or legal safety in general as a potential consequence. In concrete numerical terms they do not hide the opinion that EU internal problems explain the joining process the most, and also they are lukewarm or rather oppose the broadening of EU powers or that the EP directly make laws concerning the member states. It seems clear that with the entry the Hungarian parliamentary political scene will be not less divided on this issue than in any other countries. On the other hand, however, an overwhelming majority thinks that the entry serves the best interest of Hungary.

Having looked at the parliamentary elite - both in the context of its personnel attributes and in the context of the institutional environment - we also tried to grasp its features, potentials, tendencies of professionalization and efficiency with respect to its activities. Despite the amount of diverse information our conclusion at the end of this chapter remains controversial: **tendencies of professionalization versus political constraints** contradict each other. Politics and policies do struggle in this field. In the coming chapter a closer look on the economic policy making will help to reveal which is the prevalent tendency. We must make sure and emphasize here however that a limited time framework (a mere period of ten years) does not necessarily allow to draw some final conclusions.

Table I
Division of Seats in the First, Second, and
Third Democratic Parliaments 1990, 1994, 1998 (N and %)

	1990		1994		1998	
	N	%	N	%	N	%
HDF	164	42.5	38	9.8	17	4,4
AFD	92	23.8	69	17.8	24	6,2
ISP	44	11.4	26	6.7	48	12,4
HSP	33	8.5	209	54.1	134	34,7
Fidesz	21	5.4	20	5.1	148	38,3
ChDPP	21	5.4	22	5.7	–	–
PHJL	–	–	–	–	14	3,6
Others	11	2.8	1	0.2	1	0,2
Total	386	100.0	386	100.0	386	100

Table II
Who do you consult with before making a decision
(1: most often, 5: most rarely)

	1992	1995	1999
<i>Members of own faction</i>	2.3	2.3	2.2
<i>Leader of own faction</i>	3.6	3.7	3.6
<i>Members of other (government) factions</i>	3.9	3.7	3.8
<i>Members of other (opposition) factions</i>	4.0	4.1	3.9
<i>Government representatives</i>	3.7	4.0	3.7
<i>Representatives of interest groups</i>	3.7	3.5	3.4
<i>Experts of own party</i>	3.0	2.9	2.5
<i>Independent experts</i>	3.4	3.3	3.0

Source: Ilonszki, 2000: 219

Table III

**How important is the faction meeting in your parliamentary activity
(percentage, in 1995)**

	<i>All</i>	<i>Direct MPs</i>	<i>List MPs</i>	<i>Government MPs</i>	<i>Opposition MPs</i>
<i>Very important</i>	22	12	31	16	50
<i>Important</i>	68	74	62	75	36
<i>Not important</i>	10	12	8	9	14
<i>No response</i>	–	2	–	1	–

Source: Ilonszki, 2000: 219

Table IV

Percentage of MPs who had party position at the time of election

<i>Party</i>	<i>1990</i>	<i>1994</i>	<i>1998</i>
<i>HDF</i>	68.4	39.5	29.4
<i>AFD</i>	88.9	32.9	45.8
<i>ISP</i>	94.4	42.3	18.8
<i>HSP</i>	58.6	15.3	9.7
<i>FIDESZ</i>	100	35.0	18.9
<i>ChDPP</i>	100	42.5	–
<i>PHJL</i>	–	–	42.9
<i>Total</i>	77.5	27.5	18.7

Table V
Breakdown of interest group contacts via party:
by government versus opposition

<i>frequency of contact via party</i>	<i>never</i>	<i>Rarely</i>	<i>sometimes</i>	<i>often</i>	<i>very often</i>	<i>row total</i>
<i>Opposition</i>	<i>12.3</i>	<i>7.0</i>	<i>28.8</i>	<i>42.1</i>	<i>8.8</i>	<i>57</i> <i>46.3</i>
<i>Government</i>	<i>32.2</i>	<i>33.3</i>	<i>–</i>	<i>30.3</i>	<i>7.6</i>	<i>66</i> <i>7.6</i>
<i>Total in Numbers (N:123)</i>	<i>21</i>	<i>26</i>	<i>37</i>	<i>29</i>	<i>10</i>	<i>123</i>
<i>Total in %</i>	<i>17.1</i>	<i>21.1</i>	<i>30.1</i>	<i>23.6</i>	<i>8.1</i>	<i>100.0</i>
<i>missing cases: 1</i>						

source: Montgomery, 1996

Table VI

**Interest group connections of the members of three
parliamentary parties 1997–1998**
(FIDESZ data include the ex-ChDPP members who have joined the faction)

<i>PARTY/TYPE OF INTEREST GROUP</i>		<i>1997–1998</i>	
		<i>NUMBER</i>	<i>%</i>
<i>HSP</i>	<i>business/entrepreneur groups</i>	56	26.5
	<i>trade unions</i>	9	4.3
	<i>professional groups</i>	56	26.5
	<i>cultural, ideological groups, groups that support some public interest</i>	79	37.4
	<i>groups with political aims (but non-party)</i>	11	5.2
<i>AFD</i>	<i>business/entrepreneur groups</i>	4	6.0
	<i>trade unions</i>	0	0
	<i>professional groups</i>	18	26.9
	<i>cultural, ideological groups, groups that support some public interest</i>	37	55.2
	<i>groups with political aims (but non-party)</i>	8	11.9
<i>FIDESZ</i>	<i>business/entrepreneur groups</i>	5	15.6
	<i>trade unions</i>	0	0
	<i>professional groups</i>	7	22.2
	<i>cultural, ideological groups, groups that support some public interest</i>	32	100
	<i>groups with political aims (but non-party)</i>	10	30.2

Table VII
Percentage of MPs who had local political background

<i>Party</i>	<i>1990</i>	<i>1994</i>	<i>1998</i>
<i>HDF</i>	10.5	7.9	41.2
<i>AFD</i>	5.6	11.4	8.3
<i>ISP</i>	5.6	23.1	25.0
<i>HSP</i>	0	35.3	9.7
<i>Fidesz</i>	0	10.0	50.7
<i>ChDPP</i>	0	27.3	–
<i>PHJL</i>	–	–	14.3
<i>Total</i>	4.6	27.5	29.0

Table VIII
**The percentage of 1994 candidates for parliament
who held elected political office between
1990 and 1994 by party**

Party	Member of Parliament	Mayor	Local councillor
	%	%	%
HSP	9.9	5.0	34.3
AFD	35.7	10.9	31.7
HDF	39.6	6.3	29.7
ISP	2.7	7.1	23.0
ChDPP	11.7	8.8	38.9
FIDESZ	14.0	7.6	37.7
PHJL	4.8	0	14.3
Of total+	10.3	5.1	21.5

+ including all the other parties, that is non-parliamentary parties

Source: Sebestény (1994).

Table IX**Who do you represent in your parliamentary work (the number and % of respondents)?**

	Total						Direct members						List Members					
	number			%			number			%			number			%		
	1992	1995	1999	1992	1995	1999	1992	1995	1999	1992	1995	1999	1992	1995	1999	1992	1995	1999
city, region	11	15	13	9,8	11,5	13,7	2	6	7	3,6	9,2	-	9	9	6	14,8	13,8	-
constituency	27	33	23	24,1	25,2	24,2	24	32	21	42,9	49,2	-	2	1	2	3,3	1,5	-
interest group	2	2	-	1,8	1,5	-	-	-	-	-	-	-	2	2	-	3,3	3,1	-
Party	20	16	18	17,1	12,2	18,9	5	5	6	8,9	7,7	-	15	11	12	24,6	6,9	-
Ethnic minority	-	1	-	-	0,8	-	-	-	-	-	-	-	1	1	-	1,6	1,5	-
Citizens of the country	38	50	32	32,5	38,2	33,7	21	17	11	37,5	26,2	-	17	32	21	27,9	49,2	-
a social group	11	9	5	9,4	6,9	5,3	2	2	-	3,6	3,1	-	10	7	5	16,4	10,8	-
Other	7	5	4	6,3	3,8	4,2	2	3	1	3,6	4,6	-	5	2	3	8,2	3,1	-
no response	-	1	-	-	0,8	-	-	1	1	-	1,5	-	-	-	1	-	-	-
Total	117	132	95	100	100	100	56	66	47	100	100	-	61	65	50	100	100	-

Table X

**How do you keep contact with your constituency?
(% of those who responded with yes)**

	Total			Direct Members			List Members		
	1992	1995	1999	1992	1995	1999	1992	1995	1999
Has local office	53	58	57	77	74	72	31	40	42
Has permanent staff in the constituency	48	61	54	66	74	68	31	48	40
Regularly visits constituency	64	68	79	86	96	96	45	40	63
Organizes meetings	75	67	79	80	77	75	71	57	83
Receives mail	43	45	43	59	62	53	29	28	33
Only limited contacts	4	2	–	4	–	–	5	3	–
Has no constituency	20	26	24	–	–	–	39	52	47

Table XI

When you vote in parliament what do you consider in the decision?
(average, 1: most important, 8: least important)

	Total			government parties			opposition parties		
	1992	1995	1999	1992	1995	1999	1992	1995	1999
Interest of the whole country	2,0	2,2	2,0		2,3	1,9		2,1	2,1
Own conscience	1,8	2,4	2,0		2,4	2,4		2,5	1,8
Need for political stability	3,2	3,8	3,9		3,7	4,1		4,3	3,8
Opinion of voters	3,6	3,8	3,4		3,9	3,5		3,7	3,3
Opinion of the parliamentary faction	3,7	3,9	3,4		4,0	3,2		3,3	3,5
Opinion of government	4,9	4,5	5,3		4,1	3,2		6,9	6,8
Interest of a social group	5,3	5,9	5,6		5,9	6,7		5,8	4,8
Opinion of an interest group	6,2	6,9	6,9		7,1	7,0		6,3	6,8

Table XII

Percentage of MPs with a parliamentary experience

Party	1990	1994	1998
HDF	4.8	68.4	35.3
AFD	2.1	75.7	83.3
ISP	0	26.9	33.3
HSP	20.7	15.3	83.6
Fidesz	0	70.0	18.9
ChDPP	0	36.4	–
PHJL	–	–	7.1
Total	5.2	36.3	47.4

Table XIII

Professional background of MPs in committees in percentage

Committee	social sciences		agriculture		medical sciences		engineering		law		economic sciences	
	1997. dec.	2000. july.	1997. dec.	2000. july.	1997. dec.	2000. july.	1997. dec.	2000. july.	1997. dec.	2000. july.	1997. dec.	2000. july.
Constitutional	19	9	7	0	0	0	3	6	63	86	3	0
Interior Affairs	13	16	16	13	10	7	13	7	16	26	16	26
Foreign affairs	29	67	3	0	6	17	9	3	12	3	18	10
Defence	25	12	15	30	0	0	16	18	0	18	16	24
Budgeting	10	26	17	18	0	0	10	11	10	5	47	40
Economic affairs	3	28	9	13	0	0	31	25	3	3	44	28
Social affairs	16	30	4	0	40	52	0	0	12	0	26	9
Environment	5	48	5	19	16	5	37	19	11	10	11	0
Cultural	45	88	0	0	0	0	5	0	10	4	10	0
Human rights	36	63	5	4	5	0	9	4	14	4	5	13
Education	62	42	4	0	0	8	12	21	0	0	12	25
Agriculture	0	10	63	48	13	10	3	7	0	7	3	14
Immunity	27	53	0	0	0	7	0	0	46	40	0	0
National security	27	33	9	7	0	0	9	7	27	27	18	7
Integration	0	38	7	14	0	3	14	7	7	7	71	28
Auditing	12	17	12	22	8	6	20	11	20	6	20	39
Employment	21	18	0	12	5	12	5	12	5	6	16	41
Social organizations	18	56	12	6	6	0	12	6	6	6	0	12
Constitutional preparation	8	-	0	-	4	-	4	-	77		0	-
Youth and sport	-	62	-	8	-	4	-	12	-	0	-	8
Tourism	-	44	-	9	-	-	-	22	-	-	-	26
Regional development	-	28	-	24	-	7	-	24	-	3	-	14
Agenda	-	15	-	8	-	0	-	23	-	54	-	14
Entire parliament	9	34	9	12	7	6	10	11	21	16	9	17

Table XIV
Some sociological characteristics of MPs 1990-1998
(in percentage)

	HDF			AFD			ISP			HSP			FIDESZ			ChDPP			PHJL			Total		
	1990	1994	1998	1990	1994	1998	1990	1994	1998	1990	1994	1998	1990	1994	1998	1990	1994	1998	1990	1994	1998	1990	1994	1998
average age	44.7	49.6	46.8	42.4	45.4	47.5	58.6	56.4	50.8	52.0	45.3	48.5	27.8	35.2	41.3	54.7	54.1	-	-	-	52.9	46.0	46.5	46.1
teachers, university professors	21.8	18.4	0	16.0	14.3	4.2	2.0	4.0	9.3	12.1	13.5	8.5	18.2	15.0	11.2	4.8	18.2	-	-	-	21.4	16.1	13.8	9.4
writers, journalists	3.6	0	0	1.1	1.4	0	1	0	0	6.1	1.9	0.8	4.5	5.0	0	9.5	4.5	-	-	-	0	3.6	1.8	0.3
lawyers	7.3	13.2	14.3	12.7	12.9	12.5	3.0	12.0	9.3	0	4.3	3.1	0	0	7.4	14.3	13.6	-	-	-	7.1	7.5	7.4	6.6
managers, entrepreneurs	10.9	10.9	0	14.9	18.6	4.2	8.0	4.0	16.3	6.1	24.0	21.7	9.0	15.0	16.9	9.5	9.1	-	-	-	0	11.4	18.8	16.6
politicians	0	5.3	42.9	0	4.3	70.8	1.0	12.0	23.3	21.2	16.3	35.7	4.5	35.0	27.9	0	9.1	-	-	-	21.4	2.3	13.3	33.2

Table XV

Number and Percent of initiated (and accepted) Bills by Source

Initiated by:	1994-98		1999		2000	
	N	%	N	%	N	%
Government	470 (434)	61%	131 (118)	55%	128 (123)	52%
Committee	16 (11)	2%	8 (3)	3%	11 (7)	4%
MPs	290 (53)	37%	96 (5)	41%	109 (17)	44%
Total	776 (498)	100%	315 (126)	100%	248 (147)	100%

Table XVI/a

**Who do you consult before making an important decision (1999)
(average, 1= most often, 5= most rarely)**

	Direct MP	List MP	Total
Members of own faction	2.15	2.25	2.20
Faction leader	3.74	3.54	3.64
Members of other government factions	3.79	3.96	3.83
Members of other opposition factions	3.94	3.87	3.90
Government representative	3.70	3.69	3.69
Interest group representative	3.40	3.48	3.44
Party expert	2.49	2.47	2.48
Independent expert	3.15	2.86	3.00

Table XVI/b

**Who do you consult before making an important decision (1999)
(average, 1= most often, 5= most rarely)**

	Government	Opposition	Total
Members of own faction	2.20	2.20	2.20
Faction leader	3.50	3.74	3.64
Members of other government factions	3.54	4.13	3.83
Members of other opposition factions	4.18	3.70	3.90
Government representative	3.03	4.19	3.69
Interest group representative	3.69	3.26	3.44
Party expert	2.62	2.37	2.48
Independent expert	3.12	2.91	3.00

Table XVII

**MPs' Evaluation of Committee Functions
How Do You Evaluate Your Committee's Work?**

Func tion	Total		Government MPs		Opposition MPs	
	2 nd Parl.	3 rd Parl.	2 nd Parl.	3 rd Parl.	2 nd Parl.	3 rd Parl.
In Legislation	2.4	3,5	2.4	3,9	2.7	3,2
In Scrutiny	3.3	2,8	3.3	3,3	3.7	2,4
Public Relations	3.6	2,8	3.6	3,3	3.4	2,5

Note:

Responses are average scale scores:

1 = Excellent

5 = Poor

Table XVIII

**Committees and Government Responsiveness
How Responsive is the Government to Your Committee's Activity? (In % of Repondents)**

Respon- siveness	Total		Government MPs		Oppisiton MPS	
	2 nd Parl.	3 rd Parl.	2 nd Parl.	3 rd Parlm.	2 nd Parl.	3 rd Parl.
Very	28	24	32	52	5	7
Not very	64	52	60	39	86	59
Not at all	8	24	8	9	9	33

Table XIX

„Have you received ample information for decisions concerning Hungary's EU membership?" % of responses, 1999-2000

	Direct MP	List MP	Government	Opposition	Total
Yes and rather yes	89.3	84.0	95.2	80.0	86.6
No or rather not	10.6	14.0	2.4	20.0	12.4
Do not know	-	2.0	2.4	-	1.0

Table XX

„How many times have you had any official contact with the following institutions during this parliamentary term?" (3rd parl)

(average; 1= none, 2= once or twice, 3= more often)

	Direct MP	List MP	Government	Opposition	Total
European Parliament	1.49	1.47	1.59	1.40	1.48
Parliament of a EU country	1.82	1.86	1.93	1.78	1.84
Parliament of a EU associated member country	1.65	1.63	1.88	1.46	1.64

Table XXI

„What do you think the EU legal regulations would imply for the Hungarian legislative process?“ (% of respondents)(3rd parl.)

