

# THESIS WORK

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2013

Rowing Against the European Stream:  
Re-centralization Within the State of Hungary Since the 2010  
Parliamentary Elections – The Case of the Hungarian Office of  
Public Administration and Justice

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Budapest, Hungary

September 5, 2013

Thesis Research in Partial Fulfillment of the Requirements for the Degrees of Master of Science (the Radboud University), Master of Arts (the Corvinus University of Budapest), and Master of Public Administration (the University of Ljubljana – Faculty of Administration)

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# Rowing Against the European Stream:

## Re-Centralization within the state of Hungary Since the 2010 Parliamentary Elections – the Case of the Hungarian Office of Public Administration and Justice

By Melvin van Velthoven

Submitted to the Faculty of Economics, Department of Public Policy and Management  
The Corvinus University of Budapest

### Abstract

This thesis investigates aspects of centralization within Hungary since the country's 2010 Parliamentary elections. Brief summaries of each chapter of the thesis, in accordance with Corvinus University Thesis guidelines, start on page two. Extensions for policy and directions for future research are deferred to the concluding chapter and start on page 75.

The first question I ask is: which factors opened a window-of-opportunity that put the, since 2010 incumbent, Fidesz administration in a position to launch an ambitious governmental reform program? This analysis is delineated in the macro-level analysis. By means of a case study, this thesis then examines how these centralization reforms affected organizational autonomy and patronage networks at the Hungarian central government level. These latter two subjects are addressed in the micro-level analysis.

The thesis subject matters and various conclusions are summarized below.

#### **Section 1: Context, Literature, Research Method and Theoretical Framework.**

The research method followed, was, first to briefly discuss literature on centralization, organizational autonomy and patronage networks, and then introduce sets of theories and explanatory variables used for analysis. Additionally, I discuss the context under which this study was conducted and I introduce the research questions and hypotheses.

**Section 2: Macro-Level Analysis.** My macro-level analysis both explains which factors opened a window of reform for the Fidesz administration, and why such reforms were not pursued before. I examined the centralization reforms through a framework that combines institutional and reform literature, focusing on Keeler's window for reform framework. I demonstrate that Keeler's theory adapts nicely to the Hungarian situation, but most effectively if it takes into account several of my considerations.

**Section 3: Micro-Level Analysis.** My micro-level analysis is based on a case study on the Hungarian Office of Public Administration and Justice, a state agency established in 2012 as a result of the merger of five seemingly non-related semi-autonomous background agencies of the Hungarian Ministry of Public Administration and Justice. The establishment and pursuit of the centralization reforms has entailed two parallel processes: the expansion of patronage networks at formerly more autonomous central state agencies and, secondly, a decline in organizational autonomy. These conclusions are based upon considerable anecdotal evidence – most of which is reproduced in this work.

**Section 4: Conclusions and Extensions for Future Research.** Here I discuss a number of implications for Hungary, for the European Union, and for public administration literature in general.

**Thesis Supervisor:** Dr. György Hajnal **Title:** Associate Professor

**Keywords:** Organizational Autonomy, Centralization, Patronage Networks, Reforms

Evezés az Európai áramlat ellen:

A 2010-es Parlamenti választások óta a Magyar Államon belüli újra központosításról – a Magyar Közigazgatási és Igazságügyi Hivatal ügyében.

Írta: Melvin van Velthoven

Ajánlom: a Budapesti Corvinus Egyetem Gazdaságtudományi karán a Közgazdálkodás és Közpolitika Tanszék

## ÖSSZEFOGLALÁS

A szakdolgozatom a magyarországi központosítás szempontjait vizsgálja a 2010-es parlamenti választások óta. Röviden összefoglalom a fejezeteket a második oldaltól, a Corvinus Egyetem szakdolgozat szabályainak megfelelően. A politikai kiterjesztések és a jövőbeni irányelvek kutatását elhalasztottam a záró fejezetre, amely a 75. d. oldalon kezdődik.

Az első kérdés, amelyet felteszek: milyen tényezők nyitottak lehetőségeket 2010 óta, amelyek a Fideszt olyan irányítási pozícióba helyezték, hogy el tudtak indítani egy törekvő kormányzati reform programot. Ezt az elemzést körüljáróm a makroszintű elemzésemben. Ez alatt értek egy esettanulmányt. A szakdolgozatom ez után vizsgálja, hogy hogyan hatottak a központosítási reformok a szervezeti autonómiára és a pártfogási hálózatra a magyar központi kormány szintjén. Az utóbbi két témával a mikroszintű elemzésem foglalkozik.

Az szakdolgozat témáit és a különböző következtetéseket az alábbiakban foglalom össze.

**1. Szakasz: Kontextus, Irodalom, a Kutatás Módszere és az Elmélet Váza.** A kutatási módszer, amelyet követek először röviden értekeznek az irodalmi háttéréről a centralizációnak, a szervezeti önállóságnak és a pártfogói hálózatnak, majd bemutatok pár elméletet és megmagyarázható változásokat, amelyet az elemzéshez használtam. Emellett kitérek az összefüggésekre, amelyeket felhasználtam a tanulmány elkészítéséhez, és bemutatok a kutatási kérdéseket és hipotéziseket.

**2. Szakasz: Makroszintű Elemzések.** A makroszintű elemzés egyaránt bemutatja, hogy mely tényezők nyitottak utat a Fidesz adminisztrációs reformjainak, és miért nem folytatott senki ilyen reformokat ezelőtt. A központosítási reformokat olyan kereten belül vizsgálom, amely egyesíti a szervezeti és reform szakirodalmat és a Keeler féle reform szerkezetet veszi alapul. Bemutatok, hogy Keeler elmélete, hogyan illeszthető rá leghatékonyabban a magyar helyzetre, ha figyelembe vesszük különböző megfontolásokat is.

**3. Szakasz: Mikroszintű Elemzés.** A mikroszintű elemzésem egy esettanulmányon alapul. A Magyar Közigazgatási és Igazságügyi Hivatalt vizsgálom, amely egy állami szervezet alakult 2012-ben. Annak az eredményeként, hogy az öt látszólag nem kapcsolódó félig autonóm háttérben lévő Magyar Közigazgatási és Igazságügyi Hivatal szervezetei egyesültek. Létrehozása és a központosítási reformok folytatása két párhuzamos folyamattal járt együtt: elsősorban kiterjesztették a pártfogói hálózatokat a korábban több önálló központi állami szervezetekre, másrészt csökkentették a szervezeti autonómiát. Ezek a következtetések jelentős anekdotikus bizonyíték alapján születtek- a legtöbbet reprodukálom a szakdolgozatomban.

**4. Szakasz: Következtetések és Kiterjesztés a Jövőbeli Kutatásra.** Itt megvitatom számos magyarországi, európai uniós és közigazgatási irodalmi tanulságot.

**Témavezető:** Dr. György Hajnal, Egyetemi Docens

**Kulcsszavak:** Szervezeti Autonómia, Központosítás, Párti Hálózatok, Reformok

## MASTER THESIS SUPERVISORS

**Primary Supervisor:** Dr. György Hajnal, the Corvinus University of Budapest, whose areas of expertise are comparative public management reform; institutional and cultural determinants of policy making and implementation; and structural dynamics of central government agencies.

Research Field in which current research is conducted: business and management, Agencification, Political Sciences.

**Co-Supervisor:** Dr. Sandra Resodihardjo, Radboud University, whose areas of expertise are policy making processes, especially framing, agenda-setting, and reform crisis management, and blamegames.

Research Field in which current research is conducted: Reforms, policy change, prison services, crisis management, blame games, inquiries, and agenda-setting processes.

**Co-Supervisor:** Professor Dr. Mirko Vintar, University of Ljubljana, whose areas of expertise is informatisation of public administration, with a major focus on the development of e-government in recent years.

Research Field in which current research is conducted: dedicated most of his time in recent years to research into the development of e-government and its impact on the functioning of public administration and the wider social community.

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## GLOSSARY OF HUNGARIAN ADMINISTRATIVE TERMS

EKOP	Elektronikus Közigazgatás Operatív Program, government program aimed at modernizing the ICT infrastructure of the Hungarian Public Sector to “ <i>meet growing expectations of citizens and businesses</i> ”. EKOP is an EU operative program funded by EU funds.
KDNP	Kereszténydemokrata Néppárt, Christian Democratic People’s Party
KFP	A Magyar Zoltán Közigazgatás-fejlesztési Program, reform program aimed at reorganizing the Central Hungarian Public Administration. The program was initiated in early 2010 by the incumbent Fidesz government.
KIH	Közigazgatási és Igazságügyi Hivatal, the Hungarian Office of Public Administration and Justice, was established on August 16 2012 as the result of a merger of five state agencies, all of which were background institutions of KIH. The five agencies merged into KIH are: the Judicial Service of Ministry of Public Administration and Justice; Wekerle Sandor Asset Management; National Institute for Public Administration, ECOSTAT Governmental Impact Assessment Center; Ministry of Public Administration and Justice, Asset Management Centre.
KIM	Közigazgatási és Igazságügyi Minisztérium, the Hungarian Ministry of Public Administration and Justice was created in 2010 as merger of the Ministry of Justice and Ministry of Public Administration.
KIMISZ	Közigazgatási és Igazságügyi Minisztérium. Igazságügyi Szolgálat, the Justice Services of the Ministry of Public Administration
KIMVK	Közigazgatási és Igazságügyi Minisztérium Vagyonkezelő Központ, The Ministry of Public Administration and Justice Asset Management Center
KSH	Központi Statisztikai Hivatal, the Central Statistics Office of Hungary, a Hungarian public administration agency responsible for gathering information related to economic, social and generic conditions.
MDF	Magyar Demokrata Fórum, was a centre-right political party in Hungary. It was founded on September 27 1987 and dissolved on April 8 2011.

NAK	Nemzeti Államigazgatási Központ, National State Administration Centre
NFU	Nemzeti Fejlesztési Ügynökség, the National Development Agency. Until recently the central agency for managing EU funded programs.
NKE	Nemzeti Közfizetési Egyetem, National University of Public Service, is governed by the Minister of Public Administration and Justice, the Minister of Defense and the Minister of Interior. The University started its operation on January 1, 2012.
SZMSZ	Szervezeti és Működési Szabályzat, organizational and operational rules of organizations

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## ACKNOWLEDGEMENTS

The IMPACT master program was a lot of hard work but at the same time, a lot of fun. There are several people whom I would like to thank in particular.

First of all I would like to thank my thesis advisors, of which there are three, without which this work could not have been completed. Köszönöm szépen, Gyorgy Hajnal, my deepest gratitude is owed to you. I very much appreciate your invaluable cooperation, help, guidance, and advice throughout this research. You encouraged me to cut entire sections of my work, eliminate repetitiveness, and always tried to keep me on-topic. I must thank you tremendously.

Hvala, Professor Dr. Mirko Vintar, and dank u wel, Dr. Sandra Resodihardjo, for offering constructive and meaningful feedback on my research proposal and full draft of this work, and for grading this work. I just hope you all are not too disappointed with this final product.

This thesis is about Hungary, and much of my debt is owed there. I would like to express my gratitude to the government officials and public servants at the Hungarian Ministry and office of Public Administration and Justice for their cooperation and help. Thank you, Leticia Fekete, for translating the abstract and title of this thesis into Hungarian and for introducing me to your colleagues at the Hungarian government. Without your support my field research would not have been as thorough.

Indirectly, my many classmates and IMPACT colleagues contributed to this work through fruitful conversations and discussions. Most of all, they made my time in Nijmegen, Budapest, and Ljubljana a blast and taught me more than I can ever describe with my limited vocabulary. I learned so much about different cultures and was introduced to many new ideas. For me, people contributed as much to the real learning experience of this master as did the academics. Richard Sherry and Patrick Sweeney each proofread several chapters of this work. Kitti Fuchs translated the abstract from English to Hungarian. Thank you all so much.

Above and beyond personal impressions and (un) official documents, I was also able to draw much knowledge from the thesis interviews I conducted in the Ministry of Public Administration and Justice with Parliamentary State Secretary Bence Rétvári. I have also learned a lot from speaking with Adam Fatsar, Edit Pink, Nikoletta Kiss, and Monika Arany, all of whom either work permanently or on a fixed contract at KIH. Without them I could not have completed the case study of this thesis.

Fruitful discussions with János Kornai, Professor Emeritus at Harvard and Corvinus University, whose articles on the subject of centralization in part led to my interest in the subject, were both intellectually stimulating and guided my work. Thank you. My meeting with former head of an organization merged into KIH helped me distill the international perspectives on developments in Hungary and stimulated debate on the implications of these developments.

I also would like to thank the following people who willingly gave some of their time and expertise to tell me their stories and helped me to uncover the puzzle of centralization within Hungary. I am especially grateful to Junior Policy Adviser Anita Fibinger for her help. Others who I would like to thank are Adam Meszaros of the Hungarian Investment and Trade Agency, Dr. Krisztián Kádár of the Ministry of Human Resources, Zsolt Karasz, an independent government adviser, Gábor Sonkoly the head of territorial state secretariat, Atilla Ágh a Professor at the Corvinus University of Budapest and President of the IDEA Public Administration Reform Project, Dr. Bence Rabóczki a Government Adviser, Kata Vandsár of the Impact Assessment Unit, Dr. Petér Klotz of the Unit for the Reform of the Public Administration, Viktor Horvath the Head of Department, Zsuzsa Tokes a Cultural Policy Advisor, Krisztián Koncz a Government Adviser, Dr. Zsuzsa Lévai a Senior Desk Officer, László András Kisfaludy a Head of Department, Dr. István Hoffman an Associate Professor at Eötvös Loránd University, Budapest, Dr. Sándor Csengődi, Professor at Corvinus University, and Dr. Gabor Veisz the Head of Department at KIH.

The meetings I had with these officials greatly improved my understanding of Hungarian affairs; it was truly an honor to speak with all of these individuals. As I needed to ensure confidentiality I could not enclose information of all those whom I interviewed. I would like to thank those whom I could not acknowledge as their acknowledgement would limit the information I could dispel about their information. Lastly, I would like to express my thanks to Kitti Fuchs and Melinda Szabo for translating documents from Hungarian to English.

For a detailed outline of when and where the interviews took place I refer to Appendix B – Classification of Interviews. All remaining errors in this thesis are my own.

## DEDICATION

For Marcel and Miriam van Velthoven, and Michelle and Merle:

Omdat jullie er altijd voor mij zijn.

**Section 1: Context, Literature, Research Method and Theoretical Framework.**

**Chapter One – PREFACE and CONTEXT**



*Map 1: Map of Hungary, adapted from worldatlas (Online available at <http://www.worldatlas.com/webimage/countrys/europe/hu.htm>)*

“While decentralization ...is no panacea, it has many virtues and is worth pursuing” [1]

Piriou-Sall, 1998

# CHAPTER ONE –

## THE CONTEXT

### 1.1 INTRODUCTION

THIS THESIS STUDIES the protean phenomenon of the re-centralization – centralization begets by decentralization – of Hungarian state functions that ensued after conservative party Fidesz (and its coalition partner KDNP<sup>3</sup>) won a two-thirds constitutional majority in the 2010 Hungarian Parliamentary elections. By winning a large majority in Parliament, the Fidesz administration was both empowered and authorized to push forward comprehensive government reforms. Since the current Hungarian government laid out its central government restructuring program in 2010<sup>4</sup>, interest in how such developments would proceed mushroomed and has frequently been covered in leading international newspapers and magazines such as the *New York times* (which for example reported on the economic importance of Hungary for the EU as a whole, and warned that recent developments may lead to a decrease of democracy and a more autocratic form of government) [2], *Foreign Affairs* (covered Hungarian foreign affairs multiple times) [3], and the *American Interest* (spoke on the importance of informal institutions in the functioning of the Hungarian state) [4]. Though such publications vary in scope and point of view – they are all reasonably tight to the issue at stake, which is the re-centralization of state functions in Hungary [5].

