

State of the State in Hungary

Final Research Report

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with

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Preface

The DEMSTAR Research Report series has three main objectives: (1) to report on empirical work carried out in a number of countries by the DEMSTAR Project, (2) to provide comparative overviews of core issues addressed by the program, and (3) to explore wider theoretical perspectives and analyses generated by the central issues of state capacity, state–society relations, and administrative reforms. With the exception of the contributions published under the heading ‘Understanding Politics’, the reports are mainly designed to be broadly descriptive, and it is our hope that other researchers may benefit from our primary data, our compilation and systematization of secondary data, and the broad and explorative theoretical surveys. The research reports are not intended to replace the focused, comparative analyses that are the ultimate ambition of the DEMSTAR Program. Such studies will be published through the traditional channels of scientific publishing. But substantial comparative research requires systematic single-country and explorative empirical and theoretical studies.

The present volume reports on a project involving specific state elites in Hungary, their perception of the state administration and the relationship between the state and society. Our ambition was to examine whether current and former top-level decision makers (ministers) would make reliable and valid sources for understanding the processes that shape the roles of central state institutions. During the spring and early summer of 2001 we interviewed 35 former and current Hungarian ministers.¹ This research is to be supplemented by an annex reporting the responses of chairmen of parliamentary standing committees that have been asked comparable questions.

This report presents and discusses key features of the Hungarian system of government and state administration as background information for the survey. The survey itself is then analyzed with respect to decision making, administrative capacity and state-society relations. Deliberations about theoretical concepts of state capacity applied by the DEMSTAR project can be found elsewhere, but we also present a preliminary discussion and assessment of state capacity in Hungary. A critical appraisal of the survey methodology and appendices containing the English and Hungarian language questionnaires and the response frequencies to the questions will be available on the DEMSTAR website (www.demstar.dk).

The transition and the process of consolidation

Hungary had already begun to experiment with and introduce partial economic reforms in the 1980’s prior to the popular upheavals that swept

across Central and Eastern Europe. However, in order to understand how the Hungarian transition shaped the constitutional framework for political development in general and the role of the government in particular, focus will be on the gradual change in power and the ability of the elites to negotiate compromises.

As argued by Ágh (1996, p. 52), Hungarian counter-elites had already, when the mass demonstrations began, developed movements structures of elite-mass relations and a method, the roundtables, of bargaining with the reformed communists, extending compromise across the political spectrum. Therefore, rather than adopting a new constitution to accomplish regime change, the preferred and chosen model was the heavily amended 1949 constitution because it held important symbolic and political values of legal continuity.

Hungary developed a parliamentary system from the outset. Reflecting the fear of government instability in parliamentary systems a constructive vote of no confidence was introduced to ensure that the government can be forced to resign only if the parliamentary majority can field an alternative government – not to mention a new Prime Minister. These rules, combined with the strengthening of the Office of Prime Minister during Orbán's term of office, have led to a chancellor type parliamentary democracy. This development has not been linear nor has it, at present, become permanent but depends on future coalition formation. Thus the three cabinets under investigation here represent, on the one hand, fundamental differences with respect to cabinet life as well as the tasks of rebuilding and restructuring democracy, while on the other, all governments functioned under stable legal and procedural rules, indicative of the permanence of the new system (see also F. Müller-Rommel et al., 2001).

The compromise reached during negotiations on a new electoral system reflected a lesson from the Polish transition where the communists lost the first semi-free election (Elster, Offe & Preuss, 1998, p. 65), and the gradual realization of a change in popular strength among the political parties (Schiemann, 1998). This paved the way for a Mixed Member Proportional (MMP) system. Whether the MMP system belongs to the category of proportional systems or semi-proportional systems is debatable, since a strong majoritarian element is present because of the single seat constituencies, but overall proportionality is sought accomplished through compensation to parties that have received a disproportionately low number of seats in the majoritarian districts. The 386 members of the parliament (Országgyűlés) are elected according to three principles. First, 176 members are returned from single seat constituencies,² 152 are returned by

proportional election from 20 multi-member constituencies,³ and finally, 58 members are elected in a national constituency where seats are distributed proportionally.⁴ Despite these proportional elements the Hungarian electoral system produces somewhat disproportionate results. In the 1990 elections the Hungarian Democratic Forum (HDF) thus won 42.4 percent of the seats based on only 24.7 percent of the list votes, and in 1994 the Hungarian Socialist Party (HSP) got 54.1 per cent of the seats after having won 32.6 per cent of the list vote (see Table 1).

Hungarian democracy can be considered consolidated because of its institutional stability, the fact that both wings of the political spectrum have benefited from the electoral system, and no counter systemic forces have appeared (Johannsen, 2000, p. 159).

Having observed the transition to democracy and the market, which initially followed a neo-liberal course of market reliance and withdrawal of the state, it is now recognized that also market economies need a state with the capacity to make and implement policies (Suleiman, 1999), here referred to as state capacity (Skocpol, 1985, p. 9; Kjær & Hansen with Thomsen, 2001).⁵ In following we focus on the general trajectories of the development of state capacity in Hungary.

Institutional Configuration: The development of executive autonomy

Two features in particular have made an overall impact on cabinet formation: first, government formation according to the constitution, and second, the actual election results that have resulted in different parliamentary coalitions.

The Constitution and the Prime Minister's office

The constructive vote of confidence has contributed to the development of chancellor parliamentarism,⁶ in which the Prime Minister has a fundamental leadership role. The Prime Minister is not merely first among equals, but is in charge and personally responsible. After an election, the parliament can therefore cast a vote of confidence in the Prime Minister nominee and his program, but cannot employ a vote of no confidence to express dissatisfaction with an individual minister.

The Prime Minister's Office (PMO) is charged with coordinating the Cabinet and policies. The PMO was strengthened on the basis of Law LXXIX of 1997, following a reorganization made by the incoming government in 1998. The office of head of the PMO was granted full ministerial status and structurally the PMO came to mirror the ministries and now has reference departments for economy, social policy, interior and justice affairs, and

foreign and security affairs. The ministries work closely with these reference departments, which have strategic functions in the preparation of government policies. Even if it has not been used, the PMO reserves the right to prepare and codify laws. The PMO thereby participates in the decision-making process through evaluating and coordinating the codification of proposals originating in the ministries, and by taking initiatives that draw the attention of the ministries to certain tasks. Whereas the PMO initially controlled through legal codification, the 1998 reorganization strengthened the role of the PMO in all phases of the policy process (Pesti, 2000, p. 87). Thus the PMO's activities now stretch well into the implementation process (Sárközy, 1999).

Although the strengthening of the PMO is criticized for centralizing power at the expense of the ministries, others argue that centralizing policy and decision making in the PMO just reflects the process of constitutionalization (Ágh, 2000). This development is important as it leads us to expect that the gradually more important role played by the PMO will be reflected in the survey. However, because a number of members of the 1998 government declined to participate in the survey (see below), firm conclusions on Ministers' perceptions of this aspect will have to await future studies.

Elections, governments and coalitions

The second feature is the extent to which the government commanded a majority in parliament and coalition building among the political parties participating in the government.

The three Hungarian elections held so far can be described as the swing of the pendulum as each election led to a marked shift in the political leanings of the government and each election produced majority coalitions. Table 1 lists key information about Hungarian governments since democracy was restored, a total of four governments because of the caretaker government formed after the death of Prime Minister Antall. Prior to this, the Independent Smallholders' Party (ISP) had withdrawn from the government. However, Hungarians refer to only to three governments because Boross's caretaker government did not represent a major break (in policy terms) from the first government. Moreover, although the ISP left the government, their parliamentary group continued to support it (Szente, 1999). Despite defections by members of various parliamentary groupings all governments commanded a majority. There is, however, a slight difference between the first and third governments and Horn's left-centre government (1994-1998) where the Hungarian Socialist Party (HSP) by itself commanded parliamentary majority but still chose to invite the Alliance of Free

Democrats to partake in the government. Moreover, in all three cases the coalition alliances gave rise to different constraints on the executive.

Table.1 Hungarian governments 1990-

	Prime Minister	Coalition	Political leaning
1. May 1990- Dec. 1993	József Antall (HDF)	HDF, CDPP, ISP	Conservative
2. Dec. 1993- July 1994	Péter Boross (HDF)	HDF, CDPP	Conservative
3. July 1994 – July 1998	Gyula Horn (HSP)	HSP, AFD	Left-centre
4. July 1998 -	Viktor Orbán (Fidesz)	Fidesz, ISP, HDF	Centre-right

Note: Hungarian Democratic Forum (HDF); Christian Democratic People's Party (CDPP); Independent Smallholders' Party (ISP); Hungarian Socialist Party (HSP); Alliance of Free Democrats (AFD); Alliance of Young Democrats- Hungarian Civic Party (Fidesz).

Faced with the pressure of systemic change and popular expectations, not much time was spent on coalition building in 1990, but two important agreements were nevertheless reached. First, the HDF and the AFD, at that time the largest opposition party, hammered out during brief negotiations new constitutional rules governing the constructive vote of no confidence and determined which policy areas would require majority support of two-thirds of parliament. Second, as recalled by then party leader of the ISP, a written agreement was prepared and signed by the party leaders in the government coalition specifying government policy on key areas, including the restitution and privatization of land. However, as Prime Minister Antall and the HDF in a mood of change later backpedalled on the issue, coalition controversies arose and the ISP eventually withdrew from the government (Torgyán, 2000).