	Direct MPs	List MPs	Government	Opposition	Total
More administrative tasks	67.0	50.0	61.0	56.4	58.3
Improve quality of laws	48.9	58.0	51.2	55.6	53.7
Increase legal safety of citizens	52.2	74.0	61.0	65.5	63.5

Table XXII

„In your opinion what inhibits detailed talks about EU entry?+ (average, 1 most important, 5 least important)(3rd parl.)

	Direct MPs	List MPs	Government	Opposition	Total
EU internal problems	1.96	1.78	1.66	2.02	1.87
Fear of some EU countries from losing EU support schemes	2.50	2.09	2.10	2.42	2.29
Instability of candidate countries	3.52	3.59	3.58	3.53	3.56
Economic difficulties of candidate countries	2.41	2.65	2.71	2.40	2.53
Other	3.67	3.50	3.75	3.50	3.57

Table XXIII

„Would you rather support or oppose the broadening of EU powers?“ (average: 1=strongly supports, 7= strongly opposes)(3rd parl.)

	Direct MPs	List MPs	Government	Opposition	Total
	3.41	3.06	3.39	3.11	3.23

Table XXIV

„Would you personally support or oppose that the EP directly make laws concerning the member states?“ (3rd parl.)

(average: 1=strongly supports, 7= strongly opposes)

	Direct MPs	List MPs	Government	Opposition	Total

	4.15	3.96	4.34	3.84	4.05
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Table XXV

„What do you think is the role of economic and political interests in Hungary's entry to the EU?”(3rd parl.)

(average:1= most important, 5= least important)

	Direct MPs	List MPs	Government	Opposition	Total
Economic interests	1.70	1.64	1.68	1.65	1.66
Political interests	2.19	2.38	2.32	2.26	2.29

Table XXVI

„To what degree do you believe that EU rules and decisions serve the best interest of Hungary?”(3rd parl.)
(% of respondents)

	Direct MPs	List MPs	Government	Opposition	Total
Yes and rather yes	89.3	96.0	95.2	90.9	92.7
No and rather not	6.4	2.0	4.8	3.6	4.1
Do not know	4.3	2.0	-	5.5	3.1

CHAPTER II

Economic policy-making under parliamentary control: taxes and budgeting, and their institutional control mechanisms

1. Macro-Economic Policy in the 1990s: Antecedents and General Trends

If one is to understand economic policy of the 1990s in Hungary, and *mutatis mutandis* in the postcommunist world, he has to start by pointing out macro-economic trends and political intentions to be conditioned by the failure of centralized communist economic policy. In Hungary economic reform projects had been put forward since 1957 with temporary results in 1968 when strict central control was eased, and steps were taken to introduce market conform measures, also known as the idea of market socialism. After a setback in the early 1970s and the experience of a shocking fiscal crisis in 1981, Hungary's ruling party, the Hungarian Socialist Workers' Party gave way to an almost decade long attempt at liberalizing tight communist economic control without letting substantial changes in both economic and political institutions. As a result incremental changes were implemented in economic policy gradually leading up to a point where there was no return: either drawing the political conclusions of introducing market elements, and changing the institutional frameworks, or dragging on stalemate with an unpredictable end.

Changes on macro-level economic policy were the precursors of imminent political changes. The banking sector in Hungary, for instance, was undergoing substantial change in 1987. A two-tier banking system was introduced and as a result already in 1991, the number of financial institutions was more than forty, most of them joint ventures. In the following year, in 1988 January 1, a new taxation system was introduced with all the constituent elements that a free market economy can calculate with, i.e. personal income taxation, sales tax etc. By 1989 it had become crystal clear that „second economy” functioning in the shadow

of the struggling state owned enterprises cried out for dramatic changes in ownership structure. János Kornai in his world-wide known pamphlet, translated into 17 languages since 1989, began by discussing issues of property saying that „An economic crisis is said to be in Hungary. In my view it is only half of the truth. There are severe macro-economic tensions and unbalances [...] The biggest sector, that is the state owned enterprises are faring ill. But at the same time economy has a healthy part: the private sector” (Kornai, 1989: 13). Dozens of macro-level economic projects were framed in 1989 (see, for example, Berend, 1989), all of them focusing upon assisting private enterprising and providing favorable conditions for a free market economy.

Considerable consensus had evolved regarding the most urgent macro-level economic preferences. There were two main priorities and a number of particular suggestions how to implement economic transition in the light of the two priorities. The first of them was to open up Hungarian market to the world, and second, to restructure Hungarian economy to be able to meet free market standards. To achieve this the following projects would have to be implemented:

1. Establishing an institutional framework of market economy including economic policy-making;
2. Rearranging property structure, i.e. giving free way to private ownership without restrictions, thus introducing a mixed property structure;
3. Giving free rein to economic competition;
4. Letting foreign investors act by means of legal warrants in Hungary, even encouraging them by tax allowances;
5. Stopping further indebtedness to foreign banks;
6. Anti-inflationary policy;
7. Making Hungarian currency convertible;

8. Improving the taxation system.

We can safely declare that these policies were unanimously supported by all political parties in their electoral programs for the first free elections in the spring of 1990. After the first elections, an unexperienced group of politicians began to implement the above list of macro-economic policies. In practice, the first politically sensitive issue was what to do with Hungary's 22 billion USD foreign indebtedness. One of the first acts of the new government was to announce that Hungarian Government would honor its international obligations. It meant that the Government did not ask for so-called debt-easing or even for rescheduling paying due interests after loans. Second related major issue was Hungary's relationship with the IMF and other international financial institutions in general. Partly because of the remarkable achievements in the very first year of the regime change, the balance of payments in convertible currencies improved a lot. In 1990, Hungary had a surplus of 127 million USD, „an improvement of more than 1.5 billion on the hard-currency current account against 1989 and a five percent positive adjustment, in terms of the GDP [...] In 1990, Hungary not only met but overfulfilled the performance criteria under the one-year Stand-by Arrangement concluded with the International Monetary Fund” (Surányi, 1991).

In 1991, the Government adopted a new mid-term economic program as a basis for the three-year Extended Financing Facility Arrangement with the IMF, which meant that Hungarian Government was able to ensure the support of the IMF. Throughout the 1990s the issue of Hungary's relationship with the IMF was a recurring source of political debates with growing populist overtones, and has contributed to the development of radical right wing rhetoric. Monetary economic policy became a word of abuse in this rhetoric. We might say that this was a natural and predictable political cost of debt management, which despite quick achievements had remained the heaviest burden on Hungarian economy at least until 1997.

In practice, until 1995 four intertwined issues dominated Hungarian economic policy: privatization, debt management, budget deficit, and the inflation. These issues were intertwined and their internal conflicts led to radical conclusions in 1995 when Bokros-package had to be passed in Parliament. Firstly, the First Parliament (1990-1994) passed many economic related statutes, mainly privatization laws, but its positive impacts could not be felt immediately. What is more, privatization could only be accomplished during the Second Parliament, when utility companies, second chunk of telecommunications and large banks were sold following the British pattern of sale to the highest bidder (cf. Csaba, 1999:114). Secondly, despite initial successes in debt management, Hungary's debt burden was far too high in absolute terms and compared to the GDP, although the Government could manage it. Thirdly, the gravest problem was, however, the budget deficit. In 1995, György Surányi, the President of the Hungarian National Bank said to the reporter in one of his interviews: „It is very important to convince the population that a budget deficit is the greatest burden on a nation's economy. If they ask why there is inflation, why taxes are so high, why we have a huge current account deficit, the answer to these questions is the same: the budget deficit. The government is clearly overspending, not compared to the people's needs but compared to what the economy can afford” (Surányi, 1995). It is true that inflation rate was still close to 30 percent (28.2 %) in 1995. And the Government put forward its budget restructuring program (also known as „Bokros-package”) on March 12, 1995 which is regarded a landmark in Hungary's economic policy of the 1990s. Its essence was to trim budget deficit but not by increasing taxes, which were extremely high, but by reducing state expenditure in order to „have potential for substantial, steady growth”. Before the March 12 stabilization program, the Governments of the day confined themselves to popular acts that would stimulate the economy. According to János Kornai this program was concerned with „restructuring in the utilization of production, with shares of exports and investment rising

and that of consumption, especially collective, budget-financed consumption, falling” (Kornai, 1999: 83). Thus internal tensions of economic policy was eased by transferring resources from consumption to production. As a consequence the proclaimed idea of social market economy was suspended in respect of state benefits and allowances yielding criticisms on both political sides.

From a political point of view the Bokros-package or restructuring program definitely put an end to the overall consensus about macro-economic policy objectives, which was reflected by party splits and parliamentary debates over budgets, and more markedly, over tax law amendments. Somebody had to pay the bill that was left behind by communist years. Governments, for obvious reasons, supported the private sector at the expense of the public sector.

Restructuring can be said to be successful in terms of macro-economic standards, but it also produced political and social by-products. Society has been divided into a third of beneficiaries (e.g. new entrepreneurs etc.) and a two thirds with relatively low permanent incomes or none, of poverty, and of various forms of deprivation. Politically, radical populism has gained grounds with rhetorical elements refusing monetarist economic policy. But there are historical parts of this rhetoric rooted in Hungarian political traditions with concepts like „third way” which should not be mistaken with its current socialist use in Europe, because it refers to a radical rejection of both capitalism and socialism applied in mid-war period; reservations, even hostilities against aliens, distrust of the city, and last but not least anxiety about ethnic Hungarians living in neighboring countries etc. The appearance and steady growth in support of the Party of Hungarian Justice and Life (since 1998 it is one of the parliamentary parties) is the evidence that Hungarian party system is still split along at least two axes: one is the *postcommunist vs anticomunist* political parties and issue networks, and the other is a newly evolving cleavage between *pro-EU vs anti-EU* political forces. The first

cleavage has been the central issue or dividing line in the Hungarian party system since the beginning of the systemic change, and became more intense after the 1998 elections to be won by a right wing coalition urging „more than a change of government, less than a systemic change”.

To understand this political atmosphere, one has to take a look at both sides of the political spectrum. On the one hand, the Hungarian Socialist Party, the successor party of the Hungarian Socialist Workers' Party has been pursuing a pragmatic, technocratic economic policy inculcating monetarist economic policy, and many of its supporters involved in privatization often labeled as „nomenclature privatization”. The Socialists' coalition partner, the Alliance of Free Democrats between 1994 and 1998 was an ardent supporter of neoliberal economic policy urging defending free market mechanisms. On the other hand, the Hungarian Democratic Forum, the Independent Smallholders Party, and after the 1994 elections the Fidesz-Hungarian Civic Party, and the Party of Hungarian Justice and Life, adopted an anticommunist rhetoric which initially could not offer an alternative economic policy. The only exception was the Party of Hungarian Justice and Life, which was born out of an internal split in the Hungarian Democratic Forum, and which criticized the major elements of the economic policy from scratch: in privatization they saw nothing else than the perpetuation of the power of ex-communists, foreign investors were profit-maximizers extracting their profits from Hungary and destroying home industry, and buying markets rather than developing production, monetary policy was the rule of the banks, accusing Socialists and Free Democrats of betraying national interests. No wonder that after 1995 anticommunism was further articulated with emphasis on the state's duty to intervene whenever national interests are judged to be threatened by a blind monetary economic policy. Its most radical version was worked out again by the Party of Hungarian Justice and Life: they wish to supervise privatization; to reform the banking system depriving the Hungarian National Bank of its

special status and introducing tight state control over all banks; to prohibit foreigners to purchase arable lands; to postpone Hungary's joining the EU following a longer period of preparation. Other right wing parties do not share this radicalism which is proved by their firm intention to meet EU standards and to join the EU.

It is, however, true that meeting EU standards posed new challenges to Hungarian Governments with regard to macro-economic policy-making. If we recall the initial items of macro-economic agenda, we can say that inflation has proved to be the most enduring problem, and currently it still needs to be reduced below 5 percent from its present level of 9-10 percent.

In sum, we can say that economic legislation between 1989 and 2000 has managed, with defects, to comply with the needs of a newly emerging market economy, which was one of the shared political goals of political agents in Hungary. By 2000 transition to market economy can be seen as a finalized project in terms of legislation, institutions and political agenda. In the late 1980s there was no doubt that communist planned economy failed, and market economy had no alternative. In practical terms it meant that the whole legal framework had to be changed on the basis of the political consent of all relevant political parties, and with special emphasis on privatization and private enterprising. Thus the political consensus about reintroducing private ownership can be regarded the political core of all legal and institutional changes that were implemented in the 1990s. Preference was given to economic legislation to provide the indispensable legal conditions for establishing a market economy, and its vital institutions. Today the proportion of public and private ownership in Hungary has completely reversed – whereas public ownership exceeded 90 percent in mid-1980s, private ownership now dominates Hungarian economy by 80 percent, and the only issue remained is whether further privatization is desirable or not. But this issue is part of normal discussions akin to similar ones in developed free market economies.

Here we have an opportunity to support our general statements about economic legislation in the 1990s by resorting to comparative data about economic legislation (see Table 4). This table shows that equal number of bills (141;141) were passed in the First (1990-1994) and the Second Parliament (1994-1998), and even their proportions were roughly the same (29.4%; 28.3%). The composition of draft bills was, however, slightly different. Among the most often debated economic issues by the First Parliament were social security, taxation, privatization, state budget and landed property (see details in Ágh, 1995: 172; and Ágh, 2001). In this period vital and decisive bills were passed providing a basis of more refined economic legislation more characteristic of the Second Parliament. According to quite a number of political analysts, mostly cultural-ideological issues dominated the First Parliament, whereas economic issues came to the foreground in the Second Parliament. What we can safely say is that economic issues appeared in equal number in both Parliaments, but there was a shift in scope of legislation. The activity of the Second Parliament in economic legislation mainly concentrated upon amending already existing fundamental economic laws. Beyond question budget and additional budget, taxation and amending passed taxation laws were dominating the floor in Parliament of any year, but long term significant bills were passed by the First Parliament. No doubt that the Second Parliament was very active in economic legislation, but accomplished what the First Parliament had begun in privatization, social security, reforming bank system etc.

Political tensions fuelled by economic problems. Even the most pragmatic issues like economic policy-making should, however, be examined by taking into consideration the following particular political and economic conditions and circumstances characteristic in post-communist Hungary. The following four items wish to point out the shadowy elements of systemic change in terms of economic policy making:

1. Historically speaking, the political transition from a planned economy to a market economy unavoidably leads to strong political overtones to every single act of economic policy-making. Paradoxically the goal of minimizing the role of the state in economic issues initially strengthened its positions despite political determination to reduce state interference with economic issues. Suffice it to refer to some 1,200 Billion HUF (cca. 4.28 billion USD) spent on a project called „Bank Consolidation” over the years of 1990 through 1999. At the same time declining economic figures incurred socio-political expenses by diminishing real value of social welfare benefits, and by cutting back public expenditure in general. As a result the most demanding areas of public expenditure, like public health care, education and pensions, have had to pay the price, thus producing grave tensions between the government and diverse social groups. In short, the initial political consensus about the role and significance of central economic policy-making has become fragile, or even ceased to exist by 2000 favoring political forces challenging the new institutional and legal frameworks of a free market economy;

2. In the case of Hungary, the almost unmanageable amount of foreign loans (cca. 20-22 billion USD in 1989) accumulated and misspent during the communist governments has extremely limited the opportunities of economic legislation. A little more than 14 percent of the budget of 2000 still had to be spent on clearing foreign debts;

3. The rearrangement of the legal framework could follow economic needs only with defects, which implies that various means of accountability have proved to be insufficient in certain cases to properly controlling public spendings;

4. Finally, the political cleavages and the newly established party system have considerably shaped economic policy-making as we have pointed out in the Introduction. It means that despite standards of rational decisions, economic policy-making, in particular cases, fell victim to particular lobby interests, and likely to contribute to the rise

of unwanted developments as „black economy” (according to modest estimations in 1997 cca. 28-29 percent of all incomes originated from illegal or semi-legal economic activities; the tendency has, however, shown a decline, and in 2001 the same index stands at 15-18 percent), „mafia-type economic activities” (e.g. oil fraud cases producing political scandals and legislative investigation), and a very low level of taxation morals.