The macro level analysis of this thesis studies policy change in Hungary. Scholars studying policy change have been concerned foremost with understanding which factors [6] open a window for reform; the central question being which factors

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<sup>3</sup> Kereszténydemokrata Néppárt (KDNP), or Christian Democratic People’s Party, was founded in the early 1940s and subsequently re-founded a second time shortly before Hungary’s 1990 electoral cycle.

open a window-of-opportunity that puts an incumbent government in a position to launch an ambitious governmental reform program? In his classic public administration study, *“Opening the Window for Reform Mandates, Crises, and Extraordinary Policy-Making”*, John T.S. Keeler [7] analyzes processes that can open a window of opportunity. By using Keeler’s framework for policy reform, I will explain which factors opened a window of reform for the Fidesz administration. Queries I will answer are: Why did the current Hungarian regime succeed this time in launching an ambitious reform program? Which factors that previously were closed and hindered previous regimes were now open? Was it a sweeping electoral victory, or did a socioeconomic crisis indirectly lead to reform? By examining Hungary’s re-centralization reforms I demonstrate that Keeler’s theory of opening the window of reform adapts quite nicely to the Hungarian situation if it takes into account some important considerations, all of which will be discussed in the remainder of this work.

The micro-level analysis of this thesis addresses important follow-up questions about whether the centralization reforms affected organizational autonomy and patronage networks at the central government. When Hungary transitioned from a Communist to a Capitalist economy, the government’s state apparatus dramatically changed and the Hungarian nation gained esteem for its ability to modernize by adapting to European public administration practices [8]. The reputation that the Hungarian public administration received in the 1990s is now slowly fading away. Recent incidents [9] in Hungary suggest that the Hungarian re-centralization reforms, which were ostensibly designed with the goal of centralizing power, weakened the autonomy of state agencies and had Fidesz and KDNP put their supporters into administrative positions. Many journalists [2] have raised flags about the Fidesz government having taken over an increasingly politicized civil service. State agencies are institutions, and their autonomy (or lack of it) is premised on several aspects, including organizational autonomy, reputation, degree of politicization, depth and establishment of patronage networks, and other factors such as the networks and institutional characteristics supporting it [10]. These incidents and reports seem to suggest that the centralization reforms have led to the expansion of so-called patronage networks, discontinuing a previous post-Communist trend that decentralized state functions and sought for, at least on paper, a more neutral and autonomous public administration.

This is not surprising to many scholars studying the phenomena; primarily since centralization policies are often linked with an increase in patronage networks and a subsequent decrease in the organizational autonomy of an organization. One of these scholars is Carpenter [10], who sees the two concepts as linked; extensive patronage networks lead to a less autonomous public administration. A government agency has real autonomy if its personal management is grounded not among the members or loyalists of one or two political parties, but in multiple and diverse political affiliations [11]. The traditional and century old putative arguments in favor of the autonomy of Hungary's bureaucracy are in each case responses to practical problems posed by a single party [12], or in this case two similar thinking parties [13], usurping political control over state agencies by establishing extensive patronage networks. These patronage networks in turn influences state agencies de-facto autonomy. It is therefore equally important to ask how these re-centralization reforms had an impact on organizational autonomy and patronage networks at the central level of government in Hungary. To support my research on organizational autonomy and patronage network, the article explores organizational autonomy through the lens of organizational autonomy literature; and patronage networks by using a framework which categorizes patronage networks along three dimensions: depth, establishment and trends.

I explore these latter two subjects, organizational autonomy and patronage networks, in the context of a recently created government agency, the Hungarian Office of Public Administration and Justice (KIH). KIH is the result of the merger of five formerly semi-autonomous government agencies. What is special about KIH is that five seemingly non-related agencies were merged into one larger agency.

The main research questions I address in this thesis are:

Which factors served to open a window of opportunity for the current regime to pursue reforms? And: How did these reforms affect patronage networks and organizational autonomy at the central level of government?

The objectives of this thesis are threefold:

**Firstly**, analyzing which factors served to open a window of opportunity for the Hungarian government to launch ambitious reform programs.

**Secondly**, analyzing the impact of the centralization reforms on the organizational autonomy of Hungarian state agencies, and defining to what extent centralization has taken place at the central government level.

**Thirdly**, analyzing the impact of the re-centralization reforms on patronage networks.

That, in short, is what I attempt to accomplish in this thesis. In the summary of my work I allude to both the main topics of this work.

## 1.2 OUTLINE AND BRIEF SUMMARIES OF WHAT FOLLOWS

The thesis consists of an introductory context chapter, is divided into four main parts, each covering one or more chapters that address the major topics discussed in this thesis; and has one works cited list, five addendums, and general conclusions containing policy recommendations and extensions for future research.

The argument I make in this thesis is organized as circumference within a circumference; I start with a broad decision and as the thesis progresses I wind down to a more specific analysis. While this study examines many different variables and dynamics, the force of the argument lies in public administration literature.

The Context (Chapter One): The first part of my thesis introduces the context under which the research took place. I briefly describe the centralization tendencies that have occurred in Hungary, proving that it is not just a collection of a few random changes; hitherto autonomous activities operating outside the machinery of state have been brought, partly or wholly, under state control. Also, I clarify the hefty title of this work and describe the reasoning behind focusing my thesis only on Hungary.

Introducing and Explaining Centralization (Chapter Two): Chapter two reviews the existing literature on centralization, organizational, and patronage networks. My literary overview explains different views and perspectives on these multi-faceted concepts, and also briefly discusses the structure of Hungarian government landscape.

Theoretical Framework and Explanatory Variables (Chapter Three): Chapter three introduces the institutional and reform literature, focusing on policy change. The framework I propose is used to frame the arguments I make in the following chapters. Here, I also pose my hypotheses.

Research Design (Chapter Four): Chapter four introduces the overall research design, the employed research methods, the validation of the case selection, and describes the interview procedure.

Macro-Level Analysis: An Evaluation Through Theory (Chapter Five): Chapter Five covers the macro-level analysis. It starts with a perusal of the history of Hungarian government reforms, focusing on different time periods in which significant Hungarian government reform periods. In this chapter, I also discuss policy documents and traditional barriers to reform in Hungary. The centralization reforms themselves are analyzed through institutional and reform literature, focusing on Keeler's framework.

Micro-Level Analysis of KIH: Case Study (Chapter Six): This chapter contains the case study segment of the thesis. In the cluster of the phenomena of centralization, I included the following two elements for analysis: The importance of patronage networks and organizational autonomy. These two subjects are addressed in the micro-level analysis. The second part of my thesis therefore builds upon the first and uses János Kornai's definition of centralization to define whether centralization has indeed taken place.

Conclusions, Policy Recommendations, and Considerations for Additional Research (Chapter Seven): Finally, in chapter seven, I provide a concluding discussion. Extensions for policy, directions for future research, and a personal reflection are also part of this final part of the thesis.

### 1.3 CONTEXT

It is a rather banal observation that Hungary was, for a long-time, a state characterized by a highly centralized government due to its Communist legacy [14]. The 10 million Hungarians or so who inhabit the nation's 93,028 square kilometers<sup>5</sup> in the heart of Europe lived under Communist rule for about forty years, until their country was liberated in 1989. In 1989 Hungary moved, together with several other Central and Eastern European (CEE) nations from socialism to capitalism [9]. The territory of the contemporary Hungarian state, in area, is divided into 19 counties and the agglomeration of Budapest [15]. In 2013, the general characteristics of Hungary's contemporary central government are still highly centralized and hierarchical; many

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<sup>5</sup>Data for this table is obtained predominantly from CIA Factbook, available at: <https://www.cia.gov/library/publications/the-world-factbook/geos/hu.html>. Other sources are cited accordingly.

decisions are taken at the top and power relations between governing parties include extensive involvement of the Prime Minister, meaning that top political figures carry a lot of weight within the policy decision making process [16], [17]. Data from the OECD [18] confirms this and shows that political affiliation indeed does play a vital role in Hungary. Hungarian politicians exert great political influence in staffing decisions; after each parliamentary election all government positions at the two highest levels of government change systematically change; the third to fifth highest levels of government are also characterized by frequent personnel changes after each election. Indeed, since its transition to Capitalism, politically motivated turnovers relatively high in Hungary [18].

To accompany the above introduction, I have aggregated some basic macroeconomic indicators in Table 1.1 on the following page.

**Table 1.1 *Basic Macro Economic Indicators of Hungary’s Current State***

<b>Hungary</b>	
<b>Economic Indicator</b>	<b>Output</b>
Current account balance in millions.	\$2.146 billion (2012 est., CIA Factbook)
Life expectancy at birth, in years, women	78.98 years (2012 est., CIA Factbook)
Life expectancy at birth, in years, men	71.27 years (CIA Factbook)
Public Social Spending, % of GDP	13% of GDP (Fell compared to previous years, Source: OECD)
Income Inequality	GINI Index of 3.75 <sup>6</sup>
Unemployment (%)	11% (CIA Factbook)
GDP per Capita	\$19,800 (2012 est.) CIA Factbook

There is a Hungarian saying that more or less can be translated as follows, “*those who have the money, are those who have the power*” (Hungarian: *akinél a pénz van, annál van a hatalom*<sup>7</sup>) [19], which in my opinion perfectly describes the Hungarian

<sup>6</sup>Data obtained from [inequalitywatch.eu](http://inequalitywatch.eu)

<sup>7</sup> My thanks to Kitti Fuchs for her translation

mentality towards politics. The proverb itself does not allude to centralization within the state of Hungary, but it suggests that Hungarians have long been skeptical about the motives of their governments. Hungarians speak a language that, although grammatically similar to Finish, is unique in its own kind. Hungarians are known for lavishly celebrating their nation's heroes frequently and Hungarians have always tried to preserve the "*Hungarian Nation*" [20], [21]. Any contemporary discussion of central government reforms in Hungary therefore cannot proceed without first elaborating on the country's history.

Personally, I first encountered re-centralization within the state of Hungary while working for ten weeks as a summer trainee at the Hungarian Ministry of Public Administration and Justice<sup>8</sup> (hereinafter referred to by its Hungarian abbreviation, KIM<sup>9</sup>). There, I served in the department for the reform of the public administration and strategy planning and I worked on and provided background research to a variety of projects. Most of these programs were related to the central government restructuring efforts set out in the *Magyary Zoltan Public Administration Development Program*<sup>10</sup> (Magyary Program). My department was created after the 2010 Hungarian parliamentary elections and is responsible for the administrative coordination of policy issues. The importance of the department has recently decreased with the upcoming 2014 parliamentary elections being only a year away [22]. Meanwhile, considering the ever increasing importance and size of European Union (EU) funds in Hungary and the prolonging 2008 financial crisis, the strategic planning role of the Hungarian public administration has, at least according to those I interviewed, grown in importance [22]. Anecdotal evidence suggests that while Hungary's initial transition from Communism to Capitalism is over, a looming but distant adoption of the Euro, distribution of EU funds, and a not yet reached post-Communist government reforms require a long-term vision for the Hungarian Public Administration [2]. According to many civil servants I worked with, this long-term strategic vision seems to be absent from the current

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<sup>8</sup> The Hungarian term for KIM: Közigazgatási és Igazságügyi Minisztérium; the English abbreviation of KIM is MPAJ

<sup>9</sup> KIM is headed by Dr. Tibor Navracsics, one of two Hungarian Deputy Prime Minister's. Anecdotal evidence suggests that Dr. Tibor Navracsics is effectively responsible for coordinating the Hungarian government.

<sup>10</sup> The Magyary Program was developed in by 2010 by the Viktor Orbán administration.

Hungarian public administration. It is in response to the Magary program and the narratives of Hungarian civil servants that I decided to write this thesis.

The department for the reform of public administration and justice is instrumental in developing a strategy for the distribution of EU funds and is loosely linked to the Prime Minister's Office (PMO). The PMO is responsible for the political coordination of policy issues and carries the most weight when it comes to decision-making in the Hungarian government. In fact, according to the Organization for Economic Development and Coordination (OECD), in Hungary the most important policy decisions happen on the top and the Hungarian government apparatus is highly centralized and bureaucratic [16], [23]. Aligning strategic planning and budgeting between the PMO and KIM is one of the main goals of the department for the reform of the public administration and strategy planning. The Hungarian government adapted this parallel policy structure, which clearly defines the responsibilities of the PMO and Department for the Reform of the Public Administration, in 2010. The department I worked for employs roughly 15 civil servants, most of which are junior and senior policy (or governmental) advisers, and reports to the Deputy State Secretary for Public Administration Strategy. While working for KIM, I learned much about the policy-making process of the Hungarian government and became aware of the centralization efforts of the Hungarian government which culminated into mergers of government agencies and ministries.

#### 1.4 ROWING AGAINST THE EUROPEAN STREAM

Over the past few decades<sup>15</sup>, the decentralization<sup>15</sup> of government functions has become one of the broadest movements, and most debated issues, in public sector reforms. Scholars have called it “*a very fashionable idea*” [1] and “*the latest fashion*” [24]; certainly, there is no dearth of scholarship on the topic. Most scholars studying the phenomenon attest to the compound assertion that decentralization has led to many positive developments including improved cooperation among government institutions

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<sup>15</sup> It was French political thinker and philosopher Alexis-Charles-Henri Clérel de Tocqueville who, in his seminal work “*Democracy in America*” published in the 19th century, already called centralization the “Achilles Heel” of Democracy and warned for the dangers of excessive political interference. Stalin offers an alternative view and puts forward the argument that centralization helps industrialization guide the economy. See for example the book “*Our daily bread: socialist distribution and the art of survival in Stalin's Russia, 1927-1941.*”

and better decision making processes [24]. According to Larry Diamond [25], these decentralization developments were triggered by a variety of factors, poor governmental performance, urbanization, democratic transition, shifts in international donor strategies, and changes in societal demands being the most important. In Hungary, now, this decentralization trend is being strongly reversed.

Since the institution of free elections in 1990 rearrangements of decision making processes to lower levels of government have been at the center of government reform efforts in Hungary and the rest of CEE [9]. In the majority of Western-European countries semi-autonomous lean organizations and highly decentralized structures are increasingly becoming the norm, rather than large, hierarchical, ministries and departments. For roughly two decades Hungary was following this trend as well [9], [26]. Since 2010, enthusiasm for the re-centralization of government functions seems to have grown considerably among the country's political elite [18]. The loosening of centralization in Hungary from the early 1990s onwards therefore seems partial, temporal and paradoxical [27]. Paradoxical in the sense that two decades of decentralization in Hungary were instigated by the fall of Communism and seem to be, abruptly but systematically ended since the 2010 elections.

As a result of Hungary's centralization reforms, hitherto autonomous activities operating outside the Hungarian machinery of state have been brought, partly or wholly, under state control. Examples of autonomous activities<sup>16</sup> brought under state control are: the ombudsmen are now effectively part of the state government, the head of the newly created National Judicial Office is chosen by Parliament (though right under the control of the incumbent party), and public radio and television departments now must rely on material provided by the central news office [9]. This is by no means meant to be an all-inclusive list of all centralization practices, and I could easily have added several other examples to the ones I mentioned. In addition many ministries and government agencies were merged. Hungary's now relatively large ministries and government agencies are unique organizational features as the Hungarian public administration has. As Parliamentary State Secretary Dr. Bence Rétvári [1, 2] pointed out, no other EU member states have such relatively large ministries as Hungary.

These centralization developments contradict that what is happening in most of the other members of the EU, in which decentralized government structures are

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<sup>16</sup> I should note that most of these developments are not included in the Magyar plan.

preferred<sup>17</sup>; clearly, the Hungarian experience deviates from other experiences in Europe [28]. Decentralized government institutions have increased in importance in recent years. I should note, however, that Hungary's centralization practices are structurally not unique, since the year 2000 several EU member states, particularly the Scandinavian countries and the United Kingdom (UK), have centralized certain aspects of their governments [29]. If we look at other patterns of centralization in the EU, for example in Norway and Denmark, we see their approach to centralization differs from the Hungarian approach. Norway's centralization efforts refer to the centralization of responsibilities from local governments – described as both municipalities and counties – towards central levels of government. According to Lars-Erik Borge [30], these developments were triggered by an increasingly complex welfare state which required technical expertise not present at the lowest levels of government. These centralization reforms therefore touch on centralization through regionalization. Fragmentation and small/lean/task specific organizations were also argued for in the West on the basis that it is easier to control and steer them.

The range and scope of Hungary's reforms and the background of these reforms make, at least on the outset, therefore for a unique case study. The question of how centralization influences government structures has been thoroughly investigated for Western European countries, however, Hungarian legal scholar Hoffman [I, 16] the CEE countries have mostly been ignored and are seriously underreported from an academic perspective. So, while my analysis should be nuanced by recent developments in the field of centralization<sup>19</sup> within CEE and some, mostly Scandinavian countries in Europe, where government structures are becoming more centralized, the main premise of my thesis remains valid.

