

SELF-GOVERNANCE AND THE REPRESENTATION OF CONFLICTING INTERESTS

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The idea of self-governance enjoyed a high priority in the programmes of the new political organisations in the pre-election period of 1988-90. The claim had its historical roots in the century-long liberal political movements, and seemed to be strongly justified also by major social developments of the late-1980s. By this time, the gradual dualisation of the social order came to fruition. The continuous growth of production in the informal economy contributed to the cumulation of substantial capital, both in the material and cultural sense of the term. By the very same development, the long-existent informal structures of late socialism opened up new pathways of social mobility, and served as invisible "backyards" to the remarkable influence that the strongest interest groups could exercise in attaining favourable political and economic decisions. However, the gains were always temporary and insecure: given the prevailing socio-political arrangements, all the achievements remained questionable. Success and failure were dependent on the good will of the formal agents of decision-making and power, who were directly controlled by the central organs of the ruling Communist Party. Representation of alternative interests was channelled into dealings lacking any legal and political guarantees, which meant that their efficient manifestation could be easily eroded.

Although the working of the informal world was geared into the formal one, the constraints were apparently increasing by the late 1980s. Ongoing informal bargaining behind the scenes gradually corroded the strength of central control from above; and the institutional arrangements for its maintenance became largely drained of content. The peaceful transition, i.e., the replacement of the old political order through negotiations was an open acknowledgement of the prevailing state of affairs on both sides, and expressed a general readiness for the redefinition of the political order through a set of agreements between the Communist Party and its potential successors. The twofold principles of free

elections, and a reorganisation of the governing system through the newly defined division of roles and duties between the central and local organs of the state seemed to guarantee not only the extension of democratic participation, but also to assist the rise of efficiency in decision-making and the allocation of resources. The municipal elections of Autumn, 1990 were held in the general atmosphere of self-confidence: the time appeared to be ripe to establish a system gaining its resources from the cumulated knowledge, expertise and capital in the hands of the slowly self-organising political forces of civil society.

Although the unity of political will was unquestionable, serious conflicts were foreshadowed in the process of the actual preparation of the first local elections. It became clear that the concept of self-governance laies in the junction of very diverse, sometimes diametrically opposed political, institutional, social and economic expectations. The issues at stake followed from the multiple functions which the new municipal governments were expected to meet.

From a political perspective, they were seen as the institutional guarantees for an equitable share in power and authority. The legacy of a strictly centralised and hierarchical bureaucratic order put this political claim into the context of independence and equality in realising community rights. Thus, the new act aimed at significantly curtailing the scope for interference from above, and put a large emphasis on the institutional guarantees of local autonomy. Since, from an institutional perspective, future municipal governments were seen as parts of the system of public administration, the question was the proper definition and clear separation of "central", as opposed to "decentralised" tasks in order to raise administrative efficiency and to ensure accountability. In this regard, much of the authoritarian functions of the preceding local councils had to be suspended, and replaced by a redefined and legally regulated relationship between the citizen and the state. From an economic perspective, the local organs were seen as providers of a great number of public services, i.e., as units of production and distribution. In this context, a new system of financing had to be established, and clear rules of collective property rights had to be defined, fitting also into the major task of economic restructuring and marketisation of the entire macro-economy. Finally, from a social perspective, local governments were seen as representatives of the needs and interests of the community which was going to elect them. In this regard, central command on entitlements had to be replaced by a political consensus on the range and standard of legally acknowledged basic needs to be met locally. This effort implied the definition of the place and duties of municipal governments in the delivery system of social welfare, and the fair share of responsibilities in income redistribution. In short, the reshaping of local governance brought to the forefront all the key aspects of

systemic transformation: old authority had to be changed by modern administration, subordination by representation, bureaucratic orientation by entrepreneurial innovation, command by service, central dependency by independent self-determination. And behind all these aspects, the focal issue was (and remained) that of democracy, i.e., the questions of participation and exclusion in exercising representation and control.

The discussion below attempts to outline some decisive components shaping those mechanisms, by which the newly elected bodies tried to identify their priorities among the above-indicated competing tasks and requirements. Given the conditions of a general economic crisis and necessary cuts of central subsidies, the concrete questions are largely of an economic character. How did local governments cope with the obvious shortage of capital and financial means, otherwise so important to safeguard independence and autonomy? Has local competition for the scarce resources led to an extension of participation in matters defining the ultimate distribution of them, or, on the contrary, has it brought about sharpened conflicts of social exclusion of the weakest for the sake of advancement of the stronger groups of the communities? What have been the breeding factors and the immediate consequences of either of these developments? How did the new local governments interpret their twofold functions as "entrepreneurs" and agents of "social justice and equity"? When facing obvious clashes of interests, could they maintain a certain degree of social cohesion, or have the clear commitments to either of these principles created intensified conflicts on the local level?

While these questions are focal to an understanding of what transition actually means in people's daily experience, it is easier to ask them than to answer. Besides, an early answer would court the danger of unsound assessment: too many of the simultaneous political, economic and social processes are still in a state of flux. All this warns us to avoid any generalized categorical evaluation of "good" or "bad" news. Thus, the report below has to be taken more as an attempt to outline the major dilemmas than to draw a definitive historical portrayal of socio-political transformation on the community-level.

The paper is based on a number of sources. The first among them is a countrywide representative survey of 75 local governments, conducted between January and March 1993.¹ The questionnaire sent out to the newly elected municipal assemblies and their welfare administration asked questions concerning their financial management, in particular inquiring into details of benefits in the social welfare sphere. It attempted to gather detailed information on the structure of resources and expenditures, on the principles and methods of distribution among the different kinds of social services, and on the causes and nature of

the tensions most felt in local management. It also collected data about the mechanism used to elaborate the welfare budget, the principles applied in decision-making on welfare matters, and the concrete day-to-day practice in financial aid and institutional access. In addition, the survey attempted to map the changes that have occurred in the market activity of the newly elected local bodies. The country-wide collection of data tried to follow alterations in their ownership of property (sale of property, rental, purchases, local credit policy, entrepreneurial activities) going well beyond the scope of legal transfers from one owner to the other, and it also explored information about the (re)allocation of resources between the local authorities as representatives of the "state" and adjoining NGOs manifesting distinct "civil" interests of the community.

Beside the collection of a wide range of hard facts on local-level economic management, a set of community-based case studies was intended to detect the political and cultural undercurrents of those great diversities that the data-processing had revealed even in the first stage of analysis. In an attempt to depict the most characteristic types of local governance, a set of variables was identified to guide the actual choice of the seven cases for in-depth analysis. In order to investigate how much of the clear differences in the orientation of resource allocation and handling of funds can be attributed to the varying political composition of the newly elected municipal assemblies, their constitution according to the principal liberal/conservative divide was the first axis guiding the selection. A second consideration related to the peculiarities of the Hungarian settlement structure. Because of the sharp differences in inherited infrastructure and general material well-being between urbanized and traditional rural settlements, the case studies were constructed to map the limitations of local political will when facing very unequal social, economic and welfare conditions of the communities in question. The third aspect related to the varying traditions and cultural orientations of settlements in different parts of the country. When preparing the case studies, one could rely on a vast sociological and ethnographic literature in this regard. Thus, local communities known for their extensive informal economy and others for massive state-dependence could be selected not only on the basis of synchronic data collection, but also on the grounds of longitudinal information about them.

Out of the seven localities, one was designated to extend the in-depth analysis in further directions. Attempts were made to test the wider social impact of socio-political transformation in reshaping power and control over privatisation in a very typical urban area, known for its deep-rooted cultural traditions, but at the same time, representing an "average" in wealth and general well-being, a balanced political composition on the liberal/conservative divide and a diverse social spectrum, though without extremes in

either direction. It was the city of E. where gains and losses in the privatisation process were investigated by cooperating but separate working teams. Simultaneous studies were run from three different aspects: in the "classical" world of production, in the sphere of civil initiatives, and in handling public funds. The idea of cooperation was born from a common interest of the three team-leaders (Ágnes Vajda, Mihály Laki and myself) in seeking more comprehensive explanations for the generally felt disintegration that ongoing social and economic changes seem to generate nowadays even amid the above-indicated "calm" conditions. Looking at the community of E. from different angles, all the three studies faced a high degree of segmentation within social groups once united by their common needs and aspirations, and a rather instable and temporary partnership among actors driven by joint actions often of questionable value and cohesion. A great number of examples are reported in the three separate chapters of this monograph.