We do not want to suggest that these phenomena dominate, but cannot be ignored either. They are meant to bridge the gap between the more technocratic aspects of macro-economic policy and their possible political implications. Below we offer an overview of four distinct elements of economic policy making and their control trying to point out the relevant legal conditions and the major issues within each domain characteristic in the 1990s. These four areas are the Hungarian National Bank, State Audit Office, budgets and taxation.

Before entering into details a general note is needed to corroborate what we have already stressed in the Introduction about the relationship between the Legislation and the Executive. The constitutional arrangement elaborated and adopted in 1989 vested considerably strong entitlements with the Legislation to be able to control the Executive. This system is usually referred to as „parliamentary system” or „cabinet system” in contradistinction to the presidential systems. The tendency has, however, favored the Executive, and today some political scientists tend to talk about presidentialisation of the cabinet government system in which the Executive and the Prime Minister managed to gain the upper hand over the Legislation. This phenomenon is best described and analyzed in the British case, but in Hungary similar developments have been observed. In practical terms it means that the weight of the Legislation has been diminishing compared to that of the Executive, which in turn, softens up limits imposed on the activity of the Government. It also implies that we have to be cautious about the distinction between overall constitutional arrangements and actual

happenings and moves. We cannot, however, begin our treatment of the subject other than describing the constitutional frameworks.

2. Constitutional Frameworks of Budgeting and Economic Policy-making, and Particular Institutions: the Hungarian National Bank and the State Audit Office

The new, amended Hungarian Constitution (October 23, 1989) gives a general outline of the powers and responsibilities of various state institutions to be involved in economic policy-making. These constitutional parts are the Government, the Parliament, the State Audit Office, and the Hungarian National Bank. The most important deconcentrated institution controlling the implementation of the government's taxation policy is called Tax and Financial Control Administration (APEH) should also be mentioned.

For planning and implementing the economic policy of Hungary the Government bears chief responsibility. It is the Government that „ensures the elaboration of social and economic plans and sees to their implementation” [(Hung. Cons. Chap. VII. Art. 35 (1)]. The Government puts forward the budget on an annual basis, although the Orbán-led coalition Government put forward a two year budget for 2001 and 2002, which was passed by the majority of the Parliament in due course in December, 2000. Passing bills of budget is regulated by law, and despite strained and harsh debates about amendment proposals Hungary has had a new budget each year.

The duties and responsibilities of the State Audit Office and the Hungarian National Bank are treated by the Hungarian Constitution under Chapter VI. The State Audit Office is „the financial and economic accounting organisation of the Parliament. It is its duty to exercise control over the management of state finances and the Budget”, and also „checks the final accounts of the State Budget” [(Art. 32/C (1)]. The Office has a wider scope of activities beyond controlling the Budget, since it „controls the management of State assets, the wealth-preserving and wealth-increasing work of State-owned companies and enterprises”. The

Office is to report on its findings to Parliament, and the reports must be made public. The President of the Office is responsible for the Parliament, and should submit the final account to Parliament. The findings of the State Audit Office, however, has no binding force, i.e. its activity fits in more a counselling body than a powerful state institution.

The Constitution is rather succinct on the describing the duties of the Hungarian National Bank. It says: „It is the responsibility of the Hungarian National Bank to issue legal tender in the manner determined by the law, to protect the stability of the national currency, and to regulate the circulation of money” [Art. 32/D (1)], and „The President of the Hungarian National Bank is appointed by the President of the Republic for a term of six years” [Art. 32/D (2)]. It means that the Prime Minister in office has no direct impact on the selection of the President of the Hungarian National Bank, though it is the Prime Minister who suggests a candidate for the particular position. The Prime Minister has no direct control over the President of the Hungarian National Bank either, which is an element of balance of power in the Hungarian government system. The period of six years in office also underlies the independence of the President of the National Bank in Hungary. Finally the Constitution defines the duty of the President as follows: „The President of the Hungarian National Bank presents to Parliament a report on the activities of the Bank once a year” [Art. 32/D (3)]. Though the Hungarian National Bank is an independent institution of the state, it is also liable to cooperate with governmental organs like the Ministry of Finance, as it is outlined in the Act on the National Bank. The Act gives a more detailed description of the duties and responsibilities of the National Bank. Their cooperation rests on their joint responsibility for economic policy, first and foremost, fighting inflation.

The heads of all these organisations – the Government, the President of the State Audit Office, the President of the Hungarian National Bank – are obliged to report about their annual activities to Parliament. Parliament, in turn, has a duty to make decisions, i.e. whether

it approves the reports or calls for further clarification. It is a peculiarity of the Parliamentary procedure that in principle Parliament is to vote about the President's annual report, however it is also possible that the House does not wish to do so, which actually happened several times in the 1990s, and simply takes cognizance of the report (which consists of several hundred pages). This is a further proof of fairly wide range of the independence of the Hungarian National Bank. The chief means in the hands of Parliament of controlling the National Bank is the Board of Supervision that consists of four members, including the President of the National Bank and three other respectable experts appointed by Parliament. A further check on the National Bank is provided by the Ministry of Finance that has the right to appoint auditors to carry out regular examinations.

There is, however, a significant difference between these institutions from a political point of view. Budgeting and taxation policy are directly exposed to party clashes and bargaining processes, but the activities of the Hungarian National Bank and the State Audit Office keep a relative distance from everyday politics and collisions. It implies that the latter two institutions should be studied more along the lines of specialised and professional issues than the previous two fields where party politics does have a direct impact upon both budgeting and the formation of taxation policy.

2.1. The Hungarian National Bank, 1991-2000

Hungarian banking system, in accordance with international standards, has developed into a three level system which was missing at the time of the systemic change. Initially, in lack of clear division of banking functions, the profile of the Hungarian National Bank was mixed having functions, for instance, a commercial bank. One of the first problems was to define the functions of the Hungarian National Bank depriving it of elements and duties not reconcilable with its primary role, i.e. being the central bank of the country. Redefinition and reorganization was already reflected by the Constitution which clearly speaks about the

Hungarian National Bank in terms of a central bank, the chief responsibility of which is „to protect the stability of the national currency”.

The Hungarian National Bank is a bank of issue, or the central bank of the Hungarian economy. It serves the economic policy of the day by means of monetary decisions. Its activity is regulated by the Act of LX/1991. The primary duty of the National Bank is to protect both the internal and external purchasing power of the national currency. It is solely entitled to issue bank notes and coins, and obliged to accumulate reserves in gold and foreign currencies to support a safe background for the nation's economic life. Through regulating the amount of money available at a particular point of time, the National Bank is capable to influence credits obtainable in the economic system. Another means in the hands of the National Bank to influence the activities of other banks is when it sets the rates of exchange and interest rates, or determines the level of compulsory reserves of commercial banks. The National Bank has the right to define the rules of exchanging home currency to another currency, and vice versa.

It is the National Bank that keeps the central account, and other state accounts which are selected by the Minister of Finance. This fiscal central account is the unified account of the Government and the budget, which is the financial resource of four sub-systems: 1. The central budget; 2. The social security funds; 3. The finance of local self-governements (e.g. grants etc.); 4. Five independent state funds introduced in January 1, 1996 such as a/ Labour Fund, b/ Public Roads Fund, c/ National Cultural Fund, d/ Central Environment Protection Fund, f/ Water Conservancy Fund. In 1998 the Hungarian Parliament raised the Central Nuclear Financial Fund to prepare the demolition of the only Hungarian Nuclear Power Station at Paks when it becomes necessary some time in the future. Until December 30, 1996 the National Bank was responsible for controlling foreign debts of the state, afterwards these items are registered in the budget, thus separating two unmatching functions, i.e. the fiscal

and monetary functions; by this move the annual balance of the National Bank has become more transparent, and element of distortion was removed; and finally, the improvement of the relationship of the budget and the National Bank contributed to meeting international standards, including those of the European Union. Under special conditions, however, the Central Bank may give credit to the central budget, but its amount cannot exceed 2 percent of revenues of the budget in a year in question.

Surveying the issues and problems that the National Bank had to face in the 1990s mainly as a result of the collapse of command economy, and the ensuing political changes, we can identify the following ones:

1. Since the infrastructure of the National Bank was outdated, huge investments had to be made under unfavorable economic conditions. The most qualified personnel was lured by other banks and foreign enterprisings in early 1990s. The National Bank was involved in activities alien to and unusual for a central bank, e.g. it possessed commercial banks. The most serious defect, however, was that no law on the National Bank was enacted until 1991. Other vital economic laws were also missing, and it took years to enact them. Let us take a closer look at the pace and order of economic legislation between 1988 and 1997, which can be regarded as the establishment of the legal framework of a new, market-oriented economic policy. We can distinguish two sets of laws facilitating economic systemic change. Firstly, we find laws regulating economic activities on micro economic level:

A/ The Act on Association (Act of VI/1988) enacted in 1988 allowed private entrepreneurs, irrespective of their nationalities, to found private companies, i.e. foreign investors were free to come to Hungary, and set up businesses of their own without limitations. This law was modified in 1997 (Act of CXLIV/1997).

B/ In 1990, two important economic laws were enacted: 1. Act on Securities and Stock Exchange (Act of VI/1990); 2. Act on Economic Competition (Act of LXXXVI/1990). This latter one includes paragraphs on unfair economic activities, abuse of monopolistic position etc.

C/ The Act on Bankruptcy (Act of IL/1991) was enacted in 1991, just like the Act on Accountancy (Act of XVIII/1991).

Secondly, we have laws enacted to assist the economic development and restructuring the whole economy on macro level:

A/ A number of laws and statutory instruments have been enacted to regulate economic interest representation, e.g. Act on Labour Code (Act of XXII/1992) defined the rights of the Trade Unions.

B/ The Act of XXXVII/1992 established the foundations of state fiscal law leading up to the foundation of the State Treasury in 1996; the Act on Customs (Act of C/1995) and the Act on Foreign Securities (Act of CXLVII/1995) are meant to regulate sources of revenue.

Needless to point out that the laws mentioned above are only a narrow segment of economic legislation, and are given to demonstrate the speedy and profound changes by economic policy to make the political systemic change complete and irreversible. We can conclude that economic legislation had finished to enact basic laws by 1997. What is more, the products of Hungarian legislation, including regulation of the Hungarian National Bank, can be seen as compatible with EU economic policy standards.

2. Between 1992 and 1994 there was a deepening recession in Hungarian economy, and banking sector was not exempt from it either. The tight monetary policy insisted upon by the IMF had a reverse effect what had been expected. Both the Antall and Boros government were struggling with given circumstances which involved a cornered position of the budget, diminishing GNP, decreasing revenues from taxes, soaring inflation and rising

unemployment, the interests rates fell below the level of inflation, and what was more depressing was the counter-productiveness of the monetary policy. Hungarian national currency was revalued, a sign of softening up tight monetary policy, and almost unbearable deficit in balance of payments (3.5 billion USD) plagued the whole economy. In 1994 as a result of the new parliamentary elections a socialist-liberal coalition government was formed, but they were also unable to change the course of economic developments. For months, for example, there was no President of the Hungarian National Bank, and a bill of supply had to be passed without significant effects. Two outside warnings sped up governmental decision-making. Both the financial crisis of Mexico starting in February, 1995 and Hungary's worsening evaluation by international credit banks urged the Hungarian government to take steps to consolidate Hungarian economy. In early 1995 the new Minister of Finance, Lajos Bokros submitted his Project of Stabilization that meant to be „a small shock therapy” („Bokros-package”) which included a number of dramatic cut-backs in public expenditure.

To the greatest astonishment even to the members of the Government, there was no serious setback as a consequence of strict fiscal measures, and in fifteen months later, in the fall of 1996, three percent economic increase was registered that has been unbroken, and seems to hold on unless unfavorable external factors intervene. At the end of 2000 Hungarian GDP has risen to 4.5 percent. After 65 years Hungarian national currency was again officially declared convertible on January 1, 1996. To avoid revaluation of Hungarian currency, with consent of the National Bank, the Government, as a part of the Bokros-package, introduced a new element of economic stabilization policy called crawling peg or „automatic” devaluation of the national currency in each month (March 16, 1995). Thus any speculation against Hungarian currency could be repelled, and parallel large capital influx to Hungary helped to decreased both gross and net debts. Within two years, 1995-1996 the amount of foreign state debts halved. Inflation rates have also been decreasing stopping at around 9-10 percent in

2000. Favourable economic trends did continue after 1998 elections when a centre-right government, led by Viktor Orbán, was formed.

A short reference should be made to the political conditions and aftermaths of this painful but successful economic policy. On both ends of the political spectrum bitter resentment against capitalism (on the left) and foreign investors, „aliens” in general (on the right) appeared, and gained political support to the extent that the Party of Hungarian Justice and Life managed to pass the 5 percent threshold, and got into the Parliament in the elections of 1998. This radical right wing party was extremely active politically to criticize the activity of the National Bank, and directly launched an attack against its President, György Surányi (1990-1991 and 1994-2001).

Through György Surányi’s career one can have a more profound understanding of the relationship between the three peaks of a triangle: the National Bank, the Governments and the Legislations of the 1990s. György Surányi was in his mid-30s when he first took the Presidency of the National Bank of Hungary in July 1990. He held that position only 16 months before the then Prime Minister József Antall, angered by Surányi’s signature of a political petition (Democratic Charter), replaced the young and ambitious technocrat. The petition in question was a document and action of the political left that was seeking ways of discrediting the right wing coalition raising doubts about its democratic commitment, and helping to forge an alliance between the post-communist Hungarian Socialist Party and the other newly emerged liberal parties (AFD and Fidesz). The framers of the document also organised mass demonstrations in the streets of Budapest. No wonder that József Antall, the Prime Minister removed György Surányi from his post, thus in turn, he provoked a fierce debate in Parliament. It took place on December 2, 1991, and the opposition protested on the grounds of civil servants’ independence of the executive. Nobody denied that the Prime Minister acted lawfully: since the new law on the National Bank came in force just on

December 1, 1991, he had a right to select a new President. Because of the coincidence of these two events, the Prime Minister had an opportunity not to nominate György Surányi again, who was replaced by Péter Ákos Bod. The Prime Minister in his parliamentary address declared that „the President of the National Bank should not support the politics of any parties, should not be involved in any political activity, and obviously cannot be an MP”.

György Surányi was reappointed in 1994, and he held his position, serving the maximum period of time in office the Constitution allows, until March 1, 2001 when he was followed by Zsigmond Járαι, the Finance Minister between 1998 and 2001. Although there were tensions between the current Prime Minister, Viktor Orbán and György Surányi, none of them proved to be sufficient enough to develop into a paralyzing open conflict, and they managed to cooperate despite a pressure of the radical Party of Hungarian Justice and Life on him. The primary butts of the radicals’ renewed accusations were the monetarist policy with all its dire social and economic consequences, the malfunctioning banking system, and „international plundering and preying capital”. Traditions of xenophobia and antisemitism were also revived, and they claim to represent „genuine national interests”.

There was a particular issue, however, that was especially uncomfortable for György Surányi. It was about the case of „CW Bank”, an affiliate of the National Bank in Vienna. This bank suffered tremendous losses over years, and the President had to defend himself and the National Bank against political criticisms which might have easily led to his early removal. Finally, he could produce evidence that he did everything he could to clear this case, and his stay in his post can be regarded as a proof of the independence of the National Bank from the Government.