Before I move on, I should, however, clarify the hefty title of my thesis, as it may not be entirely clear from as to what I want to achieve with this work. I chose the title as it symbolically represents the aim of this thesis, i.e. measuring re-centralization in Hungary by using the Hungarian Office of Public Administration and Justice (KIH),

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<sup>17</sup> Since the early 2000s enthusiasm for centralization has decreased somewhat, as indicated by re-centralization efforts in for example Denmark and Norway. Other governments such as the UK have been centralizing certain state functions as well.

<sup>19</sup> In addition, *formally* the states of EU member states Romania, Italy, Greece, and Bulgaria have much more centralized states [17]

a recently created government agency, which acts as an unofficial blueprint in the Hungarian government, as a case that is exemplary for the rest of Hungary.

### 1.5 WHY, THEN, ONLY FOCUS ON HUNGARY?

Everyone I spoke to about my thesis found it both interesting and confusing that a Dutch graduate student was studying Hungarian Public Administration developments. Consequently, I had to explain my intents a countless number of times. For that, I often referred to a lack of understanding of such developments in the West, or, as Thomas Smid<sup>22</sup> [27] from *die Welt* points out: Western Europeans are generally unaware of the political, economic, and social developments taking place in Central and Eastern Europe (CEE). I would like to contribute to this knowledge and give an objective overview of what is happening in Hungary; I stand outside of the current political struggles in Hungary and try to describe and not judge the behavior of Hungarian government officials. I will avoid making normative claims. Nonetheless, a parallel intent of my thesis is to express the meaning and intentions – of a centralized versus a more decentralized state. Although raising the question as to what such centralization efforts might lead to in the future is an interesting and important one, I will refrain myself from too much speculation and focus on those events that already took place. However, I do understand that the questions I raise, while objectively answerable, can be answered in many different ways. On account of the fact that the reforms are very recent, it is still too early to expect comprehensive accounts of the political implications and the impact on the Hungarian society.

A couple clarifications are in order. By treating Hungary as a single entity, I will not create a distorting picture of the performance of the CEE countries. Occasionally I extend my analysis by referring to developments that took place in the other former Communist bloc countries. Nonetheless many of the aspects considered in this study are universal; past research indicates that the considered aspects need to be adapted to a country's conditions [31]. Hungary's transition occurred at an enormous speed compared to other transitions to capitalism. Unfortunately, fast transitions to Capitalism are sparse and mostly non-existent [32], leaving little material for comparison.

In order to overcome the data availability constraint, over twenty qualitative interviews were conducted during the summer of 2012 and spring of 2013. KIH

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<sup>22</sup> For this thesis I use the Western, and not Eastern name order.

provides an excellent venue for testing my mixed-method, multi-level theoretical model. I approach this study from an interdisciplinary standpoint, working at the intersection between public administration, public policy and economics literature.

## 1.6 CONCLUSION TO CONTEXT CHAPTER

Indeed, the goal of this introductory chapter was not only to give the reader a good understanding of where the author comes from, but also to help him/her situate and appreciate the experiences and to explain the current Hungarian system as a means of understanding the future analysis included in this work.

## **Chapter Two – Literature Review**

Overview of Organizational Autonomy, Centralization, and Patronage Networks

Literature

# CHAPTER TWO –

## LITERATURE OVERVIEW

### 2.1 INTRODUCTION TO CHAPTER TWO

IN THIS CHAPTER I start with describing literature on (de)centralization. Different fields of study have different answers to what centralization encompasses, and many definitions on the topic fall flat for this thesis as they relate to decentralization in terms of central governments losing or shifting power to municipal (or district or state) governments. Even more worrisome, over time, few findings on centralization have withstood theoretical and empirical scrutiny, and theoretical controversies on the topic are plenty [33]. To avoid possible pitfalls, here I will first introduce the so called “*public-policy literature*”, which comprises a vast amount of literature, partly focusing on public management issues related to the centralization of power to higher levels of government, and attempts to draw lessons from country specific and cross country comparative case studies [33]. This literary overview on centralization is followed by a discussion on patronage networks and organizational autonomy literature and patronage networks mentioned above are deeply connected to centralization literature, and not merely correlated. By any means, explaining the entirety of the concept of centralization is too broad a theme to fully discuss here. Regardless, the concept is a very promising one and I will therefore focus on some important caveats in the following sections of this thesis [34].

### TWO TYPES OF CENTRALIZATION

I differentiate between two types of centralization: centralization occurring at central levels of governments and therefore mostly relating to the central level of government, and centralization occurring at the regional level of government, foremost affecting municipalities and county levels. I refer to the latter as centralization through regionalization. The focus of my thesis is on centralization occurring at the central level of government, though I will elaborate on the second for reference purposes and to broaden the frame of reference. The conceptual ambiguity of these concepts, however, also involves the empirical research part taking place on the macro- and micro-level in

the analyses. For that reason, it seems prudent for my study to first develop definitions for the key concepts discussed to improve my analyses.

## 2.2 DE-CENTRALIZATION

Decentralization is a broad term used to describe possible ways for a central government to divest responsibilities to outside organizations [35]. In short, in an ideal decentralized government setting, responsibilities are carefully coordinated and intergovernmental relationships are clearly defined. Faguet [33] postulates that a decentralized government arrangement can flourish when most of the following criteria are met: *democratic political tradition; relative macroeconomic stability; low local socio-economic disparities; low levels of pre-existing political conflict; significant heterogeneity in demand for public services; low population density; and, finally, legal origins in the common law system* [33]. It is not that de-centralization cannot flourish when not all of these criteria are met. The probability of the decentralized government structure being efficient, however, is lower.

The norm of decentralization comes in many forms, including empowerment of individual units, incorporation of citizen involvement, and devolution of power. In sum, decentralization concerns how political power is distributed among central government agencies, the institutional mechanisms by which the government agencies sense and pick up responsibilities, and the nature of economies of scale [36]. The topic of decentralization is often encountered in public administration literature, and even such classical theorists as Max Weber<sup>36</sup> paid careful attention to the distribution of power among different territories and between government institutions [37].

Decentralization can occur in many forms. To give some example of often occurring decentralization practices: devolving power from higher levels of government to lower ones [38], empowering individual units and actors in government agencies [39], and incorporating democratic institutions through citizen involvement ranging from voting to notice and comment procedures and other forms of civic engagement [40]. All of these forms have been specifically addressed in public administration literature, both in Europe and other parts of the world [41]. Most of the literature on decentralization touches upon the relation between local and central governments [42].

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<sup>36</sup> It was also Max Weber who, already in the early 20<sup>th</sup> century, commented on the relationship between formal and informal institutions in the governance of society.

Decentralization has been discussed in the context of Central and Eastern, among others, by Rice who argued [43] that, for Eastern European nations to successfully transition from Communism to Capitalism they needed to, among other practices, decentralize practices to subnational government structures. In the 1990s decentralization was seen as a positive development and was readily accepted by many Eastern European countries. According to Saltman [44], decentralization should have been increasingly strengthened considering the increasing loss of state sovereignty to the EU, and downward responsibilities to states of the country and the establishment of task specific agencies.

For the remainder of my thesis I will refer to decentralization by a slightly amended version of Faguet's often cited definition of de-centralization:

*“Decentralization entails the transfer of political, fiscal, and administrative powers to lower levels of government. [33]*

### 2.3 WHAT IS CENTRALIZATION?

As I stated in the first chapter, the “*centralization*” tendencies of the Hungarian government received ample attention in the media. Popular blogs and new sources immediately talked enthusiastically about political developments occurring in Hungary. In these blogs “centralization” became somewhat of a buzzword, often mentioned but not often defined. In its most elaborate form, centralization covers a wide role of often diverging tasks. One of the most important – albeit challenging – elements of studying centralization is therefore choosing how we define it [36], [45]. In a recent paper that served as a reaction to policies of the incumbent Fidesz (and coalitions) administration, Kornai<sup>40</sup> [9] proposes the following definition of centralization: (1) *“the superior has fewer subordinates, allowing him/her to control the organization more firmly;* (2) *fewer levels of superiority and subordination;* (3) *more detailed commands;* (4) *top political leadership is able to appoint people to all important positions;* (5) *autonomous activities operating outside of the machinery of the state can be brought, partly or*

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<sup>40</sup> Janos Kornai (“Kornai”) was born in Budapest, Hungary in 1928, and is currently, at the age of 85 still teaching at the university level in Budapest. The son of a prominent Jewish business man, Janos Kornai received his C.Sc. from the Hungarian Academy of Science (1956) and Dr. Oec. (1964) from the Corvinus University of Budapest (then known as Karl Marx University of Economics). Kornai became interested in economics when he worked as a Communist journalist. After he was fired for his lack of Communist beliefs he spent most of his time studying economics, which eventually led to tenureship at Harvard University. Now, Kornai is known as one of the most prominent post WWII Hungarian economists.

*wholly, under the umbrella of the state. Finally, it grows if (6) state inspection and intervention can be made in processes hitherto occurring without such control*". These factors, or "domains" as I call them, will be also be used for the future examinations in the micro-level analysis of this work. It is also this definition of centralization that I use in the remainder of this work. Hence, when I talk about centralization, I refer to different levels of responsibility between the central state, and not about centralization between central and local government.

### 2.3.1 CENTRALIZATION VERSUS DECENTRALIZATION

Both centralization and de-centralization transfer decision-making and accountability [46] and relate to the ability of a government to steer a society. As Harding and Stasavage [47] aptly demonstrate, central governments with weak capacity have particularly strong incentives to be responsive to popular demands where executive action is visible and verifiable, so that voters can attribute the change to incumbents as the basis for an implicit reciprocal exchange. Centralization has its risk, as Fisman and Gatti [48] eloquently note that decentralization is associated with lower levels of corruption across the board as decentralized structures of government are more likely to lead to promulgation of anti-corruption training and are more responsive to citizens' demands. There are also some mixed-results, for example, the difficulties Bolivia experienced when it decentralized many of its state functions are discussed in great detail in a recent paper of London School of Economics scholar, Fauguet. [33].

Decentralized government structures also have their downside. As Hutchcroft [37] illustrates, decentralization can also lead to highly dysfunctional settings as it did in Brazil and Russia, where several malpractices took place, including the ignoring or circumvention of central government policies, the withholding of revenues, and neglecting constitutional arrangements [49], [50]. On the other hand, many cases show that highly centralized structures are inept at solving problems at the local level such as responding to emergencies, fighting fires, crime and so on. Rondinelli, Cheema, and Nellis [48] note that decentralization has rarely lived up to its expectations. Especially in developing nations decentralization has caused many administrative problems, and has not always led to the developments that its supporters wanted.

## 2.4 MEASURING AUTONOMY AMONG STATE AGENCIES

In the micro-level analysis of my thesis, I measure organizational autonomy along three dimensions [36]. The first dimension is 1) **Personnel management autonomy**, which is defined as the extent can take decisions regarding general rules for setting the level of salaries, conditions for promotion, evaluation, appointment and downsizing of personnel; then, there is (2) **Financial autonomy**, the degree of autonomy which an organization can take decisions regarding its financial resources; and, finally, we have (3) **policy autonomy**, referring to whether subnational officials are free to choose policy instruments to achieve its objectives elected or appointed by the center. These dimension are the same as the ones used in the Comparative Public Organization Data Base for Research and Analysis (COBRA)<sup>42</sup> network's international research program on the autonomy of government agencies. Of all the different types of autonomy, policy autonomy is the most difficult to measure and has not been frequently covered in public-policy literature. The three types of autonomy together determine the autonomy of an organization, and will be the basis of my organizational autonomy empirical inquiry.

To analyze organizational autonomy among state agencies, Hajnal proposes [51] that the extent of autonomy of an agency cannot simply be measured alone by focusing on the degree of formal autonomy, which *refers to legally codified structural arrangements and can be expected to entrench a government from its political environment. Laws, regulations, written procedures are part of formal autonomy* [51]. Hence, I differentiate between and so called formal and informal (mostly illegal) autonomy. Formal and informal autonomy can coexist at the same time, and both constrain the actions of a given actor/institution [51]. I define informal autonomy as *the capacity of, i.e. civil servants, public servants, and contractors – capacity to execute tasks on their own account. Predominantly refers to unwritten rules that influence the behavior of agents. This is an illegal framework for autonomy and vastly differs from the legally defined autonomy*. Although the two concepts differ in meaning, they sometimes overlap and are both central aspects of an organization's autonomy. Yesilkagit and van Tiel [52] argue that there are significant differences among the

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<sup>42</sup> The research focuses on issues of autonomy and control of public sector organizations and was developed by the Public Management Institute of the Catholic University of Leuven in Belgium

levels of autonomy of different agencies. The relationship between formal and informal autonomy is also not linear, an agency with a great level of informal autonomy may have less real autonomy than an agency with a greater level of formal autonomy. The method of how they achieve this differs, both define differently how given actors need to behave. These two different rules of the game are defined below:

***Structural Autonomy** refers to the ability of an agency to resist intrusions aimed at implementing structural changes.*

***Real autonomy** refers to decision making competencies of the agency, and exemptions on constraint of the actual decision making processes.*

If we juxtapose these different types of autonomy similar to how Hungarian public administration scholar Gyorgy Hajnal did in his work [51] on organizational autonomy of government agencies, we have a particular relevant way to look at autonomy of agencies in relation to the thesis.

#### CENTRAL GOVERNMENT AGENCY

I use a rather simple model to define agencies in Hungary. Agencies refer to (i) public administration agencies directly subordinated to the Government, and (ii) organizations falling under the organizational scope of authority. I adopted this model from Hajnal [51]. The agency I use for my case study is a central bureau (Központi Hivatal) [51]. Central bureaus, or central state agencies as I call them in this thesis, mostly employ civil and not public servants. Over the past decade, the relative number of terminations among Hungarian administrative bodies was low. This was in sharp contrast to prior developments in the Hungarian public administration [28].

#### 2.5 PATRONAGE NETWORKS

Patronage<sup>45</sup> networks are an inherent and declared part of the Communist system. When I talk about **patronage networks**, I refer to the extent to parties to appoint people to positions in public and semi-public life, and then the people for various uses. If patronage networks are plenty, appointments are mostly based on particularistic characteristics such as loyalty, and not on merit. Patronage networks are informal in nature and have been traditionally used for the capture of the state for the

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<sup>45</sup> Patronage networks are often time referred to as Clientelism

purposes of party building by political intermediaries, so that they can increase their control over certain aspects of a society [53]. Most scholars agree that patronage networks are generally seen a drag on the public sector, and are often times as inherent to corruption. The stronger the patronage network an organization, the more susceptible the organization is to political interference [54]. Traditionally, patronage networks are used to build up support among the electorate [55]. If patronage networks are plenty, the organizations keep the interest of the party aligned.

For patronage network empirical enquiry I focus on the depth, establishments, and trends in patronage networks [11]. So far, these questions have not frequently been covered in recent academic literature done before<sup>46</sup> [56].

In other words: I am essentially interested in uncovering whether patronage networks occur at KIH?

- Are patronage networks present at KIH?
- If patronage appointments happen, how widespread are these patronage networks?
- What trends regarding patronage networks can be observed at KIH? What is the role of the current regime in establishing these networks?

## CONCLUSION TO CHAPTER TWO

In this chapter, I examined literature on centralization, agencification, and patronage networks. I have conceptualized the following terms: “*centralization*”, “*de-centralization*”, “*informal autonomy*”, “*formal autonomy*”, “*real autonomy*”, “*management autonomy*”, “*human resources autonomy*”, “*policy autonomy*”, “*structural autonomy*” and “*patronage networks*”.

The studies mentioned in this chapter concluded that although economic, public administration, and political science scholars each have pointed out some of the downsides of centralization, there is a general consensus among each scientific discipline that the benefits of decentralization outweigh the detriments [33].

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<sup>46</sup> I included different newspapers covering contemporary Hungarian political developments in macro-level analysis of this thesis. To the best of my knowledge, no significant academic literature focusing on patronage networks in contemporary Hungary is available. Interestingly, most of the research on patronage networks thus far has focused on Mediterranean Europe.