As to the one on the actual working of self-governance, a set of interviews was done with those in positions to make decisions on planning, investment and spending in the municipal assembly of the town. Besides their subjective evaluation of local politics, records were taken from the regular sessions of the assembly between January 1991 and October 1993 to analyse the motives and the reasoning behind the rather characteristic decisions in favour of a well-defined entrepreneurial class within the community. Finally, the examination of the press reports in the regional daily newspaper ("Hevesi Hírlap") on the activities of the municipal government of E. from the date of its formation (30 October, 1990) to Autumn 1993 helped us to assess public responses to the changed local power relations, and also to follow the history of managing those conflicts which emerged from the clashing evaluations of the "right" succession of local political, economic and social doings.

UNBROKEN TRADITIONS: STATISM AND MARKETISM HAND IN HAND

Increased economic independence of the newly elected local governments was not only seen as an obvious prerequisite of genuine political autonomy, but also as a potential way out of the chronic economic decline of the country. Decentralization of power and authority was accompanied by a grandiose programme of property distribution in the hope of creating stable bases for autonomous economic activities, thus, for liberating the central state from its welfare functions. The new economic policy was rooted in clear liberal considerations which identified the preponderance of the central state as the major obstacle

of economic development. According to this rationale, the state had to get rid of its vast redistributive functions, and, instead of serving paternalistic protection, it had to become the guardian and initiator of economic rationality through opening the space for the decisive play of market forces. In an attempt to meet this major goal, state-delivered social spending had to be cut and synchronous structural changes introduced. The central budget had to be freed from the burdens of meeting basic social needs through extensive schemes of subsidies, which, besides being dysfunctional, proved to paralyse economic adjustment and disorient the market. Instead, new and identifiable agents had to be provided with the properties of infrastructure and services, and on the basis of this endowment, they had to be entrusted with the tasks of social provisions. Thus, contribution-based social security became the major agent of income maintenance, while targeted welfare programmes and compulsorily delivered public services were delegated to the local governments, concurrently designating them as the "entitled" owners of municipal infrastructure. It was also hoped that the limitation of central tasks would bring about further economic advantages by reducing both the actual presence and the costs of bureaucracy and administrative activities. Thus, besides facilitating a more efficient fulfilment of needs where they appear, a substantial decrease of central administration would activate additional resources which are so much needed for economic transformation and marketisation amid the conditions of general shortage of money and capital. In this design of a liberal turn, macro-economic demands for efficiency seemed to be in full harmony with the micro-level political demands for disengagement from dictates and control from above. Thus, decentralisation appeared to be an all-round panacea much beyond the technical implications of management and administration. It was seen as a straightforward route to democracy and economic prosperity.

Despite the ideological and political coherence of the new regulations and arrangements, actual reality disproved, these liberal expectations. As it will be demonstrated below, increased local independence has not led to an end of demands for central redistribution; on the contrary, it has legitimised an intensified hunger for state funds, and reinforced the focal role of central decision-making. Instead of an "either-or" trade-off between privatisation and centralised redistribution, recent developments in the structural reform of public administration have proved the strong persistence of an "either-either" relationship.

Shifts in the allocation of the central state budget show these developments in a clear form even on the most aggregated level of macro-economic data.

Considering the serious deterioration in the country's main economic indicators between 1990 and 1992 and the fact that, even calculated at real value, the central budget deficit grew 87-fold during this period, at first sight it is rather paradoxical that the local government sphere has come through this critical period fairly favourably: it has succeeded in maintaining the real value of its total receipts. This relative advantage was attributed to the fact that the share of local public administration in central state expenditures grew by 19.1 per cent from 1990 to 1992, while overall central spending declined by 7.1 per cent at real value. However, this favourable "result" in solvency of the decentralized agents of the state had a serious price in their increased dependence on central allocation: the share of receipts from the central budget in the sources of the municipalities rose from 36.5 per cent in 1990 to 46.8 per cent on the basis of the factual report for 1992. However, a further element has to be encountered also among the central transfers: it is the source taken over from social security to finance operation of the local health institutions. This item represented an additional 15 per cent in the first year, and somewhat over 16 per cent in the second year in the final balance of municipal revenues. Taken together, this means that the centrally distributed sources make up close to two-thirds of the receipts of the local governments, and the trend shows a steady increase.

The growing proportions indicate certain spontaneous shifts towards a return to quite marked subjection to central allocation. A more detailed breakdown of the figures reveals why and how such an unintended trend has emerged. Apart from the growth of the targeted and supplementary supports won from the state to keep pace with inflation, the growth in the proportion of direct central redistribution has been induced by two further developments: a modest decline in the receipts gained from the economic activities of local firms, and a drastic reduction in the return of locally generated personal income tax through the redefinition of entitlements for it. This latter development was due to open efforts for recentralisation: in the course of amendments of a number of regulations in the first years of socio-economic transformation, parliamentary decisions have made repeated cuts in the share to which the municipalities had been automatically entitled in proportion to their income-generating capacity. With the amendments, the redistribution of this centrally collected source has been placed in the immediate competence of central government, making it subject to direct government intervention. The result: this earlier guaranteed fund at the disposal of independent municipal management dropped from its 24 per cent share in 1990 to half that level, 12.2 per cent in 1992, while calculated at real value, the 1992 sum amounted to scarcely half of that in 1990.

Looking at these figures, one has the impression that the first years of transition to a market economy have brought about exactly the reverse of all previous expectations: instead of being curtailed the role of the central state has increased; instead of becoming autonomous economic actors, fawning by the municipalities to get central financial protection has been definitely intensified. In short, nothing seems to have happened: at least in matters of economic autonomy, the old story appears to continue.

But does it really go in the same way? Do these recent developments mean that, despite the collapse of the old rule, "nothing" has changed during the past years in the division of roles among the different levels of the state?

One has to answer with a definite "no". In a more rigorous analysis, such a conclusion would be all the more mistaken, because not only the hopes placed in the quick withdrawal of the central state, but also the fears of a slow-down of marketisation proved to be false. Although increased statism and intensified marketisation might contradict in neoliberal economic thinking, they proved to be not at all mutually exclusive in reality. Fully refuting any simplistic fiscal reasoning, recentralisation of the resources has not been accompanied by any curtailment of privatisation on the local level. The case seems to be the opposite: in the past few years, increased competition for central resources has served only to encourage the transformation of access to and disposal of marketable property.

The key to the understanding of these unexpected developments lies in an immense change in the functions of the central state. While in the past, the concentration of resources served the maintenance of authoritarian unity under the dictates of the centre (guided and supervised by the direct political volition of the ruling Communist Party), today, it is rather a sign of weakness of agreed and unquestionably expressed will. Instead of representing clear governance in the direction of a well-articulated long-term programme of social development, central policy-formation is caught nowadays by the short-term effort to seek a balance among the myriad pressures from below, which all accommodate justifiable local commands and the gradual liberation of long-oppressed diverse civic interests. Metaphorically speaking, one could say that instead of the denationalisation intended by selling state properties, it is the central state itself that has become "privatised".

Although these developments also permeate the transformation of production, much of the strange bias in privatisation is due to recent events in the public sphere, more concretely, to the change of ownership of public commodities through the mere administrative redefinition of its proprietors. The co-existence of marked statism and intense marketism follows from the one-sided character of economic transformation in this

sphere, where legal actions were not combined with genuine economic steps to give real substance to the concept of independent ownership. The designation of the newly elected municipal governments as the heirs of all public infrastructure in their locality was not followed by providing them with the necessary funds for autonomous management. As a result the vicious circles of the past decades could not be broken. Instead of identifying distinct owners responsible for running distinct properties, the practice of double footing in "state-controlled" and "semi-private" spheres has remained the most rational way of common self-protection, leading to an insatiable hunger for fiscal guarantees from above, in order to safeguard market-oriented action with attenuated limitations below. This paradoxical phenomenon has to do with the actual state of the property that the new municipalities inherited.

In a closer investigation, their endowment is more a multifold set of unfulfillable obligations than wealth in the classical sense of the term. Although local management is expected to raise efficiency on the basis of "its" newly received properties, the actual state and composition of this property blocks any such attempts. First, due to the decade-long neglect of investments in public infrastructure, the greater part of their assets is in a rundown and overused condition, unfit for generating money but, rather, crying for serious and expensive capital-injections.