On the radical left, on the basis of similar experience, the efficiency of the monetarist economic policy was questioned, because perfunctorily following Western patterns may lead to unwanted economic results. A typical line of argument is expressed in the following: „The

tight monetary policy insisted upon by the IMF led to considerable inter-enterprise debts and fatally undermined the position of the banks. As in many other Eastern countries, the banking system is struggling to cope with these accumulated debts which have already led to banking collapses [...] In Hungary the banks with the highest number of bad debts were given more budget support from the state [...] What is worse is that decisions about which banks and companies would survive were made upon inherently political criteria depending upon links with governing parties and powerful individuals. So 'money does not function as money' even in the banking sector [...]". (Andor-Summers, 1998:63) Arguments of this sort is typical, because the banking system, with the National Bank on top, is the focal point of the merits and demerits of the economic policy pursued in the 1990s. Dissatisfaction with the banking sector is justified on the grounds that the measures and the monetarist orthodoxy recommended by the IMF and followed by Eastern European countries could not uniformly be fruitful, and the political implications has to be still handled by a morally destabilized political community. When we are describing the results of the economic policy, one should not forget about its political implications.

There have been flaring up debates in Parliament since 1990 about the Governments' alleged intentions to curb the independence of the National Bank. These debates followed a hollow and stereotype pattern: the opposition accused the Government of curtailing the Bank's independence, and the Government denied it. Only the two above mentioned cases were exceptions: György Surányi's signing a political petition in 1991, and the case of the CW Bank in the late 1990s. Perhaps it is a proof for the independence of the National Bank that the Act regulating its work did not have to be amended in the 1990s. Its amendment is, however, underway because of Hungary's determination to meet EU standards in this field, too. The bill is likely to be passed in 2001.

2.2. *The State Audit Office*

If Hungarian National Bank is one of the safeguards of the implementation of economic policy ever, thus representing national interest in economic policy, the State Audit Office should be looked upon as the highest accountancy institution of the state that is liable to control the legality and efficiency of state spendings, thus being the highest state organization of accountability. The State Audit Office being an independent government organization is subordinated exclusively to law. Its structure, rules of appointments and procedures are regulated by the Act of XXXVIII/1989. Two thirds majority of the legislation is needed to the amendment of the law on the State Audit office.

The Structure. The Office is headed by a President and two Vice-Presidents who are elected for 12 years, the longest term in office compared to other high ranking state officials (cf. Constitutional Court Judges are elected for 9 years; the President of the Hungarian National Bank is in office at best for 6 years, the President of the Republic is elected for 5 years), and they can be reelected. Their legitimacy rests on a nomination procedure which prescribes that an 8 member committee of the Parliament should propose nominees for its presidency and vice-presidency.

The Office's work is divided among four directorates including the Directorate of Analysis, Methodology and Informatics, Directorate of Budget Control, Directorate of Local Self-Government and Territorial Control, and Directorate of Public Property Control, and several departments which provide the necessary conditions of the proper work of the four directorates.

The Duties. The Office has a control over the following fields:

1. It is to control the state's fiscal management including the budget with a special emphasis on
 - the observance of the law of annual budget

- justification of revenues and spendings, legality of receipts
 - stopping any attempt of exceeding limits of spendings or transference of items of spendings from one category to an other
 - whether efficiency and economy of spendings are considered,
 - whether the costs of implementation of a policy can be reduced;
2. Handling of budget credits, its use and clearing
 3. Management of state property
 4. Activity of enterprises in public ownership
 5. Management of social security as part of public finances
 6. Administration of local self-governments
 7. Administration of above mentioned independent state funds
 8. Appropriation Accounts of the Budget.

The Office has the right to control any decision that might involve revenues and spendings, but to preserve its independence, it never controls in advance. In the cases of voluminous or large projects, controlling consists of setting goals and particular sequences of achieving them. Sequencing makes filtering out bad decisions easier. By its very nature, such control may be carried out only after implementation of economic policy projects, budget etc. Nevertheless, timing of control is of vital importance in order to impede or stop illegal use of public spendings. The scope, frequency and applied methods of control are also regulated by the law. In the following areas regular control is ordained:

- legal inspection of issuing bank notes and coins by the Hungarian National Bank
- credit flow between the National Bank and public finances is controlled annually
- financial control of political parties also takes place regularly

- the same goes for chapters of the budget and the independent state funds.

Any other control is decided by the President of the Office. The Office has a right to ask for any sort of information, supporting documents and receipts.

Giving Advice. The Office is not only required to point out defects or illegal transactions in the government system, but is also expected to recommend means of improvement, or simply counselling on the basis of its previous experience. The Parliament and the Government can make a special use of the advice during budget-making. Idiosyncratic feature of the Hungarian Government system that there is no independent professional agency solely serving and assisting the work of legislature. Instead, the State Audit Office fulfils the function of giving advice on various occasions.

The Influence of Politics. The Office does not have to evaluate political decisions, to the contrary, it has to be kept aloof from political clashes. On the other hand, the Office may examine preconditions of political decisions in respect of whether they really exist and the likely impacts of particular decisions. Raising public funds, for instance, for a particular project is not a duty of the Office, but it can examine if the desired aim was furthered or not by raising funds in question. The Office is required to examine public spendings formally, whether laws and rules are violated, and it is forbidden to consider economic policy substantially, i.e. influencing policy-making through evaluating political views, let alone party programs or actions of any political agents in the political arena.

Without Force of Sanctions. It is a crucial issue if the Office has any force of sanctioning as a result of its findings. The answer is in the negative, for the Office does not have a right to sanction. It is, therefore, often called „a knight without a sword”. All the Office can do is to send over its findings to the head of the institution to be controlled by the Office, may suggest further steps, and if they deem responses or corrections made unsatisfactory, the President of the Office may directly turn to Parliament seeking intervention. The Office has

other means as well, it may, for instance, initiate punitive sanctions and go to court, freeze assets, or block payments, and it has a right to countersign applications for credits.

Experiences and cases in the 1990s. Predominant area of investigations is the budget. Since roughly half of five thousand billion HUF (cca. 8.92 billion USD), the total sum of revenues in a year, is concentrated and allocated by central budget, the Office has to take control over a large field of spendings. In the early 1990s it was urgent to work out a system of control lacking a basis of comparison, fix a new set of principles of transparency, accountability, and perhaps the most enduring problem, to establish a reliable data-base. This latter problem has not been solved yet, despite constant efforts and investments. Only one example for the difficulties that had to be overcome: documents about outside debts accumulated and kept for decades were destroyed in the archives of the National Bank due to a leak in the water-pipe, therefore a new data-base had to be made eliciting the necessary information from fragments and indirect sources.

Paradigmatic cases. It was the State Audit Office that examined huge investments financed from the budget in advance. There have been three outstanding investments in Hungary in 1990s which needed repeated control: 1. The Bős-Nagymaros Dam on the Danube that has had international legal implications when Hungary backed down from a bilateral agreement concluded with ex-Czechoslovak state back in the 1970s; 2. The aborted World Exhibition project in 1994; and 3. The construction of a new National Theater. In the first case, the Office registered some 100 billion HUF (0.36 billion USD) loss until 1990, thus informing political leadership the volume of possible further damages. In the second case, the Office had a duty to warn the Government that neither the amount of predicted costs, nor the financial resources were on a par with the actual costs. Finally, the Government gave up the project under both political and professional pressure. In the third case, the high risks of implementing this grand project were highlighted by the Office. Though this issue has more

symbolic meaning for Hungarian political forces, I would even venture to say that the political battles over the building of a new National Theater, an idea going back well before the political transformation in 1989, resemble more to a routine military exercise than a real military confrontation – the trouble is that the budget has already paid through the nose for symbolic politics. And the State Audit Office has just been doing what is required of it to do: giving warnings about wasting public funds.

A more complicated and longer story is the control of privatization by the Office. According to the incumbent President of the State Audit Office, Árpád Kovács has distinguished at least four stages of dismantling public property. Privatization can certainly be examined on various grounds, and the view of the State Audit Office is only one of it. Every single move in this field is highly sensitive politically. From the financial control's point of view, the most we can do is to try to demonstrate the deficiencies of privatization by grouping phenomena and findings available in the statements of the Office. The four stages are as follows:

1. *Spontaneous privatization between 1988 and 1990.* As a result of the new market-conform laws, a spontaneous wave of privatization began, the essence of which was to establish new firms by separating units of state owned companies, and leaving behind only the headquarters in public ownership. „The whole process producing several hundred billion HUF state deficit was one of the reasons for launching a project of bank consolidation” (Kovács, 1998: 197) – an unbiased statement about a widespread phenomenon that served as the basis of an argument that was to be elaborated later by radical populist political forces challenging the legality of privatization.

2. *Mass privatization between 1990 and 1995.* It began in 1990 conducted by a separate state organization called State Property Agency founded in the same year. The State Audit Office had a lot of troubles to follow the activities of the State Property

Agency. According to their examinations, there were serious defects in handling information, rules of activity, decision-making processes, internal control, exact book-keeping of costs and incomes, and feedback of implementations. Most defects were abolished by 1992. The Office saw the gravest problem in the lack of clear principles of privatization including, for instance, preparing a precise state property balance. The first balance of the State Property Agency was drawn only in 1993, and its precision was not unassailable either. By the end of 1994 private property had become dominant in several segments of economy, such as food industry, construction industry, commerce etc.

3. *Multinational companies in Hungary.* In 1995 a new law of privatization was enacted to speed up the space of privatization. At this stage multinational investors appeared in Hungary, and despite relative slack in privatization, selling parts of the energy supplier companies to foreign investors sky-rocketed revenues of the state. This did not, however, mean that internal problems of control were eliminated. The Office had to pay careful attention to bank consolidation which was a precondition of stabilization aimed at by Bokros-package.

4. *Final stage after 1996: international issue of bonds.* The most marketable sectors of economy had been privatized by 1996. Yet a considerable group of firms, especially in heavy industry, mining, transport industry, despite hundreds of billions HUF allocated from the central budget to support such public enterprises, almost all of them were staggering on the verge of collapse. Either closing them down, or selling them at any price remained the only option. The first alternative would have had uncalculable political consequences, therefore the latter alternative presented itself as a viable solution with its more calculable political impacts (another argument favoring the position of radicals on both sides; and also increasing tensions in the job market). In most cases public enterprises were sold in the final stage of privatization within the framework of a trade-

off: these firms were offered at very low prices in exchange for promises not to close them down. Home investors also appeared in the privatization market, which finally led to the ending of mass privatization, i.e. private ownership has been dominating Hungarian economy since 1997. Árpád Kovács writes: „Final decisions about public enterprises cannot be evaluated without considering preconditions and outside determining factors, nor can they be evaluated good or bad” (Kovács, 1998: 201). Strangely enough the President of the Office who has been in his chair from the beginning, is very succinct on this point and only refers to „anomalies” or „mistakes”, and judges the course of privatization a success story on the whole. It is understandable, for he was, if only an outside but very close, observer of privatization that might still be carrying sparks of later political conflagration by which I wish to refer to the dubious legitimacy of privatization partly corroborated by the findings of the State Audit Office.

New Challenges. In recent years the Office has realized new requirements to meet. After joining the NATO and planning to enter the EU, the nature and scope of auditing have significantly changed. Internal standards and rules of auditing should be matched to international standards. A relevant example is the control of military funds which should meet NATO standards, otherwise NATO would be obliged to take control without the Hungarian State Audit Office. Beyond problems of auditing methods and standards, Parliament ought to consider to allow the Office to implement financial controlling abroad, and accept payment for it. A draft bill has already been submitted for detailed discussion in order to lift legal impediments in this respect.

Another challenge is to improve internal auditing procedures. In the next two years, the Office would like to visit each local self-government at least once in every four years, i.e. between two local self-government elections, and take regular control of their activities. Since there are 3, 200 local governments in Hungary, to achieve the goal needs a real improvement.

There is also a lot to do in controlling parties and election campaign funds. In statements of the Office it has become known that current rules of political campaigning are not satisfactory. Difficult to tell, for instance, which funds can be regarded campaign funds, and when campaigns actually begin. Defects of current regulation of campaign finances and party finances in general came to be publicly known in 1994-5. Most party officials would not admit that they also grow on campaign funds, the origins of which are difficult to judge. But in cases like the so-called „Tocsik-case”, in which a lawyer, called Márta Tocsik, now under punitive proceedings, acted as a mediator between central government and local self-governments during the socialist Horn-government in order to facilitate flow of funds, turned out to be a case of party financing as well (a considerable proportion of Tocsik’s payment, according to the indictment, would be transferred to both coalition parties of the day).

In summary we can say that the Office has not been attacked by political parties, and have not been involved in activities beyond its entitlement. It is, however, true that the findings of the Office do not have binding force upon political agents, so we can regard it an institution with weak powers, the prestige of which rests on its findings, which grows together with reliability of data and advice that helps deputies to see clearly when discussing bills like the budget bill.

2.3. Budgeting in the 1990s

„One of the problems of analyzing budgeting in Hungary involves definition and measurement [...] Hungary does not have a unified national budget in the American sense” (Leloup et. al., 1999: 200), which means that is very difficult to compare it to the budgets of other nations. What we can safely say is that Hungary’s annual budget is made up of four subsystems:

1. *Central Government or State Budget*, which is the largest element, and is based on revenues coming from VAT, personal income taxes, corporate taxes, excise taxes, and roughly until 1997, from income through privatization of public property;

2. *State Bureaucracy and Ministries*, which is under the control of cabinet ministers who have discretion over the spendings of funds allocated by an act of Parliament;

3. *Social Security Budget*, which encompasses an insurance system financed by taxes on employers and employees. This system was self-governing until 1998 when the Orban-led government abolished it for overspendings and inefficient management, and transferred its control over to the Ministry of Finance;

4. *Local Self-Government Budget* which encompasses local self-government financing disposing of national and own-source revenues.

Each budgetary institution is responsible to Parliament. In each subsystem a report has to be presented to Parliament every year.

Budgets throughout the 1990s were under at least two major constraints. One was the external constraint meaning debt service which reached 28.8 percent of total state expenditure in 1994, and dropped to cca 14 percent by 2000. The other constraint was different in nature but not isolated from the previous one: after 1990 annual budget deficits rose to about 8 percent of GDP, and what was worse, deficits were financed with foreign loans and by issuing money fuelling inflation the rate of which was kept well over 20 percent until the mid-1990s (it began to decrease considerably after 1996-7). These two major reasons in themselves would have been enough to introduce austerity measures which were introduced on March 12, 1995. The Finance Minister, Lajos Bokros submitted a supplementary budget proposal („Bokros-package”) to Parliament. It devalued the Hungarian currency (Forint), proposed new revenues, such as duties on imports and tuition for college students, as well as cuts in social

welfare projects like family allowances. The austerity measure reduced state deficits, and in the following year (1996) it was 6.3 percent of the GDP. Politically Lajos Bokros could not be defended, he resigned a year later, and the new Finance Minister, Péter Medgyessy proposed further changes by extending tax base, reforming the pension system, introducing performance-based funding of public education and anti-inflation policies.

The fruits of all these measures could be enjoyed on macro-economic level after 1996. After many years of decreasing consumption figures, in 1997 the population could spend more by 1.7 percent (in 1995 the same figure was - 7.1 percent), and the GDP rose to 5 percent in 1998 (in 1995: 1.5 percent). In the past few years, as it was indicated above, the toughest issue has been inflation, which is still too high (around 10 percent). Another issue has been the need of meeting EU standards by budgetary means.

Political impact on budgeting. Budgets are central political issues both within parties and in Parliament. In Parliament clashes over budgeting issues take place in Parliamentary Subcommittees and Plenary Sessions. Since Hungary has had coalition governments, tensions may also arise between the coalition partners, as they actually do. The actual debates usually take place over key amendments. If a particular amendment is supported by the majority of the governing coalition in Parliament, the Finance Minister has to start substantial negotiations. Such cases are often measurements of the political stability within the coalition. Over budget issues, however, no split in coalitions has ever happened. Finance ministers are more „fragile” and it is them who have to draw the conclusions internal conflicts, and usually leave the cabinet. Since 1990 the three cabinets so far have had nine finance ministers (four between 1990-1994; three between 1994-1998; two between 1998-2001). The finance ministers are key figures in both macro-economic policy making and consequently in budgeting. Studying all of their career paths, one can conclude that most of them were influenced by reform economics during the 1980s in communist Hungary.