## **CHAPTER THREE**

Institutional and Reform Literature and Explanatory Variables  
Dependent and Independent gauges of Centralization in Hungary

# CHAPTER THREE –

## INSTITUTIONAL AND REFORM LITERATURE & EXPLANATORY VARIABLES

*“If a window of opportunity appears, don’t pull down the shade”, Tom Peters [57]*

### 3.1 LEVELS OF ANALYSIS AND AN INTRODUCTION TO EXPLANATORY VARIABLES

IN COMING TO GRIPS with central government reforms it is essential to differentiate explanatory variables at several levels [58]. At the structural level of *analysis* in this thesis, explanatory emphasis is put on broad socioeconomic, cultural, political, and international factors, on which I elaborate briefly in this chapter of the thesis. The 2008 financial crisis, admittance of Hungary to the EU in 2004, and social basis are all examples of such structural changes and can qualify as explanatory variables. Another less mentioned variable; the degree of openness of a government is an important but little mentioned explanatory variable, as Woo SikKee [59] explains:” *The Degree of openness of the Economy emerges as an important explanatory variable*”. By using certain explanatory variables, together with a framework used for analyzing reforms based on institutional and reform literature, I will analyze the Hungarian centralization reforms in the macro-level analysis chapter of this thesis.

The relationship between such classical variables and centralization is, however, not clear cut. Which variables, therefore, should we focus on? What factors can help us explain how a window of opportunity was opened for the Orbán government (and coalitions) to act on?

### 3.2 SELECTION OF VARIABLES

Agnes Batori [16] points out some possible answers to these puzzling questions. In one of her most recent works [3], she postulates that several explanatory variables, such as the involvement of political parties and the great range of influence of Hungarian Prime Minister Viktor Orbán, which might explain how these centralization developments transpired, have largely been ignored in the academic literature. In this

chapter, I will briefly talk about the most relevant variables that can be used towards this research. The willingness of the Orbán administration to put forward significant changes can be attributed to several factors, such as strong leadership from prime minister Viktor Orbán, the institutional structure of the Hungarian government, the Hungarian political system, and the 2008 financial crisis.

### 3.4 THE EMERGENCE OF POLICY WINDOWS

Several sets of theories have been applied in economic and public administration literature focusing on the emergence of policy windows. The majority of the research suggests that change is a process, not an event, and change or reform paths taken in different countries are anything but straightforward and linear processes [60]. Particularly Peter Hall's framework for change is often cited in public administration literature [61], [62]. Hall's approach differentiates between types of policy change. First order change refers to a change of the basic instruments. When the instruments of the policy change as well as their setting are amended, second order change is occurring. When second order change occurs the overall goals of policy remain unchanged. The most rare type of change, often referred to as a reform, occurs when all three elements, the setting, instruments, and background of the policy considerable change [61]. Not surprisingly then, reform – defined in this paper as *intended fundamental change of the policy and/or administration of a policy sector* – does not occur too often.

In his classical public administration study, “*Opening the Window for Reform Mandates, Crises, and Extraordinary Policy-Making*”, John T.S. Keeler analyzes the processes that can open a window of opportunity. Keeler argues that a window of opportunity can either open through elections or crises (or combination thereof). A landslide electoral victory that, through a large swing in votes and seats reflecting, for example, a shift in national mood, an electoral victory, or clamoring of citizens for attention to a certain issue. Policy windows are opportunities that create a favorable political climate for a particular policy to be proposed. Keeler [7] attest to the fact that policy windows only rarely open and close at random. Abnormal events, such as a severe economic crisis, can open a window for reform.

Keeler [7] developed Kingdon's windows of opportunity to include 'micro-windows' and 'macro-windows' to explain wide-ranging policy change including:

#### Mandate Size Causal Mechanisms

1. **The authorization mechanism:** allows the government to appear authorized by the public to pursue its program. Keeler argues that it reduces political and institutional opposition.
2. **The legislative empowerment mechanism:** empowers the government by providing a large majority. In the case of Hungary this would be a large majority in Parliament.
3. **The party pressure mechanism:** creates so much pressure from party activists for the government to pursue reforms.

Keeler defines a crisis as a "*situation of large scale dissatisfaction or even fear stemming from wide-ranging economic problems and/or unusual degree of social unrest and/or threat to national security*", and points out three causal "severity of crisis" mechanisms:

1. **Crisis mandate mechanism:** empowers and seemingly authorizes a government to push forward reforms.
2. **Urgency mechanism:** predicts that already serious assumptions will be exacerbated by inaction of the current regime.
3. **Fear mechanism:** suggests that inaction may endanger lives and property.

In that vein, Bannink and Resodihardjo [6] echo such claims, arguing that a crisis, such as the 2008 financial crisis [63] can lead to a window of opportunity. Bannink and Resodihardjo [6] have summarized a considerable bulk of research that aimed at identifying which factors contribute to or hinder reform. The framework below is adopted from Bannink Resodihardjo [6] and illustrates most, but not all, of the factors hindering and facilitating reforms.

The framework proposes that there are several factors <sup>48</sup> [6] hindering reform:

- Lock-in
- Path Dependency

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<sup>48</sup> This table is copied directly from the first chapter of Bannink and Resodihardjo's work, the "the barriers to reform"

- Paradigm
- Decision Making Process
- Vested Interest

And several factors promoting reform:

- A Political Crisis
- Change of Preference
- Strong Leadership
- Political Entrepreneurs

Taken in conjunction, Bannink and Resodihardjo [6] highlight how events such as a crisis, leadership, and framing and blaming of the problem can open windows of opportunity for policy makers. I discuss the different factors hindering/promoting reform in the remainder of this chapter.

Bannink and Resodihardjo [6] argue that there are three foremost enablers of reform. First, a crisis is likely to disrupt the current policy making process. In 2009 Hillary Clinton, current head of the World Bank, famously said: “*we should never waste a good crisis*”[63] . Clinton implied that a crisis will result in diminished support for current policies. Crisis diminishes support for existing policies and opens a window of opportunity for leaders and policy entrepreneurs. Evidently, a crisis does not automatically lead to a reform. Either a policy entrepreneur or leader should act upon the opportunity. Secondly, reform can occur if it is stumbled upon through an incremental process. Incremental changes over time can shift the policy paradigm of civil servants, which can lead to reform. The third manner through which reform can come about is through a strong leader who is capable of pursuing reform [6]. It should be noted that while leaders may achieve reform without a crisis, policy entrepreneurs need a crisis to pass a reform [64].

### 3.5 PATH DEPENDENCY AND LOCK-IN

Pierson [65] argues that past decisions restrain reform in the present. In many cases, stakeholders make important commitments to certain types of government actions or policy initiatives, which might lock in previous decisions. This phenomenon is known as ‘policy lock-in’[65]. Policy lock-in leads to path dependency. According

to the path dependency argument, “are actors are hemmed in by existing institutions and structures that channel them along established policy paths’ [66].

From this point of view, previous policies have an enduring outcome [65]. A very simple and oversimplified example of path dependency is the VHS player. Several years after the VHS was released, laser disks were introduced on the market. However, even though laser disks offered a product that was far superior quality to the VHS tape, no one bought them because the VHS players had become the new standard in shops and households. In other words – the market was locked-in to the old format [67]. The trajectory that Hungary pursued after transitioning from Communism to Capitalism was not designed from scratch but rather recombines economic, political, cultural, and institutional elements of the past. In his seminal articles, Stark writes that Eastern European nations have combined their past decisions with new rules from the EU and coming from the international market [12]. In short, path-dependency and lock-in effects diminish the change of a reform taking place. Despite that research in these areas has mostly focused on Western European nations, previous works by Stark [12] and others indicate that we can extend these findings to Eastern Europe.

### 3.6 POLICY SECTOR PARADIGMS

The paradigm of a policy sector, which encompasses values that dictate what is, and what is not acceptable, is a factor influencing the possibilities of reform. Paradigms result in civil-servants leaning towards adopting changes that fit within the current paradigm, instead of proposing and implementing major change effort, as reform proposals will be resisted by the status-quo [61]. The classic Thomas theorem defines that it is not the events on the ground, but their public perception and interpretation that determine their potential impact on political office-holders and public policy [68]. In public administration literature, this is known as policy framing. Policy issues are framed through a public lens. It is very much important how a politician frames an issue, this can be done by putting emphasis on particular facts, dilemmas, or by identifying a different approach [69]. Another barrier to reform includes vested interest, which refers to the fact that stakeholders have invested their own resources and either want try to capture or block a reform to their own exclusive benefit. The following analogy illustrates the vested interest theory: a Massachusetts insurance company did not want the government involved, even if it would be in the best interest of its

customers, because it thought this would especially harm their future profit expectations. To make sure that the government would not intervene with their business, they hired a PR company to frame the issue differently to convince the public that government intervention would lead to potentially negative outcomes [70]. The interests of the insurance company were at stake, and the company tried to protect its own interests at all cost, regardless of the possible repercussions to the government, citizens and so on. It is therefore important to recognize the significance of vested interests for framing issues. A sound strategy for leaders to push forward a reform is a necessity. However, it should be noted that framing an issue differently can backfire [6].

One point upon which the political science literature agrees is that international change drives change in domestic structures [71]. This is a very powerful and meaning premise. It essentially says that we can predict changes in the Hungarian system by looking at what happens in the rest of the EU. The international system, and the EU, is therefore an explanatory variable in itself.

### 3.7 LEADERSHIP

Keeler mentions leadership as a variable impacting the scope of legislative achievement. While it is relatively easy to make new laws and programs and to complain about current inefficiencies, proposing and implementing a reform is a much more difficult problem and requires a strong leader [72]. A leader, defined in this paper as a person in a senior position in government and/or public organization, can ratify a reform. The trouble is that few leaders are capable of implementing a fundamental reform that drastically amends current processes and procedures [69]. Most leaders lack a certain expertise and/or make vital mistakes. To lead a reform process, a leader must be capable of establishing a sense of urgency and to craft and convey a vision. At the same time, a leader cannot achieve reform on its own, and hence needs to form and empower a team with common commitments. To make a reform last, a leader needs to achieve tangible performance improvements in the short-term and adapt current systems and policies that undermine the leader's reform process. Lastly, a leader needs to root in his vision in the organizations culture so that his efforts will not be undermined in the long-run [72].

### 3.7 DEFINING WHAT ENTAILS PATH DEPENDENCY

Bannink and Resodihardjo [6] argue that there are three foremost enablers of reform. First, a crisis is likely to disrupt the current policy making process. In 2009 Hillary Clinton, current head of the World Bank, famously said: “*we should never waste a good crisis*”[63] . Clinton implied that a crisis will result in diminished support for current policies. Crisis diminishes support for existing policies and opens a window of opportunity for leaders and policy entrepreneurs. Evidently, a crisis does not automatically lead to a reform. Either a policy entrepreneur or leader should act upon the opportunity. Secondly, reform can occur if it is stumbled upon through an incremental process. Incremental changes over time can shift the policy paradigm of civil servants, which can lead to reform. The third manner through which reform can come about is through a strong leader who is capable of pursuing reform[6]. It should be noted that while leaders may achieve reform without a crisis, policy entrepreneurs need a crisis to pass a reform [64].

I will add some extra insights by introducing principal-agent theory. One of these theory sets is the principal-agent theory [73]. It was developed in the economic sciences and concerns contract relationships between two parties. In economic literature it has been used to discuss decentralization versus centralization [74].

### 3.8 HYPOTHESES

This rather long prolegomenon to my thesis leads to the hypotheses I want to test. I propose three different hypotheses, one relating to the macro-level analysis, and the other two to the micro-level analysis. These hypotheses take the aforementioned issues I raised in the previous chapters into account, and all touch upon underreported academic areas.

#### Hypothesis Related to Macro Level Study

The literature provoked the following **Macro-Level Research Question:** Which factors explain how a window-of-opportunity opened for the Fidesz administration to pursue sweeping reforms?

**H1 Policy Windows:** favorable external economic, political, and fiscal conditions, combined with great leadership, that opened a macro-window of opportunity in which all of the six window-opening mechanisms operated.

Explanation for Hypothesis One: I focus on reform and institutional literature to test this hypothesis. Reform does not occur often, and as described in this chapter, circumstances need to be favorable for a window-of-opportunity to be present.

#### Hypotheses Related to Micro Level Analysis

Research Question 2: What has the effect of centralization been on patronage networks?

**H2 Establishment of Patronage Networks:** the structural adjustments of 2010 provided the Hungarian political elites to strengthen patronage networks.

Explanation for Hypothesis Two: A good deal of theory is consistent with this hypothesis. While working for KIM, some colleagues raised some red flags and stated that the patronage networks had increased in size. This, together with the literature in the previous chapters makes us expect that we cannot refute this hypothesis.

Research Question 3: How have the centralization reforms affected organizational autonomy at the Hungarian central state level?

**H3 Organizational Autonomy of Hungarian Government Agencies:** all three dimension of organizational autonomy, financial, policy and personnel management have decreased due to the centralization reforms.

Explanation to Hypothesis Three: Previous research suggests that centralization has often led to a decrease in organizational autonomy. Recent incidents in Hungary suggest that all three dimensions of organizational autonomy have been reduced as a result of the centralization reforms.

### 3.9 CONCLUDING WITH THE FRAMEWORK FOR HYPOTHESES

Though the framework I propose to measure policy change is simple, it provides an appropriate fit for analyzing the issue at stake. In short, the research approach I take is (1) Which factors opened a window-of-opportunity for the Fidesz government to pursue centralization reforms? (2) Have these centralization reforms had an effect on organizational autonomy and patronage networks at the central government level?

## **Chapter Four–Research Design**

### Overall Research Proposal

## **CHAPTER FOUR –**

# **RESEARCH METHODS, CASE SELECTION, AND INTERVIEW PROCEDURE**

### **4.1 INTRODUCTION TO OVERALL RESEARCH PROPOSAL**

IN THIS BRIEF CHAPTER, I describe the research method used, the rationale behind the case selection, and the interview procedure. In addition, I included an interview protocol and I give some concluding remarks.

### **4.2 RESEARCH METHODS USED**

This is a qualitative research project. The endogeneity of the quantitative data, absence of research on the subject and the single-country empirical focus are the main reasons behind focusing on qualitative research. Contrary to e.g., the Dutch government, much less data is reported and made public by the Hungarian government. As described in the first chapter, I conducted interviews with key informants to validate the data obtained throughout the literature review. Moreover, some quantitative data was gathered to validate the information obtained throughout these interviews and to define the qualitative part of the research. The basis for my measurement consists of qualitative research, and not on quantitative research as is often the case with research concerning patronage networks and organizational autonomy.

The predominant focus of the study is 2010-2013. The empirical basis of the case study is documentary analysis of relevant legal measures, statutes, various scholarly and media documents, government communications, and a series of semi-structured and depth interviews with key informants.

The macro-level analysis is therefore build on strong theoretical grounds introduced in the previous chapter, whereas the micro-level analysis is more investigative in nature, focusing mostly on the interviews. This research method, of course, was designed with the aim of raising our understanding on the centralization reforms in Hungary.

### 4.3 CASE SELECTION

A brief word on my case selection is in order. There were many case studies I could have chosen for analysis which might also have proved interesting cases for analysis. Below I present and discuss the cases that were used for this thesis, and describe the method for selecting them. The Magyary Program [20] provided the initial list of cases that could be used for analysis. Next, to ensure that the selected cases would help me achieve the aims of this research I had to select cases which met the following criteria:

- **(1):** Change at the agency in question needs to be recent and should have been affected by legislative changes ensued since 2010. The reason for this is simple: it increases the probability that responsible/knowledgeable employees are presently working at the given organization;
- **(2):** Author needs to be acquainted to/have work with the agency to improve the likeability of finding qualified interviewees. This criteria should not be underestimated;
- **(3):** Case should be significant in size; the government agency, or agencies together, needs to be significant in size.

Next, I selected the following cases for my analysis:

- KIH: the Office of Public Administration and Justice
- County (Metropolitan) Government Office
- Central Office for Administrative and Electronic Services (KEKKHI)
- National State Administration Office (NÁK)
- Hungarian Academy of Science
- Judicial Service of Ministry of Public Administration and Justice
- National Institute for Public Administration
- Wekerle Sándor Asset Manager
- The Central Office for Administrative and Electronic Services (KEKKH)
- ECOSTAT Governmental Impact Assessment Center

As abovementioned, this study is interested in cases that meet the criteria postulated before, and as I worked for KIM this past summer, my exposure to high level executives at this agency was considerable. KIH was by far the best case as it

relates to an agency significant in size, supervised directly by the right-hand ministry of the prime minister. The agencies merged into KIH seem incompatible at first sight. For this reason, I decided to pick KIH as the case study for my analysis. Time limits restricted me from using another case study for analysis. Indeed, the accessibility of key informants, the usefulness of which should not be underestimated, was one of the key reasons behind the selection of KIH as a case study.