Table 2 Composition of the Hungarian parliament 1990-

Party	1990	1994	1998
HSP	33	209	134
Fidesz	21	20	148
HDF	164	37	17
ISP	44	26	48
AFD	92	70	24
HJLP	-	-	14
CDPP	21	22	-
Others	11	2	1
Total	386	386	386

Note: Hungarian Justice and Life Party (HJLP).

At the time of coalition building in 1990 the HDF and the ISP would have been able to form a winning majority coalition by themselves, but they nevertheless chose to invite the CDDP to participate. The Prime Minister proposed this move because of similarities in policy priorities and preferences, but also because he was sure that an oversized coalition would provide greater stability since party cohesion was not expected in this first learning phase of democracy. His assumption proved right as defections reduced the share of seats behind the government from approximately 60 percent to just above 50 percent at the end of the term. Furthermore, the decision to form a broader coalition was also fuelled by concerns for popular legitimacy. It must be recalled that the first government faced the immediate responsibility of restoring democracy and initiating further economic reform to create new paths for development. In consensus minded Hungary this challenge was met by broadening the base of a government which, despite having won an overall majority of parliamentary seats, still had not won a majority of the votes cast at the election.

Up to the 1994 elections the HDF used the past and parts of the media to depict the HSP as autocratic and repressive, stressing its links with the communist past. Thus the invitation to the ADF to join forces with the HSP after the 1994 elections should be seen against the prevailing understanding of a government based only on the successor party of the former communist party which, although having won the election by ballot only four years after the regime change, would send mixed signals abroad and risk growing polarization at home. However, long negotiations were required to complete this manoeuvre, and the price was a lengthy and detailed coalition agreement totalling some 200 pages that not only established the political program of the government but also defined internal rules and specified the procedures for negotiations between the two parties. In addition, the agreement was institutionalized in the Coalition Reconciliation Council (CRC) consisting of the Prime Minister, the coalition partner's Deputy Prime Minister, the presidents of the coalition parties, the parliamentary party leaders of the coalition parties, and one additional member from each party.

The coalition agreement gave rise to two contradictory patterns. First, the CRC and the coalition agreement circumscribed the roles of Prime Minister Horn and the PMO. In the first two and a half years intra-coalition debates and conflicts were made publicly known and Prime Minister Horn complained that he had no powers at all. In response he was increasingly accused by the ADF of abusing the original coalition agreements. During this period the CRC met regularly, although with decreasing frequency.⁷ The CRC's role changed in 1997 when Gábor Kuncze, the deputy Prime Minister,

was elected chairman of the AFD, the junior partner in the governing coalition. Unusual for Hungarian politics, Iván Pető, the former leader of the AFD, had chosen not to enter the government and therefore relied on the CRC for influence. With Kuncze as chairman of the AFD and Deputy Prime Minister intra-coalition bargaining could be resolved within the cabinet. Second, by the end of the term the mathematics of the coalition, i.e. the fact that the AFD was a junior partner and the HSP commanded a parliamentary majority, came into full force as the government began working more smoothly toward the end of the term. The AFD could no longer take intra-coalition debates to the public, having no 'maverick' political leader outside the government, and the party therefore became 'prisoner' to the coalition agreement, unable to exploit and enjoy previous advantages.

Following the third swing of the pendulum in 1998 Viktor Orbán (Fidesz) was able to form a minimum winning coalition with the long-term partner HDF and the ISP. While the Fidesz and the HDF had already formed an electoral coalition and agreement in December 1997 fielding common candidates in several constituencies, the inclusion of the ISP did not occasion a detailed coalition agreement, but only described the government program in general terms. When ministerial portfolios were distributed among the political parties the Fidesz secured the core economic and financial ministries, the HDF received the Ministry of Justice (later to be filled with the popular and only female minister in Hungary) and the ISP nominated the ministers for Environmental Protection, Defense, Agriculture and Rural Development, and Phare (Poland and Hungary Assistance for Economic Restructuring Programme) affairs. Following an attachment to the agreement clarifying the portfolio of the Ministry for Agriculture and Rural Development, József Torgyán, leader of the ISP, took charge of the Ministry. This attachment was undoubtedly designed to be a straitjacket since the ISP leader was seen as controversial, being notorious for occasional demagoguery in his attempts to attract a constituency of right wing radicals.⁸ Although the ISP supplied the necessary mandates needed by the government to establish a winning coalition and used it as blackmailing potential, debates between the coalition partners were initially quite informal.

Instead of establishing a formal coalition council, Orbán's government held regular weekend outings where Orbán and Torgyán (often accompanied by family members) discussed topical issues. Both party leaders emphasized these personal talks as being more fruitful than the very formal practices of the former government. The informal style was also better suited to the junior partner, who had become notorious for demonstratively not attending cabinet meetings and, according to political analysts, for being unwilling to

accept the authority of the Prime Minister and a more disciplined decision-making process.

However, in the later part of the term the harmonious weekend outing picture evaporated. Allegations of sleaze and corruption mushroomed within the Ministry of Agriculture and Rural Development, and some of the ISP ministers were at odds with the Prime Minister, who thought they were inappropriate for their posts. Intra-party feuds in the ISP forced Torgyán to resign as minister when he lost the trust and support of the Prime Minister. In the midst of disintegration the ISP, fearing that the government would lose its majority, nevertheless continued to cast its votes behind it.

Concluding remarks

In conclusion, the first decade of development in Hungary saw a gradual increase in executive autonomy during the development of the chancellor executive. This development was, however, conditioned not only by the implementation of the constitution but also by coalition bargaining and the personal ambitions and behavior of key individual political actors.

Institutional configuration: Government and administrative structure

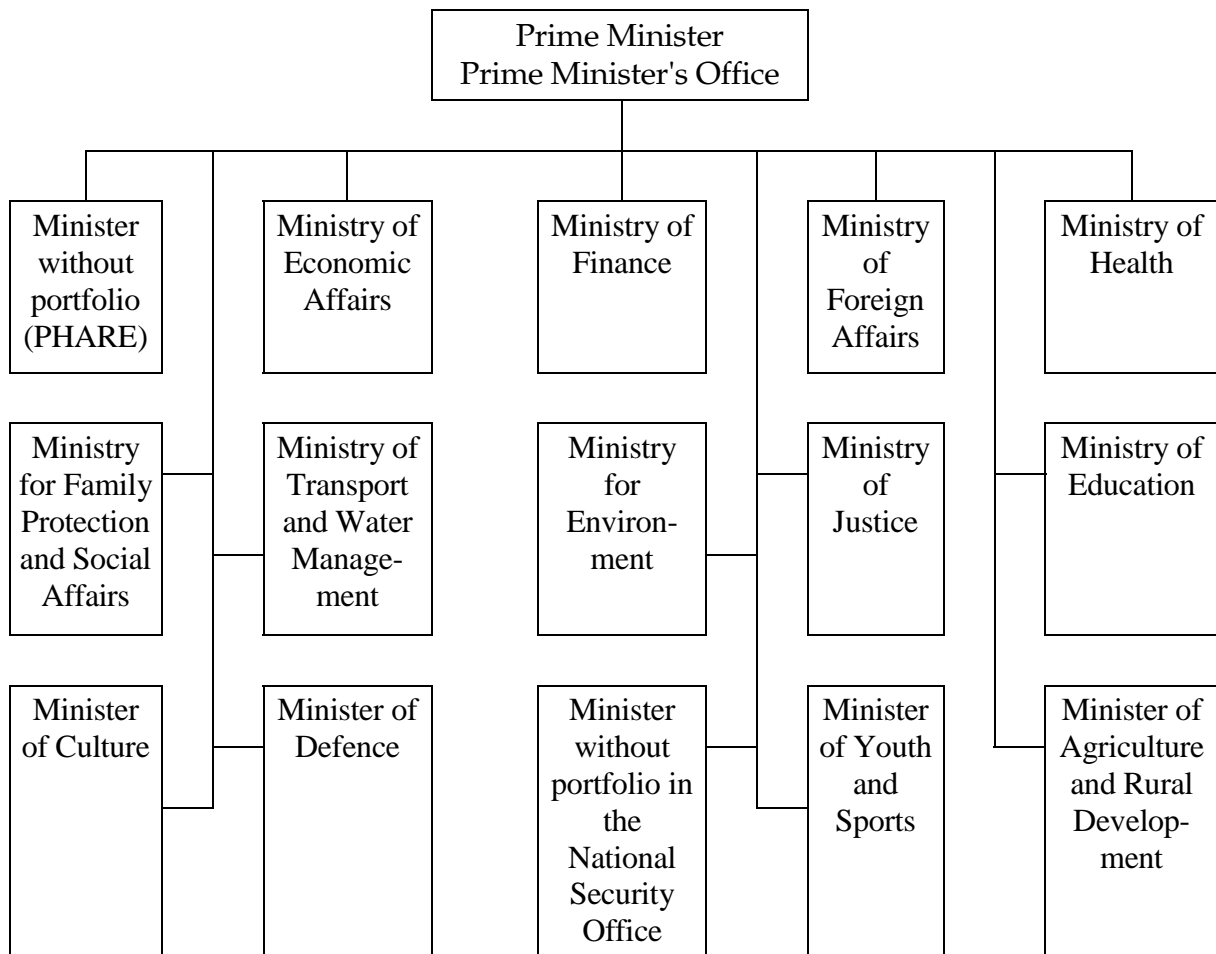
The gradual development the chancellor executive maps in general terms the development of executive autonomy. We shall now focus on a description of the general governmental structure of ministries and their portfolios and discuss the development of a Weberian style civil service, which will constitute a clear break with the former communist administrative tradition and structure.