The opposition parties have very little impact on the budget: „Their main opportunities are to make a public record through floor speeches and submitting amendments to try to delay and obstruct the process. Occasionally, a technical amendment by an opposition member may be adopted in a gesture of good will, but we could find no instances of significant substantive changes brought about by opposition members” (LeLoup et al., 1999: 216) This insight is precise, and demonstrates the general trend in budgeting in Hungary.

The Budget Timetable. Budget bills submitted to the Parliament every year are politically the hottest bills, and the debates about them are the most intensive ones, and therefore the least understandable to the public. Needless to say that each budget bill can only be interpreted on the grounds of political intentions and programs, for budgets show the very essence and nature of a government consisting of parties to be elected, thus indirectly reflecting the political views of the majority of population. Still it is very hard to sum up even the most relevant features of budgeting in any political system. Given the limited scope in this chapter, budgets would have to be analyzed mainly on political grounds.

Accordingly, the foregoing description of budgeting policy in Hungary will focus on two major aspects: 1. A short deliniation will be rendered about the legal and structural frameworks of a budget bill, i.e. procedures of passing the bill will be given; 2. Attempts will be made to sketch the general lines of arguments promulgated during parliamentary debates, programs of parties, and political trends in general.

Agents and Their Responsibilities in Budgeting. Since budgets and budgeting are open to a number of interpretations, one has to apply the most flexible definition, that is budgeting is a process for resource allocation based on the annual revenues of the state. More specifically, and politically speaking, the national goal in Hungary was to ensure political conditions of social market economy as it was voiced in the very first Parliamentary address of József Antall, the newly elected Prime Minister in 1990. He said: „The Hungarian version

of social market economy means reconciliation of economic efficiency and competitiveness with social fairness and justice, and also with the needs and concerns of natural environment and those of future generations.” This has been a tacit consensus among all relevant political agents, parties and movements in Hungary in 1990s irrespective of the composition of the Government ever. Thus budgets and budgeting in Hungary should be studied *within* this framework, and one has to know that the budgeting procedures are minutely regulated by law.

One of the chief responsibilities of the Government is submit the bill of next year’s budget to the Parliament by September 30 the latest. There is also a stipulation that the Government should inform the Parliament about the major trends and economic policy of next year’s budget not later than June 30 (this rule, however, is often violated). This means that time available for legislature to study the guidelines and intentions of the Government is rather limited prior to the actual plenary sessions determined to discuss bills of budget.

Planning a particular budget begins by framing guidelines. According to law it should be accomplished by May 30. Guidelines involves the prime aims of budget, its proportions and proposed balance. Along these guidelines particular Ministries begin planning of their own, and in a relatively short period of time, usually in three or four weeks, they are supposed to finish it, and transfer it to the Minister of Finance who has to finalize the bill of budget. It is discussed first by the Economic Cabinet of the Government, and then it is presented to the whole Government. The Economic Cabinet consists of the Ministers of all economic Ministries under the leadership of the Minister of Finance, later that of the Minister of Economics, and among those invited there is the President of the Hungarian National Bank, too. After these two rounds of discussion the prime items are fixed in the budget, and the Ministry of Finance plays an active and dominant role throughout the planning stage of the budget.

The legislature or Parliament acts as the chief controlling body over budgets, thus fulfilling its responsibility to take control of the executive. In practice, however, it is not as easy as that. Firstly, despite the letter of the act, only in 1998 did it happen for the first time that the Government was able to submit its bill of budget on time (September 30). The law was the exception, and exception was the law. Under such circumstances the Parliament has only a limited amount of time for discussing this bill of outstanding importance. Secondly, very few amendments to the bill proposed by oppositional MPs are approved by the majority of the Parliament – this is true for all the three coalition governments between 1990 and 2000.

The Parliamentary Procedure.

1. The first round. The bill should formally be submitted to the Speaker of the House who transfers it to Parliamentary Committees for inspection. Each Committee is to form an opinion about the bill, and it is the Committee of Budget and Finance that collects the different standpoints of the Committees and also asks for the statement of the State Audit Office about the budget bill. If the bill is declared to be suitable for general discussion in Parliament, then a period of general discussion in plenary session begins. It is always the Minister of Finance who speaks for the Government, and introduces the main goals and preferences of next year's budget. Leaders of parliamentary factions have the right to comment first the bill submitted. Representatives of the Committees also comment the bill which is vital, for professional debates take place in the Committees. Since the Committee of Budget and Finance has the final say on amendments to the bill put forward by the Committees, no wonder that cut-throat debates are not rare.

2. The second round. Detailed discussion of the bill takes place in the second round. It actually consists of two stages: a/ Deputies are forced to determine the major amounts of revenues and expenditures of the budget, the rate of the deficit and surplus by November 30; b/ Detailed discussion of all individual motions of amendment. A rather

long parliamentary voting procedure follows to decide which motions of amendment would be approved (in 1992 voting lasted roughly 26 hours without interruption).

3. Closing of passing the bill. Having voted for particular motions, in the final stage after a general closing debate, Deputies decide about the bill of budget as such, which, if approved, becomes a law.

In the case of failing to pass the bill of next year's budget on time, the previous year's budget remain effective, but there was no instance of this in the 1990s.

The Political Implications of Budgeting. A budget is the major tool in the hands of a government to implement its policies and fulfil its promises made to their electorate. Budgets are, however, under both external and internal constraints. An external constraint is, for example, if there are huge foreign debts, and an internal constraint is when you have to continue a project initiated either by the previous government, or by the political class in general. All through the 1990s both outside and inside constraints dominated parliamentary debates about the budget. The hardest outside limit was Hungary's external indebtedness, although becoming softer by 2000 as a result of economic development, and the most difficult inside issues, derived from the project of systemic change, were the following: 1. Macroeconomic issues like fiscal vs. monetary policy, whether stabilization program is needed etc.; 2. The reform of public finances including issues of taxation policy, social security funds etc.; 3. Privatization and, especially in the early 1990s, restitution; 4. Agriculture-related issues like ownership of lands, the structure of agricultural production etc.; 5. Development of the financial sector including splitting the functions between the central bank and commercial banks by establishing the network of commercial banks, convertibility of HUF etc.

Parties and Budgets. From a political point of view, examination of budgets should be divided roughly into two periods, the first was between 1990 and 1996, and the second afterwards up to now. In the first period three questions dominated parliamentary debates in

terms of budgeting: how to reduce state expenditures, i.e. a definition of the reform of public finances was on the agenda; how to stabilize the whole economy; how to maintain welfare services under deteriorating economic conditions, especially when inflation rates ranged between 20 and 35 percent. Although each party tried to produce an economic policy characteristic only of that party, in key issues there was a very narrow path to pass along. There were preferences expressed in the debates like „more support to the families and education” (Fidesz), „more efficiency in financing issues” (HSP), „cheap state” (AFD), „reduction of state bureaucracy” (ISP), but in reality there was hardly any differences in respect of basic elements of economic policies and budgeting. All political agents would have liked to avoid the implementation of a shock therapy. Still, it was unanimous by 1994 that some sort of austerity measures, sooner or later, would have to be introduced. Restrictive economic policy was proclaimed in 1995 (cf. Bokros-package) to avert an economic collapse. The Government limited consumption, refined tax laws to minimize tax evasion, but continued to favour enterprises in general. Agriculture was further subsidized despite cutbacks. Restrictions exerted their most devastating effects in public expenditures like healthcare and education, but also in the fields of other public services. Parallely, black economy that developed at the expense of public finances was declared to be a public enemy, but nobody knew how to fight it effectively. And one of the biggest problems, the social security funds, the deficit of which was made up from central budget, still had to be reorganized and converted the whole immobile system into a genuine and well-founded system. In 1995, the Bokros-package, about which there have been fierce political exchanges until very recently, managed to stop the overflow of public expenditures, and the fruits appeared already in the following year.

Since 1996 debates about the budgets have been focused on issues like limiting inflation (by 2000 it was reduced to cca. 10 percent, though still too high for EU standards),

reduction of foreign indebtedness, accommodation to EU economic and financial policy prescriptions, and development of public services with special emphasis on the army, police, fire-brigade etc. Healthcare and education (including the Academia), state ensured pensions are still lagging behind.

As a result of the 1998 elections a moderate right-wing coalition government was formed. Changes in priorities were immediately reflected in the 1999 budget. By then the economic improvement made it possible for the new government to prepare a budget bill which included increasing amounts even in public spendings. Overall amount of expenditures increased by 9 percent in real values in the budget of 1999, and if we take a look at prime items, we immediately notice new priorities. The State Audit Office, for instance, benefited from the new budget, because its share rose by 114.0 percent (this and all further data are given in volume index) compared to figures of 1998. Radical increases can be registered in the allocation of expenditures to other governmental organizations like the Prime Minister's Office (115.2 %), Ministry of Agriculture (118.7 %), Ministry of Environment (311.7 %). There were considerable increases in other fields of expenditure as well: support of civil society (118.6 %), Churches (125.1 %), EU-projects (253.1 %), economic projects (120.5%), support of minorities (119.4 %). Thus we can see that in many areas there was a continuity in the allocation of resources, because both the socialist-liberal coalition and the moderate conservative governments treated civil society, EU-projects, economic projects, minorities and regional development as top priorities.

In the budget of 2000, three further priorities appeared. One was the extension of family benefits and allowances, the other priority was the support of private apartment and house building projects. Both projects were regarded as national interests, since family allowances were drastically cut back by the Bokros-package, and public housing projects practically ceased to exist after 1989. There were, to be sure, fierce debates in Parliament

about both projects. In the first case, the opposition criticized the implied discrimination in family allowances against the neediest segment of the population (Roma families are overrepresented in this category, and since they have far more children than the average, they were allegedly affected the most). Discrimination was „implied”, because at first sight every family had the same right to allowances, but because of the parents’ job-related stipulations and the level of their incomes by the law, a lot of families could not benefit from the allowances. It is however true that this new system of family support was extended over all children, even if the parents’ combined incomes were too high to be eligible for allowances according to previous standards. In the second case, the scale of the housing project was called into question, saying that centrally allocated resources are peanuts compared to the size of the problem. A third priority should also be mentioned, because it would have to be extended over a longer period of time if Hungary wants to join the EU. It is the development of infrastructure in general, and road constructions in particular. The overall length of motorways in Hungary betrays grave shortages back to many years. Criticism was levelled against the incumbent Government due to breaching the law of public procurement. National enterprises were favoured in the final decision discriminating against foreign competitors, which means in practical terms that the letter of public procurement was violated. Construction works began some 120 kilometers to the East of Budapest in the Fall of 2000. This instance was a clear example of a conflict between economic calculation and political goals.

It was a real political surprise in 2000 that the Government put forward a two-year bill of budget for the years of 2001 and 2002. Since it was passed in December, 2000, it is now a law. There have been speculations why this unusual step was taken, seemingly violating the economic rule of annuality in budgets. The most likely explanation is political rather than economic in nature. The biggest coalition partner (Fidesz) would have liked to avoid internal

bargainings with its coalition partners, especially with the Smallholders (ISP) half a year before the general elections taking place in the Spring of 2002. Its feasibility is based on forward looking attitude and predictions that Hungarian economy will be growing by cca. 5-6 percent a year, and inflation rate can be reduced to 6 percent, or less. There is a determined tendency in the budget to raise the standards of living. In public domains considerable increase in wages and salaries are fixed. Teachers and medical workers may expect a pay rise well over the average (8.75 %) by 30 % and 20 % respectively in two years. It is also remarkable that minimum wage limit, which was 25, 500 HUF/month (cca. 90 USD), is 40, 000 HUF/month (cca. 135 USD) from January 1, 2001. According to the Government it is unacceptable to keep the lowest wages at that level. It will certainly affect small businesses more than big ones. In respect of Ministries, the Prime Minister's Office will benefit most by 97 percent in 2001 reflecting the intention that central policy-planning should be strengthened, and the Ministry of Economics and the Ministry of Agriculture can also be regarded the winners of the new budget. In conjunction with stressing the importance of central economic policy, the Government wants to support control over public revenues and expenditures. Among the first decisions of the current Government in 1998 was the establishment of the Directorate of Criminal Investigation (also called Tax Police) under the supervision of the Tax and Financial Control Administration. There was a big uproar in the opposition about setting up a police-like authority claiming that it can also be used against political opponents. Today nobody seems to question the use of the Directorate. In the first half of 2000, for example, the Directorate due to investigations finished the amount of charges was 4.1 billion HUF, and significant complaints were not registered. State support for the State Audit Office has constantly increased. In comparison, support will have grown by 61 % by 2002 (1999 is the base of comparison).

The Széchenyi Project. A mention must be made about the Government's most comprehensive and stimulating economic project which was named after a XIX. century Hungarian public intellectual and politician, Count István Széchenyi. The volume of the Project reaches 626.7 billion HUF (cca. 2.23 billion USD) for 2001 and 2002. It is subdivided into the following fields of investments:

1. Subsidies for enterprises (68.7 billion/two years aggregate)
2. Tourism (53.1 billion)
3. Housing (142.5 billion)
4. Regional economic development (11 billion)
5. Research, development and innovation (54.5 billion)
6. Motorways (253 billion)
7. Information society and economic development (43.9 billion).

Each of these subfields taken together represent the top priorities of current economic policy. In practice, the Ministry of Economics is going to conduct competitions in every field. If this Project gets into swing, the whole economy would be stimulated.

3. Crossroads of Politics and Policy-making: Tax Policy Between 1988 and 2000

Tax policy traditionally have been the research field of economists, lawyers and accountants. But if someone takes a look at the tax policies of different countries, one would immediately be appalled by the great variety of national styles of taxation. According to a generally accepted explanation for such differences, it is the political culture of a country that tends to drive government toward formulating one type of solution rather than another for its tax problems (cf. Peters, 1991: 5). In no way taxation is part of the political culture. It is more so in post-communist countries, in which a wholly new taxation system was introduced together with the rise of a market economy, and the political goal of a socially sensitive state taking care of the neediest. Modern states depend on their revenues, the collection of which

requires a rather complex administration equipped with high-tech infrastructure, entitlements given by legislatures, and success will still depend on grassroots' political attitudes, which means that without strong control of taxation the idea of public revenues would remain a lofty wishful thinking.

January 1, 1988: Birth of a New Taxation System. The introduction of a new taxation system in 1988, one year before the beginning of the political changes, was necessitated by economic crisis that had doomed Hungary for stagnation for many years. Economic rationality and not political consideration led to a drastic turn in taxation policy. Under communism enterprises in public ownership paid contributions and public expenses after their employees. There was neither personal income taxation, nor VAT. Mihály Kupa, later one of the Finance Ministers in the 1990s, at the time explained the aim of the new taxation system by the following terms: „The goal of the reform [...] is to establish an up-to-date system of taxes and prices, which functions as a means of economic policy contributing to the development of the economy, creating more favourable conditions for private economic initiatives, enhancing responsiveness to surplus and costs [...], making the price and money relations more transparent for the grassroots, the entrepreneurs and policy-makers”. As a result personal income taxation, VAT, and corporate income taxation were introduced on January 1, 1988. A widespread national campaign was launched to inform the population about the necessity and importance of the new tax policy. In the beginning the Tax and Financial Control Administration was poorly equipped, and the burgeoning private enterprises had to learn the new rules of accounting. The administrative structure was, however, rapidly developed, and parallelly the laws and rules quickly changed. Even today the two main points of criticism against the taxation system were already voiced in the very beginning: rules change too often and the taxation system is very complicated. Further elements of criticism gradually joined the first set of complaints: by global standards people are overtaxed in Hungary, there are a lot of tax exemptions attached to each year's laws of taxation, the

proportion of black economy is relatively high, the personal income tax brackets are unjust, the public expenditures are not under proper control. No wonder that entrepreneurs have been soon identified with frauds. Employees in the public domain were easily controlled in terms of taxation, entrepreneurs had a variety of sneaky ways to contribute to the revenues. The society was on the verge of fatally getting divided into fraudulent entrepreneurs and underpaid public employees like policemen, teachers, nurses etc. In order to understand the changes in taxation policy in 1990s, we need to know about the political debates in Parliament.