For reference purposes, I have classified all the interviews used for this thesis in Addenda B.

#### 4.4 INTERVIEW PROCEDURE AND PROTOCOL

I interviewed over twenty key informants<sup>57</sup> during the summer of 2012 and spring of 2013, including a Parliamentary State Secretary, former Harvard University Professor, several head of departments at KIH, both former and current civil servants of KIH, and others directly or indirectly involved in the reform process. These interviews led to empirical evidence amenable for bringing in chart developments in the central level of the Hungarian public administration.

To prepare interviews, Weiss [75] suggests that researchers start from a “*substantive frame*” and use that to create a framework for the interviews. There are, of course, certain problems with interviews. Respondents may not always tell the truth, or may omit certain factors. However, while some facts may be spotty, interviewees rarely tell outright lies [75]. To make sure that my interviewees spoke as truthfully as possible, I asked as many fact-specific questions as possible. I tried to minimize the amount of subjective questions as much as possible.

Persons who gave verbal informed approval were either interviewed in informal settings, such as restaurants and coffee shops, or formal settings, such as offices at ministries and government agencies. The questions employed yielded qualitative data. All of the interviews were conducted in English; not all of them have been recorded on audio tape. This was done to increase the probability of interviewees to disclose sensitive information. None of the interviewees were financially reimbursed or given any gifts whatsoever.

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<sup>57</sup> expert interviews; a key informant is particularly knowledgeable about a certain topic and possesses fundamental information needed to clarify the objectives set out by the writer of the thesis

This appendix breaks down in greater detail the interviews that were conducted for this thesis. In total, 21 people were interviewed for this thesis. All results have been reviewed so no confidential information can be linked directly to a real person. I tried to have people speak openly about their experiences; most Hungarian government changes have not been extensively documented and most of the information relating to the reforms is best documented in the brains of the people involved in the reforms. I wanted to uncover how the process actually took place. Direct observations play a significant part in this research. Such methods are often used by anthropologists, ethnologists and sociologists, and to a lesser extent by public administration scholars.

All of the interviews started by asking information about the persons basic background information, including education level, former employment and age. During all stages of the interview process, I urged participants to share additional information in all stages. Accordingly, all spontaneous comments were also recorded. Unfortunately, this type of data suffers from biases, something that should not be biased away. Some summaries of the interviews were discussed with the interviewees to provide clarification and to that all the information I wrote down was correct. All remaining errors remain my own.

As the interviews touched upon various kinds of sensitive information, the identity of some of the interviewees remains undisclosed. I have put some of these interviews in my own words as accurately as possible. Over all, I learned a lot about the behind-the-scenes process of policy making in Budapest.

Unfortunately, I did not have the opportunity to interview people from all the different agencies, nor did I speak with people in the highest echelons of power in the Hungarian government. Further studies would benefit from such interviews. Whenever possible, I used published interviews related to the topics of my thesis. Table 5.1 below indicates the protocol of interviews.

The vast majority of interviews covered the micro-level analysis of the thesis, only the interviews with Janos Kornai and Viktor Horvath focused solely on the macro-level analysis part of the thesis. All other interviews covered the micro-level analysis part of the thesis. The average length of the interviews was roughly 45 minutes. The small amount of interviews related to the macro-level analysis can be attributed to the heavy emphasize I place on the micro-level analysis. All of the interviews were in-person. The classification is included in Addenda B. I did not quote all the information in my micro-level analysis to ensure the anonymity of the interviewees.

## PROTOCOL FOR PATRONAGE NETWORK AND ORGANIZATIONAL INTERVIEWS

To find an answer to the question do parties use the opportunity for patronage appointments presented to them by the formal rules?, we ask respondents if parties actually reach into these institutions.

Addenda A contains the questions I used to measure patronage networks and organizational autonomy. I divided the patronage network questions in three different categories. The first focusing on the question whether patronage networks are actually established, the second and third categories contain follow-up questions concerning the depth of patronage networks and trends concerning patronage networks, focusing on the period before and after the centralization reforms were pursued. The questions regarding organizational autonomy are subdivided over three different categories: (1) Strategic and Operational Personnel Management, (2) Policy Management, (3) Financial Autonomy. This structure is adopted from the COBRA questionnaire. Table 4.1. provides a brief overview of the protocol used for the interviews.

Table 4.1 Protocol of Interviews

<b>Issues</b>	<b>Conceptual Framework</b>
	Background Questions
<b>Patronage Networks</b>	Establishment
	Depth
	Trends
<b>Organizational Autonomy</b>	Strategic and Operational Personnel Management
	Financial
	Policy

## 4.5 CONCLUSION TO RESEARCH DESIGN CHAPTER

Evidently, the normative analysis that I undertake brings along its biases. That being said, to the best of my ability, I will try to make this study as inter-subjective as possible. In addition, there can easily be noticed some shortcomings in the framework presented in this chapter. After all, it will be difficult to provide decisive conclusions on the relationship between the different variables and their influence on the reforms that

were set in motion in 2010, as is the case with most social sciences research. Nevertheless, I strive to add to the academic work on autonomy of agencies and patronage networks. The interviews I conducted will be used to open fresh lines of thinking on the subject and hopefully stimulate new research on the topics.

## **Section 2: Macro-Level Analysis**

### **Chapter Five – How Re-Centralization Ensued: An Evaluation through Theory**

# CHAPTER FIVE -

## MACRO-LEVEL ANALYSIS

### 5.1 INTRODUCTION TO MACRO-LEVEL ANALYSIS

IN THIS FIFTH CHAPTER of the thesis, I synthesize many of the concepts, theories and data introduced in previous chapters along three different themes: (1) The tradition of government reforms in Hungary since WWII, (2) policy documents on recent central government reforms, and (3) the explanatory variables that opened a window of opportunity for the Hungarian government. Keeler's window-for-reform framework is used for analysis in this chapter, both to explain why previous attempts at reform failed and why Fidesz succeeded this time around. The first step I take in this chapter is to understand the historical forces that shaped policies in contemporary Hungary. Such a historical background was deemed necessary as Hungary's institutions are far outdated by the country's legacy. This abbreviated version of Hungary's history covers developments from the late-1940s to present, but the focus of this analysis is on the period after 2010 when the majority of policies aimed at centralization of state functions passed through the Hungarian parliament.

### 5.2 THE PATH LEADING TO CAPITALISM: RHEUMATICS OF OLD AGE

While the Hungarian state is a thousand and ten years old [76], its contemporary history has been defined by communism. Shortly after the end of WWII, the Soviet Union imposed communism on Hungary. For about forty years, from 1949 to 1989, Hungary was forcefully allied and subordinated by the Soviet Union. Nonetheless, Hungary was technically independent [21]. In 1956, the Hungarians rebelled against the Russians leading to a change in leadership and several government reforms shifting some autonomy from the Soviets to the Hungarians. From 1956 onwards, Janos Kadar, who introduced several market principles during his reign of power, was Hungary's leader. So while Hungary technically experienced a harsh communist dictatorship; it did enjoy some of the benefits of a market economy, especially after the 1956 reforms as certain market principles when certain market principles were introduced [77].

While Kadar was socially and politically conservative, he was seen as a transformative leader as he initiated significant economic market reforms in 1968

[78].The 1968 reforms were characterized by several far-reaching policies aimed at reforming the political and economic structure of the Hungarian state. These reforms moved Hungary more towards a market economy and multiparty political system [21]. During the 1960s, the Hungarian central government was reformed as well, instigating some shifts in autonomy from higher to lower levels of government. Goulash Communism<sup>58</sup> – Communism mixed with some free market elements – was also introduced in the 1968 wave of reforms. Regardless of the 1956 and 1968 reforms, the Communist remained firmly in control until the eventual collapse of the regime in 1990 [21].

In the late 1980s, the government reforms became more prominent under the influence of Perestroika<sup>59</sup> [79], which led to the restructuring of most of the Soviet economy. Under Soviet rule, the so-called party-state bureaucracy or intermediate elites with posts of influence in the party and state administration were composed of individuals appointed by political criteria. This system of appointment is referred to as the nomenklatura system<sup>60</sup> [79]. The nomenklatura system left a clear mark on the culture in the Hungarian Public Administration and, to this date, Hungarians are skeptical about their government. One the primary goals of the reform 1989/1990 reform committee, which oversaw the government reforms during and after the transition, was to significantly reduce the “red” administration in the public administration [54]. Before transitions, the proportion of former Communist-party members among the current economic elite, or “*nomenklatura bourgeoisie*”, was relatively high compared to other CEE countries [80]. One of the characteristics that modern Hungary inherited from Communism were the Public Administration’s deeply rooted patronage networks.

To sum this part of the historical overview up: during Communist times, the most important central government reforms took place in 1953, 1956, 1968 and finally,

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<sup>58</sup> Goulash Communism is also known as Kadarism

<sup>59</sup> The restructuring of the Soviet economy and bureaucracy that began in the mid-1980s

<sup>60</sup> The nomenklatura system refers to a category of people during Communist times that held various key political, administrative, social positions.

1989<sup>61</sup> [21]. All of these major reform cycles substantially modified the rules for the operation of the Hungarian economy and decentralized power in one or more ways.

#### REFORMS AFTER COMMUNISM

With the exogenous shock of the collapse of Communist rule in 1989, the mechanisms of the Hungarian economy fundamentally changed culminating in the great transformation that occurred in 1989/90 [81]. In these historical years, Hungary was transformed from the “*People’s Republic*” into the “*Republic of Hungary*”. After the end of Communism, the Hungarian government apparatus was considerably reformed and Hungary became a harbinger for change in the CEE region; democracy-building and economic reform was less productive in the states to the south and east of Hungary [15]. Not surprisingly, during the first years of the transition, Hungary was considered one of the front-runners on administrative reforms [8], being the first European country to create a fully operating “*European*” local government system in 1990, and “*European*” civil service law in 1992 [8]. As a result of these reforms, it was Hungary that was considered one of the most liberal, open and developed economies in CEE in the 1990s. With these reforms, for the first time in decades, Hungary’s government agencies gained a sense of autonomy comparable to that experience in the west [8]. The shift that occurred in 1990 itself is to date seen as the most convincing evidence of the superiority of capitalism to socialism and involved broad economic, political, and government change accompanied by state and administrative reform [9]. Hungary was considered a beacon of farsightedness for Central and Eastern Europe and the EU expressed satisfaction with the progress the country made [15].

Although Hungary’s transition from Socialism to Capitalism is generally considered a success [8], a recent poll by Vásárhelyi [82] suggests that many Hungarians disagree with this. Hungarians were generally dissatisfied with the way their government handled in 1989. None of these economic reforms encountered any significant or violent protests [83]. Vásárhelyi poll indicates that 40% [82] of Hungarians do not think any real change occurred either because the communist were not excluded from the elections, or because the former elite kept the power, partly explaining the pendulum between the extreme right and left political parties at each

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<sup>61</sup> The 1989 reforms were a change of system and not necessarily reforms. To keep things easy I refer to them as

election (an absolute majority however thinks that under communism things were running better) [84].

Hungary radically reformed its government several times since its transition to capitalism. Such developments were, foremost, triggered by developments in the international arena. Without a doubt, Hungary's accession to the EU (in 2004) and the North Atlantic Treaty Organization (NATO) (in 1999) inaugurated a new era of central government reforms. The administrative and institutional infrastructure required for EU admission had to be built from scratch. As a result, Hungarian politics were "*Europeanized*", and many European best practices were adopted. Indeed, admission to the European Commission required Hungary to alter many of its existing government structures to adhere to EU admission criteria<sup>62</sup> [16], and led to international integration and collaboration between different governments of member states. But this did not always happen. The similarities in developments among CEE countries post-Communist are often attributed to their common Communist heritage [85]. Various explanations for the institutional divergence in Central and Eastern Europe have been proposed, most of which rely on different geopolitical and accession effects [86]. Rheumatics of old age are, however, not always defining. Over two decades after the reforms from Communism to Capitalism started; the outcomes of public administration reforms in the CEE countries are particularly diverse [54].

## 5.2 POLICY DOCUMENTS ON CENTRAL GOVERNMENT REFORMS

To understand where these Hungarian central government reforms came from, I first introduce the policy documents that bear the importance of the reforms.

The Government of Hungary stressed the importance of the recent central government reforms<sup>66</sup> in various policy programs<sup>67</sup> and documents, the Magyary Zoltan Public Administration Development Program (known in Hungarian as Magyary Zoltán Közigazgatás-fejlesztési Program) being the most recent and elaborate. The Magyary

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<sup>62</sup> Hungary has not yet qualified itself for entering the Euro zone and there seems to be no definitive conclusion among economist on the feasibility of such an entrance in coming years.

<sup>66</sup> Most of the centralization policies are, however, not included in the Magyary or other official government programs.

<sup>67</sup> The local government reform plan and the Moor Guyla program are the other reform plans. They will not be discussed in detail as they do not relate to centralization occurring at the central state level.

program, which is updated annually, stipulates in detail the planned changes to the structure of the Hungarian Government and focuses primarily on altering the central Hungarian government layout [87]. In August 2012 the most recent version of the Magyary program, version 12.0, was released<sup>68</sup>. The program was developed by a relatively young group of civil and public servants at KIM [23] and focuses on tasks, procedures and organizations at Hungarian public organizations – the official aim is to simplify the central government administration.

The two main goals of the Magyary Program [87] as stipulated in the 2012 plan are: (1) to increase the efficiency of the Hungarian public sector and, as a result, (2) to increase trust within the government. Several statements in the Magyary [87] program are revealing. On the fifth page of the Magyary program, it is stated that the government must not solely rely on technocratic decisions, but that values and traditions must also play an important role. Hence, we see some justification for the introduction of the historical background in the macro-level analysis of this report, which was used to examine some of the cultural and sociological factors affecting the reforms. Moreover, the identified main goal as stated in the program is the “*efficient public administration*”. Other key words often encountered in the program are „*autonomy*” and „*decentralization*” [20]. The Magyary plan does not elaborate on the establishment of new institutions such as the Office of Public Administration and Justice, and hence not much information on the itemization of these institutions is included in the plan though KIH is mentioned as being effectively part of the executive power. Conyers [88] argues that these explicit objectives, which are mostly defined in positive terms such as “*bringing the government closer to the people*”, are essentially used to legitimize the objectives of the central government in the eyes of the public and the international community. The actual implicit objectives of the reforms are most of the time not directly included in official government objectives.

The original Magyary program, which was published in 2010 shortly after the election of the second Órban government, focused on long-term strategy. The idea of the merger originated in 2010. Official project proposals were written in the fall 2011. In the 2010-2011 time-frames the focus of the Magyary program changed. The new Magyary program contains very clear targets and goals and does not contain a clear

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<sup>68</sup> In June 2013 an updated version was expected, but this version has not yet been released at the moment of writing (early July 2013)

long-term strategy. The author of the last Magyary program left the Hungarian public administration shortly after finishing version 12.0, which was published in August 2012. The focus of subsequent Magyary programs slowly transferred from long-term strategy to more detailed, strictly coordinated and focused plans. Additionally, as I indicate before, newer plans introduced a so-called fourth layer of government, the district level, to which tasks from lower levels of government are shifted. Not all of the mentioned reforms mentioned in the Magyary program have been realized this far, some of them occur on a rolling basis.

One of the central objectives of the Magyary program is to increase trust in the state of Hungary [20]. However, the Hungarian government favors the most passive form of citizen participation and results on the feedback provided by Hungarian citizens, as was the case when they could weigh in on amendments of the Constitution in 2010, have not always been published [2]. Reasons mentioned for this lack of feedback by the Hungarian government were: an under-staffed bureaucracy and lack of importance of these reforms towards the Hungarian public. The centralized institutional system takes the real operational decisions without consulting the public. The focus of the Magyary program is top-down, non-participatory and does not allow for consultation between different stakeholders [23]. Many prefer to use the terms ‘good governance’ in order to encompass the active participation of private citizens, firms, and other interest groups.

One of the main elements of the Magyary plan is the elimination or consolidation of Hungarian public administration bodies, ministries and public foundations. The fragmented nature of the Hungarian public administration and the streamlining of existing structures were some of the main concerns addressed in the Magyary plan. The Magyary Program reduced the total number of ministries from thirteen to eight and decreased the overall number of public organizations from 649 to 318 [20]. The Magyary program aims to bring political stability and economic prosperity. The plan is continuously updated, discloses only general trends and should not be seen as a plan set in stone. One of KIM’s state secretaries became the head of KIH in January of this year.