Government structure

Hungarian governments have undergone significant restructuring through the creation and abolishment of ministries, reflecting not only political compromises between coalition partners (as witness the Ministry for Agriculture and Rural Development mentioned above) but also the changing and pressing tasks that had to be dealt with by the governments during the first decade of democracy and market economy.

Indicating that government structure and the range of different responsibilities were still uncertain when the first democratic government came to power, no less than six ministers without portfolio were appointed in addition to the 13 Ministers. The ministers without portfolio were put in charge of special areas such as privatization, internal security and Phare. Some rotation was to be expected and a total of 30 individuals had government responsibility.

Figure 1 The Structure of the Hungarian government (2000).



The structure was left unchanged during the short caretaker government between 1993 and 1994, but in Horn's 1994 government the number of ministers without portfolio was reduced to two and the number of ministries to 12. The Ministry of International Economic Relations was simply abolished because it overlapped other core economic and foreign relation ministries, causing confusion and difficulties in the decision-making process. Rotation continued but at a slower pace, and thus some 25 persons took part in the government. The 1998 government established 13 ministries (see Figure 1). First, the Ministry of Education and National Cultural Heritage was split in two and a Ministry of Youth and Sports was established. Moreover, the head of the Prime Minister's Office was accorded status as a Minister. In addition, two new ministers without portfolio (PHARE, National Security) were named and important restructuring of portfolios undertaken. By the end of 2000 some 24 individuals served or had served in Orbán's government.

Government organization and decision making

During the first years of transition the central executive structure became more streamlined and settled, partly as a result of political learning and partly because of internal reforms that divided the government into various cabinets and strengthened the PM's office.

During the first government seemingly minor issues appeared on the agenda in session and were discussed in detail. Under the guiding spirit of the PM, a historian inclined to liberal constitutionalism, government sessions came to function as colloquia starting in the afternoon, only to finish well into the night. In the quest for consensus a vote was rarely cast on any issue. Voting was more frequent in Horn's government, in particular in cases involving coalition differences, whereas it was not practiced in Orbán's government, reflecting that coalition differences were settled on weekend outings and in the newly strengthened PM's office.

Streamlining the executive structure has also been accomplished by establishing several cabinets and committees to prepare decisions and coordinate and supervise policies. While cabinet formation began during the first government term (Pesti, 2000, p. 80), the procedures have become more formalized, and in an effort to reform the cabinet system, Orbán's government initiated in 2000 a system where all ministers were to participate in at least one cabinet, giving each minister a personal stake in overall government policy and coordination. It is important to distinguish between 1) the *inner Government Cabinet* headed by the PM and the minister in charge of the PM's office, comprising Interior, Foreign Affairs, Finance, Agriculture and the minister without portfolio supervising the national security service. As the leading politicians from the coalition partners are represented in the inner cabinet it has evolved into a strong forum for clearing coalition differences and formulating executive policy. 2) The *Economic Cabinet* chaired by the Minister of Economy and including Agriculture, Transport and Telecommunication and Finance. 3) The *National Security Cabinet* chaired by the Minister of the Interior and including Defense, Foreign Affairs, Justice, the minister without portfolio in charge of the national security services, and the minister in charge of the PM's office. 4) The *EU Integration Cabinet* chaired by the PM and consisting of key ministers who before Government Cabinet meetings discuss proposals that may affect EU integration.

Furthermore, the administrative state secretaries, who assist in preparing bills and agendas for government meetings, regularly meet in advance. Their regular meetings were established by the first government but have become increasingly important. There is some disagreement concerning the screening function of the administrative secretaries meetings. Pesti (2000, p.

78) estimates that approximately 30 percent of proposals are returned to the ministries for 'reworking', whereas Nunberg (2000, p. 303) estimates this number to be only 10 percent in addition to the approximately 5 percent that are abandoned altogether. After the meetings of the administrative secretaries the remaining proposals are normally submitted both to the Government Cabinet and the more specialized cabinets. That 90 percent of the proposals are agreed upon the first time they appear on the agenda of the Government Cabinet meeting indicates that they are very thoroughly prepared in this process.

Political oversight and administrative neutrality

The Hungarian constitution and the development towards a chancellor executive mean that ministers are personally responsible to the Prime Minister rather than parliament. The rationale behind this arrangement is to secure political oversight of decision-making by the Prime Minister and free him to choose cabinet members based on experience and expertise instead of political merit. Furthermore, a distinction between the political and expertise function of the government was established early on to strengthen administrative expertise and stability within the state administration (Law XXXIII, 1990), differentiating between political and administrative state secretaries. Ministers are also empowered to nominate political advisors who stand or fall with the government. Even if policy advisors neither belong to the civil service nor are elected politicians, their existence points to a strengthening of the political aspects of government.

As evident from Table 3, which reports upon the number of ministers and political state secretaries who held a parliamentary mandate at the time of appointment, the chancellor parliamentary system has not developed to such an extent that Prime Ministers bring in a complete 'change team'. Rather, and as Table 3 confirms, in all three governments a majority of ministers and political state secretaries had an electoral mandate at the time of appointment, firmly rooting the government within political circles.

In the event that a minister is absent, his political state secretaries can stand in for him in all parliamentary activity and participate in cabinet meetings.⁹ The political state secretaries thus on the one hand function as 'junior ministers', while on the other they often function as 'controlling ministers' nominated through coalition bargaining. It is a peculiar and particular feature of Hungarian consensus politics that the political state secretaries more often than not belong to one of the Minister's coalition partners.

This control function was designed deliberately and applied by the first government although it did at times give rise to political differences. Horn's

1994 government used it to a lesser extent. Or perhaps the ministers were less clear about the controlling possibilities, reflecting that the HSP held a parliamentary majority alone. In Orbán's 1998 government the controlling function was scaled down and partly replaced by the appointment of political state secretaries who would be more loyal to their ministers and function as political advisors.

Table 3. The parliamentary connection: Ministers and political state secretaries possessing parliamentary mandate at nomination.

	Member of parliament		Not member		Total	
	N	%	N	%	N	%
Prime Ministers	3	100	0	0	3	100
First government (1990)						
- ministers	18	63	12	37	30	100
- political state secretaries	23	79	6	21	29	100
Second government (1994)						
- ministers	21	84	4	16	25	100
- political state secretaries	15	75	5	25	20	100
Third government						
- ministers	14	58	10	42	24	100
- political state secretaries	15	52	14	48	29	100

Source: Kurtán, S. Manuscript.

Later amendments to the law on state administration have upheld the distinction between political and administrative state secretaries. That also means, however, that administrative secretaries are at the mercy of the Minister who can discharge them on political grounds alone (Law LXXIX, 1997). The administrative state secretary occupies the highest civil service rank within the ministry and the political and administrative features can therefore be difficult to separate. It is an integral aspect of working confidentially with the minister. This is even more evident when considering that political nominations have occurred and that three quarters of the administrative secretaries are replaced when a new government steps in. Thus political considerations influence personnel policy (Goetz, 2001, p.1046; Nunberg, 2000, p. 318). The politicized aspects of the administrative state secretaries are also demonstrated by the fact that some of them have later opted for a position as political state secretary or used the post as a springboard to a career in either government or parliament. As the administration often has the initiative the question remains whether it is the political world that penetrates the administrative world or, in the words of Szente (1999, p.

45): 'It is not politics that has transformed and occupied public service but public administration fills in the gaps left vacant by politics'.

These developments have strengthened political oversight and rooted the government firmly within the parliament and coalition and they are central to the ongoing Hungarian debate about the neutrality of the state apparatus. According to one representative opinion (Sárközy, 1996), administrative (expertise) functions have to be strengthened. In this view political state secretaries should be abolished, and while it is desirable that ministers have political and government experience, the key qualification of a person to be nominated as minister should be demonstrated expertise on the portfolio in question. Furthermore, to improve expertise and administrative oversight the number of administrative state secretaries should be increased. These proposals are fairly extreme examples of attempts to achieve absolute political neutrality in government and actually neglect the realities of party government. In contrast, it is argued that despite the developments described above, the political aspects of government should enter the process of decision-making at an earlier stage. That is, ministers should demonstrate political leadership by participating in the preparation of policies at an earlier stage instead of having early policy proposals prepared in session meetings of the administrative state secretaries (Verebélyi, 1996).

In real life, however, politics and administrative questions are inextricably intertwined, irrespective of the principal stance on the issue. If the respondents in our survey express the same opinion about the role of the state administration on the issue of neutrality and political oversight, this will in the long run set the parameters for the development of the Hungarian civil service.

Administrative capacity

Below the high echelons of political and administrative secretaries, the administrative staff in the ministries have not only had to adapt to a new political regime with competition and changing governments but also to operating within a market economy. These developments have confronted the administration with new tasks concurrently with development and requirements of new functions and expertise.