Second, the actual ownershipbelonging of the properties is far from being clear. This fact is an ironic consequence of the efforts for gradual modernisation through the incremental extension of the second economy also to the public spheres. In the intertwining of the formal and informal sides of local life in the last period of Kádárism, rising standards of child-care, education, health care, investments in sewage or water supply were realised through a complicated exchange of informal work and favours, for the tacit acknowledgement of a great variety of needs above the "officially" recognised and financed standards. From this perspective, the inherited properties belong as much to the new municipal governments in succession of the former agents of authorisation, as to the parents of the local school who had built the school's swimming pool in voluntary work to ensure children's health education, even if it had not become part of the formally approved curriculum; or, to the enterprises which bought expensive equipment for the local medical unit in an informal exchange with the local administration to lobby on their behalf for extra funds for productive investment; or, to the commuting workers of the neighbouring village who had contributed money and work to the municipal kindergarten, in an exchange for the representation of their interests in the conflicts with the local firm which employed them, etc. Thus, the claims to the decentralised assets were justifiable from all directions. In an

attempt to preserve social peace by fulfilling all these justifiable claims, the central budget had to be opened to assist their partial institutionalisation. In this way, attempts to "identify" the "most" deserving owner in the democratically elected bodies have failed in most cases: "communal property" remained an empty concept, instead, property-rights have become segmented. Viewed from an administrative perspective, the "owner" in charge of management and authorisation remained the municipality; looked upon from the aspects of finance and investment, it is partly up to "the" state to pay an "acknowledged" ratio of maintenance and upgrading, partly up to the users, with their continuously rising contributions. However, seen from the point of actual functioning, it is frequently an external buyer (a private firm, an agency, a non-profit organisation, a club, the police, any of the local associations, etc.) in an unclear bargain for "renting" buildings, equipment or services from any of those of the "formal" proprietors, who could demand payment for the temporary transference of share -- meant mostly in natural terms. As a consequence, "ownership" has proved to be a slippery category, meant more in terms of an unspoken agreement than in clear rules of contract and command. This is why, nowadays, one never can know when opening the door of the local nursery, whether one will find there the kids in day-care, or the outside office of a nearby factory, paying rents and overhead to the headmistress, who found the temporary renting of some of the rooms the best solution to raise staff salaries -- with the extra "advantage" of taxevasion. In much the same way, libraries, schools, community centres, local cinemas and museums, even medical offices have reduced their primary service in favour of creating space, time and capacity for all kinds of entrepreneurial activities. And amid the conditions of all-round financial shortage, these strange transactions have proved to be the most rational solutions. As a result, none of the partners has had an interest in making a fresh start, even if these developments have concluded in an inextricable fabric of cross-payments, favours and a patriarchal system of clientage, organised according to the traditions and patterns of experiences in the informal economy of recent decades. The municipalities have no resources to raise earnings, so they give their reluctant consent to individualistic solutions of all kinds. The institutions are impoverished in budgetary terms, so they reduce the standard of the service to "liberate" all their assets for an access to the extra (though necessary) funds. The users have no money to buy alternative, private services, so at best, they form associations attached to the state-run institutions, to channel central, municipal and individual donations, and to keep some vague control. The outcome is a delicate balance among all the interested partners, financed by all of them, at the expense of all of them.

Third, the designation of the municipalities as the "natural" heirs of public infrastructure has generated conflicts also from a historical perspective. In coping with chronic underfinancing during the past decades, the "rational" reaction was a massive concentration of the resources in urban settlements, accompanied by intensified pressure to make them accessible for the public of the wider surrounding. In this process of "economising", smaller villages gradually lost their local services, including even schools, health centres and public transport. Despite the constant increase of tensions and struggles which these processes had generated, the arrangements fitted logically into the working of the socialist economy, where the users were not expected to pay, and the managers were not expected to finance. The omnipotent "owner" was the faceless state itself, regarding needs and their better fulfilment as only a matter of appropriate corrections in administration. However, the conditions suddenly changed with the collapse of the old regime. Administrative authority became a base for property, while historical deprivation from it developed into lasting and legitimate exclusion. The new situation brought insoluble conflicts on both ends, urging, again, help from the centralised funds of the state. The deprived municipalities simply use their unjustly inherited destitution as an argument: without extra help from above, they are unable to provide even the elementary services prescribed for them by the law. At the same time, those in a dominant position within their region use the unjustly inherited burdens as an argument: without extra help from above, they are unable to meet the needs of the public beyond the boundaries of their "own" community. And increased "local patriotism" finds its compromise in paternalism: in a compensation for all these "historical sins", it is, again, "the" state which is compelled to pay.

While these upward pressures for an enlargement of transfers from the central budget to thousands of decentralised owners conclude in the above-indicated steady increase in central expenditures, the actual utilisation of these funds shows remarkable progress of marketisation on the local level. It is an indication of a significant degree of market recovery that, as regards the structure of their revenues, there is a dynamic growth in the local governments' receipts of a capital nature, even if they still represent a modest item in the budget. While this item did not figure in the macro-economic annual report on finances of local administrations for 1990, it already represented 3.2 per cent in 1991, and the ratio jumped to 5.8 per cent by 1992. The dynamic growth is even more clearly reflected in the value figures: the real value of receipts from market-based activities rose by no less than 87 per cent in the space of a single year.

One has to add here that the magnitude of local-level marketisation is in effect far more significant than the data presented in the yearly national accounts on public spending would indicate. These reports do not follow the further decentralisation of funds down to the level of institutions and services within the communities. However, the case studies in diverse localities of the country all revealed that state-driven funds are just one of the elements of their revenue: 40 to 70 per cent of the budget of community-based public institutions is collected through a great variety of other channels that range from acknowledged contributions of the users, through the selling of certain commodities and services, to "grey" incomes generated in the above-described forms of using their "properties" for questionable market activities. Looked upon from a different set of data, spending on public services in the household budgets also signals a steady growth of marketism beyond the scope of registered entrepreneurial activities of the municipalities and their institutions. Thus, it is fair to say that the recent increase of decentralised state funds ultimately serves the goals of "denationalisation" - even if the actual arrangements do not meet "textbook" expectations of privatisation and cannot be recorded by applying the "classical" tools of data-collection.²

If denationalisation were an aim for its own sake then one could report an apparent advancement by pointing to the birth of several hundred thousand small businesses, a great number of previously unseen services and institutions, lively economic and civic activities and a much better and more "straightforward" representation of all kinds of interests than ever before. However, the coin also has another side. Increased dependence on the central funds in order to invest them into (semi)private business means that other goals have to fail to get access to the very same resources. Public spending can hardly become "public" if it is eaten up in the above-discussed manner by all-embracing pragmatism and economic endeavours with prompt return. There must be other demands that are seriously unfulfilled. It is not too difficult to identify them. These are the claims of those (communities, institutions and individuals alike) which or who are incapable of entering the prescribed arena of competition -- simply because they fail to offer anything. Without the hope of mutual favours, they appear merely as "burdens", thus, their protection does not seem to "pay". Hence, all those who lack the dual pillars of existence and manoeuvring* (in other words, all those for whom public protection would be the only base for advancement), are simply squeezed out in an unnoticed way.

The forms and actual mechanisms of their exclusion deserve a separate detailed discussion. Since the built-in controversies of the allocation of central resources and the rather chaotic conditions of disposal over them make a major contribution to the rapid

increase of income inequalities that are leading to the effective marginalisation of certain communities, the section below is devoted to the description of the principles and practices now that guide decentralised distribution, and presents also a few of those unintended, though ultimate outcomes that manifest themselves in a disturbingly limited access of the most deprived to regulated social protection.

INEQUITABLE "EQUITY" IN REDISTRIBUTION AND THE FAILURES OF SOCIAL PROTECTION

The greater part of the central state support that make up around half the receipts on the local level now reaches the municipalities on the basis of normative calculations. The normatives that were introduced in an attempt to reform the financing of the "old" council system in the second half of the 1980s, are based on a very complex scoring of itemised needs. A bunch of the items takes into account the size of the population and the number of non-active residents (children and the elderly), while the scores of other components are intended to express some fundamental operating indicators of the institutions and services coming within the scope of legally prescribed basic welfare service activities of the local governments. In view of the principles on which these criteria are based (and the years of debates that preceded their introduction), one could expect to find substantial differences in the ultimate per capita sums of normative transfers depending on the demographic composition of the local population. More concretely, it seemed to be reasonable to expect that the conclusive allocation of that substantial part of the central funds which is channelled to the localities through "objective" calculations, would favour communities with a higher-than-average earner:dependent ratio, thus, it would reduce the inequalities which emerge from the differences in their economic power. In addition, one could also anticipate that the bunch of demographic criteria at the most would strengthen the institutional ones: after all, a higher proportion of children means a clear need for more kindergarten and school places, while a higher ratio of retired residents means (or should mean) more facilities providing social care for the elderly. It was therefore logical to presume that, taken together, the two dimensions --demographic and institutional-- would tilt the balance in favour of the settlements in a less fortunate situation. Even if there are big differences in total receipts, this is due to the fact that in the more prosperous villages and towns the greater income-generating capacity and more extensive market activity "counterbalances" the lower share of central funds. These inequalities could then be

interpreted as the locally borne, though justifiable costs of transition in the hope of a more prosperous national economy.

TABLE 1.