Similarly to the Magyary program, since 1992 sequences of “Government Resolutions on the Modernization of Public Administration” have been implemented [15]. The Szell Kalman Plan [87], introduced in 2011, was an important departure point and significantly reduced the responsibilities of local governments in Hungary. The

plan was one of the most significant Hungarian government reform plans. The széll kálmán plan was mostly about cutting budgets and decreasing deficits. These reductions in responsibilities opened a window of opportunity for the Hungarian government to shift responsibilities towards the central level of government [23]. The final deadline for the implementation of these measures in all institutions was December 31 2012. Some relevant Sub-Targets of Magyary program are:

1. Improvement of Cost-Effective Operations;
2. Monitoring and Predictability;
3. Development of Human Resources and Promotion of Innovative Resources

Government explicitly state that they are centralizing state functions, but actual implicit assumptions lead to the centralization of state functions, or vice-versa. It was actually not decentralization but centralization in the sense that it strengthened the presence of the central government. Indeed, it is important to establish if centralization reforms actually took place.

### 5.3 APPLYING JOHN T.S. KEELER'S THEORY TO THE HUNGARIAN CENTRALIZATION REFORMS: THE OPENING OF A MACRO-WINDOW OF OPPORTUNITY

In the remainder of this chapter I appropriate whether John T.S. Keeler's theory is effective in evaluating the opening of a window-of-opportunity in the Hungarian centralization reforms.

#### HISTORICAL BARRIERS TO REFORM

As Faguet's criteria for successful decentralization indicate, Hungary's situation itself seems ill-suited for a strongly decentralized central government system. For example, Hungary has a relatively young democratic political tradition and is currently facing a relative unstable macroeconomic climate. Why did previous governments not pursue centralization reforms before? What barriers were previously stopping reforms in Hungary?

I see several reasons why reforms were previously not possible. Firstly, there is parliamentary deadlock. After the 1990 Hungarian elections, power was divided over six different political parties<sup>69</sup>. In the early 1990s, pluralist political party competition was still in place and power was dispersed and was divided to supermajorities. Contrary to the current situation, then, relatively weak opposition parties<sup>70</sup> achieved relatively good outcomes [89]. Thus far, in the five elections held since the transition period, only two coalitions held a two-third's majority: The incumbent Orbán government, and the Horn administration that reigned from 1994-1998. It is very difficult for government parties that do not have a two-thirds majority in Parliament to pursue significant reforms. As Hajnal [15] articulated in "*Public Management Reforms in Central and Eastern Europe*": "

*As a consequence of parliamentary deadlock as well as the inexorable, at the same time often harsh and unpredictable decisions on the part of the judiciary and the Constitutional Court, it is very difficult, if not impossible, to implement sweeping policy changes, irrespective of their nature or content*".

Hence, it is evident that most attempts to pursue these reforms prior was not successful due to obstructions from other political parties. This two-thirds majority system is based on the believe that it will lead to closer coordinate their political ends and build consensus/compromise, and was put in place to constrain the government [77]. The reasoning behind this was that certain things should not be subject to arbitrary decisions; these were media, military and election laws, and can only be amended with a two-thirds majority in Parliament. Reaching a two-third majority was deemed very improbable by most foremost Hungarian political commentators and the Hungarian reform committee. Essential functions of the well-being of the Hungarian society were therefore believed to be locked-in and could not be altered unless a two-third majority was reached in Parliament.

Only the Horn and Orbán functioned in a policy-making context that gave much leeway to the ruling party in designing policies. The Horn government had the mandate,

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<sup>69</sup> Hungarian political parties, characterized by predominant political leadership, are hierarchical in structure and decisions are made from the top-down leaving only slight room for maneuver

<sup>70</sup> Then Prime Minister Gyurcsány resigned on April 14 2009 and was followed up by then independent Gordon Bajnai, who is currently projected to be one of the most likeable future Prime Ministers of Hungary.

but why did it not pursue centralization reforms? In 1995 in wake of the Mexican crisis, Hungary came close to a financial collapse [83]. This crisis aggravated the financial problems Hungary was already facing since its transition to Capitalism. As a result, the Horn mostly pursued reforms that would reduce the budgetary problems and meet EU admission criteria [90].

A close reading of Hungarian political history highlights that the EU-driven motivation reached a top point among Hungarian political elite at the bilateral treaties of 1996 [91]. During Hungary's candidacy phase, when admission was not yet guaranteed, the EU had the most influence on Hungary's internal policies. Gyula Horn understood that the EU would not admit countries that would not be stable, as he said in a radio interview "*the West will be no partner of ours if we clash with each other and increase tension among ourselves*" [92]. Before admission, the EU and NATO admission processes provided clear strategic direction to Hungary and the other CEE countries. The most prominent recent example supporting this theory is the EU accession process that started after 1990. Levitz and Pop-Eleches [93] note one important caveat, and argue that the influence of the EU as an international entity had an impact on the adoption of democratic norms in CEE "*primarily because CEE political leaders were aware that such norms were a prerequisite for their countries serious consideration as EU applicants.*" [93], and "*backsliding is not an accurate blanket descriptor of the post-accession political landscape*" [93]. There is little evidence in the literature that EU member states "*fall-off*" after EU accession. After accession, however, Vachudova [91] believes that the political parameters for CEE widened once again.

Before 2010, it was therefore not clear whether Hungary would pursue centralization reforms. In my opinion, what type of reforms would be pursued depended largely on the government party being elected in 2010. The Horn government wanted to distance itself from Communist policies. The public would not have accepted the centralization reforms these as they would indicate a return to Communist policy.

#### THE RE-CENTRALIZATION REFORMS

The 2010 Hungarian parliamentary elections featured a paradigmatic crisis-mandate effect. The 53% of total votes Fidesz received in 2010 were converted into 68% of the seats in Parliament [9], giving the Fidesz administration a two-thirds majority in Parliament. Especially in the post-election honeymoon period, in which

governments traditionally appear authorized to pursue reforms [7], the Fidesz administration pushed through an unprecedented burst of reforms. The ability of the Orbán administration, acquired through a two-third majority in the Parliament, allowed the party to avoid the traditional decision making process and exercise power over vested interests. Because of this, it could avoid the lock-in effect and path dependency as Hungary's system of checks-and-balances suddenly did not work anymore. A careful game of institutional reforms is required to make the system work again. A "tipping-point"<sup>71</sup> was reached. The Fidesz administration could seek rent without constraint. Keeler's authorization and legislative mechanisms were therefore unmistakably operating here.

There are several reasons that explain why Fidesz won the 2010 elections with such a large majority. In the first few months after the 2006 election, frustrations started to mount as more and more Hungarian became disillusioned with the then incumbent socialist party [I, 1]. In September 2006, a secret voice recording of then Prime Minister Ferenc Gyurcsány was released that severely discredited the Socialist administration. In the video Ferenc Gyurcsány said: "*We lied throughout the last year-and-a-half, two years. It was totally clear that what we are saying is not true..... If we have to give account to the country about what we did for four years, then what do we say?.... We lied in the morning, we lied in the evening*" [94]. After the release of the voice recording, it was generally assumed that the Fidesz party would win the next elections as the Hungarian populace had become disenchanted with policies of socialists, and openly demanded change.

As the "*the electoral punishment model of democracy*" [1] shows, many voters will decide to and take their chances with an available alternative. In his often quoted study, Nelson argues that reform will be easier where the opposition is discredited and disorganized (or repressed) [1]. This is exactly what happened in Hungary after the release of the secret voice recording. The stage was thus set for Fidesz to win a convincing victory in the 2010 Parliamentary elections, as the intensified disillusionment with the incumbent party changed the preferences of the voting

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<sup>71</sup> The "*Tipping Point*" is a term used as the basis for Malcolm Gladwell's best-seller *The Tipping Point: How Little Things Can Make a Big Difference* [111]. Gladwell defines a tipping point as "*the moment of critical mass, the threshold, the boiling point.*" In this work, it relates to the point in time at which a large group of people dramatically change their beliefs. Then, we can see that the paradigm changed.

populations [I, 1]. From that moment on, Orbán realized that it would be likely that a party on the right of the political spectrum would win the upcoming elections. Not per se because of public approval with their own performance, but because of rejection of the then incumbent socialist party and because Fidesz was the only alternative occupying the center right space in Hungarian politics.

The economic crisis of 2008 produced a crisis-mandate mechanism. Certainly, the financial crisis has had a significant influence on the country's stability and led to several economic problems [83]. In 2010, Hungary was facing several economic problems. The country's currency recently lost value [95]; the EU cut the country's growth rate [95]; public debt was increasing [95]; clearly the country was facing a challenging macroeconomic environment. The window of opportunity therefore widened due to the Financial crisis. The mandate of the Fidesz administration was therefore a clear example of the urgency and fear mechanism at work., and significantly increasing the mandate of the Fidesz government. The stage was thus set for Fidesz to win a convincing victory in the 2010 Parliamentary elections. Not because of public approval with their own performance, but because of rejection of the then incumbent socialist party.

In Hungary, contrary to many Western European countries, values including nationalism, values of the church, are represented by moderate parties, particularly the values of the cultural right represent these feelings. Fidesz<sup>72</sup> was smart enough to occupy this space and was the only major party representing them. Since Hungary's admission to the EU, nationalism has increased [93]. In my own conversations with Hungarians<sup>73</sup>, I always had the feeling that nationalism was a topic that people rather not talk about. Commonly, throughout these conversations, I noticed that many Hungarians did not see nationalism as a problem. So while foreigners might express their concerns about nationalism in Hungary, most Hungarians see things differently. Fidesz understood this, rethinking its policies and messaging by espousing nationalism after the admission of Hungary to the EU. The paradigm of the political sector had changed and Fidesz leveraged it to their political advantage. When this happened, Hungary was driven from the Western European path of reform, and restraints put on

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<sup>72</sup> MDF, *Magyar Demokrata Fórum*, is the other party

<sup>73</sup> Including water polo teammates, classmates, friends, and colleagues from various regions of Hungary

Hungary by the West no longer strongly applied. These restraints were still firmly in place when the Orbán government held a two-thirds majority in Parliament.

Since it took office in 2010 several international organizations such as the EU, the Council of Europe (CE), the Organization for Security and Cooperation in Europe (OSCE), and the International Monetary Fund (IMF) have raised attention to the conducts of the Hungarian government led by Fidesz and coalitions [2], [96]. In fact, the recent developments in Hungary seemed to have caught the EC and IMF by surprise [16]. This is in part because the laws introduced in the Hungarian Parliament significantly differed from the ones drafted for review by European authorities [97], which the Hungarian government since then amended to a certain extent, but criticism remains fears.

The local and international media cover the developments from different perspectives. Some report what they believe to be the backwardness of the Hungarian system, other news sources, particularly national state financed news sources on the contrary praises Hungary's resistance to foreign influences [96]. Despite these disparate paradigms, high-quality publications on the topic have been published by the European Parliament and Helsinki Commission for Human Rights [96]. These publications were critical of the conducts of the incumbent Hungarian government and criticized Hungarian's state media which is controlled by the incumbent parliament and mostly reports positive news on the ruling parties. The EU has an incentive to keep an eye out on what is happening in Hungary; though small, the country could easily cause a snowball effect affecting its neighboring countries. It is therefore not surprising that the EU has criticized Hungary; but it is also not surprising that Hungary has perhaps not taken criticism serious [2].

The Orbán administration has been reluctant of accepting aid from international organizations [98]. Why, for example, has Hungary been reluctant in making a deal with the IMF? There has been much debate on the reasoning behind these rejections, though some recent studies might shed some light on this. They suggest that the 2014 elections will have much influence on the behavior of the incumbent administration. In the light of this, let us take a look at possible reasons that may explain the hesitation of the Orbán administration to strike a deal with the International Monetary Fund. In early 2012, the Orbán administration contacted OTP Bank, the biggest commercial bank in

Hungary, to investigate the fate of Governments which once stroke a deal with the IMF<sup>74</sup> [98]. The study evaluated 17 cases. Of the 17 governments' evaluation worldwide, 16 were kicked out in subsequent elections by the electorates. It is therefore not surprising that Orbán<sup>75</sup> often bemoans the IMF. Instead, and contrary to economic interests, the Orbán administration defied a loan from the IMF knowing that it would most likely limit its own ability to win future elections.

Ms. Reding told her colleagues the dominant position that Fidesz holds in Parliament comes with special responsibilities, and that the Hungarian government should use it responsibly and always in accordance with EU law [97]. International opinion from Western European countries has solidified against Hungary. The criteria used by the EU inherent to accession are included in the Copenhagen Criteria, which were laid down in 1993 [99], and describe the criteria for EU membership and define the accession responsibilities: "*Requires that the candidate country has achieved stability of institutions guaranteeing democracy*". The EU's *acquis communautaire* impacted Hungary's legal environment [15]. Recently, several European bodies [96] have issued critiques on both Hungary's constitutional changes, which the Hungarian government since then amended to a certain extent, but criticism remains fears.

The recent developments in Hungary seemed to have caught the EC and IMF by surprise [5]. Hungary's recent trajectory has raised several questions [16]. Hungary has repeatedly produced draft laws for review by European authorities that did not reflect the laws that were actually introduced into the Parliament. The European commission has warned the Government of Hungary several times that it would face legal actions if it did not amend its policies that undermined the national central bank's independence and threatened to tip the country toward authoritarianism [97]. Revoking EU membership from Hungary was deemed not feasible by German Chancellor Angela Merkel in May 2013 [100], when she postulated that a possible exclusion of Hungary from the EU will limit the possibilities of us to influence the country's path, which may be contagious to the greater CEE region. EU barriers were therefore no longer a barrier

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<sup>74</sup> In the final days of writing this thesis the Hungarian Government made a surprising move by asking the IMF to leave the country. See for example this recent article from the Wall Street Journal, "*Hungary Asks IMF to Leave*": <http://online.wsj.com/article/SB10001424127887323664204578607792869637804.html>

<sup>75</sup> In the summer of 2012 Orbán released a video on his personal Facebook page in which he barked at the IMF for setting too strict lending rules. This was the first public release of the government on the topic. <https://www.facebook.com/orbanviktor>

this time around. As a result of these warnings and despite its domestic electoral legitimacy, Orbán sometimes did experience the limitations of being a prime minister in the EU. Symbolic concessions [5] were made in response to international criticism and pressures as a means to weaken the most radical opponents of the centralization of Hungarian state functions. Despite that the policies of the current Orbán administration have sparked controversies both abroad and nationally [4], the government has expressed that it is satisfied with its government actions of the current term and that it will not change its policy direction in the remainder of its term [5].

Why did the EU not enforce stronger punishments on Hungary? Hungary's biggest weakness – and the EU's biggest strength – is Hungary's reliance on EU resources. The EU can express disapproval with Hungary's behavior by reducing the funds it allocates to the country. However, should the EU take this course of action? An underfunded and underdeveloped Hungary would become deadweight to the EU. International pressure is therefore not likely to substantially affect Hungary's centralization efforts. As long as the centralization reforms of Hungary are democratically supported, it is extremely difficult for the EU to formulate legitimate demands about the transformation of Hungary's public administration. It is one thing to encourage the Hungarian government to reform; it is another thing to change party values and voting preferences. Although the EU might have legitimate concerns about the Hungarian situation, it does not have the power to put in place significant external constraints.

#### THE ROLE OF LEADERSHIP

As I indicated in Chapter 3, in explaining the centralization reforms, I want to focus on the cunning of policy makers in designing the centralization reforms. In my search for actors<sup>7677</sup> in Hungary, the figure of Viktor Orbán immediately stood out [18].