Hungary's public administration is in general regarded as one of the most developed and advanced civil service corps in Central and Eastern Europe with respect to administrative and economic resources protected and nurtured by the constitutional framework (Nunberg, 2000, p. 271). However, besides possessing and using resources for capacity building, a merit-based system of promotion is essential for civil service development as this not

only roots out nepotism and ensures political neutrality but is also a condition for the development of human resources. As discussed above, the application of meritocracy and political neutrality with respect to administrative state secretaries is debatable. The Civil Service Law (XXXII, 1992) does codify some aspects of political neutrality to the civil service at large (article 21), but it fails to establish meritocracy as the basic principle (Nunberg, 2000, p. 275). Furthermore, Verheijen (1999) finds that following the 1998 election government interference has increased and undermined meritocracy as a guiding principle. There are, however, a range of subsidiary regulations in the Civil Service Law that elaborate on the issue even if they are not followed systematically.¹⁰

With the new tasks confronting the civil service, human resource development in terms of new competences and the retention of skilled staff are important. Hungarians have always emphasized education. Almost all civil servants have secondary school qualifications and according to Nunberg (2000, p. 293) approximately 30 percent of them have either a college or university degree. However, the emphasis on formal education has perhaps been used as a pretext for doing nothing. The Hungarian Institute of Public Administration has been established and in-service training does take place within ministries and sectoral institutions, but no overall training strategy has been developed for the civil service until recently (*ibid.*, pp. 293-297). With respect to retaining skilled personnel and recruitment, the lower pay-level within the public sector compared to the private sector and the decline in real wages (compared to consumer prices) naturally affects individual motivation. The salary reform and the new system of state administrative examination are expected to ease these developments. Although a link between low pay-levels and decline in real wages and a high turnover rate cannot be demonstrated, Nunberg (2000, p. 282) finds evidence that the turnover rate is particularly high within the highest civil service grades and among young mobile well-educated staff. This indicates continued problems with attracting, developing and maintaining skilled personnel. This could in the long term present a considerable barrier to developing administrative capacity.

Considering the overwhelming task of implementing systemic changes the development of technical capacity, that is, the technical expertise of the state administration to design policies and the administrative capacity to implement them, is a pressing concern in conjunction with political oversight and capacity. Whether the ministers perceive that the administration to a significant extent has developed such capacities remains an empirical question.

Concluding remarks

Hungary is an interesting case where the implemented system changes have broken the path of unified decision-making known from the communist politburo. This has led to increased differences between the ministries and the process initially depended on the personal characteristics and policies of key individuals (Pesti, 2000, p. 72). However, the system has become more formalized and streamlined as the procedures and institutions of the Hungarian government have gone through a process of institutionalization. Contacts between parliament and the ministries have been strengthened (ibid., p. 84). Political oversight has been strengthened, fortified by the development of the PMO and employment of political advisors. However, the top echelons of the civil service risk becoming politicized and there is still some way to go before the civil service has adapted to the new executive and parliamentary system.

State-Society Relations

Above the focus was on institutional configurations, the development of executive autonomy and governmental and administrative structure. However, with the exception of parliamentary and coalition constraints on these developments, state-society relations at large have hitherto been missing. Relations between the state and society – between core government institutions and non-state actors and organizations – are important to study for at least three reasons.

First, the extent to which a pluralist society – in which the government openly cooperates with civil society organizations – has developed is an important indicator of general democratic development. Second, the extent of cooperation between the state and civil society provides a good background for state-type trajectories, that is, whether Hungary develops into a liberal minimalist state or a West European type state. In the West European state type societal actors are co-opted to pursue specific policy goals and have influence not only on policy design but are to a large extent they also given an independent role to play in policy implementation. Theoretically this line of questioning follows the works of Evans (1996), Weiss (1998) and Leftwich (1995). Third, the project of systemic change is a daunting task comprising restructuring, privatization and a complete redefinition of societal positions. In this process it is paradoxical that the government is not only retreating from a position of almost total societal penetration but is also steering the process of change. The process of systemic change with institutions and laws in flux and massive wealth changing hands not only increases opportunities for illicit interests to develop and influence the state,

but also reduces the chances of detecting such illicit interests. In this perspective the state not only risks being captured by outside interests but also that democratic decision making and implementation is undermined from within in so far as politicians and officials alike misuse their positions. Theoretically this issue spans from the phenomenon of corruption undermining the capacity of the state *ex ante* in relation to policy decisions, and *ex post* in relation to policy implementation to the concept of state capture, that is, 'if decisions are made to appease specific interests as opposed to the public interests aggregated and mediated through democratic processes' (Johannsen & Nørgaard 2001, p. 3; see also Hellman, Jones and Kaufmann, 2000).

Civil society

Diamond's (1999, p. 221) definition of civil society clearly shows that there is no room for a civil society in the totalitarian state. Although the Hungarian version of communism at the time of its breakdown could hardly be called totalitarian, Howard (2000) demonstrates that on a comparative scale civil society was and still is weak in the former communist countries. But it is questionable if Hungary fits this description. Linz and Stepan (1996) mention 1988 as the year of civil society and 1989 as the year in which a mobilized civil society turned political, eventually producing the alternative elite and the political parties that won the first free elections in 1990. Furthermore, tracking recent developments Àgh (2001) finds that there has been a genuine resurrection of Hungarian civil society. Linz and Stepan (1996) were able to detect only 27 independent organizations prior to the 1988 mobilization, but Àgh (2001) reports that no less than 13,000 civil organizations were registered by 1992, rising to over 50,000 in 1996. Still, Ágh (2001) argues that developments in Hungary can be described as asymmetrical because the revival of the pluralist civil society has not yet led to the inclusion and representation of relevant social groups in political life, which would be required to consolidate them into the main-stream as in a West European state type.

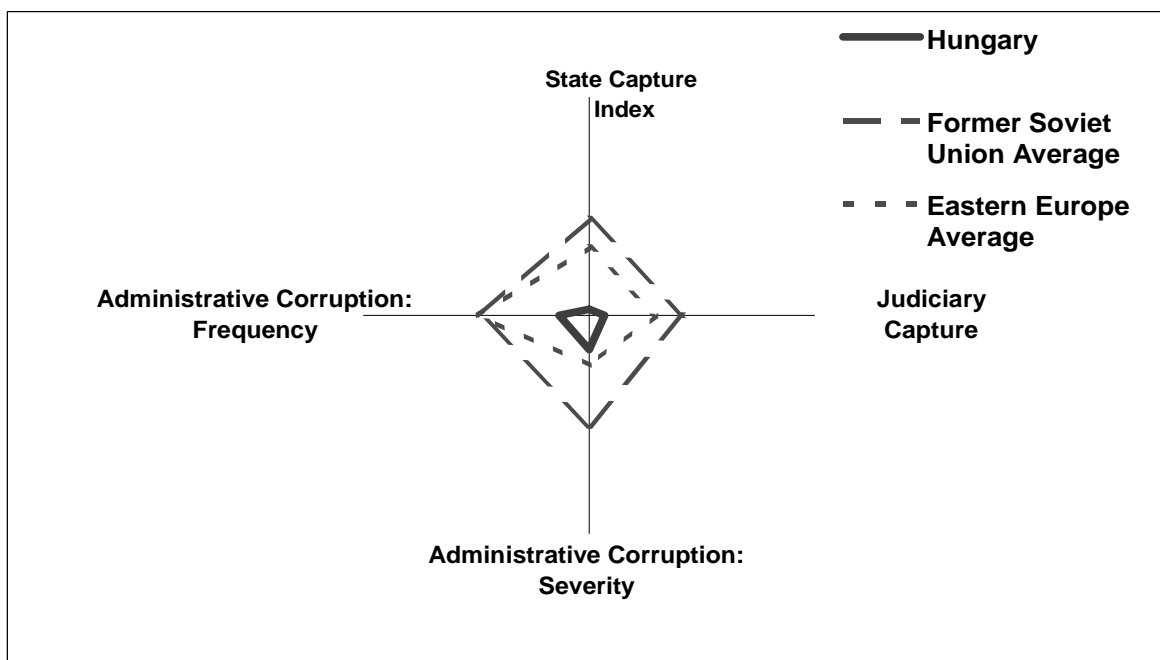
Capture and corruption

In all of the former communist countries systemic changes and the transfer of wealth and political influence have made it more likely that corrupt practices emerge, providing opportunities for illicit influence on policy making and implementation. It is estimated that the shadow economy comprised 29.0 and 30.7 percent of the GDP in 1995 and 1990-1993, respectively (Business Environment and Enterprise Performance Survey,

BEEPS, 1999). The strength of the unofficial economy combined with a not yet institutionalized political and economic system can undoubtedly fuel illegitimate practices. However, perceptions of corruption in Hungary are lower compared to other Central and East European countries. This is not to say that corruption does not exist. Transparency International's CPI (www.transparency.org) is an often cited index of corruption and Hungary has consistently been ranked in the lower 30'ties of the 91 countries surveyed for the past five years. Thus in 2001 Hungary ranked 31st, below Namibia and on a par with Trinidad & Tobago and Tunisia, receiving 5.1 on a scale from 1 to 10, 10 denoting the least corrupt country.