Central normative per inhabitant (HUF/year) - calculated on the basis of selected demographic and socio-economic characteristics of settlements

Earner-dependent ratio

More favourable than national average	15,696
Within +/- 10 % of national average	13,741
Less favourable than national average	13,033

Proportion of residents 60 years and over in total population

Below national average	15,429
Around national average	14,143
Above national average	13,255

Proportion of residents 14 years and under in total population

Below national average	13,708
Around national average	14,663
Above national average	14,873

Type of settlement

Town	16,148
Village	12,101

Socio-economic character of settlement ³

Falling behind	12,744
At varying degrees of risk	13,942
Settlement in very good situation	17,886

Nevertheless, the set of empirical data obtained from the countrywide survey disproved any such expectations. However rational the assumptions on the working of the normative part of state allocation may be (and however much these assumptions may meet the basic requirements of social justice), reality is still subtly different.

As the data series in Table 1 show, the normative allocation of funds based on "objective" indicators can hardly be described as "normative": far from counterbalancing differences that arise from the composition of the population, the magnitude of the per capita sums finally reaching the localities even strengthen the original differences among them. More central support goes to the places where the proportion of residents to be supported from the earnings of the active population is more favourable, where there are relatively fewer elderly residents, where --despite the economic crisis affecting everyone-- sufficient human and material reserves have been accumulated over the past decades by the population to ensure the uninterrupted dynamism of development. The only indicator differentiating between the classes of settlements in the "expected" direction is the proportion of children under 14 years. Although the differences in the per capita normatives really do follow the "intentions of principle" here (that is, more funds go to the places where the demand for them is presumably also higher), a closer examination shows that the additional welfare and education burden of a higher-than-average proportion of children is hardly likely to be counterweighted by the slightly higher per capita central transfers. While settlements in an "unfavourable" situation receive only 8 per cent more per capita in guaranteed central support than those in a "favourable" situation, the ratio of children within the total population is 36 per cent higher in the former category of settlements than in the latter. The most that can be said then about distribution in this respect is that it, at least, does not aggravate the already existing inequalities.

The analysis of the background data collected about the actual institutional structure and socio-demographic composition of the settlements in the sample of the survey pointed to the underlying factors of these strange results. A set of interviews gave some further insight into the built-in controversies of the techniques by which these comprehensive indicators are compiled. It became clear that the legal regulations on the obligations of the municipalities in rendering "basic services" for the population in their communities were too general to fit actual reality. Given that there are hardly any norms on the minimal conditions and the quality in child care, medical care, day-centres for the elderly, transport or hostels for the handicapped, etc., only a very simple and insensitive list could be constructed, enumerating the "kinds" of services, but refraining from any closer specifications. However, this list has become the basis of an extensive bargaining, whereby

the localities attempted to harmonise unclear scoring of incomparable components with the conditions they had to face. Since any qualitative refinement and a more rational "weighting" of the components seemed to lead to endless debates on the "best" way of measurement, the most straightforward solution proved to be a continuous extension of the list itself. Thus, the issue at stake has been the justifiable "inclusion in the normative", whereby previously "unscored" items and "sub-items" became acknowledged. In this way, the original list attached to the countrywide calculation of the normatives for 1990 has been extended from some 40 items to over 180 within two years -- all competing for "equal" incorporation for financial calculations in the "guaranteed" allocation of central funds. And although the needs listed are all "justified", their inclusion has led to the disappearance of the initial normative principle.

This situation has, however, a number of very serious consequences.

The first is the failure of the "neediness principle" in the actual aggregated distribution. Since the normatively allocated central funds contain sums to be spent on benefits in both cash and in kind, and since the regulations declare that their internal distribution belongs in the competence of the municipalities, the result is that the cash supports to be given to families in need "compete" with the funds required for the operation of the local institutions providing basic services. After all, there is only one "social welfare basket", and the elected assemblies are free to decide about the priorities of spending within its structure. However, in a "competition" of individuals with institutions, it is not difficult to predict which side will be the stronger. Heating the nurseries, schools and medical offices and paying their staff "naturally" comes before supplementing the shockingly low pension of Mrs. Gy.K. with regular aid, or guaranteeing daytime meals for first-year pupil L.Z. through the child-raising assistance scheme. The end result of this unworthy rivalry is nothing short of dramatic: maintenance of the increasingly costly institutions can only be ensured by constantly narrowing the circle of those who "in theory" (that is, according to both the regulations and the customary law of "yesterday") are entitled to financial assistance. In view of these facts it is not exaggerated to claim that, in the final analysis, it is the neediest residents who are now financing the survival of the basic local welfare services (and ensuring that the local authorities meet their legal obligations). A single pair of data are more eloquent than any description in showing how the needs of these people are being relegated into the background: while even by the most modest estimates, the proportion of the population now living below the subsistence minimum is 17-20 per cent, only 9.3 per cent (!) of all normative state support goes to the population as payable in cash. In other words, operation of the institutions consumes 90.7 per cent of all guaranteed

support from above, while there is only a residual amount of less than 10 per cent to be distributed among needy households and individuals in forms of assistance. Even if means-tested in an increasingly rigorous manner, the outcome can be nothing else but a steady decrease of the per capita sums while the need for them continues to grow.⁴

The second consequence of the non-normative nature of guaranteed central supports on "objective" grounds is at least as serious as the first. This consequence is the considerable strengthening of the decades-old, inherited inequalities between the different categories of settlements, through central redistribution proclaiming precisely the opposite goal. It is not only that the settlements continue to carry the traditional advantages or insuperable handicaps of their institutional endowments because of the enormously disproportionate share of the normative devoted to operating the institutions, although this in itself is problem enough. Settlements with an inadequate network of institutions barely receive centrally allocated funds as a consequence of the now "rightful" normative calculations. This inherited inequality and inequity is further compounded by the fact that the per capita sums of the normatives now quite clearly perpetuate the differences. This is plainly confirmed by the inequality indicators generally used in income statistics. While calculated without normative, the annual per capita average of those receiving an above average sum from the total receipts is 1.96 times greater than that of those below the average, the corresponding indicator after "acquiring" the normative leaps to 2.75 times! Expressed in readily understandable terms, this means that far from making possible a more precisely targeted utilisation of subsidies, the "guaranteed central support" actually gives effective assistance in increasing the lag of disadvantaged settlements and further improving the relative advantage of those earlier in a good position.

With the freedom the municipalities have in managing the funds, it is not surprising that the support acquired becomes the instrument of further increasing advantages or disadvantages within the communities. No restrictions are imposed on the "recycling" of these funds for market purposes, and given the above-indicated rundown conditions in all parts of their "inherited" assets, this is done by all municipalities that have sufficient resources for the purpose. At the most, it is the social services and those in need of them that suffer a loss, but with the given conditions and rules, that must be regarded as a "natural" outcome. Its extent can be seen in Table 2.

TABLE 2.

Correlation between the extent of normative state support, market receipts and per capita spending on social welfare (in kind and in cash together)

Normative state support	Annual per capita annual sum (HUF) of market receipts	Annual per capita annual sum (HUF) of all welfare expenditures
Below national average	420	1,910
Above national average	1,055	1,549
Average for settlements	703	1,750

The table draws attention to a set of very remarkable phenomena. It demonstrates that the central supports eventually go, not to the residents or the institutions providing services for them, but find their way through the free utilisation of funds into entrepreneurial activities. This is indicated by the fact that in the settlements given low priority in the normative central allocation, the per capita market receipts amount to only 40 per cent of those with a higher-than-average share. At the same time, the per capita level of welfare spending is 23 per cent higher in the disadvantaged communities than in towns and villages that are well endowed and are still able to win higher central support in recognition of their traditionally wider range of services. In plain terms, this actually means that the normative is in reality a form of covert central subsidy extended to entrepreneurial activities: the higher this subsidy is, the smaller the proportion of it that reaches the population. And the result is not even "justified" by inherited regional differences: both high and low priority local managements devote an identical proportion --55.2 per cent-- of their welfare expenditures to the operation of social services under their authority. Seen from another angle, this situation means that the "quality" of social services in Hungary today has a "traditionally" established, very low level, more or less maintained by all local managements. Those in a better financial situation refrain from spending above this "customary" minimum, instead, they devote their funds to other, currently more fashionable and more profitable activities. Expressed in stronger terms, it could even be said that those living in settlements given low central priority are relatively better off in that their local government is "fortunately" so poor that it has little choice: if its funds are too limited to use for any meaningful (that is, profitable) alternative purpose, then at least it uses them to improve the very limited day-to-day livelihood of its residents. However, this

can be regarded as merely an ironic comment on the intention of the central regulation aiming at levelling, rationality and equity, but certainly not as a justification of that intention.