Tax Bills in Parliament. All through 1990s there were recurring subjects in tax laws debates. The first of them was the concept of *social justice*, the meaning of which has remained rather blurred but served as a trump. It was used by all sides of Parliament, but MPs of CDPP, HDF, ISP and HSP specially excelled in its use. Surveying parliamentary addresses one can conclude that the notion of social justice was a rhetorical tool to refer to „moderating social differences”. Another frequently mentioned term was *revalorization*. The term was meant to counterbalance inflation, and was an easy argument to assail the Government with. Because of soaring inflation brackets should have been moved from year to year, but governments seemed too reluctant to move the limits upwards, which implied that more and more tax-payers moved to higher brackets only because their incomes were inflated. But most substantial debates were conducted about *brackets* and *rates* themselves. Therefore we might say that issues of personal income taxation were dominant points of the debates. Let me pick one characteristic views or intentions in each year that may contribute to our better understanding of the tax policy in the 1990s.

1990: Katalin Botos (HDF) complained that many tax-payers show disturbing ignorance how to fill in tax return forms. Already in the very first year of the newly elected Parliament many deputies urged the radical reform of the taxation system. László Békesi (HSP), the first Finance Minister of the Horn Cabinet in 1994, was against a radical

transformation, because „easing taxation would not result in a more prosperous economy”, secondly, „time has not yet come to reduce the rate of revenue centralization”, and thirdly, such a radical change would not support people with lowest incomes, but the wealthiest. Mihály Varga (Fidesz), the second Finance Minister of the Orbán Cabinet in 2001, put forward a four bracket personal income taxation system, and would have liked to abolish „zero bracket”, i.e. lowest incomes are not taxed. Foreign examples were also given by Varga who referred to OECD experience, and the practice of the USA where the highest bracket reached 75 % in 1981, but was reduced to 33 % in mid-1980s. All of his proposals were turned down. It was evident that there were internal tensions from scratch in the Hungarian taxation system, the real source of which was to be sought in the contradictions of a transitory economy, namely, without sacrifices of the population no gain was possible.

1991: Mihály Kupa, the father of the taxation system in 1988, the then Finance Minister declared in his Parliamentary address that tax reduction is not feasible, although „general and proportionate share in taxes has remained only a principle”. Among the reasons he mentioned the more than 100 tax exemption entitlements in the tax laws, and other tax allowances given on various grounds. According to Mihály Varga (Fidesz, Finance Minister from 2001) „there is no change in the tax policy course”. István Mészáros (AFD) objected to the dominant role of the state in the allocation of financial resources, saying that „Nothing has changed [...] the state just distracts incomes from the citizens in order to spend revenues at its discretion”. Without redefinition of the state no real changes in taxation is possible.

Finally the following brackets were approved by Parliament:

0-100,000 HUF annual income	0% tax is to be paid
100-200,000 HUF	25%
200-500,000 HUF	35%
Over 500,000 HUF	40%

Zero tax bracket was preserved, but compared to 11 brackets in 1988 (Act VI/ 1987), the 1992 system was much less fragmented. The disappearance of several brackets can be explained by growing differences between incomes, thus there was no point in placing brackets so close to each other.

1992: Tax laws were amended twice in the year giving grounds for recurring debates about the instability of the whole taxation system. Despite the predominant rethorics in Parliament that urgent reforms are needed, all political parties once in control of the executive power, immediately relinquished the program of radical rearrangement to be previously highlighted in parties' election campaign programs. Two ideas have been fighting since early 1990s: the idea and necessity of ensuring revenues vs social justice. The concept of social justice was always voiced by the opposition, otherwise used by all political agents if they wished to address the grassroots, thus admitting the unbalanced burdens borne by different orders and classes of society, or „the costs of systemic change”. Trying to reconcile the fiscal requirements with those of social justice László Békesi proposed to introduce the 50 percent bracket to tax outstanding incomes, but his suggestion was turned down. It became clear that from a technocratic point of view the functioning of the taxation system was satisfactory, and boosts the newly emerging private sector. A gap between the public and the private deepened, and the taxation system favoured the entrepreneurs by various built-in elements of the taxation system including reimbursements after VAT that consisted of 12 percent and 25 percent brackets to be paid after goods and services.

1993-1996: The most important changes within these three years can be followed by studying the more and more fragmented brackets in personal income taxation. Brackets were multiplied as follows:

In the year of 1993:

0-110, 000 HUF annual total income	0%
up to 150, 000	20%
up to 220, 000	25%
up to 380,000	35%
up to 550,000	40%
over 550,000	44%

In November, 1995 Lajos Bokros, Finance Minister was outspoken in Parliament by saying that 90% of the revenues were paid by the 80 % of the tax-payers indicating that it is the public employees who actually pay income taxes. He vigorously described the many tax exemption tricks mainly played by private entrepreneurs, and finally proposed to abolish the „zero bracket”, i.e. tax has to be paid after each penny earned. His new table of brackets was as follows:

0-150,000 HUF annual income	20%
up to 220,000	25%
up to 380,000	35%
up to 550,000	40%
up to 900,000	44%
over 900,000	48%

At least two conclusions must be drawn politically from these changes. One is that by multiplying the number of brackets expressed an intention to make the personal income taxation system „more just”; second, the executive had wanted to impede tax evasion by reducing the instances of tax exemptions to be enacted from year to year. It does not mean that the government would have ceased to support the entrepreneurs. Strangely enough the left oriented coalition government had to introduce harsh measures in social policy, and

parallelly stimulating economic production by creating favourable conditions for both international and home capital. If not earlier, everyone concerned had the chance to realize that traditional cast between the political left and the right was exchanged, or more precisely, the drab reality of economic life defied all well-established, long political commitments, and ideas about leftist and rightist identities.

A further development of the period in taxation policy was the open acknowledgement of the Government that they were helpless in fighting black economy. According to Parliamentary Records only 17 instances were registered between 1990 and 1994 when the words „black economy” were uttered by anyone in Parliament. In contrast, between 1994 and 1998 the number of similar instances was 942. In 1995, Györgyné Németh, a tax expert wrote the following: „Black economy was born with democracy abusing the merits of it, because democracy thrown into a morally underdeveloped medium provided a thin layer of the society with means of usurping economic power.” (Németh, 1995) A different approach was applied by two authors who challenged the responsibility of the state: „if the state wanted to collect unpaid taxes, it [...] could easily do by making civil use of military techniques” (Sugár-Trautmann, 1995). But it is reluctant to do that, simply because there are constitutional limitations and calculations show that every 8 HUFs extra revenue from taxes would have cost 1 HUF which is not available.

The roots of black economy are to be traced back in the soft economic policy of the late Kádár era, when parallel to the state-controlled economy, a „second” or „shadow” economy was blossoming gradually eroding the authority and sipping economic resources of the official economic policy. There was a touch of approbation how people were thinking about it. Under new political conditions what had counted as political or moral bravery, in a democracy the informal economic activities would be regarded as theft, unacceptable bravado, and would challenge rule of law. Already in 1994, László Békesi, the Minister of

Finance warned about the dangers of black economy by declaring that „while black economy has been developing”, the state is getting more and more indebted. Gyula Horn, the Prime Minister went as far as to indirectly admitting that the Government is helpless, and sought a new contract with entrepreneurs: „Black economy is cursed but general activity for many [...] The Government wants to remove burdens from the entrepreneurs [...], at the same time would launch an overall attack against everyone unwilling to fulfill his duties for the state. We do not want to levy new taxes, all we wish is to collect imposed taxes.” Thus the Prime Minister offered a new contract or bargain to the entrepreneurs. In exchange of paying due taxes, he promised to reduce the level of taxes. As it was noted above, the proportion of black economy has significantly decreased in recent years, and it is true that a series of tightening and control measures in taxation policy contributed to this.

1998 and after. As it was indicated, the period between 1995 and 1997 saw a number financial crisis management bills and drastic cutbacks in all quarters of Hungarian economy and social policy. Taxation policy easily lent itself to be highlighted in the election campaigns of 1998. Fidesz-Hungarian Civic Party realized the political potential in taxation policy, and placed special emphasis on issues of taxation promising not simply reducing tax burdens, but changing the whole philosophy of taxation in Hungary. In their programs they had wanted to minimize the number of brackets in personal income taxation, the notion of „middle class” appeared in their rhetorics as the chief beneficiary of a new taxation system, promised family allowances supported by means of taxation policy, wished to make taxation procedures transparent, and increasing taxation control. Two and a half years’ experience show that the new coalition government has done a lot to improve taxation policy, but no radical changes in the system took place. The foundation of a Tax Police back in 1998 stirred real political debate in and outside Parliament, because the opposition accused the government of creating an organization that would be suitable for threatening political opponents. Looking back we

can safely declare that the Tax Police have become an efficient state organization to fight taxation fraud cases and do not extend activity beyond its legal powers.

As for personal income taxation three brackets have been applied since 1998: 20%, 30% and 40%. No changes are likely until 2001 except that limits between the brackets are moved upwards, i.e. in the case of unchanged amount of incomes one has to pay less taxes. More child benefits are planned for the years of 2001 and 2002, and private agricultural producers are allowed to submit a so-called simplified tax return below a yearly total income of 2 million HUF (cca 7142 USD). Employers are obliged to pay less (by 2 percent) social security contributions after their employees. On the other hand, new tax laws stipulate that excise duties would be raised commensurate to inflation rates predicted for the next two years (6 % for 2001, and 5 % for 2002, which means that the government wants to influence inflation by cooling inflation expectations by foreseeing optimal developments). Government officials are allegedly working on the introduction of a unified, one-bracket system, thus further simplifying the taxation system.

Tax and Financial Control Administration in 2000. By 2000 the central administration of tax collection had improved its activity in many respects. They made new registration and data modifying forms, unified system of tax and contribution statements, maintained data of health security contribution, modified return forms and processing. The Administration also introduced a new selection system, created a centralised tax and contribution current account system, all of them are meant to improve controlling. In recent years audit activity was shifted to small and medium size companies, and special emphasis has been placed on audit of VAT refund before reimbursement, because this field had been the most controversial before, and most fraudulent cases were registered here. Control and analyse of operation of the administration also played an important role. The Budget and Financial Committee of Parliament asked for written report, and arranged a hearing about the activity of Tax and

Financial Control Administration. The findings were judged positive, and the Committee promised further support to the Administration. Uniform processing rules were created and working functions and decision-making became more transparent. This claim to more transparency is true, although tax return sheets are still too long, complicated and sometimes difficult to interpret various instructions. A statement about having a TV set at your home, for instance, seems inadequate in a tax return sheet, even if we know that paying a monthly fee for watching public channels is mandatory. Since according to estimations a considerable proportion of the population did not pay to contribute to maintaining public TV and Radio channels, Parliament decided in 1996 that each tax-payer should sign a statement every year about having a TV set. It was an open acknowledgment of government's helplessness to collect a particular source of public finances.

Structure of Taxation System and Revenue Concentration. There are four main taxes in Hungary, and together with customs more than 94 percent of total revenues are derived from these five categories. The following table describes changes in the proportion of revenues between 2000 and 2002:

	2000	2001	2002
VAT	22.7%	23.2%	23.5%
Excise and consumption tax	10.6%	10.8%	10.8%
Personal Income tax	19.5%	19.9%	20.7%
Corporate income tax (banks not included)	6.1%	6.2 %	9.3%
Social security contributions	31.8%	31.1%	30.3%
Others	9.3%	8.8%	8.2%

As it can be seen, no dramatic changes are expected for the next two years. The level of corporate income tax would only be raised significantly, in all other categories stability is predicted. In general, the structure of tax system has been consolidated, and today it is

commensurate to any European tax system. Concentration of revenues is around 40 %, the same figure for EU member states is 42.4 %. Further decrease cannot be expected, changes in proportion among different types of tax can take place only. There is also a harmony between central and local taxes, and today some 20-25 % of overall revenues of local governments are derived from local taxes. About 80 % of local self-governments total do impose taxes.

Evaluation of the Hungarian Tax System. That the current government has refrained from a radical transformation of the taxation system indicates the precarious nature of such political intentions. The Hungarian taxation system was modelled on the European patterns, and has a similar structure improved continuously in the 1990s. This system includes elements of both direct and indirect taxation. One is seduced to say that a certain harmonisation within each domain has taken place, thus between excise duties and VAT (indirect taxation), and between business taxation and taxation of savings (direct taxation) there are no great tensions. Tax evasion is, however, a disputed problem, which has had an international dimension by now. Even for the European Union „the most important and urgent problems [...] in the area of direct taxation were posed by international tax avoidance” (Moussis, 2000: 206). It involves aspects from the international point of view the following ones: the concealment by some taxpayers of their taxable activities beyond the borders of their states in countries in which the level of taxation is low and the possibilities of avoidance open to multinational companies. Both of these practices have already affected Hungarian taxation system, and in turn, triggered off internal political debates. Hungary, like other postcommunist countries, have had relatively limited, although still wider, scope of economic policy than the Balkan postcommunist countries, and became vulnerable to foreign investors and capital movements. Having offered tax immunities to foreign investors, in exchange of large-scale investments, creating job opportunities and economic development, the Hungarian governments chose to integrate the country in the European economic system with all the

difficulties that followed the opening of her market. Tax evasion is certainly more an internal than an external problem, but the two is getting interwoven as time passes. Similar hot issue would be agriculture, in which European standards seem to be confronting current Hungarian tax regulations regarding agricultural production. Tax benefits cannot hold out under new conditions. Thus at least two dimensions of the taxation system, tax evasions and agricultural allowances, may soon come into conflict with EU requirements. But an issue like a possible environment tax may also be part of coming debates on further taxation policy.

Not only taxation policy, but Hungarian economic policy in general is under the pressure to meet EU standards including harmonisation of different types of taxes. We cannot, however, deny that this reconciliation process will incur political debates, confronting defenders of national interests and those of globalisation. In this respect Hungary's political landscape resemble very much the European patterns with more reservations: because of her evolving new democratic political culture and of unpredictable conditions of global economy, it is hard to tell how population would react to new requirements, and challenges: whether populist reservations against joining the EU will have more support than today, or the other way round, fears would defeat rational calculations.

4. An Overview of the Hungarian Economic Policy in the 1990s

According to Mihály Varga, the incumbent Finance Minister, the history of postcommunist economic policy should be divided into five periods (Varga, 2000:29 ff). He finds the period of 1990-1992 the most difficult and dangerous one. Macro-economic needs like liberalization of the Hungarian economy, founding institutions of market economy, deregulation etc. demanded enormous sacrifices of the people on national scale. The effects of economic recession was followed by drastic decline in living standards, people first experienced psychological instability through unemployment and various deprivations. The second period between 1993 and 1995 was characterized by controversial trends. Whereas

balance of payment improved, and the GDP increased, the fiscal crisis became more profound, and external debts rapidly grew to an unbearable level. Culmination of these parallel trends ended up with an austerity package announced in March 12, 1995, which introduced a consolidation period (third period: 1995-96). It aimed primarily at improving balance of payment by transferring central resources from consumption to entrepreneurs. Privatization was accelerated and national utility companies were sold to foreign investors bringing about radical political responses. From an economic point of view this period was accomplished by announcing that Hungarian currency (forint) was made convertible in accordance with Article 8 of the IMF. The fourth period between 1997 and 1998 is best described by the concept of sustainable development. Government of the day made efforts to provide conditions for economic development by focusing upon stability, decreasing inflation and growing competitive potentials. Finally, in the fifth period after 1999 the most important task is to meet EU standards, and seeking derogations where it is desirable. (Cf. Table 5 which offers an overview of macro economic data on Hungarian economy and social policy expenditures between 1989 and 1999).

As for accountability and responsibility during these five periods, as we indicated in the Introduction, Parliament has fulfilled its duty to control various fields of economic policy-making and exercised control over public spending through the State Audit Office responsible for the Parliament. The independence of the Hungarian National Bank was maintained irrespective of the parties' mutual distrust and accusations through governments of the decade. Although problems concerning efficiency of legislation can be raised, yet it was effective, because it was capable of controlling not only particular decision-making but guarding, together with the Constitutional Court, the whole constitutional framework.