Seeking to combine state capture and administrative corruption Hellman, Jones, Kaufmann & Schankerman (2000) find that both capture of the state and judiciary system and the frequency and severity of administrative corruption in comparative terms are much less frequent and severe in Hungary than in other East European countries (see Figure 2). Reportedly less than 2 percent of firms' revenues are used to acquire political and administrative favors.

Figure 2. State capture and administrative corruption in Hungary.



Source: Hellman, Jones, Kaufmann & Schankerman (2000), figure developed from the accompanying datasheet (BEEPS) at www.worldbank.org/wbi/governance/.

It must be noted, however, that it is very difficult to tackle and measure corruption and state capture. Having asked ministers about their views on state-society relations, and in particular whether civil society and other actors influence policy making, as well as their perceptions of the frequency

and severity of the misuse of office in Hungary, such practices are not expected to be common, but they do exist. The expectation is that with the institutionalization of the new system and the daunting task of preparing for integration into the European Union, state-society relations will develop over time.

The framework for the DEMSTAR survey in Hungary

The broad trajectories in the development of the core executive with respect to decision making and administrative capacity as well as the broad patterns of state-society relations were discussed above. We found that the Hungarian developments can be characterized by: (1) a gradual institutionalization where the predominant role of individuals played in the early phase of transition has been supplanted by core administrative and executive functions; 2) the constitutional parameters have led to the emergence of a chancellor executive and the development of procedures for the preparatory phase of decision-making has become fully integrated in the system. Furthermore, it was found that 3) the development of political oversight has superseded the development of administrative capacity and neutrality, and 4) that the Hungarian state in comparative perspective is much less prone to capture and corruption. Finally, 5) it was found that the civil society has gone through a process of resurrection. However, it is not expected that the West European state model characterized by inclusion of corporate forces has yet become the dominant pattern of state-society interaction.

Survey results

The DEMSTAR survey comprised interviews conducted in 2001 with 35 ministers who served or had served as ministers in the various Hungarian governments since the regime change.

The state, the public and the development of Hungary

Former and current Hungarian ministers agree about Hungary's present and future place in Europe when asked which country Hungary presently and in 10 years resembles most (see tables 4 and 5). Half of the ministers compare Hungary to other East Central European countries going through transition and just one third compare Hungary to the countries that were part of the southern enlargement process of the EU. This evaluation is not surprising as it reflects current thinking that Hungary is a core Central European state ready for EU membership as it is on a par or above the level of development exhibited by the southern enlargement countries when they entered of the EU.

Table 4. Hungary compares to other transition and southern enlargement countries

	N	Percent
Transition Central European Countries	14	50.0
EU-Southern Enlargement Countries	9	32.1
Italy	2	7.1
France	1	3.6
Austria	1	3.6
Ireland	1	3.6
Total	28	100.0

Question 53: Which country in the world do you think Hungary resembles most now?

Note: Transition Central European Countries with frequency in brackets: The Czech Republic (2), Slovakia (2), Poland (2), Slovenia (4), Romania (1) and unnamed Central European Country (3). EU-Southern Enlargement Countries with frequency in brackets: Spain (1), Greece (1) and Portugal (7).

Table 5. In 10 years Hungary will compare to...

	N	Percent
Austria	8	28.6
EU-Southern Enlargement Countries	5	17.9
Scandinavian Countries	4	14.3
Transition Central European Countries	3	10.7
The Netherlands	2	7.1
Ireland	2	7.1
Belgium	2	7.1
France	1	3.6
The average country of the EU	1	3.6
Total	28	100,0

Question 53: Which country in the world do you think Hungary will resemble most in 10 years?

Note: Transition Central European Countries with frequency in brackets: Slovenia (1), and unnamed Central European Country (2). Scandinavian Countries with frequency in brackets: Finland (1), Denmark (2) and unnamed Scandinavian Countries (1). EU-Southern Enlargement Countries with frequency in brackets: Spain (1) and Portugal (4).

Perhaps more surprising is the degree of optimism demonstrated by the ministers when asked which country Hungary will resemble in 10 years.

While the southern enlargement countries and the Central European countries are currently seen as having much in common, less than one third name these countries as future references. Thus, no less than two thirds of the ministers name countries or regions that are above or at the current EU development average. Furthermore, the historical affinity with Austria is evident as about one third specifically mention as the country Hungary will resemble most in 10 years.

However, while the responses clearly demonstrate a common perception of the present situation and optimism about the future, it is less clear if the responses are useful for gauging the direction of overall state-society development. It should be noted, however, that also among EU countries difference with respect to societal model can be observed.

Table 6. More or less state?

	N	Percent
Much more state involvement and/or social provisions	2	5.9
More state involvement and/or social provisions	10	29.4
Current balance	6	17.6
More individual initiative	13	38.2
Much more individual initiative	2	5.9
Do not know	1	2.9
Total	34	100.0

Question 43: What is your preferred degree of state involvement in the economy and society?

Table 7 The role of the public.

	N	percent
Public should elect representatives and let them run the country	7	21.2
Public should take interest in politics and communicate views	2	6.1
Public should become engaged in organizations to gain influence	24	72.7
Total	33	100.0

Question 44: What role should the public primarily play in politics and government?

This divergence is also reflected in the responses to questions concerning the role of the state and the public (see Tables 6 and 7). In the latter a clear majority express views consistent with the development state in which citizens organize to gain influence, but a considerable minority of (approximately one fifth) support the model of representative democracy where civic involvement is limited using the ballot. Thus, while the ministers support

the resurrection of the civil society, already qualifying our expectations discussed above, it remains to be seen if their principled support has led them to favor practical cooperation with civil society in the area of government.

Concerning state involvement in the economy and society the ministers are more or less evenly divided, even if there is a slight tendency to favor state retrenchment.¹¹ Furthermore, judging from the responses radical policy changes should not be expected as the majority express views grouped around the centre. Whether this is evidence of consensus or is a consequence of the tendency of the electoral system to manufacture majorities in combination with the swing of the pendulum, resulting in appeals to the median voter, is too early to tell.

The core executive, administrative capacity and civil society

Eight out of ten Hungarian ministers express that their ministry plays a key role in the policy processes in the sense that the initiative for new proposals and legislation lies within the ministry (see Table 8). In addition, a majority of them clearly see themselves and the state and administrative secretaries as the most and second most important formal decision makers, respectively (see Table 9).

Table 8. Decisions originate from the ministry.

	N	Percent
Agree	27	84.4
Disagree	5	15.6
Total	32	100.0

Question 1: The ministry commands initiative and political proposals to be put forward for debate in the public and the cabinet originate from within the ministry (Agree, Disagree).

To cover several aspects of the government's inner decision making environment, the ministers were asked to identify core ministries responsible for cross governmental coordination and supervision. Table 10 makes it clear that the Ministry of Finance (MOF) is considered a core ministry. The cross-coordination responsibilities vested in the MOF is perhaps not surprising given the tasks of macro-stabilization and the number of austerity packages during the transition, but as political power was firmly anchored in the production and planning ministries during communism, the emergence of the MOF as a core ministry is another indicator of the development of an executive structure designed to fit a market economic environment.

Table 9. Important formal decision makers.

	most		second most	
	N	Percent	N	Percent
The Minister (and ministry)	19	61.3	7	24.1
Prime Minister (and PMO)	11	35.5	7	24.1
Government (e.g. cabinet, gov. in general)	1	3.2	1	3.4
State and administrative secretaries	-	-	12	41.4
Other	-	-	2	6.9
Total	31	100.0	29	99.9

Question 29: Please rank the most important formal decision-makers that influence decisions in your ministry: For example, yourself, the Prime Minister, State Secretaries, Deputy State Secretaries, Formal ministerial advisers, Departmental Directors, Chairmen of parliamentary committees, individual members of parliament.

Table 10. Core ministries.

	N	Percent
Prime Ministry	1	3.2
Ministry of Finance	26	83.9
Ministry of Justice	1	3.2
Ministry of Interior Affairs	3	9.7
Total	31	100.0

Question 18: Which ministry do you consider to be the core ministry in terms of influence on decision-making in other ministries?

Table 11. Active and influential.

	N	Percent
Prime Minister's Office	1	3.6
Ministry of Foreign Affairs	1	3.6
Ministry of Economic Affairs	1	3.6
Ministry of Finance	18	64.3
Ministry of Transport, Communications and Water	1	3.6
Ministry of Justice	1	3.6
Ministry of Environmental Protection	2	7.1
Ministry of International Economic Cooperation	2	7.1
Ministry responsible for the PHARE-program	1	3.6
Total	28	100.0

Question 20: In cases where other ministries tried to influence proposals in your own ministry, who did it most frequently?

In line with this picture it is not surprising that the MOF is also portrayed as the ministry that tries to influence decisions in other ministries most frequently (see Table 11). Furthermore, in a follow-up question 80 percent of the ministers report that it was commonplace for civil servants from their ministry to prepare and provide information to other ministries. However, ministers are also keen on defending their turf and widely disagree whether or not it is acceptable; it is not surprising that a majority is against if or when it has a negative impact on the resources and competences of their own ministry.

As expected, and as already revealed in Table 9, the Prime Minister (and the PMO) plays a central role within the government. More than one third and roughly one fourth of the ministers considered the Prime Minister the most important or the second most important formal decision maker. Table 12 confirms the development of a chancellor democracy in Hungary. When asked to name the most influential political actor more than 40 percent of the ministers answered "the Prime Minister".