The level of social protection is thus independent of the capacity of the municipalities to finance it. Whether funds are abundant or inadequate, the per capita sums spent on welfare move within a very limited spectrum and are largely unaffected by whether there are many or few needy poor people in the community. In fact, the proportion of sums allocated and the annual sum per recipient show a hierarchy precisely the opposite to the size and economic capacity of settlements. In the decaying, small villages the proportion of the needy reached and the sums they receive are slightly higher than in places where there can be an alternative goal to this spending, because there are more prosperous strata and because there are service institutions. This paradoxical correlation is, in fact, a manifestation of the "ghettoisation" of poverty and dramatically projects the picture of a split in the country's localities and society. Even the slightly higher payments for welfare assistance of the settlements lagging far behind are ridiculously low for them to represent any hope of the poor catching up in any way with the majority of society. Not to mention the fact that, as their institutions gradually trickle away, these few hundred Forints a month have to be spent on increasingly costly transport by anyone wanting to go to school, to the doctor or (what a luxury!) to work. Urban dwellers who are at an "aid disadvantage" compared to villagers, at least have the hope of institutional services within reach, but they are "ghettoised" by the increasingly intolerably low level of their daily livelihood.

The figures shown in Table 3. quantify what has been said so far. It can be seen that in practice, the per capita sums of the normatives do not, in the final analysis, regulate where and how much is spent on meeting the social welfare needs of the population. More precisely and in stronger terms: the "regulation" produces a negative correlation. While the larger settlements enjoy substantially more guaranteed central support through their better institutional endowments, they spend substantially less of these supports for social welfare purposes than those in an inherited disadvantaged position. This is reflected in the fact that while those receiving higher-than-average per capita normatives receive 52 per cent more than those receiving a lower-than-average per capita guaranteed central support, the per capita sums of their social spending amount to only 81 per cent those of the latter! It is not surprising under such circumstances that they pay smaller sums in assistance to fewer people. While the rate at which the poor are reached (that is, the proportion of the definitely needy population living below the subsistence minimum who actually receive assistance) shows the national failure of the ideology of "targeted" supports (it can be seen

in the last column of the table that the maximum reach indicator is only 37 per cent), the larger needy strata living in the poorer settlements nevertheless have somewhat better chances. "At least", one in every six of them can count on support from the municipality, while only one in eight of the "unnoticed" poor in the more prosperous settlements can count on such help (which moreover is on the average only four-fifths of the sum paid in the former).

TABLE 3.

*Social benefits for the poor - according to a few indicators by settlement type **

	All social expend. as % of actual local govt. expend.	All social expend. as % of normative	Annual aid per recipient (HUF)	Recipients of emergency aid as % of population	Recipi- ents of aid as % of poor
Average for settlement	7.2	6.8	967	15.0	27.2
Where the per capita normative is:					
- below average	9.1	8.4	1,056	16.2	25.9
- above average	4.7	4.6	854	13.4	28.9
Nature of settlement:					
- lagging behind	10.3	11.1	1,274	20.4	32.4
- at risk	6.9	6.2	906	14.1	24.8
- very good situation	4.6	4.0	809	11.1	30.2
With below aver. per capita normative, local soc. policy focused on:					
- curbing downward slide of middle class	8.4	6.7	876	11.9	23.4
- supporting the needy	9.1	8.4	1,202	18.2	37.0
With above aver. per capita normative, local social policy focused on:					
- curbing downward slide of middle class	4.4	4.2	776	10.0	21.0
- supporting the needy	4.4	5.0	937	14.2	30.6

* Two remarks must be made on the data in the table:

- a) The number of poor per settlement was calculated on the basis of the figures for the number of households without active earners in the 1990 Census. Since, in the absence of suitable income data by settlement, the households with active earners could not be taken into account in making this calculation

(although it is known from various representative surveys that at least 12-15 per cent of these live below the poverty line), our figures for the number of poor per settlement can be regarded as a minimum approximate value.

- b) It is an indication of the social policy priorities set locally that the greater part of the actual social expenditures go for housing construction and purchase supports and in interest supports for credit drawn earlier by the population for housing construction (the recipients of these forms of assistance are the middle class now struggling to cope with serious problems), or the main items in social inputs are aid and other supports in cash or kind to the needy strata.

The last four rows of the table quite clearly show that this does not depend solely on the differing "fates" and "inheritances". It is a natural consequence of the decentralisation of competencies that there is a considerable increase in the role played by the "atmosphere" of local society, its cultural traditions and attitudes. After all, they have the power to choose which local goals and values are of importance to them and order their priorities. Their varying responses are reflected in the orientation of their local welfare policy. Given approximately the same financial situation, they may provide as much as one and a half times more or less in cash payments to one and a half times more or fewer needy persons.

Such differences in allocation for the poor --amid largely the same conditions and facing largely the same number of those in need-- mean that the perceptions of the problems to be solved through social protection on the communal level show remarkable variations in contemporary Hungary. Certain municipalities may see a threat of the split of the community if those on the margin are not protected; thus, they put an emphasis on assisting the poorest. Others may fear the downgrading of the entire community if, due to the general decline in economy, their local middle class loses too much; thus, they give priority to policies to stop the impoverishment of those who --however great their difficulties are -- still seem to cope. Some may favour universalism on the local level; thus, strengthen services with a wide access. Others see a better utilisation of the limited resources in strictly controlled selective policies; thus, they give priority to financial aid to those in greatest need.

The deviations are great, both, in policy-formation and standards. Despite all our initial hypotheses, however, the political orientation of those in decision-making positions proved to provide only a very indeterminate explanation of this phenomenon. On the grounds of our data-set, neither the composition of the assemblies according to the liberal/conservative divide, nor the party-affiliation of the mayors showed association with the actual level and structure of social expenditures. Among those sticking with one or the other set of priorities in the ultimate allocation, both conservative and liberal assemblies could be found. On closer examination, the assemblies could hardly even be "labelled" : in the course of two years, 57 per cent of them have changed a smaller or greater part of those

initially elected, and the new members were chosen more according to professional needs than in line with any ideological or political considerations.

This trend is just the continuation of the one experienced already at the time of the local elections. When investigating people's motives in their choice, the first studies straight after the municipal elections in Autumn 1990 gave some explanation to the sweeping victory of "independents", i.e., of those who represented neither parties, nor organisations, but "themselves". Examining their former career, it turned out, however that 42 per cent of the new councillors had been working previously in the old council management, and, as to the new mayors, the respective ratio was no less than 94 per cent. These data demonstrated that while people disliked the "council system" of socialism which they regarded the "long arm of the state of oppression", an increasing number of settlements (especially, the smaller ones) had rather favourable experiences with their actual municipal management in the late years of Kádárism. Local administration became gradually depoliticised and professionalised. Its relationship with the public concentrated on matters of economy and local welfare, and this was a field of tacit compromise. Thus, the political will to replace the old people with new ones was far from being unanimous all over the country. Instead, people wanted to see locally born professionals whom they could trust to maintain the continuity of management and administration.⁵ Their party affiliation counted less than their expertise.

In short, neither the magnitude of finances, nor the political composition of the decision-makers had any direct explanatory value in approaching those significant diversities that could be registered in the priorities set among competing local doings. This conclusion is in accordance with the one that was drawn in the first section of the paper: the systemic changes have not brought about a radical turn in matters of macro- and micro-level economic management. Instead, they opened new pathways to the institutionalisation of a mixture of overt and covert interests, concluding in a great variation of the actual access to and share of the resources. The undercurrents originate in the decades-long traditions of the communities, and still vary accordingly.

Although the picture is very colourful, three major types of the decisive socio-cultural inheritances and the conclusive strategies of the municipalities could be detected on the grounds of the countrywide survey and the case studies that followed.

The first among them is characterised by the unbroken continuation of "socialist traditions". As a rule, impoverished villages and the rapidly declining smaller urban centres of mining and socialist heavy industry belong to this grouping, where there are neither the

social, nor the economic bases for genuine economic autonomy. Due to the once monopolistic position of one or two large firms or a few poor agricultural cooperatives in the neighbourhood, after their collapse, 20-40 per cent of the adult population has been chronically jobless, with practically no hope for re-employment. Individual households and the community as a whole suffer from a most serious shortage of means, compounded with a poor outlook for capital injections even on the longer run. As a consequence, these municipalities cannot see their role elsewhere than in the perfection of bureaucratic efficiency. The elite consists mainly of old-fashioned party administrators, who had been brought up in party schools and training programs of the old trade unions, which gave them strong political values and ideological backing, but less expertise and professionalism. Due to their earlier career and deep gearing into the old apparatus of the socialist bureaucracy, they are irrepressible in administrative negotiations, but lack economic sensitivity. They are good at organising mass events and campaigns, but feel insecure when it comes to thinking in terms of investment and returns. In general, they "fear" money; instead, they distribute assistance in kind, though, according to the principles of local "universalism". They prioritise institutions above individuals, and attempt to meet the needs in terms of quantitative "equality" of access to "public provisions". They regard themselves as merely "welfare agents", and demand more paternalism from above. They see no way out of poverty except through more rigorous control over their own poor. Their effort to tighten authority often concludes in sharpening local conflicts, which lead to harsh attempts at exclusion on "moral" and "administrative" grounds. As a consequence, all actors become united in a deep nostalgia for dictates from above: the poor demand more prescribed protection, the local elite demand the political affirmation of authoritarian intervention in order to preserve "lawfulness" and to sanction "disorderly" behaviour.