Conclusion:

The precarious balance between economic policy-making and parliamentary accountability in Hungary

1. The general framework of the economic legislation

1.1. Policy institutes and the “science of democracy”

For their good performance, democracies need a set of policy institutes and a developed political science as a “science of democracy”. Since 1989 Hungary has advanced a lot in both respects. Professional policy institutes have been established in Hungary, working for the market and/or for the government, in shaping, discussing and controlling public policy-making, first of all in the field of economic legislation and planning. This cumulated and competitive expertise has controlled the opinions of techno-bureaucrats at the government and has offered both political alternatives for the opposition and policy alternatives for the professionals as we will discuss it in the case of transparency. These policy institutes have maintained contacts with their sister institutions internationally and have been legitimized by the big global or EU research/policy institutes through the exchange of data and analyses. The result is a structured public opinion, well informed on the current economic issues. The efforts for a technocratic style of policy-making in such a way can be countered even before the parliamentary stage and/or public resistance may be mobilized during the parliamentary discussion (e.g. on pensions or taxation).

Politics needs the same public expertise and control. Although the institutionalization of political science in Hungary has been lagging very much behind these above mentioned policy institutes, some institutions have been able to provide expertise for a structured, pluralized public opinion in order to control the actions of the political parties and the government. The **Political Yearbook of Hungary** has been edited since 1988 with all political - and partly socio-economic - data and the main public opinion surveys of the given year. It includes a large section about the Hungarian parliament, its legislative agenda and the

factions' behaviour, which gives an opportunity for a large public of opinion-makers to have an insight into the workings of parliament. The parliamentary research was particularly strong in the First and Second Parliaments, that is during its institutionalization period. It has been continued in both directions of the empirical and policy-oriented research, joining the mainstream comparative research in Central Europe as well (Olson and Norton, 1996 and Longley and Davidson, 1998). These two research endeavours have met in the extended research on parliamentary committees as "the central sites of policy-making" in the Central European parliaments (Ágh, 1998b).

Thus, the "science of democracy" has also emerged to some extent in Hungary and the policy experts as well as political scientists have become part of the nation-wide policy-making process. They have played an informative and critical role so far and they have recently warned that a new situation has begun. It has been common in the Central European party research to distinguish between the "process" and "structural" approaches. The same is necessary nowadays concerning the role of the Hungarian parliament in the economic legislation. Process approach means to consider the first decade of democratization as a transitory period in flux, but leading to a more or less established structure, which needs a new approach. Actually, in democratic transition the politics-policy relationship was rather conflictual and controversial, in several ways and to different extent year by year. This conflict cannot be extended to the new period where the politics-policy relationship has been more or less coordinated and balanced, hence it needs a structural approach. The former period, however, produced the typical contradictions of the simultaneous transition, in which both democracy and market economy were created at the same time. These two transformations both contradicted to one another and supported one another, in a double emergence process with a double weakness that has come to an end with democratic consolidation. When the new structure has been established and the democratic

institutionalization completed, the “process” approach has lost its validity and it has to be replaced by the structural approach. This new approach has shown that while some former problems have been overcome (e.g. privatization), some other new problems have come to the fore (selling the newly privatized landed property to the foreigners inside the EU, etc.), which may be summarized as the new challenge of the Europeanization.

We can formulate our terms “process” and “structure” in the current policy terminology as well. In the international literature the distinction between “policy regime” and “policy change” has recently come to the fore, meaning that a policy regime with its common organizing principle is followed by a policy change that represents a new policy paradigm (Wilson, 2000: 247). So far the Hungarian policy regime – including policy-making in the parliament – has been a regime of socio-economic crisis management. One observes nowadays a policy change and a newly emerging paradigm of the European Union adjustment and catching up. This policy change in many ways reflects the new conditions of the post-Washington Consensus in the second period of globalization (see Washington Consensus, 2000).

1.2. Weak periods and hard issues in the Hungarian economic legislation

At this turning point, the previous external dependence has discontinued and a new dependency framework has come to its place. Because of its huge international debt, Hungary was very dependent on the global monetary organizations such as the World Bank and the International Monetary Fund. Given that its net state debt is only around six billion US\$ in 2001 and it may be reduced to nil in the coming years (see the communication of the President of the Hungarian National Bank, Magyar Hirlap, 28 April 2001), this dependence has also been drastically reduced. At the same time, Hungary has entered the final phase of the accession negotiations with the EU. The accession process has brought about a new task, the burden of economic legislation as a legal approximation with the EU. Altogether, the

Hungarian case is very complex. It is relatively easy to judge about the relationship between technocratic policy-making and parliamentary accountability in both the consolidated democracies and the developing countries, since they offer two clear, polar cases. It is much more difficult to assess the cases “in between”, which have changed a lot in their emergence process, since it is like shooting at a moving target. Therefore, Hungary has been a very complex and difficult case with its changing old and new contradictions, which needs a nuanced analysis in “time and space” (by space meaning issues). The Chapters I and II have described the “process” but they have also indicated the emerging “structure” as a newly consolidated polity. Their findings give the base for the final assessment of the Hungarian case.

The first decade of democratization was very difficult and painful for the young democracies, including Hungary. It is true that the new democracies began to create their institutions in a globalized world with an increasingly technocratic style. The neoliberal ideas of multilateral financial institutions, indeed, narrowed the choices in economic policy-making to a limited set of objectives, e.g. to the issues of balance of payment or reduction of budget deficit. Furthermore, pressure to standardize macroeconomic objectives has triggered a trend to encourage governments for short-term actions and to restrict policy-making to experts and, in such a way, insulate key democratic institutions from democratic scrutiny. However, two caveats have to be made in Hungary. First, this situation characterized the early nineties more than the following period. Second, the countries with more experts and contacts in the international economic policy-making community, in the banking affairs and on the monetary issues had a better chance for a bigger elbow room in their own economic – even monetary - decision-making. This was, and increasingly is, the Hungarian case. For example, in late 1994 Hungary refused to accept the IMF plan for the monetary stabilization, and prepared its own, based on the opinion of its internationally acknowledged Hungarian experts. After some

months, the IMF admitted publicly that the domestic recipe prepared by the Hungary experts – led by György Surányi who was twice the President of the Hungarian National Bank – had been better and more effective.

The pressure of international financial institutions, as it is wellknown, may affect democratization in two ways. First, it may distort the structure of accountability by encouraging national authorities to be more responsive to financial markets and multilateral institutions than to fledging parliaments and citizens. Second, to be discussed later, social policies that were crucial in consolidating Western democracies, may be treated as residuals of macroeconomic policy and democratization. What is more, those efforts that do not conform to neoliberal economic orthodoxy may be dismissed as populism. The special Hungarian case concerning the first restriction is that although this external pressure was very big in 1990-91 and 1994-95, still it was to a great extent “domesticated”. It influenced the political decision-making mostly from inside, through the national technocratic elite. First, the external pressure was reflected in the expertise of our own technocratic elite having very good contacts with the international financial institutions but sometimes engaging in conflicts with the global institutions successfully. Second, the Hungarian privatization was a foreign capital led transformation that produced a high presence and influence of multinationals in Hungary. Therefore, the huge foreign capital has been organized as our own domestic firms, so the pressure has come from inside. Hungary has been “multinationalized” to a great extent, since one third of the Hungarian economy is controlled by the multinationals and this percentage is even higher in the banking sector (Greskovits, 1999: 22). Hungary has been multinationalized not just in pure economic terms but also in terms of organized interests and pressure groups. It is very difficult to decide what is the proper national interest in concrete terms, since these multinationals have been the prime mover behind the robust economic recovery in Hungary.

Actually, they have already united economically Hungary with the EU because about 75 percent of the Hungarian foreign trade have been with the EU.

No doubt, however, that the interests of these multinationals and the Hungarian national interests have also been diverging, even sometimes conflicting, for instance in the case of the tax havens and the off shore enterprises. In the most cases the multinationals have succeeded in pushing through decisions that have been favourable for them. If and when the Hungarian parliament has needed expertise, and/or the parliamentary committees have opened up for contacts with the interest groups, no question that both expertise and pressure have come from the above mentioned chief actors. Consequently, the chief social actors in influencing economic policy-making in Hungary have been the Hungarian or Hungarianized technocrats and the representatives of the local branches of multinationals. Initially, sufficient amount of foreign capital – around two billion US\$ - was needed every year to keep up for debt servicing and budget deficit, and later this amount has been necessary for the development of investments in Hungary. Despite this positive role, we would also support the argument that the links between the technocratic policy-making of the multinationals and the “home made” democracy have not always been without serious conflicts in Hungary. Yet, our final assessment is in this respect that the Hungarian economic recovery has been so successful that the role of the multinationals has been more positive than negative. It is without suggesting that this evaluation about the domestic technocratic elite and the multinational representation in systemic change - and in the economic recovery in the second half of the nineties - may be generalized or extended beyond the very special Hungarian case. It is hard to generalize in Hungary about the economic legislation, since there were two big exceptions from the parliamentary accountability as the eminent cases of the weak control: privatization and debt management. We have to admit that also in Hungary, like in all transition countries, there was a bottleneck in democratization and public information that

amounts to a veritable democracy deficit. First, the real problem of the entire democratization process was the privatization of state assets. This is the only – and no doubt, very important – issue where both the sufficient information and necessary transparency have been largely missing. It is not by chance that the privatization cases have always been in the centre of political-parliamentary debates and popular dissatisfaction in Hungary. This lack of democratic control has been the biggest weakness even in the Hungarian – mostly democratic – socio-economic transformation process. It is an open question, however, whether this huge transformation of the state owned enterprises could have been managed more democratically. Again, the international comparison suggests that it has been unavoidable to a great extent, since the other democratizing states have lost their control and transparency over the privatization process even more. Certainly, the Hungarian privatization has been quick enough to avoid further economic damages and it has been effective enough to produce real owners for a sustainable economic growth and robust recovery (Voszka, 2001).

Second, the servicing the state debt was also exempt from the democratic control to a great extent, since due to the eruptive, abruptly destabilizing effect, the quick reactions were left for the governments. But throughout the first half of the nineties there was consent among the major parliamentary parties that, unlike in Poland, debt servicing had to be continued despite all difficulties. Furthermore, the two issues met in the Second Parliament that voted among angry debates to speed up privatization in order to drastically reduce the international indebtedness of the Hungarian state (see Table 5/A). These efforts were successful and during the cycle of the Second Parliament the international debt was reduced and became manageable, although at a price of overdriven privatization that included energy industry, what has usually been kept as a state asset in Western democracies. Altogether, privatization and debt servicing have been the two outstanding issues for the Hungarian extreme right, the

PHJL, since in these two cases the Hungarian population has felt that it has had neither information nor control of the processes.

However, those basic issues that have formed the new “structure” of consolidated democracy, taxation and budgeting have escaped the technocratic style of policy-making. The Western model of taxation was introduced in the late eighties among widespread political and policy discussions, under the slogan “no taxation without participation”, hence it strengthened the demand for full popular sovereignty in the parliament. Taxation has always been in the centre of public and political debates. The elaboration and/or amendments of the taxation legislation have been made in the very active participation of the social actors concerned. There has been a very hectic legislation in this respect. There were 36 acts on taxation in the First Parliament and 39 acts in the Second Parliament, and a similar number can be expected in the Third Parliament as well (see Ágh, 1995, 2001). The same goes for the budgeting. As we have shown, budgeting has been protected from a technocratic style of decision-making by a sophisticated and long parliamentary procedure, actually, with the participation of all parliamentary standing committees. Budgeting has always been in the focus of public interest and political fights. It is very characteristic that in the First Parliament passing the first budget needed a marathon session, including the night from 30 to 31 December 1990. So far budgeting has been every year completed until 31 December, but always among passionate debates even among the government MPs and followed by great interests in the public at large.

The above-mentioned critical issues cumulated in two crucial periods, in 1990-91 and 1994-95. It is not by chance that both short periods overlapped with the initial year of the new governments but the particular crisis phenomena predated those critical points in crisis management and forced the new governments to act. The legacy of state socialism was controversial, a huge state debt on one side but a good preparedness for a market economy on

the other. The business climate was good and the basic economic legislation was given in the late eighties, hence the FDI in the early nineties exceeded ten billion US\$. The first freely elected government in 1990 rejected the idea of shock therapy and continued the usual Hungarian gradualism. Its crisis management was only partially successful, since the debt situation aggravated and the slight recovery threatened with more indebtedness, due to the worsening balance of payment situation. The Antall government averted the danger of populism – although the PHJL emerged in 1993 from the ruling “umbrella” party, the HDF – and did a good job in the legislation of macro-political institutions. It was unable, however, to cope with the general economic crisis – drastic drop of the GDP (by 20-25 percent), high unemployment concerning one-third of population and decrease of standard of living by about 25 percent (see Table 5/A and B)– and had no solid majority in the First Parliament for crisis management.

The radical crisis management was left for the second government that inherited a huge debt and the burden of a host of unsolved issues. It had, however, a solid majority in the Second Parliament, amounting to a two-thirds majority (72 percent of the MPs). In the second crucial period, after a long hesitation, on 12 March 1995 the Horn government introduced a small shock therapy called Bokros package after the name of the Finance Minister. It was like a “palace coup”, a pact between the prime minister and the Finance Minister, who collected the fifty points of his “package” at a long weekend and this package came as a surprise even for the government. One can conclude that it was indeed a technocratic style of decision-making but we would like to warn about the too early conclusion. Actually, this hastily made package was mainly composed of the project elaborated by the former Finance Minister László Békesi as a result of the long parliamentary and public debates. It is also true that the external pressure of global financial institutions was at that time very big on Hungary. But again it would be a simplification to deduct this abrupt economic turning point from the

external pressure, since the government after a long delay just implemented that economic program, the base on which it had been elected. Obviously, this crucial period saw the overlap of many factors and the political will for the drastic crisis management was ready only by March 1995. Whereas the government made the crucial decision, the necessary legislation for it still was passed by the Second Parliament, though among very passionate debates. Yet, the pro-government MPs understood the necessity of crisis management and supported the ensuing economic legislation in a disciplined way.

This short summary of “the weak periods and hard issues” has proven in our view the four auxiliary hypotheses that have been put forward in the Introduction. Hopefully, these hypotheses have helped to assess the complexity of the Hungarian transition. Their summary allows for some generalizations as well. The simultaneous transition to a market economy and democracy may create big difficulties and raise the danger of populism aborting democracy, indeed. But the idea of the advocates of this theory that “transition countries” start from a zero situation of “no democracy – no market economy” for sure cannot be applied in Central Europe, and especially in Hungary. The historical inheritance in both respects was very substantial in Hungary in the early nineties. The dual task of re-democratization and re-marketization was solved and the deepening early crisis was overcome by the internal resources and dynamism, but also through the assistance of foreign direct investments (FDI) by the multinationals. Unlike Spain, Portugal and Greece, Hungary has not received a substantial assistance from the Western powers or from the EU. The Western assistance itself has been “privatized” through the multinationals. This has been also reflected in the partial and transitory technocratic distortions of the economic legislation. By this we have indicated the case of the participation and accessibility paradox, turning to a deficit. As we have presupposed, the multinationals were the early winners in Hungary and their “implicit veto

power”, with a privileged access to both the parliament and the government, has played a great role in the Hungarian developments.