Table 12. Chancellor democracy.

	N	Percent
The Minister (and ministry)	2	6.9
Prime Minister (and PMO)	12	41.4
Government (e.g. cabinet)	5	17.2
State and administrative secretaries	2	6.9
Political parties (and parliamentary party group)	3	10.3
Foreign investors	1	3.4
Professionals	1	3.4
Other	3	10.3
Total	29	99.8

Question 17: Name the three most influential political actor within your area of responsibility a minister (current or latest ministerial post).

Thus, the picture that emerges of the core executive in Hungary is that the ministries have the initiative, extensive inter-ministerial coordination takes place, the Ministry of Finance plays a key supervising role, and that the Prime Minister and the Cabinets have supreme political authority.

A political administration?

Given the development of a chancellor democracy it is to be expected that the value of strong leadership has come to be reflected within each ministry. The power of the minister to appoint and dismiss civil servants is thus a

common value and right sought by a clear majority of the ministers (see Table 13). However, it does not seem that the ministers intend to use this power to build a political entourage as they do not believe that it is better if civil servants are members of the governing party (Table 14).

This attitude is a clear departure from the communist period where a career was impossible for non-members of the communist party (Goetz & Wollmann, 2001, pp. 865). Further, it is also reflected in the ministers' general attitude to the tasks of the civil service, believing that it should first and foremost advise on technical matters (see Table 15), establishing a division of work where political consideration, advice and strategy are left to the ministers and the top echelons of the civil service. Concerning these higher placed civil servants, typically political and administrative state secretaries, one third of the ministers believe that the higher the level, the more important political loyalty becomes (Table 16), qualifying the observation reported in Table 17.

Table 13. My man – ministers should be able to appoint their own civil servants.

	N	Percent
Strongly agree	5	15.2
Agree	19	57.6
Disagree	4	12.1
Strongly disagree	5	15.2
Total	33	100.0

Question: 13 What do you think of the following statement: ministers should be able to personally appoint their own civil servants?

Table 14. It is better if civil servants are members of the governing party?

	N	Percent
Strongly agree	0	0
Agree	0	0
Disagree	8	22.9
Strongly disagree	23	65.7
Of no significance	4	11.4
Total	35	100.0

Question 11: Do you agree that it is good that civil servants are members of a governing coalition party?

Table 15. What should civil servants advise on?

	Political strategy		Technical matters	
	N	Percent	N	Percent
Agree	8	24.2	33	94.3
Disagree	25	75.8	2	5.7
Total	33	100.0	35	100.0

Questions 12: Civil servants should advise on (1) political strategy; civil servants should advise on (2) technical matters.

Table 16. The political loyalty of higher ranked civil servants.

	N	Percent
Yes	11	34.4
No	21	65.6
Total	32	100.0

Question 11a: Is political loyalty from the higher level civil servants to you as minister more important than loyalty from lower ranking civil servants?

There is thus no doubt that part of the desire to appoint civil servants stems from the expectation and demand of loyalty from those working in close collaboration with the minister. It is hence not surprising that political replacements when governments change, while not predominant, are at least commonplace (Tables 17 and 18). Judging from the comments to the questionnaire, replacements to a large extent depend on the individual minister, his personal view of management, and the degree of trust between him and his close advisors. Thus, some ministers prefer to reorganize entire ministries, replacing up to 75 percent of staff, while others prefer to keep onboard people who are otherwise political opponents to develop broader discussions within the ministries. Thus, with the exception of the Ministry of Justice and within the Phare coordinating unit, all ministries with cross coordination responsibilities and the majority of the heavy economic ministries report a considerable turnover. The two exceptions may be due to the tradition for legal continuity in Hungary on the part of the Ministry of Justice and by the demands of cooperation with Brussels on part of the Phare coordinating unit.

Table 17. Political replacements are common, but not predominant.

	N	Percent
Most	2	6.5
About half	2	6.5
Less than half	19	61.3
None	5	16.1
Do not know	3	9.7
Total	31	100.0

Question 10: In general, how many of the civil servants are (were) replaced when a new minister from another party takes/took over the ministry?

Table 18. Replacements are not considerable everywhere.

	N	Percent
Yes	10	28.6
No	25	71.4
Total	35	100,0

Question 10a: Besides replacement of civil servants due to political considerations and changes in government, is there a considerable turn-over of staff in your ministry?

Table 19. Trust and declining quality.

		Has the quality of civil servants improved or declined since 1989 regarding ability to provide advice**				
		Significant improvement	Some Improvement	No change	Declined	N
In most cases could/ can you trust your ministerial officials to provide reliable and intelligent information?*	Yes, mostly	5	6	3	12	26
	Yes, sometimes	2	3			5
	Rarely			1		1
	No, not at all					
N		7	9	4	12	32

* Question 3; ** question 5.

The issue of trust and turnover also crops up when overall decline in the ability of the civil service to provide advice is questioned. Around one third of the ministers report an overall decline since the regime change, but they

nevertheless all have confidence in the reliability of the information provided by ministerial officials. However, it is also important to consider that many ministers in their comments concerning trust do separate the political from the technical. There is hence a higher degree of trust in the ability of the civil service to provide reliable and intelligent information when it concerns technical and professional matters than when it concerns political information. One minister clearly observes that towards the end of a government term some civil servants become more unreliable as they hedge their advice against a change in government. Among those who believe that the quality of the civil service has declined over the years, typical explanations refer to a mixture of political and economic reasons. Some of the older and more experienced staff have resigned because of political distrust and some of the best have left for better paid jobs in the private sector or international organizations. Thus, given the difficulty in retaining qualified staff and that trust and loyalty appear to be important to ministers, this could be a second explanation for wanting to be able to appoint and dismiss civil servants.

Judging from the survey a Weberian administration is, in a positive interpretation, only slowly emerging. While the ministers clearly reject the old communist administration where political and administrative affairs were intertwined, they also prefer to retain some political oversight, which means that political appointments and replacements in the higher echelons of the civil service become commonplace. However, we should also consider that the ministers do not operate in a vacuum. The high turnover rate – partly a result of the attractions of the new market economy – forces ministers to ponder how to retain ‘trustworthy’ and competent civil servants.

The party connection and civil society

It was noted above that a chancellor executive firmly rooted in parliamentary democracy had emerged. A majority of the ministers and political state secretaries have a parliamentary mandate (Table 3) and some ministers also believe that the parliamentary party group (PPG) is an important political actor in its own right (Table 12). It remains to be seen whether extending the circle of influence upon the decision-making process will render political parties and the civil society more important. But it is equally important to ascertain whether societal actors are included not only to reach specific policy goals but are actually given influence on formulating these goals and designing policies.

It is notable that many of the ministers rely on external advice, often from academics or specialists employed by NGOs (Table 20). External advice

is sought quite frequently as more than half of the ministers report that advisors are always or often used and not only concerning important matters (see Table. 21).

Table 20. External advice is relied upon.

	Academic Specialists	Gov. Pol. Advisors	NGO Specialists	Political Parties	Other
Have relied on	27	9	16	17	13
Have not relied on	7	24	17	17	19
Total	34	33	33	34	32

Question 4: If you needed external advice, whom would you prefer to rely on, or have you relied on, to get the information you need?

Table 21. And it is also used.

	N	Percent
Always	6	18.8
Often	14	43.8
Sometimes, concerning important issues	8	25.0
Rarely	4	12.5
Total	32	100.1

Question 4a: To what extent are these advisors used in the policymaking process?

However, the nature of the contacts with the different groups varies. First, we can assume that academic specialists are independent contractors brought in by the ministry. Second, even if the ministers consider the political parties important actors in decision making (see Table 22), follow-up questions revealed

Table 22. The importance of party.

	N	Percent
Very important	13	39.4
Important	9	27.3
Of little importance	8	24.2
Of no importance	3	9.1
Total	33	100.0

Question 32: During your term of office, how important was your party (for example, party leader meetings, party organizations, party donors) for government decision-making?

that almost all who thought that parties are important actually referred to the party leader, whereas party organizations and rank and file members were deemed less important. The importance of party leaders supports the thesis of a hierarchically structured political executive with the chancellor in a prominent position as one of the party leaders in the governing coalition.

Third, cooperation with social forces and civil society is structured differently. Eight in ten report a close relationship with significant organizations (Table 23) and the ministers report to be under pressure from a wide range of organized interests such as trade unions, big companies and various NGOs. Table 24 reveals that around one third often feel pressure and less than 15 percent report that they rarely or never are exposed to such pressure. The open comments reveal that the ministers thought such pressure was quite natural as organizations try to defend and promote their interests by seeking influence on policy decisions, but as one minister remarked, 'Outside actors did try to influence decisions; however, these were never made as a consequence of their pressure'.

Table 23. Close relationships with significant organizations.

	N	Percent
Yes	27	81.8
No	6	18.2
Total	33	100.0

Question 26: In your time as minister, did your civil servants have close working relationships with major interest organizations within the ministry's resort?

Table 24. Feeling the pressure.

	N	Percent
Often	11	31,4
Often, but not concerning really important issues	2	5.7
Sometimes	17	48.6
Rarely	2	5.7
Never	3	8.6
Total	35	100.0

Question 24: Have you ever felt under pressure from outside actors (NGOs, non-state organizations, peak level business, etc.) to initiate new legislation?