The second class of localities is the exact opposite of the first one. These are those "entrepreneurial" municipalities which represent most clearly the turn toward marketisation. Using the freedom of local decision-making, the freshly elected assembly sees its role mostly in economic terms. It bravely "sells" or "rents" its "own" properties, and invests centrally redistributed funds into private business. Legal obligations to meet basic needs are understood with great innovation. These municipalities inspire public institutions to become "private" managers of their services, and are ready to finance all civil initiatives in this direction. The assemblies themselves set up a great number of foundations (mostly to support the start of small enterprises, and less for cultural or social purposes), and welcome similar activities also on the part of the population. As welfare actors, the councillors put an emphasis on the slow-down of the impoverishment of the local middle class. Thus, in

their social spending, they focus on various support schemes for housing and education, and, simultaneously, try to set serious limitations to individual welfare assistance through the application of rigorous means-testing. They are no less reluctant in lobbying for central funds than the representatives of the first group. However, their arguments are very different. Instead of demanding old-type provisions, they refer to the necessity of job-creation and investments. Thus, these municipalities are the major users of retraining funds, targeted investment funds for infrastructure, etc., which, due to the smartness of their representatives, have been greatly increased during the past years. As to the local political structure, these municipalities are usually ruled by the strong economic lobbies of the locality, who, on becoming elected councillors, see their primary role as promoting the economic recovery of the firms they represent. Thus, they attempt to channel the local resources toward "purely" economic activities, and keep social spending under strict budgetary control. They are strong believers in economic liberalism, and resist all demands for more guaranteed welfare provisions on the local level. In an attempt to avoid the sharpening of local social conflicts, they "sell out" the welfare tasks to various agents of charity, who, in exchange for municipal support, fully take over the responsibilities of assistance and in-kind services for the poor. As a consequence, these local societies show trends of sharp segmentation. The poor become increasingly ghettoised and are oriented toward special services only "for them", going a long way towards excluding them from access to the "normal" opportunities of the more fortunate majority. Sharp class-divisions are reflected also in local politics. In contrast to the general rule of attaining compromises on a balanced base of representation of all influential segments of the community, these are the localities where power is monopolised by a rather respected, closed circle of the elite, in frequent clashes with the population. Inhabitants do not appear in their civil capacity, instead, local needs are represented by protests and strikes, organised through the local branches of trade unions and other, workplace-based organisations. It is not by chance that these scenarios appear mostly in the middle-size centers of the late socialist economy, where the diverse production of households in the informal economy had always been dependent on the consent and unquestionable strength of the leading firms in the neighbourhood which had given both a substantial part of the resources and a safe backing through formal employment. However, the recent years of marketisation have challenged the ever lasting balances: many of these firms have found themselves in serious financial difficulties, while others saw their future in running ahead with privatisation, though at the price of serious internal conflicts over the actual form of transformation. Thus, the issues at

stake on the municipal level are less the typical dilemmas of social policy and public affairs, than attempts to settle the classical dispute of capital and labour.

The third strategy can best be described as a kind of "social entrepreneurship". Most numerous in its occurrence, this class of municipalities reflects deliberate efforts for the maintenance of double footing. Its representatives are in favour of privatisation, but support only a gradual, strictly controlled form of it. Instead of making profit through selling, they prefer modest gains through renting; instead of investment with an eye on higher returns in the future, they concentrate on the short-term increase of the municipal revenue; instead of raising local taxes, they show great cautiousness in spending, and always withhold enough "reserves" at immediate disposal for unforeseeable events. Although they have clear plans on how to make their town/village flourish, they see the realisation of these policy-initiatives only as a longer-term endeavour, and focus a great deal on the immediate satisfaction of popular needs of all kinds. In an attempt to gain ample social support, the assemblies allocate the municipal resources according to a wide range of purposes, which are usually articulated through corporatist decision-making forums. Their main aim is the maintenance of social peace, and they make all efforts to preserve it. The assemblies in this group are also rather generous in supporting civil initiatives, though never in full independence from a municipal participation and control. Thus, the more "statist" an association or a foundation is, the more willing they are to subsidise it. A similar cautiousness can be detected in their relationship with the central organs of the state. They are in favour of long preparation of any programmes, and ask for funding only with a strong backing on the local level. Thus, they spend a lot on publicity, and prioritise services which could be of interest for broad social groups. In their aspiration to keep a balance, they are less willing to subsidise economic activities in a direct way, instead, they invest in education, training and other spheres of the infrastructural environment of production. Besides "patriotic" commitments, this orientation reflects also the cultural traditions and earlier occupational career of the councillors, among whom physicians, teachers, health assistants, social workers, priests, and middle-level bureaucrats are represented with high frequency. Having had first-hand experience of the decades-long neglect of public services, they are fully aware that any plans for modernisation need the joint contribution of all actors. Thus, besides supporting institutional provisions with direct subsidies, they make efforts to raise the "purchasing power" of the public through a wide range of assistance-schemes to various target groups. This latter issue is frequently brought up in their negotiations with the higher levels for funding. Instead of asking for subsidies for special projects, they bargain for the expansion of guaranteed income for as yet

"unacknowledged" public needs. In these efforts for lasting acknowledgement, they mobilise all kinds of informal networks: locally elected MPs, famous actors born in the locality, successful businessmen are entrusted to lobby for them -- usually, not with particularised arguments, but through giving voice to "national interests". In short, established traditions of paternalism and statism are combined with a modern entrepreneurial spirit with great ingenuity, as much in an effort to preserve power, as with genuine commitment to the interests of the wider public.

Since this briefly outlined third strategy has represented the most frequent way of functioning of the newly elected municipalities, and, at the same time, it also has manifested the clearest continuation of the traditions that have developed in the past decades of socialism, it may be worth describing it at somewhat greater length, and expanding its characterisation with some information drawn from of our in-depth study in the town of E.

THE CASE OF E.: THE FOCI OF LOCAL POLITICS

As mentioned above, the high hopes placed in the transformation of local governance (discussed briefly in the introductory part of this paper) rapidly faded a few months after the first free parliamentary elections in spring 1990. The general experience of the preceding years of economic decline was an unstoppable impoverishment, and a simultaneous increase of visible inequalities. Thus, after the freely elected new parliament was formed, the expectations returned toward macro-level economic policy which was expected to halt the crisis, and assist an upward turn in immediate consumption. In this context, the once important local demands for an improvement of infrastructure, better utilisation of public services, and more efficient representation of local needs in access to the public funds were ranked lower on the priority lists, outstripped by demands for a curb on inflation, rise of real income, and restabilisation of job security -- all beyond the scope of municipal influence. At the same time, the parliamentary elections seemed to be "enough" to guarantee the essence of the systemic changes, i.e., to put an end to socialism - - and in general, people did not aspire for more. On the contrary, a few months of experience was sufficient to generate quite widespread disillusionment in party politics, which was frequently characterised in the press as "the mere substitution of one-party rule with multiparty dictatorship". People could not follow the "squabbling among the parties" which they saw as the bare reinforcement of uncontrollable rule from above, and did not expect to gain a chance to countervail it through local elections. In this political climate of

disillusionment and pessimism, they rapidly reshaped and lowered their expectations. The turn was clearly signalled by the opinion polls. Clear commitment to the programme of a given (new) party, and personal popularity --the leading values prior to the parliamentary elections-- lost their importance in people's eyes, and gave repeated rise to increased expectations on technocratic expertise without strong political connotations. The euphoria of "change" was evidently over.

The actual outcome of the elections confirmed these trends. The analysis of some basic socio-demographic characteristics of the municipal councillors and mayors⁶ showed that people elected members of the most consolidated, "settled", middle-aged professional (male) elite of their community, who had proved their abilities in one or another posts of administration, production or public service. As mentioned above, party affiliations ceased to count: the local elections brought about the victory of party independence. The leading slogan of the campaigns was to "defy the `particularism' of party politics, instead, to represent the common and `undivided' interest of the community". And the candidates strived to prove the truthful denial of any political-ideological predilection. Pragmatism was praised, ideology and political faith looked upon with skepticism and dislike.