1.3. Parliamentary responsiveness and social construction of democracy

The most sensitive issue to be tackled concerning economic legislation is the above-mentioned problem of the pressure by the international financial institutions to reduce and/or marginalize social policy. As Yusuf Bangura terms it, “welfare policies that are important in protecting social groups from the adverse consequences of liberalisation, and in helping countries to consolidate their democracies, are treated as residuals of macro-economic policy. Democratisation that does not conform to neoliberal orthodoxy is dismissed as populism, making it difficult to promote genuine social dialogue on the issues that affect the lives of most people.” (Bangura, 2001: 3). Social policy also in Hungary was brutally subjected to the exigencies of monetarist economic policy but it was represented throughout the worst period of the crisis management as legitimate demand. Despite the painful economic crisis management, populist extremities only marginally emerged in Hungary. In general, in the Central European developments economic and social policies have been inseparable, both positively and negatively. Thus, in democratic transition and during the severe economic crisis in Hungary the share of social benefits grew in the shrinking budget in order to avoid the populist reaction and the socio-political collapse. In the first half of the nineties, real wages shrank drastically (by 25 percent) and many people (about one third of the active population) lost their jobs, hence there was an increasing need for joint economic and social crisis management. This “merger” of economic and social policies still continues in a different context. In the present period of early consolidation with sustained economic growth, a new institutional design is needed to draw up the borders of the new public sector. The 1997 UNDP Report on “postcommunist” countries emphasises the increasing role of the national states in welfare provisions. The year 1997 was also a turning point in the Hungarian

and Polish developments towards the sustainable economic development. And this Report, exploring the “East-West” contrast in this respect of welfare provisions, actually has formulated the tasks of the ECE states in designing their new public sectors (UNCTAD, 1997: 62) that has been since then high on the agenda in Hungary.

The social deficit left behind the economic crisis management and neglected – willingly or unwillingly – by the new Central European governments has been enormous. The dominant tendencies and the basic facts indicate in Hungary that in the late eighties, the income polarization between the highest and the lowest income brackets was very similar to the Nordic states (5:1). In the early nineties it decreased to the French or Spanish level (8:1) that was still better than the Greek or Portuguese level (10:1), the countries which were closest to the Central European level of economic development. The big push to social changes was, as indicated above, the drastic reduction of real incomes and high unemployment, which necessitated social crisis management during the nineties. This trend has currently turned to the opposite because since the late nineties the job creation has dominated and unemployment has sunken below ten percent. In Hungary at present, the income level in the highest bracket is seven-eight times bigger than in the lowest one but it has discontinued to worsen. In general, in the late nineties the average income in Hungary was close to the “prewar level”, i.e. to that of the late eighties, and in the early 2000s as a regional average it has become more or less equal to that before systemic change. But in Hungary, as a result, a “one-third – two-thirds society” has emerged, with a borderline of about \$ 3000 per capita income a year (in purchasing power terms). The upper third is living at a West European level, while the lower two-thirds only at a minimum level, with big income differentiation within both groups. The most characteristic phenomenon in the nineties was the degradation and impoverization of the lower middle class, first of all those in public sector, i.e. the “declassification” of the public employees in education and health care and, to

some extent, in public administration. As public opinion surveys show, the perception of the situation by the population at large is even worse than the situation itself, which can be the cumulated effect of the transition fatigue.

With great difficulties, but the safety net of social insurance system, inherited from state socialism, has still been working in Central Europe, about 25-30 percent of the budget has been spent for social policy (in Hungary in 2000 32.2 percent). However, no Central European government has accomplished so far the profound reform of the big redistributive systems in social policy, health care and education, representing the largest part of the budget (in Hungary in 2000 altogether 58 percent). In the Central European countries only some tentative attempts can be noticed as a hectic reaction to the continued budgetary problems, first of all in reforming the pension system. According to the logic of the four-year governmental cycle, a major social, and/or budgetary, reform may only be launched in the first half of this cycle, but so far no Central European government has had the vision and taken the political risk for it. It is true that one can already notice some improvements in the standard of living as a trickling down effect of sustained economic growth. The increasing standard of living, as a result of increasing wealth of nations, always appears on the top first and comes down. The real question is its speed and the extent to which it comes down, most vitally whether it reaches the real poor, the lowest twenty percent of the Central European society.

The Hungarian social reform legislation - initiated, no matter how partial the acts are - has been successful but by far not sufficient. As to public sector at macro-level, no fundamental reform ideas have been formulated, still big changes have taken place – in the ministerial structures and state funds etc. – because of the direct pressures of the state budgeting. The major socio-economic transformation is at macro-level as a post-industrial structure of employment has also come to being. At meso-level big changes have also

occurred, but due to the half-completed, asymmetrical institutionalization no real multi-actor society has emerged yet. Nowadays, the biggest task is the revitalisation of public sector within its new borders and with its new actors and organized interests. Consequently, in Hungary the economic cum social legislation has been efficient enough to avoid major social conflicts, widespread popular dissatisfaction provoking large populist movements, so there was no dominating „technical spillover” on these issues from governments to parliaments and other public bodies. Social legislation has not yet been powerful enough, however, to accomplish a real social systemic change by creating a new social security system. All in all, the economic structure of democracy has been completed but its social structure not yet, and without the social construction of democracy the democratic system as a whole remains weak. The big question is whether this weakness may be qualified only as an „infantile disease” or it is a structural, negative feature of the new system. The second case is more characteristic of the countries that can be identified as „defective democracies”. As the conventional wisdom says, technocratic policy-making can be extended to social field, although democracies that do not address the social well-being of citizens may be prone to instability. The weak performance of new democracies in reducing poverty is quite general and the costs of technocratic style of regulation are rather high. We would argue that the Hungarian case is different and the weakness in the social construction of democracy is only a transition phenomenon. It is true that the legislative framework as a whole for the new public sector and the “social state” is still missing but its outlines have already been drawn up. The EU in its project of Social Europe has also formulated clear criteria for the candidate states (Falkner, 2000). The Stockholm Presidency Conclusions (March 2001) have also emphasized the necessity of merging the economic and social issues (see paragraph 50) that indicates the way for the Hungarian economic legislation as well.

2. State capacity and democratization

2.1. Parliamentary capacity and political transparency

For an international comparison, the Hungarian state and its parliament had a relatively high capacity for managing democratic transition and building market economy. In a contextual analysis, state capacity can only be treated and measured against the background the particular society it regulates, since it gets both feedback and resources from the same society. State capacity has also to be considered from the point of view of the global system, in an international context regarding the recent challenges and opportunities. If one takes e.g. the Czech case, obviously with a low capacity for economic crisis management, then the state - including the parliamentary - capacity, managing systemic change may be high in Hungary even in a Central European context. As a part of state capacity in Hungary, the information network reporting about the state – or the parliament’s - activities has been rather stable and reliable, even if we regard the high complexity of the economic and social transformation processes. The “social capacity” managing systemic change by the society as a whole has been even higher, since the public at large has been very active in making the politicians and political institutions accountable. The public has followed the events and discussions in the parliament closely through TV and radio broadcasts, or through the newspapers.

The public at large has also intensively reacted to the parliamentary events, sometimes very angrily. Some legislative actions have provoked peaceful protests and mass demonstrations at the building of the parliament but without eruptions of extremist populism. The popular feedback has worked rather well and efficiently. We can state that the parliament has pursued its policy-making under popular pressure and control. The popular dissatisfaction with the incumbent governments has regularly led to their electoral defeat. The composition of the Hungarian parliament has changed drastically at all the three times of the elections, so the “splendid isolation” of politicians from the public demand has not worked and their

political responsiveness has been forced out. Yet, this feedback system has contained a series of mistakes and failures. Thus, also in Hungary, the information deficiencies have often led to demands for more transparency in public policies, more reliable financial reporting and stronger regulatory institutions. Although one can also add that the popular pressures in this direction have been successful in most cases and the special ombudsman for information has taken care of public demands. Therefore, actually, these deficiencies have had no substantial spillover effects on political institutions, such as election offices, the judiciary and lawmaking bodies where both transparency and reliable information have been given, so the political institutions have worked properly and democratically.

It has been often emphasized that transparency is not a sufficient condition for accountability, which denotes capacity to hold policy-makers responsible for their actions. This argument refers to the public sector as a whole and opens a new perspective on the relationship between technocratic elites and political accountability beyond high politics, e.g. in territorial, municipal and local self-governments. It is true that technocratic elites may prevail because of the low level of expertise available to political parties and legislature, but only in the very first years of systemic change, although later this gap has appeared at lower levels of political decision-making. Therefore, the argument that improvement of public sector's accountability may take place by separating public policy-making from service delivery, which becomes the responsibility of executive agencies, it is also more valid at sub-national level than as regards the central government and the parliament in Hungary. However, as the argument goes on, that it is possible to make institutions both relatively independent and accountable, but there is a danger that accountability leads to over-politicization of service delivery – this danger of over-politicization may be bigger at the national level than at sub-national or local levels.

2.2. Synthesis of politics and policy

Conceptualizing the links between democratization and technocracy, it is indeed fruitful to describe it as a continuum, a spectrum, and most countries are likely to fall between the two poles. This approach is fruitful, but in fact it presupposes an antagonistic relationship between democratization and (policy-oriented) efficiency, although efficiency is a legitimate goal and not necessarily takes the technocratic form. As a first reaction, it would be easy to answer to the question about these two poles that Hungary has been close to the pole of “democracy”. The real answer, however, is more complex, since we can also claim that the democratization process has taken place with a rather high efficiency in public policy. Thus we would suggest that political decision-making and policy-making might, and to some extent should, be reconciled. This reconciliation – or the synthesis of both - has been extremely difficult but still possible. Hungary and Poland have been among those very few cases to produce the synthesis of the two criteria: by the late nineties they reached both the 1989 GDP level on the base of the new market economy and the completion of the system of democratic institutions. Thus, they can be qualified as “successful transitions” (see Campbell, 2001 and Dulgheru, 2001).

For the evaluation of the role of the parliaments, one has to take into account that the traditional forms of legislative control over the executive power have been weakened in all parliamentary democracies. It has happened for two reasons. The first is the inherent nature of parliamentary regimes working with a simple majority. In most cases it is the government that has a parliament behind, more than vice versa, the parliament would control its government. Second, the increasing complexity of policy-making has made this control more and more difficult, therefore new forms of control over the executive power have emerged (Warwick, 2000). As it has usually been pointed out, there has been a growing trend to create autonomous public authorities that will check the discretionary powers of governments in key

areas of policy-making. One set of these – more policy-oriented - institutions includes the above mentioned central banks and chambers, etc. one on side and executive offices of service delivery, as twinning of public-private in the EU reports, on the other. We have discussed the important role of the Hungarian National Bank, so we have to add to this argument as a new moment that the nonprofit sector has developed to a great extent in Hungary. This development has been facilitated by the legislation in the Hungarian parliament, first of all by the Act on Nonprofit Organizations or in the official wording on the Organizations for Public Benefit (Act CLVI/1997, passed on 15 December 1997). These organizations have played, indeed, a very important role in controlling the executive and providing public services at the grassroots level.

Furthermore, as the usual argument goes, a second set of – more politics-oriented - institutions for control is of more political character, since it includes independent courts, electoral bodies and ombudsmen. Although they share some characteristics in the promotion of horizontal forms of accountability, the two sets of institutions are different, indeed. In Hungary, the second set of institutions has been even more developed. These facilitators of political decision-making have emerged earlier and become completed better than those of policy-making. The National Electoral Committee has organized and surveyed three free and fair elections so far without any significant complaints. The Ombudsman Office has dealt with thousands of cases year by year effectively (see the figures in the Introduction, e.g. 2308 cases in 1999), so it has been a rather efficient “popular” control over the executive that has acted in a parliamentary framework. Finally, there has been an Act on the Organization of the Courts (Act LXVI/1997). This Act was passed on 8 July 1997 as part of a big legislative package on the independent courts. It has taken out the court system from the state control and has established a self-governing control body of the Hungarian Courts through organizing the

National Judiciary Council. All these three institutions have been closely connected and/or controlled by the Hungarian parliament.

This long-term institutionalization has also changed the time dimension in the politics-policy interaction, since politics tends to work in a four-year term following the electoral cycle and policy needs a long-term perspective, or even a quick adjustment at any time of the political cycle. It is generally valid that central banks are more likely than politicians to develop long-term monetary policy and politicians tend to manipulate taxation policies during the electoral cycle. Similarly, independent fiscal authorities would enjoy flexibility to adjust tax rates according to the business cycle and not to electoral one. The Hungarian case has also witnessed that the proper institutionalization can prevent or restrict political “shorttermism”. Although we have to admit that this has only been a very partial and controversial success so far, since e.g. one can point out that there has always been an overspending by governments in the year before the elections, etc. What is clear, however, that these non-traditional control institutions have been centered on the Hungarian Parliament that has elected the leaders of all above mentioned public bodies, and has received and discussed their reports every year.

2.3. Democracy deficit and the EU accession

The young Hungarian democracy, even in its “process” stage, was not a defective democracy despite all of its deficiencies. Wolfgang Merkel defines democracy according to three criteria, the lack of which creates a defective democracy: the vertical and the horizontal accountability, and the “monopoly of power” by the elected representatives. He formulates the third feature as “the exercise of political power – the authoritative distribution of goods and values (Easton 1965) – must lie exclusively in the hands of the democratically elected representatives” (Merkel, 1999: 5). In Hungary the exercise of political power remained in the hands of the democratically elected representatives and was not overtaken neither the military

nor the technical elite. It was so even in the initial, difficult period of systemic change and much more so in the later periods. The economic transformation was under democratic control, except for the cases of privatization and debt servicing but these issues were temporary and part of crisis management for a long-term public benefit. The following economic recovery and sustainable economic growth may justify these hard issues. The new “structure” of polity has mostly overcome the former deficiencies but produced a democracy deficit, similar to those of the consolidated democracies, although in a sharper form - as we have indicated in the Introduction. Early consolidation has also been very controversial and asymmetrical in many ways. It has not yet succeeded in the reintegration and empowerment of those excluded from the political process through their marginalized economic and social existence, i.e. in the creation of the participative democracy. The exclusion and disempowerment of the losers might have been the price for the stabilization of democracy, however, their inclusion and mobilization is now the basic precondition of the mature consolidation. The economic legislation can be completely under the parliamentary control but its democratic character may be questioned if the Hungarian parliament represents only the half of the population – in 1998 the electoral turnover was only 56 percent - and in such a way the democracy deficit is looming large.

The special political contradictions of early consolidation have also added a new dimension to this missing mass participation in socio-political life. As we have discussed before, the tendency of the “presidentialization” of the Hungarian democracy may improve the efficiency of the political decisions for a short run - as removing the veto points, including some of those in the parliament - but will be counterproductive in the long run. The tendency to turn to a majoritarian type of democracy in order to correct the problems of consensual democracy may, in fact, aggravate democracy deficit by lessening the role of the Hungarian parliament in general and that of the social actors in particular. This is the new, third “crucial”

period of the democratic control in Hungary, right in time when the country faces the new task of the EU accession. The presidentialization of democracy –as assuming oversized powers from the parliament to government and to its “chancellor”-type prime minister - has been conflicting with the EU requirements and the EU Regular Reports have clearly warned about.

This new controversial situation can be also observed in the MPs behaviour and the activities of the Third Parliament as a whole. The “structure” that has been established in the Hungarian parliament is more or less corresponding to the needs of the Hungarian transformation in early consolidation. But not yet to the exigencies of the EU accession as it has been clearly shown by the Tables XXI-XXVII at the end of the Chapter I. Although in a Declaration on 11 September 2000 all the six parliamentary parties – including the PHJL! – have supported the full entry to the EU, the Hungarian MPs still have only minimal contacts with the European Parliament and the national parliaments of the EU member states. Their professionalization and the institutional structure of the Hungarian parliament may be enough for the democratic control of the internally initiated legislation, however, by far not enough to the domestication of the EU legislation, therefore the Hungarian MPs have a fear of the increasing administrative burden. They are not enthusiastic about the broadening of the EU powers and slightly reserved about the direct legislation of the EU concerning the member states. All in all, the Hungarian MPs are very supportive of the EU membership in general, in abstract terms but they have a lot of worries in particular, therefore feel discomfort to a great extent in the concrete process of the Europeanization.

Consequently, one has to conclude that the EU accession has aggravated the situation and threatens the former fragile balance between politics and policy, accountability and efficiency in Hungary. In the next future Hungary has to cope with the structural adjustment to the EU in all respects. This process will redress completely the interaction of “internal” and

“external” factors. It will raise not only new standards for policy-making and efficiency but it will change the criteria and process of democratic accountability beyond recognition. But, for sure, the accommodation of Hungary to the EU requirements will need even more the above mentioned synthesis between politics and policy, as the study of the EU has taken place in a combined institutional and policy-making approach (Aspinwall, 2000). The first decade of democratization can only be seen now as a prelude to “Europeanization”, to the EU membership.

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