The majority of ministers have also had close encounters with international organizations and foreign governments seeking to influence the outcome of the Hungarian political process. The ministers are split on the issue of

whether foreign pressure can be seen as positive or negative as they clearly see that also international actors and foreign governments have agendas and interests to pursue. Nevertheless, only 4 of 24 respondents state that the pressure from international organizations and foreign government never had a positive effect on solutions to domestic problems.

Table 25. Lobbying is positive because...

	Agree	Disagree	N
It provides the information you need to make the right decision	18	12	30
You get support from the concerned groupings	18	12	30

Question 27: Concerning lobbying, that is, when outside interests attempt to influence the political process, how would you in most cases agree/disagree to the following statements?

Despite the pressure the ministers, although many note their ambivalence toward the concept, considered that lobbying was positive because it not only provided useful information in the decision making process but could also secure the support of the concerned groups – a priceless political asset (see Table 25). Moreover, virtually all ministers agreed with the statement that decisions are improved when concerned interests are consulted or incorporated in the process of policy formulation.

Table 26. Institutionalized contacts with civil society.

	N	Percent
We have an institutional forum for discussion & cooperation	25	89.3
Institutional forums are formed at an ad hoc basis	2	7.1
Informal forums depending on the character of the case	1	3.6
Total	28	100.0

Question 28a: How are/were concerned interests incorporated or consulted in the decision-making process?

So a wide range of external advisors is used and the pressure from organized interests is clearly felt by a majority of the ministers. Most consider such contacts to be politically useful and helpful for improving decision making, but almost 90 percent of the ministers report that it is the institutionalization of civil society contacts that finally leads to a qualification of Ágh’s (2001) thesis of an asymmetrical society (see above). We can therefore conclude that Hungary exhibits strong traits of an emerging West European state where social forces are co-opted into the decision making environment.

In so far as the finding concerning the incorporation of civil society organizations into the decision-making environment are based on the perception of the ministers, further research should follow up with specific studies about how and when the civil society becomes involved and gains influence. In the following, problems of implementation will be addressed, scrutinizing whether the Hungarian state administration in the eyes of the top executive possesses the necessary capacity to implement political decisions.

The capacity to make it real?

Above we noted the development of a centralized executive structure where the ministers, despite the involvement of civil society in the decision-making progress, clearly demonstrated that they thought the ultimate power of decision rested with them and in the government.

It is therefore not really surprising, but certainly refreshing, that they by and large also demonstrate willingness to assume personal responsibility when a policy program runs into difficulties or implementation problems (see Table 27).

Assuming personal responsibility for implementation problems is quite brave as the ministers report that they have encountered just about every implementation problem in the book. As evident from Table 28 virtually all have had to cope with inadequate resources such as time and finances. This is hardly surprising given the demands on the state during the economic and social transition, the various austerity packages and, not least, the degree of optimism espoused concerning Hungary's development over the next decade.

Table. 27. The buck stops here: personal responsibility for difficulties.

	N	Percent
Yes	34	97.1
No	1	2.9
Total	35	100.0

Question 39: When implementation or a policy-program ran into difficulties, did you personally take political responsibility?

Besides the problems of resources, the next three items in Table 28 relate to coordination, evaluation, monitoring and staff motivation; more than 70 percent of the ministers report having encountered more than two types of implementation problems (Table 29). Given the level of economic stress and the multitude of tasks related to the transition it is therefore to be expected that ministries entrusted with welfare, economic development, infra-

structure and culture more frequently report implementation problems and a diverse range of other problems than are reported by rule producing and regulating ministries. Some of the problems encountered actually appear to

Table 28. Implementation problems encountered.

	Yes	No	N
inadequate resources (time and finances)	29	3	32
lack of co-ordination and information	18	14	32
lack of monitoring and evaluation activity	16	16	32
insufficient staff motivation	16	16	32
interference in the program from outside	13	19	32
poor policy design (no or wrong relation between cause and effect)	11	21	32
lack of understanding of and agreement on objectives by the involved officials, interests, clients, etc.	9	23	32
tasks insufficiently specified	5	27	32
Other	4	26	30

Question 38: Some people claim that there are many obstacles to implementing policy effectively and efficiently.. Have you experienced obstacles such as...?

Note: Responses reordered in decreasing scale for presentation purposes.

Table 29. Frequency of the combined number of implementation problems encountered.

	0	1	2	3	4	5	6	7	Total
N	3	4	3	7	8	5	2	3	35
Percent	8.6	11.4	8.6	20.0	22.9	14.3	5.7	8.6	100.0

be linked. Staff motivation is significantly correlated with monitoring and evaluation, and poor design is significantly correlated with lack of agreement among concerned partners.¹² While the latter is likely an outcome of the difficulties encountered among partners to reach agreement and understanding on the basis of a poorly designed policy,¹³ the former points to a belief in the need to control and monitor civil servants reflected in the surprisingly high number of ministers (1/3) who do not have confidence that the staff implement decisions as intended (see Table 30).

Table 30. Confidence that staff implement decisions as intended.

	N	Percent
Yes	22	66.7
No	11	33.3
Total	33	100.0

Question 37: Were you generally confident that decisions made in your ministry would be implemented as intended by your staff?

Belief in monitoring also corresponds to the political oversight and the emphasis placed on trust between ministers and their coworkers. It may therefore be hypothesized that the numerous implementation problems encountered impel the ministers to respond with increasing control and political oversight expressed as the wish to appoint their own civil servants.

Table 31. Was the civil service more effective in implementing policy during communism?

	N	Percent
Strongly agree	8	22.9
Agree	12	34.3
Disagree	10	28.6
Strongly disagree	2	5.7
Difficult to say	3	8.6
Total	35	100,0

Question 42: In your opinion, did the civil servants implement political decisions more efficiently under the communist system than they do now?

The list of implementation problems is long and as evident from Table 29 the majority of ministries face a combination of such problems. Asked to evaluate whether the implementation capacity of civil service has declined compared with the communist system, more than half believe that civil servants were more effective before than they are now. However, it is a question if the deterioration in implementation capacity is a permanent feature or a transitional phenomenon. Cross-tabulating decline with the different governments suggests that it is not a transitional phenomenon, and the different opinions expressed by ministers from the first and later governments are not significant.

Capture and corruption

Various aspects of decision making and implementation problems were discussed above. A separate issue influencing the capacity to make and implement decisions is the existence of corrupt practices that enter the policy process in both phases. With respect to capture there is little or no evidence of the existence of 'Grey Cardinals', but as apparent from Table 32, this does not preclude that powerful individuals, organizations and business actors can escape regulatory measures. In fact, a majority of the ministers believe this to be true.¹⁴

Table 32. Who can escape regulation?

	Agree	Disagree	Do not know	N
Powerful individuals	19	14	1	34
Powerful interest organizations	18	14	2	34
Powerful business actors	19	13	1	33

Question 41a-d: To what extent do you agree with the following proposition? ... can escape regulatory measures.

Note: the categories are collapsed from a four point scale.

As argued above, corruption was expected to exist in Hungary, but that it would not be a massive problem. It was therefore disheartening to learn that slightly less than 40 percent agree to the statement that misuse of position is common in Hungarian politics (see Table 33), a majority linking it to the level of departmental directors. Reporting it for higher levels in the state administration is, however, not uncommon as about one fourth of the ministers believe that misuse is common at the top ministerial level (see Table 34).

Table 33. Is misuse of position common in Hungarian politics?

	N	Percent
Strongly agree	0	0
Agree	13	38,2
Disagree	13	38,2
Strongly disagree	7	20,6
Do not know	1	2,9
Total	34	100,0

Question 48: Do you agree that misuse of status positions is common in Hungarian politics?

Table 34. Where misuse is most common.

	Common	Not Common	N
Top level (ministers and their deputies, Vice Ministers)	7	21	28
State secretaries and their deputies	9	19	28
Medium level (departmental directors)	16	12	28
Lower level officials	7	21	28

Question 49: At which level of government do you think that the phenomenon of misuse is most common?

Roughly one third of the ministers have personally experienced attempts of bribery (Table 35) and more than 40 percent claim to have obtained knowledge about unlawful activities in either their own or other ministries during their term (Table 36).

Table 35. Has someone attempted to bribe you?

	N	Percent
Often	2	5,7
Sometimes	1	2,9
A few times	9	25,7
Never	23	65,7
Total	35	100,0

Question 45: During your time as minister, did you experience attempts to bribe you into favoring specific groups or individuals?

Table 36. Knowledge of unlawful activities.

	N	Percent
Yes, in my own ministry	9	28,1
Yes, in other ministries	4	12,5
No, but I assume so	6	18,8
No, not at all	13	40,6
Total	32	100,0

Question 50: In your time as minister, did you obtain knowledge about persons engaged in irregular (unlawful) activities on the governmental level?

The frequency of knowledge, personal experience and the view that misuse is common combined with the ability to escape regulatory measures is clearly above the expected level. However, while these patterns cannot be

explained away there are indications that they may be overstated, and that corruption is declining and can be dealt with.