The rapid change of the general climate and the turn toward "patriotic" values instead of political ones also rmarked the municipal elections in E. The local press introduced the mayor with the following words of pathos and devotedness: "Dr. R.Gy. has E.-based family-roots reaching 270 years back in history. His grandfather was an engineer, who left an unforgettable imprint on the history of the city by urging, and, later, realising electrification and drainage. The father of Dr. R.Gy. was a popular lawyer, educating his son to become a physician. The favourite water-polo player, champion and sportsleader of the city's two leading sports clubs, the scholarly chief physician in pediatrics was recommended by several political parties and individuals as the best candidate to become our mayor:... `let us elect a mayor who can do the most in favour of our city amidst the democratisation process, who will certainly work for the prosperous future. Let us elect a person who enjoys general esteem, who, by overcoming party interests, will serve common consent, who will represent the advancement of the city in a most intelligent way, mobilising professional competence and knowledge of foreign languages, whose honesty cannot be questioned, who is known to be wholel-heartedly devoted to his community'."7

His rival, Dr. V.Gy. was no less fit for the post. As an engineer, he represented professionalism, pragmatism and entrepreneurial aptitude. True, he came from a less "noble" family background, but embodied the popular figure who owed prestige and high

position to talent, hard work and discipline. His religious education --a clear disadvantage under socialism-- became a source of exceptional honour amid the revitalised conservatism in a city, known as the bastion of the Catholic Church.

The party affiliation of the two rivals was clearly incidental -- a fact, openly admitted by both of them. "Liberalism" meant no more for Dr. R.Gy. than "national conservatism" for Dr. V.Gy. -- they shared the same values, culture and aspirations. It is no surprise that the "liberal victory" of the local elections became questioned in the practical functioning of the municipal government within a few months. The councillors felt it inappropriate to follow the pattern of the Parliament in deciding through collective voting in party factions. Four months after the elections, 12 out of the 31 councillors established the Faction of Local Patriots, chaired by Dr. V.Gy., who gained the tacit consent of his Mayor-friend the following day. The new faction was founded with the deliberate goal of giving priority to "values of patriotism" above "narrow party interests". This initiative became the crystallising vehicle of the biggest association of the town, numbering more than 250 members within a year. By this crossing of party lines, local politics was shifted toward corporatism. True, the formal structure of the municipal government was still maintained, but "civil agreements" avoiding cumbersome voting procedures have gained legitimation. The boundaries between "elected" and "associated" opinion-leaders became rather unclear, and it became impossible to follow who is acting in what role. Thus, it is no surprise that by 1993, we found the same figures as councillors, as chairmen of the most influential local associations, as presidents of one or another of the numerous single-issue foundations, as managers of the most powerful, recently privatised companies, as activists of international relations of the town, or, as professional advisors of city-planning and the development of local social services.

By occupational background, the 31 councillors came dominantly from the public spheres, with recognised expertise mainly in education, culture and health care.⁸ They saw their task as regaining the old prestige of their "historic" town, and leading it back to the road of steady prosperity. In concrete terms, they attempted to achieve these goals by investing in education, by promoting domestic and international tourism, and by developing the town into an acknowledged international sports centre. Industrialisation was not on their agenda; instead, they tried to support trade and services. As a part of this policy, urban development and town maintenance enjoyed a high priority, both in spending, and in the way they tried to mobilise the population. As an insightful sign of these preoccupations, several of our interviewees mentioned with great pride that the town won a first prize in an international competition for "Flower cities", having as indirect impact on a definite rise in

earnings from tourism in the following succeeding year. The councillors regarded themselves as the "ambassadors of E.", using their extensive international professional contacts to draw foreign relations (and capital) to the locality. At the same time, they did not forget also to cultivate their important domestic relationships too. MPs, well-known writers, scientists, even the Prime Minister were their frequent guests, who, after enjoying hospitality, did not disregard the "national interest" in supporting E.'s yearly water polo tournament, or the organisation of local "Wine Weeks" with smaller or larger "donations".

Analysis of the items brought up for decision in the regular sessions of the municipal assembly shows the prevailing pattern discussed earlier : a balanced interest in the maintenance of solvency, with gradual attempts toward privatisation. The "budget" came up in 25 per cent of the cases- - less frequently in the context of options for raising income, but mostly in discussions of the fulfilment of yet unacknowledged needs of particular groups or institutions (demands for rising the funds allocated on normative basis to the local educational units, kindergartens, homes for the elderly, etc.; special "injection" for local transport; the elaboration of universalistic principles for a general subsidy scheme to housing maintenance; decision on universal municipal aid to all families with school age children at the start of the school-year; municipal contribution to school-meals, extra support to the primary schools taken over by the church, etc.). As a rule, these demands were introduced by one or another "invited" representative of the group in question. By late 1992, 75 regularly "invited" and paid professionals helped the work of the 31 councillors in nine ordinary, and some 12 ad hoc committees, which were set up "in a reflection of the local needs to be represented"⁹ (as the Mayor put it in a public interview).

Nearly equal in its occurrence on the agenda, the second most frequent issue was that of privatisation (21 per cent of all the issues on discussed). Two topics have dominated the scene: the "rational" sequencing of buying up emptied workers' hostels, old party buildings, expropriating half-used community houses in the most remote part of the town etc., in order to meet the demands of the church for restitution; and the recurrent theme of pros and cons in relation to the sale of municipal housing.

As to the first topic, restitution proved to be a profitable "business" for the town from several angles. First, by giving back several buildings to the Catholic church with remarkable generosity, the municipality collected extra funds from the central budget, which had been set aside for this very purpose by the nationalist-conservative government in power. Second, a good and attentive attitude toward the church "paid" in liberating the municipality from a part of the most pressing welfare needs: the support of religious charity

assisted in expanding their welfare schemes, and in keeping a loose control over the most "problematic" social groups. Third, their pioneering in restitution helped to attract the attention of influential politicians who became inclined to lobby for the primary goal of getting enough state-support to build up E.'s "dream", a first-class international swimming-pool¹⁰ to develop the town into a primary sports centre of Hungary.

While the assembly showed great flexibility and generosity toward all forms of "institutional privatisation" (including also support for institution-attached foundations and associations of all kinds), it approached "genuine" privatisation with great hesitation and reluctance. Fears and hesitation have blocked all attempts to start any "big business". Instead, the municipality envisioned the support of small entrepreneurship, emphasised "fairness" in distributing land, building, equipment and support among a great number of applicants, and rejected any risky, though grandiose endeavours. This attitude has also been behind its policy in the privatisation of the stock of municipally owned apartments. Although the issue came up several times, and the more "business-oriented" councillors raised strong arguments for speeding up sale in an attempt to approach the "collective goals" within a shorter time span, the arguments of "social justice" proved to be stronger. Privatisation has proceeded with exceptional slowness, giving way only to the demands of the best organised and most vocal groups of the inner-city area. Instead of "direct sale" to the inhabitants, a municipally controlled company was set up, and entrusted with a "thorough preparation, paying attention not only to the purely financial aspects of profit and costs of maintenance, but also to considerations of the 'appearance of the town' and our indisputable commitment toward the needs of the poorer residents".¹¹

The strong attempts to avoid the sharpening of local conflicts were clear also from the discussion of "ordinary" matters of administration and management. Great emphasis has been given to openness, and the councillors tried to achieve compromises with all the interested partners "in advance". As a result, classical political discords rarely came up for discussion at the sessions. Instead, the plenaries were dominated by the mere authorisation of well-prepared projects and institutional programmes, giving the impression of unbiased representation, expertise and well-rooted agreements. And this is what the great majority of our interviewees emphasised as their main achievement. "Obviously, sometimes we have serious conflicts. This is natural: we are all different, with different aspirations and different interests. However, it is our conviction that some compromises can always be found. And it is useless to go to the public with odds and ends, and to quarrel all the time. Instead, we invite each other for a glass of wine, and try to come to terms in an informal setting. It is better that way. And you should see how proud we are, when our 'enemy' of

yesterday presents our ideas with full conviction at the plenary session a few days later! One never forgets it. And it goes without saying that next time, I am the one who is obliged to give way to him first. These are the unwritten rules of courtesy and fairness. We all hate conflicts."¹²

The traditions of "courtesy" and "fairness" seemed to work -- at least, among the various groups of the local elite. However, not all kinds of conflicts could be managed in this manner. It is perhaps not incidental that it was the welfare committee of the assembly that run into an insoluble crisis a few months after the elections, which led to its total defeat. The issues at stake represented the above-indicated two competing approaches to municipal social policy amid the prevailing economic crisis: preventive protection against the impoverishment of the lower middle class, as opposed to curative protection of the most marginalised. Obviously, these two policies could hardly be combined.