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<sup>76</sup> *Acquis communautaire* is a French term referring to the cumulative body of European Community laws, comprising the EC's objectives, substantive rules, policies and, in particular, the primary and secondary legislation and case law – all of which form part of the legal order of the European Union (EU). See: [http://www.eurofound.europa.eu/areas/industrialrelations/dictionary/definitions/acquis\\_ommunautaire.htm](http://www.eurofound.europa.eu/areas/industrialrelations/dictionary/definitions/acquis_ommunautaire.htm)

<sup>77</sup> Hungary is governed by parliamentary democracy [12]. Hungary's President, who is elected indirectly by Parliament and serves a five year term, does not have a substantial role, but rather serves as a formal state figure. However, in times of crisis the President

Since he gave his famous speech in 1989 demanding the Soviet forces to withdraw, he has been a dominant figure in Hungarian politics [18]. Orbán is one of the founders of political party Fidesz which, since its establishment in 1988, has been one of the most prominent Hungarian political parties. Fidesz was founded as “*an independent student movement*”. Fidesz defines itself as a conservative, Christian and nationalistic party [96]. In the early years of its existence, Fidesz was described as a youthful libertarian, anti-communist party [9]. Since the founding of the party in 1988, the party has developed itself into a more conservative party [9]. In 1998, Fidesz took, under the leadership of Viktor Orbán and together with the Magyar Demokrata Fórum (MDF)<sup>78</sup> and the Independent Smallholders, FKGP (Független Kisgazda, Földmunkás és Polgári Párt), office for the first time. The party then did not hold a two-thirds majority. The policy changes ensued in 1998 by Fidesz, while indicating centralization tendencies [51], are not considered grand reforms. These reforms did, however, coincide with contemporary developments and can be seen as indicators for what is happening now [51].

There are varying opinions about the effectiveness of the leadership of Viktor Orbán. However, the majority of the Hungarian populace continues to refer to Orbán as one of the most charismatic and leading political actors in Hungary since the fall of Communism [100]. After Orbán lost re-election as Prime Minister in 2002, Orbán stayed prominently in the political spotlight and consequently was reelected eight years later in 2010. To ensure that his party would have a two-thirds majority in Parliament, Orbán formed a coalition with KDNP. He promoted ideas orthogonal to his political beliefs and is seen as a strong leader [9]. If we apply Kotter’s leadership framework, we can see that Orbán did a lot right, he created urgency distancing by publicly [101] saying that now was the time for change, and he created and communicated a vision resonated with changing societal beliefs. Fidesz understood that nationalism was on the rise. Before the elections, he clearly communicated its vision and created a sense of urgency by framing the problem Hungary was facing differently and created a sense of

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serves an important function, functioning as a mediator between political parties and supreme commander of the Hungarian armed forces [12]. János Áder, the current President of Hungary was nominated by incumbent Prime Minister Viktor Orbán and authorized by the Fidesz (and coalition) [98] The Prime Minister is the most powerful person in Hungarian politics and is the leader of the parliament.

<sup>78</sup> The MDF (English: Hungarian Democratic Forum) was a center-right political party in Hungary. It had a liberal conservative, Christian democratic and national populist ideology.

urgency, the EU wants ““*take away from ordinary people*” [101], and that his structural reforms will help the country.

Orbán’s leadership skills and charisma make him the kind of leader whose mere (omni) presence has been decisive in putting forward institutional and structural variables. This political crisis, combined with the 2008 financial crisis opened what Keeler calls a macro window-of-opportunity.

Fidesz won the 2010 elections on the promise that it would finish Hungary’s transition from Communism to Capitalism [9]. Rather than announcing major reforms, Orbán slipped information about the reforms and could therefore keep them out of the formal political decision-making process as he had a two-third majority and could apply the reforms smoothly. Regardless of what one thinks of Orbán, one cannot say that he was not an effective leader.

#### 5.4 CONCLUSION TO MACRO-LEVEL ANALYSIS

Since the transition from Communism to Capitalism, institutional barriers together with pluralist party competition made it extraordinarily difficult for Hungarian political parties to pursue what Keeler calls “*extraordinary*” reforms. For that reason, my analysis focused on the two (out of six) post-Communist regimes that held a two-thirds majority in Parliament. These parties were: Fidesz, under the leadership of Viktor Orbán, 2010-2014 with coalition partner KDNP; and MSZP, under the leadership of Gyula Horn, 1994-1998 with coalition partner SZDSZ.

When a Hungarian political party (or coalition of parties) has a two-third majority in the Hungarian Parliament, it has practically unlimited power. The above statement then raises the important question: why did the first government that held a two-thirds majority in Parliament not pursue centralization reforms? This question is particularly relevant as Faguet’s criteria for decentralization indicate that the structure of the Hungarian state makes it more probable for centralization reforms to be pursued.

This is my personal interpretation of why centralization reforms were not pursued before by the Horn government: the NATO and EU conditionality’s determined that nationalism, post-1990 Hungary, would change its shape and that political parties, such as the MSZP, would adopt an agenda complacent with EU and NATO criteria. In addition, the Horn government wanted to allay concerns that the

party was returning to Communist policies and, in the wake of the 1995 Mexican crisis, passed a significant austerity package to tackle Hungary's financial problem.

The Fidesz party, under the leadership of Viktor Orbán, whom I analyzed through Kotter's framework, did pass several far-reaching centralization reforms after winning two-thirds majority in Parliament in 2010. Orbán understood that the institutional structure of the Hungarian system makes reforms nearly impossible and created an alliance with KNDP to ensure that the party had a two-thirds majority in Parliament. Fidesz never communicated the grand design of the policies of the centralization reforms, but more publicly communicated different small policies. Orbán framed the problem Hungary was facing differently, arguing that in order to save the nation, several reforms had to be pursued. By doing so he created a sense of urgency.

Orbán asserted that what he is doing is to protect the Hungarian nation. Fidesz understood that the structure of the Hungarian public administration makes it difficult for reforms to be put forward. The Fidesz party under the leadership of Orbán locked-in many of the changes it had made. Orbán clearly communicated its vision and created a sense of urgency by framed the problem Hungary was facing differently and created a sense of urgency, the EU wants “*take away from ordinary people*”, and that his structural reforms will help the country. By doing so, he rallied both party members and public opinion behind his reforms. Although the story of a selfless, power-hungry and charismatic leader in the form of Viktor Orbán who overcame all odds is a compelling historical trope; it is a misleading and inaccurate way to view these historically important events. Leadership is only a part of the story.

**Firstly**, the reputation of the previous socialist government was in shatters after a video was leaked in 2006 that showed the then Socialist prime minister saying how he cheated to win the election. **Secondly**, the 2008 financial crisis set in motion the operation of the fear and urgency opened a window of opportunity. These socioeconomic factors explain the opening of the window and as I argued in this chapter, resulted in diminished support for current policies and explain why many Hungarians were disillusioned and dissatisfied with their previous government. Post EU admission, the EU, however, could no longer directly put pressure on domestic Hungarian policies and the political parameters in Hungary widened.

Hence, strong leadership was facilitated by a political and economic crisis. The economic crisis and the political crisis that ensued opened a crisis-mandate mechanism.

Fidesz used these crises to determinedly push forward his reform package, arguing that now is the time to defend the Hungarian nation.

**Thirdly**, rising nationalism combined with changing political beliefs led to a shift in the policy paradigm. While internal demands were tempered by external demands in the process leading to admission to the EU, this no longer was the case after the 2004 admission of Hungary to the EU, international path dependency no longer applied. Hungarians have traditionally casted their votes for nationalist parties, As long as the centralization reforms of Hungary are democratically supported, it is extremely difficult for the EU to formulate legitimate demands about the transformation of Hungary's public administration. International factors are therefore less influential as thought and are not likely to substantially affect Hungary's centralization efforts.

**Fourthly**, this case illustrates that institutional design can be both a facilitator and barrier to reform. Orban understood that the Hungarian political structure makes passing reforms without a two-third majority nearly impossible. Since the Fidesz administration has a two-thirds majority, it can by pas institutional barriers and had authorization and legislative empowerment. For future governments it will therefore be difficult to pursue reforms to alter the structure if they do not have a two-thirds majority. In short, all of the six window-opening mechanisms are strongly at play in this case, and lock-in and changes and to make it more difficult to reform – primarily by locking-in future policy changes.

After the 2010 elections he then pursued the most significant reform package of his political career. Not because of pure luck, but because he understood the barriers that traditionally face reform and capitalized on a both an economic and social crisis. It was within this context that the Fidesz administration achieved its landslide victory in 2010, the result of the opening of the window of opportunity mechanism.

These findings are in agreement with models of agenda setting that emphasize the importance of problem definition, framing, and issue images in shaping policies. In a sense, this is the anti-thesis to the liberal democracy initiated in Hungary in 1990. Admission to the EU suggested that Hungary would follow a progressive, modern path towards all matters economic, political, administration and social. As I indicated in this chapter, The actual implicit objectives of the centralization reforms pursued differ from the unofficial ones. I will further my investigation into this topic in the following chapter.

### **Section 3: Micro-Level Analysis**

#### **Chapter Six – Analysis**

Micro-Level Analysis – An Introduction and Analysis of KIH, the Hungarian Office of Public Administration and Justice

# CHAPTER SIX –

## KIH ANALYSIS

-With a Focus on Autonomy and Patronage Networks

*For the salvation of the nation and in the service of the public” –Magyary Zoltan, 1942 [20]*

### 6.1 INTRODUCTION TO CASE STUDY

THE ESTABLISHMENT OF KIH, the *Hungarian Office of Public Administration and Justice*, which one of Hungary’s Deputy Prime Minister’s calls “*the hands of KIM*<sup>85</sup>” [I, 20], resulted from the merger of five semi-autonomous central government agencies previously supervised by KIM. The merger was one of the major recent developments in the Hungarian Public Administration and continued a trend noticed in the development of the Hungarian government outlay; since 2006, the proportion of centrally financed government agencies in Hungary has been continuously reduced [51]. Hungarian government reforms before the mid-2000s did not specifically address central government agencies [51]. Since 2010, several reforms were formulated by the Hungarian government which sought the merger of agencies or ministries. As a result of the recent reforms, the total number of agencies and ministries in Hungary decreased. Table 6.1<sup>86</sup> below illustrates this trend. Overall, the recent reforms necessarily led to a significantly different Hungarian Public Administration landscape.

Agency type	Number, 2010	Number, 2011
Ministries	13	8
Agencies with nation-wide competence	45	47
Territorial state administration agencies	292	93
Centrally financed public service agencies	193	92
Foundations and public foundations established by the Government and ministries	68	21
Business associations	38	57
<b>Total</b>	<b>649</b>	<b>318</b>

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<sup>85</sup> KIM being the brains

<sup>86</sup> The table is adopted without amendments from HJNL 2011

## A BRIEF HISTORY ON KIH

In 2010 KIM called for the establishment of a cross-sectorial background institution capable of coordinating administrative, research, resource allocation, and management tasks. The idea was to merge different background agencies of KIM into one organization. The organizational outlay for the organization, which was eventually named KIH, was developed in the last few months of 2010 through close collaboration between KIM and the Prime Minister's Office (PMO). Legally, the institutions merged into KIH stayed the same. Because the different institutions have overlapping responsibilities and share some of the same tasks, designing the merger was relatively easy [I, 2]. KIH was consequently created on August 16, 2012<sup>87</sup> with the aim of “*accelerating procedures, decreasing risks and standardizing management*” and resulted from the merger of the Judicial Service of the Ministry of Public Administration and Justice, Government of ECOSTAT Impact Assessment Centre, and the Ministry of Justice Asset Management Centre, National institute of public service investigates office. The official goal of the merger was to make them operate more economically and efficiently. It was financed in part from EU funds implemented by the KIM background institutions. To clarify the above, on the next page I included an organizational outlay of KIH.

The merger was not picked up by the press and the organizations are not directly subject to press scrutiny. Index.hu, one of Hungary's most popular and well visited news sites, only mentioned agencies merger once<sup>89</sup>. While significant from a public administration point of view, the merger of KIH has, perhaps unsurprisingly to public administration scholars, not attracted much media attention. Furthermore, there were no public servants publicly protesting the merger and, for the most part, the merger has largely ignored by the international media; a simple web search reveals that the reform was not extensively covered in the media. Voters in general are not so much interested in institutional but economic reforms [I, 16].

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<sup>87</sup> On March 2013 a sixth agency, NAK, was added to the merger. Now, the agency has nine different locations; the main location is on museum street 7, Budapest and houses the vast majority of employees and organizational features.

<sup>89</sup> Based on a keyword search on index.hu



## 6.2 TASKS COVERED BY KIH

A close read of the different documents reveals that the following duties are covered by KIH:

**Personnel Administration:** government personnel records, providing methodological support for new public service careers, methodological support for integrated performance evaluation systems, the civil service training system professional support, and the operation and development of the Hungarian Public Administration Scholarship program.

**Judicial Activities:** victim support, legal assistance, professional management and administrative tasks related to probation, restitution action, inventory liquidators leadership.

**Administrative and Organizational Activities:** the capital and county government agencies in relation to the developments, budgeting and management, middle management, coordination, functional, standardization and monitoring tasks related to personnel performing.

**Support Project Management and Application Management:** European and National funding allocation of EU-funded projects, grant-management.

**Facilities Management:** operation managed by the KIH institutions, property management and asset management tasks. Contributing to capital city and county government offices for all tasks related to real estate and property management. Establishing a government office building portfolio rationalization and district offices, and to ensure the development of the Government is developing a professional network of Government window background base.

**Analysis and Research:** Support for policy decisions and is responsible for the quality analysis of legislation, research and impact studies. ECOSTAT is part of the Cabinet of the President. Most of the responsibilities of the agencies did not change considerably.

Now, brief explanation of the most important agencies involved accompanied by their organizational affiliation, follows:

- 1. The Judicial Service of the Ministry of Public Administration and Justice:**  
The organization is responsible for authoritative issues, victims of crimes, and so on. The Judicial Services has the clearest link with KIM of all five agencies. The task of the office is to provide help to victim's losses judicial administration, and public administration matters
- 2. The Wekerle Sandor Fund Management** is an independent but centrally financed office previously working under the auspices of the Hungarian Ministry of Education and Culture. The main goal of the office is the "*operation of an effective tender system*" which promotes transparent, value-free, effective utilization of central budget funds implementing projects.
- 3. The National Institute for Public Administration – ECOSTAT**  
Governmental Impact Assessment Center: ECOSTAT is the research institution of Hungary's Central Statistics Office. Perform economic, econometric, and statistical analysis.
- 4. Ministry of Public Administration and Justice, Asset Management Centre.**  
The Asset Management Centre is responsible for the restoration of buildings and assets of the government.
- 5. The Hungarian Victim Support Services:** Victim support was previously supervised by the Hungarian ministry of Interior. The role of the agency is to provide help to victims' losses judicial administration, and public administration matters. The agency covers the judicial, legal aid and assistance to victims associated with the management and mediation support, analysts and administrative personnel functions, as well as the probation service and compensation as the authority to operate.
- 6. National State Administration Center (NAK):** In March of 2013, a sixth agency NAK was merged with KIH. The Hungarian Public Administration Scholarship program now falls under the wings of KIH. The National Institute of Public Administration Exam organizational functions relating to the administration and organization of exams taken over by the National University of Civil Service are also part of KIH.

Kornai's definition [9] of centralization proposes six different domains of centralization which should give an accurate overview of an eventual prevalence of centralization in Hungary. Examining each of these domains in light of KIH helps us understand and define if centralization indeed has occurred. I will use Kornai's definition of centralization as a skeletal for the remainder of this chapter. However, the main subsections of this chapter are based on the three dimensions of organizational autonomy I proposed: First I start by describing the official reasons behind the merger, then I wind down my discussion and talk about how the merger has affected the strategic and personnel, policy, and financial autonomy of the merged agencies, while at the same time discussing the unofficial reasons of the merger to uncover the impact of the centralization reforms. In section 6.8 I conclude the micro-level analysis.

### 6.3 THE PROCESS OF THE MERGER

Against the background of the centralization reforms, the ideas for KIH grew in 2010 and were finalized and put on paper<sup>93</sup> in the fall of 2011 with the official aims of cost reduction and increased efficiency [1, 2]. The organizational outlay for KIH was developed through close collaboration between KIM and the PMO. Several of Hungary's other ministries [1, 2], especially the Hungarian Ministry of Human Resources (EMMI) [1, 2], want to use KIH as a roadmap for a possible future merger of their own background institutions. Hence, if we look at it holistically, KIH can be seen as a good explanation for the rest of Hungarian Public Administration. In the course of the merger, some important tasks, which were previously covered by agencies not under supervision of KIM tasks, were hived into KIH. Since the different merged institutions have overlapping responsibilities and share some of the same tasks, some tasks executed by the agencies could also be eliminated. For example, after the merger there no longer was a need for several financial departments. The merger itself was not specifically addressed in the Magyar program.