First, a close examination of the response pattern reveals a worrying tendency to report a rise in the ability of powerful actors to escape regulatory measures from the first to the second and third government. This implies a disturbing increase, but a closer examination indicates that the rise detected is actually a higher frequency of ministers from the socialist government to report an increase in the ability of business actors to escape regulation. The answers to these questions could be influenced by the former socialist ministers making a judgment upon the conservative-liberal government that was in power when the survey was carried out.¹⁵ It is thus not possible to dismiss that a political judgment is being made by political adversaries. Second, there is in support of a decreasing trend a slight change from the first to the second and third governments in opinions expressed about the commonness of misuse and obtained knowledge of unlawful activities.¹⁶ Hence, ministers of the later government tend to report fewer instances of irregular activities and to believe that misuse is less common than ministers from the first government do. Third, when asked about the causes of corruption the ministers point to the low salaries in the public sectors, poor moral standards and the legacy of communism. Few single out organized crime as a cause of corruption. As these causes are listed in decreasing order of importance, there is also a recipe for combating corruption, namely to continue the ongoing public sector salary reforms. One could also hope that there is light at the end of the tunnel if the optimism shared by the ministers about Hungary's development is not unfounded.

Nevertheless, the figures indicate that corruption and the ability for some to escape regulatory measures are sizable problems in Hungary that should be dealt with honestly and openly.

The survey and state capacity

The overall aim of the DEMSTAR program is to assess not only the development of state capacity but also to uncover how state capacity relates to the success or failure of economic transition and political development.

Within this broad agenda the present survey has contributed to our understanding and assessment of some of the issues of state capacity in Hungary as seen through the eyes of the ministers. This survey and the results presented here cannot stand alone and will have to be compared with the results of other surveys and be supplemented by in-depth interviews, tapping whatever shortcomings the survey may have as well as placing the results in the proper context. Furthermore, detailed and comparative studies

within policy areas are required to assess not only generalized state capacity but also whether capacity to make and implement political decisions varies between policy areas.

With these qualifications in mind, the present survey has uncovered some of the dimensions of Hungarian state capacity.

State capacity in Hungary

With respect to the constitutional dimension the survey found a high degree of correlation between the constitutional structure and the emerging patterns of intra-governmental decision-making. Thus Hungary has developed and institutionalized a chancellor executive that clearly demarcates political leadership. This implies a strong role for the Prime Minister in decision making, and, in the Hungarian case, also shows that strong cross-ministerial ties have developed. The Ministry of Finance in particular has emerged as a core coordinating ministry. Furthermore, the Hungarian tradition for legal continuity also shows up in the survey in the form of a lower turnover rate in the Ministry of Justice. Thus the overall institutional setup of the Hungarian political executive is firmly consolidated within the constitutional structure and legal traditions and with the development of cross ministerial supervision a structure suited to the needs of a market economic environment is in place.

Leadership dimension and political parties

The survey has found evidence of a hierarchical leadership culture in Hungary. This is partly due to the constitutional framework but it is also found in the ambition expressed by the ministers to maintain clear separation between the political and administrative (and technical) aspects of public administration. In relation to the political parties the leadership of the political parties is seen as important by the ministers, whereas party organizations and rank and file members are deemed less important. This, however, does not imply that the Hungarian political parties will remain in the development phase. It is merely evidence that in as far as day-to-day political decisions have to be made; the political leadership and the parliamentary groups are closer to the zone of importance as seen from the chairs in the ministries.

Administrative capacity

The emphasis on leadership does have ramifications for Hungarian administrative capacity. Despite the vision of separating politics from the administrative level, ministers still prefer to reserve the right to appoint their

own civil servants. Third, the administrative capacity of the civil service seems to be impaired. The turnover rates do seem to be higher than desirable according to the standards reported by Nunberg (2000) and political replacements are, if not the dominant pattern, at least not uncommon in the higher ranks of the civil service. The survey supports the position that the principle of meritocracy has not become ingrained in the Hungarian state administration. Nor does the survey bring forth evidence to suggest that the ambivalent position held by the ministers in relation to the meritocracy principle is declining, except that the principle may gain support if promoted as a clear break with the communist past. Almost routinely the ministers do not consider it to be advantageous if civil servants are members of the ruling party. However, with respect to the technical capacity of the administration to prepare political decisions the survey appears to have some shortcomings. The ministers are on the one hand confident that the civil service is capable of presenting intelligent advice, but on the other one third of them actually report declining ability in the civil service to provide advice. Detailed in-depth interviews of selected observers and participants in the political process should be considered in order to address the issues of trust, turnover and decline as aspects of capacity.

Concerning the process of implementation, political decisions ran into numerous problems. Some of these are evidently related to the transition and are sector specific. However, one third of the ministers do not have confidence in ability of civil servants to implement decisions loyally and effectively. In addition, a majority of the ministers believe that the capacity to implement political decisions was higher during communist reign. While the majority of the ministers trust the civil service to provide intelligent advice, the deteriorating capacity to implement decisions suggests that Hungary should continue to develop public administration reforms emphasizing that aspect. In this sense the survey may provide some useful input because, other than the obvious lack of resources, coordination, evaluation and staff motivation appear to be very common implementation difficulties.

The embeddedness of the state

The value of a hierarchical executive does not imply that the civil society cannot voice opinions and channel them into the decision making process. The survey has demonstrated that the ministers see a political value in incorporating civil society in the policy process, and furthermore, that such cooptation has been institutionalized. This is also in accordance with the

general perception expressed about the role of the public in the political process.

The survey has also demonstrated that problems with corruption and that powerful actors can escape regulatory measures are seen as more massive by the ministers than expected, and perhaps readily admitted among Hungarian observers. In so far as a West European state is held as an ideal and ministers want to foster a development state to reach this optimistic goal over the next decade, these problems must be tackled.

Conclusion

Hungary is by now a fully consolidated democracy and an assessment of Hungarian state capacity should note that the political executive is fully embedded in the constitution and legal traditions. From a development perspective there is thus a solid platform for building capacity. In terms of capacity to make decisions the development of a hierarchical leadership culture and structure on the one hand increases this capacity, while on the other, the problems related to meritocracy, turnover among civil servants and the numerous problems encountered in the phase of implementation raise doubts about the capacity to make the decisions work in the real world.

Hungary also exhibits a specific West European state trajectory in the sense that formalized arrangements to include social forces in the policy process have been developed. This incorporation also appears to be rooted in the political values of the ministers, suggesting that permanent and increasingly pervasive features of Hungarian state-society relations are being built. However, the ability of powerful interests to escape regulatory measures also reveals shortcomings with respect to the rule of law and the ability to make and implement political decisions.

Notes

1. So far, similar projects have been carried out in Latvia, Estonia, Lithuania, Kazakhstan and the Kyrgyz Republic.
2. If no candidate obtains an absolute majority of the votes in the first ballot, or less than half the registered voters' votes, a second round is staged. In the latter case all candidates may run again. In the former case, candidates who received more than 15 percent of the first round votes (alternatively the 3 top gainers if only one or two candidates won more than 15 percent) may participate in the second round. If no candidate receives a majority in the second round, the one with the most votes is declared elected, provided the turnout is at least 25 percent. So the plurality element is a modified two-round system. (article 7, Hungarian Election Law, 1989, modified 1994)
3. By simple electoral quotient. A 5 percent threshold applies. (article 8, Hungarian Election Law, 1989, modified 1994). For a discussion of some of the later modifications to Hungarian electoral law, see Pittaway and Swain (1994, p. 193).
4. Article 9, Hungarian Election Law, 1989, modified 1994.
5. Pierre and Peters (2000) put forward a similar definition. They prefer to speak of governance rather than state capacity, however.
6. According to Hungarian parliamentary principles the President plays a limited role. Thus, the President's powers to nominate are strongly restricted and with respect to government formation the President oversees that the Prime Minister nominee commands a parliamentary majority and then nominates ministers at the request of the Prime Minister. However, parliamentarism is also restricted in the sense that the constitution provides for a number of areas that require two-thirds of parliamentary votes to be adopted.
7. 20, 14 and 8 CRC meetings have been identified in 1994, 1995 and 1996 respectively (Sándor et al. 1998)
8. In a second attachment the ISP and Fidesz agreed to front a common candidate for the 2000 presidential elections. According to the agreement the ISP was granted the right to nominate a candidate to be approved by the Fidesz. This attachment fuelled much public debate and concern because of the likely ISP nomination of Torgyán. Eventually, and in a face saving manoeuvre, Torgyán was nominated at a demonstrative and symbolic ISP party conference, only to decline the nomination.
9. Political state secretaries cannot, however, vote in the absence of the minister.
10. For example Government Decree no. 35(1998 (II 27) on the Special Administration Exams.
11. Interestingly, the members of the first government disagree to a larger extent than members of the second and third governments.
12. Lack of agreement and poor design ($r = 0.425$, 2-tailed sig.: 0.015). Staff motivation and monitoring and evaluation ($r = 0.500$, 2-tail sig.: 0.004).
13. At least it can contribute to some interpretation problems among the partners.

14. There is a high correlation between the three types of powerful actors that can escape regulatory measures suggesting that we are in fact tapping one dimension. A factor analysis thus reveals that the first component explains 83.685 percent of variance with an initial eigenvalue of 2.511. The three items load with values of 0.929; 0.853 and 0.959 for individuals, organizations and business actors respectively.

15. Note that the question is generalized and not specifically related to the ministers own term.

16. As a post-script to the analysis it should be mentioned that following the return of the socialists to government power in 2002 this new government plan to open 21 investigations of instances of corruption in Orbán's conservative government.

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