The "first" welfare board stuck with the latter principles of focussing welfare policy on the alleviation of extreme poverty. Its disinterest in compromises led to its inevitable replacement by a "second" committee which proved to adjust more to the local climate by giving consent to policies that fitted into the primary processes of "cautious" privatisation for the majority.

The originally elected chair of the welfare board met the expectations for professionalism: she was a trained adult educator with a second degree in social administration. However, the traditions that she and her companions represented were too challenging for the others in the assembly. They were too "radical" in their commitments toward the poor, and used their good political relations with some leading former liberal dissidents in the capital for a kind of blackmailing in local matters. They strongly contested the enlargement of the municipal welfare fund to be distributed according to clearly set rules of universalism, and rejected all arguments on economic priorities. Thus, the clashes seemed to be unavoidable.

A clear example was the dispute over the allocation of the small stock of municipal housing. The welfare board came up with a suggestion unacceptable for all other councillors: they recommended to allocate the stock exclusively to the poorest, without asking for partial contribution from them. However, others argued on the grounds of the limited resources of the municipality and the foreseeable harm that other groups in need would suffer. Instead, they recommended to give priority to young families who would be able to contribute, but could not meet the entire costs of private housing. Moral principles came up as much in the dispute as economic ones. The welfare board asked for solidarity

toward the most deprived, others argued in support of the needs of the future generations and the fairness in enlarging the list of those entitled. In the end, it was the welfare board that won in the first round. However, the price they had to pay was high: trust in the chair was questioned, and she was forced to resign. 19 (!) months of "interregnum" in the professionally-based representation of welfare issues followed: the new committee was set up just a few months before the forthcoming new elections. It goes without saying that there has been a significant decrease in the magnitude of the welfare fund which has become a kind of an all-round "general reserve" in the meantime, concluding in the practical cessation of rationally distributed assistance for those in greatest need. A clear policy could no longer be established. The last-minute appointment of the new committee was rather a formal act to fulfil the expectations that had been raised by administrative supervision from above than a move generated by internal needs. It is symbolic that the new chair lacked any expertise: he had worked previously as a technician at a construction company, and his only relation to local politics was his minor role in one of the local associations. Nevertheless, he proved to become a more flexible partner in accepting the downgrading of local welfare policy. He himself was the one who demanded the application of more rigorous means-testing in assistance and argued for decreasing the number of the regularly supported poor. After his appointment, he was not slow in declaring the turn: the allocation of welfare funds should not be contrary to the general interests of the public, i.e., should be subordinated to the requirements of economic advancement. Following the formation of the new committee, welfare issues ceased to become the "trouble-makers" of local politics. From then on, conflicts were usually successfully "decentralised" to the lower institutional levels of firms, housing estates, clubs and communities. And the municipality strived to keep the "hots heads" apart from each other. After all, such spontaneous political reflexes were deeply rooted in the widely shared traditions of "softened authoritarianism" of the past decades, which put collective efforts in motion to avoid any scandalous events.

In a summary, the municipal actions showed a rather balanced picture during the period under investigation. Professionalism in local management and administration has been definitely increased, and, according to the records, a delicate equilibrium could be maintained between the contrasting economic and social interests of the majority of the community. True, the great "breakthrough" has still to come: the much-desired prosperity has not materialised yet. And it is also true that even the cautious move toward marketisation has led to a strong segmentation within the locality: at least, this is shown by the growing waiting lists for social provisions and assistance, and also by the visibly appearing increased differences in the physical conditions of buildings, schools, shops,

medical offices, nurseries, etc. in the better-off, as opposed to the rundown and poor parts of the city.

Nevertheless, it is undeniable that small-scale "privatisation" of all kinds has been in progress, reaching a rather wide circle of the inhabitants. As a result, the town has been capable of escaping any dramatic decline: even with the deepening of general economic crisis, the local unemployment rate has remained below the national average, none of the businesses of greater importance has gone bankrupt construction of private housing has still continued however slower in its yearly rate, and the visitor could see signs of a slow progress even in the shopwindows. In this sense, E. definitely belongs to the "success stories" of transition. The "secret" source of its performance appears to be identified in the unbroken continuation of the trends which have evolved during the preceding years and decades, and the skilfulness of the municipality in building on them. Their skills are precisely those which are required from the majority of the electorate in contemporary Hungary: pragmatism in economic matters without a hunger for too large profits; a certain solidarity in welfare without too much commitment toward any of the social groups in need; loyalty to those in power without full subordination to them; a touch of statism without the denial of local interests; and a dash of local patriotism, without violating the general rules of adaptation to "mainstream" trends.

NOTES

- ¹ The survey was conducted by the Study Group of Social Policy in the Institute of Sociology of the Hungarian Academy of Sciences. Financial support was provided partly from Hungarian, partly from foreign resources. The directors of the Project (Julia Szalai and Ágota Horváth) are grateful to OKTK (Hungary), UNRISD (Geneva), IWM (Vienna) and the Active Society Foundation (Hungary) for their grants.
- ² The exhaustive discussion of the peculiarities of the process would go much beyond the scope of the present paper. It has to be noted, however that there is an increasing consensus among the analysts of the characteristics of Hungarian transition that one of the decisive features of economic development in recent years has been a definite discrepancy between the registered and the actual economic performance of the country. The discrepancy is due to an increase in the contribution of the hidden economy to the GDP: experts estimate the gap at some 25-30 per cent. (For a detailed discussion and attempts made to revise the statistical measurement of macro-economic data on national economic performance, see: Árvay, J. and Vértes, A. (1994).) In other words, at present, two corollary processes characterise the economy: an intensified crisis in the controlled fields of activities, while there is substantial expansion in the uncontrolled ones. In practice, this state of affairs leads to a twofold functioning of all institutions (from the central ones down to the household economies). While they suffer a deepening crisis and growing uncertainties in their "registered" aspects, they also demonstrate a high degree of resistance and surprising "reserves" for survival through illegal or semi-legal actions. These developments cause serious symptoms of disintegration and a rapid decline of

accountability, threatening to bring about the disorganisation of all regulated socio-economic mechanisms. The most endangered are those (institutions, services and individuals alike) who are short of any reserves and who also lack the indicated dubious "skilfulness" for manoeuvring. They now find themselves in a hopeless situation. The mechanisms that lead to such outcomes in local-level management will be discussed at length below. The analysis of the consequences for the increase of social marginalisation and poverty is presented in two of my recent writings: Szalai, J. (1993) and Szalai, J. & al. (1994).

- 3 This complex indicator was calculated on the basis of the trend in the population of the settlement between 1980 and 1990, the proportion of active earners with less than eight years of schooling, the unemployment rate, the standard of the housing stock and the dynamics of housing construction between 1970 and 1990, using the settlement series data of the 1990 Census.
- 4 National data demonstrate this outcome: while the number of applicants for temporary assistance of the municipalities grew by 45 per cent between 1990 and 1992, the real value of assistance per case dropped by 35 per cent. (See: Statistical Yearbook 1992, CSO, Budapest, 1993.)
- 5 See: Magyar Közvéleménykutató Intézet (1991) and Farkas, J. and Vajda, Á. (1991).
- 6 Vajda, Á. and Farkas, J. *ibid.*
- 7 Hevesi Hírlap , 21 October, 1990.
- 8 By professions, the composition is as follows: 7 teachers, 4 physicians, 4 lawyers, 2 free-lance writers, 1 journalist, the director of the town museum, 5 civil servants, 4 small entrepreneurs, the general manager of one of the hotels, and two pensioners.
- 9 The ordinary committees are, as follows: Medical care, Social welfare, Education and sports, Urban development, Budget and local economy, Tourism and commerce, Cultural needs, Financial control, Legislation and legal representation. Some examples of the ad hoc committees: Sale of municipal assets, Church and religion, Housing management and privatisation, Construction, Publicity and Local Relations, etc.
- 10 The "swimming pool"-issue is one of the battle-fields in Eger. In public meetings, the issue raised that the municipality disregards more pressing welfare needs, the improvement of local nurseries, does not spend "enough" on rent-rebates, etc. However, besides good rhetorical arguments on the all-round interest in job-creation through tourism and the attraction of international capital, the councillors are cautious enough to "separate" the investment fund of the swimming-pool from the budget. As it turns out from a press report, they use "exclusively" the restitution-fund and returns from privatisation, and in addition, those grants which had been given to Eger for this very purpose from one of the "special state-funds on subsidizing sports". -- "It is our strategy not to build these receipts into the running budget, but keep them in a special fund, set up for the general promotion of the town" -- Dr. L. A., Chairman of the Committee on Finance and Urban Economy informed the public. (Hevesi Hírlap, 20 April, 1993).
- 11 Interview with Mr. H. L., Deputy-Mayor in charge of municipal finance and economy.
- 12 Interview with Mr. M. A., Chairman of the Welfare Committee.

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