When asked for the official reason behind the merger of KIH, Parliamentary State Secretary Bence Rétvári [1, 2] told me that "*everyday practices told us to do so*", and put forward the argument that the merger helps the Hungarian government to simplify its public administration. Other official reasons behind the merger mentioned

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<sup>93</sup> The merger was executed without the consent of labor unions or opposite political parties. Opposing political parties showed no interest in the merger.

by Rétvári were: cost reductions, bringing the government closer to the people, and increasing the efficiency and effectiveness of the merged agencies. The consolidation of financial, budget, and administrative departments brought along most of the cost savings, a head of department at KIH told me [I, 5]<sup>94</sup>.

Significantly, there seemed to be no long-term feasibility study conducted evaluating the benefits and downsides of the merger for KIH, and senior members at KIH argued that no serious reform committee was put together. Several of those interviewed mentioned the lack of long-term strategic planning of the Hungarian Government in general. Similarly, no feasibility studies were conducted testing the feasibility of other projects included in the Magyar Program – it seems that most of the centralization reforms were hastily executed. The agencies merged into KIH were not involved extensively in the merger. A deputy head of department told me that civil servants were not asked, changes to the course of the current regime were deemed unlikely by civil servants. Even if something went wrong or not according to plan, the chosen path was not altered [I, 19; 14; 4]. During the merger, there was little room for improvement, and detailed forecasts on projects were not deemed necessary [I, 6].

#### 6.4 STRATEGIC AND OPERATIONAL PERSONNEL MANAGEMENT AUTONOMY

KIM has, through its State Secretary, a veto right in relation to civil service managerial appointments in the entire central government administration. Many interviewees stated that one of the reasons the agencies were merged is because it is easier for politicians to supervise one central agency instead of six different agencies. Bence Rétvári waved away these concerns from KIH employees, who argue that the personnel management at KIH is very political, stating that none of the positions at KIH are politically motivated [I, 2]. He told me that all of the civil servants that work at KIH are hired on merit. Most of the people I interviewed, however, attest to the fact that the total number of politically loyal appointees has increased. It therefore seems to be the case that the replacement of civil servants after Parliamentary election cycles has, according to anecdotal evidence, significantly increased since 2010.

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<sup>94</sup> In the final days of the writing of this thesis, the NFU, the Hungarian National Development Agency, was closed as it “*worked very slowly and was too bureaucratic*”. Functions of the agency were distributed among different ministerial background agencies.

A head of department [I, 20] at KIH told me that the merger provided a perfect opportunity for those at KIM to install people loyal to the cause of Fidesz at KIH. Most of the of the other people I interviewed agreed with this statement. Since the merger, most of the pivotal functions involving human resources matters are assigned to one of the three vice-presidents at KIH. The vice president of human resources therefore exerts great influence over all human resources matters at KIH. Anecdotal evidence suggests that the leaders at KIH are unofficially affiliated to the leading political party, making the composition of leadership at KIH politically homogenous – a disproportionate amount of civil servants are (unofficially). As a result of this type of personnel management, those who did not agree with the incumbent political party left or were laid off, and others were hired in exchange for loyalty. Most of the interviewees identified political appointments as key mechanisms of political control. One of them even mentioned that *“Leaders are only calm and good if they have direct control”* [I, 6]. Such remarks harken back to pre-communist times and indicate that political compliance is strong at KIH. The vast majority of anecdotal evidence suggests that the leaders at KIH agreed with the way of doing business of the Fidesz government.

This might explain why KIH’s first president only lasted from August 16 2012 till late January 2013, after which he was replaced by the former Vice President of the National Academy of Public Administration. The current President of the agency was the former vice president of NAK. The personalities of the leaders are vastly different. Anecdotal evidence suggest that the leadership installed in 2013 was more prone to follow orders from KIM. An unofficial explanation given was that Hungary’s political elite wants a weak leader in charge rather than a strong authoritative leader who follows his or her own route and makes his or her own decisions.

A contrasting and more positive point of view is offered by the younger civil servants. Popular fondness for the reform is present at younger civil servants, who are generally very much in favor of the changes as they saw their responsibility’s increase. Younger civil servants are generally more satisfied with the workings of the agency. Two thirds of the civil servants working for KIH are under the age of 40. Or, as an employee told me, *“it was a game of winners and losers, some gained a lot of responsibilities, were promoted, where others saw their responsibilities decreased and may therefore perceive the merger to be more negative”* [I, 8]. This uncertainty does have its downsides, as another employee told me, *“nobody knows what’s going on, people are scared to lose their jobs, and the engagement of workers decreased”* [I, 5].

The contestation between the old and young workers of the agency has, however, not led to conflicts among the staff according to my research results.

## 6.5 PATRONAGE NETWORKS

As the previous section in this chapter indicates, the ability to place senior party cadres or clientele into prestigious and well-paid positions at KIH became easier. Instead of six head of agencies, there now simple is one president who supervises three vice presidents. Here we can witness the first sub domain of our centralization definition, namely that the superior has fewer subordinates. In our case KIM acts as the supervisor KIH as the subordinate. Also, there are now fewer levels of superiority and subordination; the same reasoning applied to above mentioned criteria can be used here. As part of these reforms, more emphasis was placed on the professionalism of the civil servants. The professionalism of civil servants at KIH moderates the political interference of the government. Some of the officials who upheld professionalism were fired. The anecdotes come from many civil servants. These testimonies illustrate support for the patronage networks hypothesis.

Interestingly, A significant proportion of the leaders of agencies merged into KIH were laid off after the merger. Party does seem to matter in Hungary. In fact, it is becoming increasingly important. This is in contrast to what Peters argues for in his seminal work, stating that a clear division of labor and values is needed for organization to operate autonomously [102].

These conclusions strongly suggests that the fourth domain of our definition of centralization, that top political leadership is able to appoint people to all important positions, is present at KIH. Anecdotal evidence suggests that these political appointments are reaching lower and lower levels of government. Even associates and research appointments are now politically influenced. Those who are loyal receive benefits in terms of job security. As a result, this resulted in their own decision making and policy creating competencies being increased. These findings are helpful as little research is done on the politics of patronage networks in Hungary. The depth of these patronage networks has increased considerable over time. In short, patronage networks were an often mentioned reasons behind the merger of the five government agencies. The leaders at KIH and KIM have the unofficial power to appoint, and do so extensively in most institutions at top, middle, and bottom levels. Clearly, politics now

reach lower and lower levels of government as even associates and research appointments are now politically influenced.

This is in contrast to the pre-2010 era. Before 2010, there was a clear distinction between political and professional appointments. Now, even heads of departments and their deputies are structurally subject to electoral changes. Several interviewees mentioned that government or policy advisors were scared of getting promoted knowing that the chances of them being fired after the election of a potentially new government would be considerable. As a result, not always the best qualified civil servants get put in the right position. These feelings were identified within both the Ministries and Offices in which I conducted my interviews. Leaders, therefore, are selected for strategic options and not for their professional competencies.

By asking about the establishment of patronage networks, I found out that not merit, but particularistic characteristics determine hires at KIH. Rumors go through the hallways stating that not expertise, competence, or experience are awarded, but that loyalty towards the ideals of Fidesz (and its coalitions) are much more appreciated. These loyalties to parties are not defined on paper and are based on informal relations. Interviewees assume that at the very top there are still most likely mechanisms that allow members of the inner circle to disagree and to think independently, but only within the framework of certain axioms that cannot be questioned. Such statements are, of course, nearly impossible to verify.

## 6.6 POLICY EXECUTION AND NETWORKS

In regard to policy autonomy, since 2010 greater emphasis has been placed on the execution, rather than on the formulation of policies. In the course of most of the interviews, the relationship between KIM and KIH was mentioned several times as KIM and KIH work on many of the same projects. KIH is vertically dependent on its parent ministry KIM, meaning that KIM supervises KIH and that KIM has the authority to override almost all of the decisions from KIH.

Most of the policies are designed at KIM and executed by KIH. In principle, the foremost responsibility of KIH is therefore not to design policies, but rather to execute them. As I described earlier, an increased number of central guidelines have been put in place that constrain the policy making abilities of the civil servants at KIH. Here we can observe the third domain of Kornai's definition of centralization, namely, that commands have become more detailed. Multiple key informants that I interviewed

suggested that policy autonomy, the designing of policies at KIH has decreased as processes were moved upwards to KIM and the Prime Minister's office.

The merger if anything has made the agencies less inclined to take risks. The leaders at KIH and the PMO can assign the policy execution to lower levels of government to follow their orders [I, 10; 3]. Kornai [I, 1] referred to this arrangement as a state structure demanding discipline married with military control. As a result, there develops a preponderance of bureaucratic coordination. Many officials and other decision-makers have little say in the policy design of the policies they execute. Often times civil servants are not even consulted in the policy making process. These findings were resuscitated several times by the interviewees. The above narratives explain why the total number and the strictness of bureaucratic procedures the KIH personnel has increased considerable. This has irritated the workers at KIH, as one civil servant put it *"Even the most simple tasks could take a week. When we wanted to buy some office goods, I had to collect eleven signatures. I sometimes saw people running through the office with 20 signatures"*. Even material factors, such as the usage of cars and offices were addressed this way: according to many I interviewed the new rules resulted in procedural quagmire.

The leadership of KIH responded to these frustrations in early 2013 by making procedures simpler. However, according to those I interviewed, things are still more complicated than they should. Anecdotes support these findings, as many of the interviewees attest to the fact that over time these issues were tackled, but that many tasks still require the approval of several superiors. With the new bureaucratic procedures, nobody became responsible for anything, and the freedom of the civil servants was limited. More and more procedures are put on paper, and regulation manuals are written for everything. In a sense, these new bureaucratic procedures give a sense of safety to civil servants at KIH. Civil servants simple have to follow orders and are not responsible for anything. As responsibilities are more clearly defined, civil servants feel less responsible and, as a result are less prone to pursue innovative policies.

Lower levels of the agency have fewer and fewer responsibilities, and more and more responsibilities are shifted towards top leadership at KIH or its supervising ministry KIM. *"You can feel that you are not really important"*, said one interviewee.

Formerly more likely to merge and saw their autonomy decrease. ECOSTAT is a good example of this. The aim of ECOSTAT is to assist the public administration in all aspects when needed. Originally having 16 full-time-equivalent (FTE) employees after the merger, now it has only 2 employees, all of whom work on EU projects in the cabinet of the President. Reasons behind this drastic reduction in employees are twofold. First, ministries were less likely to use the services of ECOSTAT as its visibility increased. Previously, Ministries could ask tasks of ECOSTAT without other ministries knowing. Different ministries asked confidential tasks from ECOSTAT, something they can no longer do. *“Innovation went away; people now just carry out orders. Those who disagreed went away”* [I, 16]. ECOSTAT has data on all Hungarian companies including profit and loss accounts. Organizations asked questions and ECOSTAT provided methodological support. According to a former employee, this type of work can only be good if it is executed by an independent, professional organization. After the merger, the organization became both less independent. Secondly, the flexibility of ECOSTAT decreased as it could no longer execute tasks, but needed permission from the vice presidents and presidents of the organization. Here we can observe the sixth domain of centralization, namely that State *“inspection and intervention can be made in processes hitherto occurring without such control”*. All of the Directors and Vice Directors of ECOSTAT that worked there have since then left the organization. A visible presence of a decrease in-informal autonomy can be observed at ECOSTAT.

## 6.7 FINANCIAL MANAGEMENT

One of the reasons behind the merger is that it has made it easier for the small organizations merged into KIH to run projects that benefit from national research funds. In Hungary, 10 % of the total costs of a project need to be paid at the beginning of the start of a project. Previously, the smaller organizations that were merged had problems paying down such a significant amount of money. Now, since they can rely on the KIH budget, it has become easier for them to start projects that rely on national research funds.

Hungary is one of the largest net recipients of EU funds. In the light of this, it is interesting to look at the distribution of EU funds at KIH [103]. In total, KIH is

responsible for 38<sup>97</sup> EU coordinated projects. This is a relatively high amount when compared to other Hungarian agencies. There was not enough national money available and focus was shifted towards using resources from the European social fund. Each one of the different merged agencies is responsible for its own projects, and all of these programs have their own financial account and the financial resources of the given agency are reimbursed.

After the merger, a significant amount of new EU funded projects at KIH were launched, and most of the existing projects were re-structured to comply with the new organizational structure. About 50% of the projects running at KIH are funded by EU funds; the other rely on national research funds. The working of these organizations has become secondary to the use of EU money. Therefore, these organizations have to keep spending EU funds to keep their subsidies. Sometimes, expenses were made up that were not related to the EU project. By way of explaining this one of the interviewees gave the following example: if, for example, an ICT person is required for project X who needs Y amount of hours to fulfill his or her responsibilities, then additional hours will be billed, sometimes exceeding over 50% of the actual responsibilities to decrease the extraction of money from the state budget and replace this with EU funded sources. Another way to ensure that all EU funds are spent is by reducing the number of people under fixed contract. As one interviewee told me: many of the employees previously employed under a fixed contract are now project members, paid for by EU funds. In total, out of the roughly 700<sup>98</sup> KIH employees, approximately 300 are “project members” of various EU funded project. When I asked how the EU controls this, the given answers ranged from “*the EU knows about it but keeps an eye closed*”, to “*all projects comply with EU regulation*” [I, 4]. This practice is referred to as back office financing, and has increased considerably since the merger. Accordingly, the distribution of EU funds, of which Hungary is one of the largest net recipients, does not go as efficient as should. The different EU project groups have a tendency of overestimating the costs of different aspects of projects.

This is not to say that EU funds are not all spend on eligible funds, but those I interviewed argued that certain EU expenditures, such as training and consultancy,

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<sup>97</sup> Data from mid-June 2013

<sup>98</sup> This amount includes the employees who merged into the agency after the merger with NAK

make it easy to hide financial data [I, 10]. For this reason, the different directories were replaced by one finance department directly reporting to the President of KIH. This makes it more difficult for KIM to control KIH as it has little knowledge on the total amount of funds present at KIH. For KIM, overseeing and distributing funds through KIH is much easier than during the previous situation when six semi-independent agencies existed, each having their own director. Since the merger, the Office of the Financial Management at KIH handles all the financial competencies of the merged agencies. Prior to the merger of the five agencies, each agency had its own financial directory or department. KIH's Department of Economy is responsible for all public procurement related matters. In a sense, therefore, the financial independence of the merged agencies has decreased, as they now have to report to a central financial department and no longer can decide all financial issues on their own.

Those who designed the merger want to spend all of the EU and often times use it for their own purposes, relying on the patronage network. These findings all suggest that decisions are taking in the close periphery of political control; politicians want to use all the EU money allocated to them. How that money is spent, is a secondary objective. This is not surprising as the EU subsidies the different merged agencies receive are larger than the yearly budget of most of these organizations. Financial reasons were a big part of the merger as these organizations spent significant amounts of EU money. Since the merger, those responsible for the distribution of the funds became increasingly powerful. Over more, financial intrusion into the expenses of the different agencies by the central financial administration has increased, and detailed reports on the expenses regarding EU projects are required. In sum, since the merger EU and National funds can now be used more effectively by those who initiated the reform programs want to use them.

## 6.8 DISCUSSION ON MICRO-LEVEL CASE STUDY

My micro-level analysis has several implications:

With respect to KIH<sup>100</sup>, my analysis implies that the official and unofficial reasoning behind the merger of the five seemingly unrelated agencies are significantly different. The official goals of the merger were to reduce costs and create a more

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<sup>100</sup> While the end of the merger almost in sight, possible changes might still be implemented; my findings are therefore based on interim research.

efficient and effective organizational layout. The choice of the Hungarian government to rely on one large, rather than several central background institutions to KIM can be attributed to several factors. Most of these factors are not in line with the official reasons of the merger. According to those I interviewed, the official reasons were not the main reasons behind the merger. This is not to say that the official goals behind the merger were not met, i.e. cost savings were achieved. However, to most effectively understand how the merger has affected patronage networks and organizational networks, I tried to understand the unofficial rationale behind the merger.

The merger was used to make patronage networks more effective, and to expand them. A trend noticed regarding the establishment of patronage networks at KIH is that since 2010, appointments based on particularistic characteristics have increased. The majority of those I interviewed told me that loyalty, and not expertise, are the key factors deciding personnel selection. Such appointments have reached lower levels of government, effectively impacting and reducing the overall de-facto autonomy of the agency. Civil servants who are in the network do not avail their membership, yet everyone, especially those who are in the “circle” know who is who. Those who are inside the patronage network are giving strict orders, and in general are faced to obey to a low level of autonomy. In short, expanding patronage networks were an often mentioned reason underlying prime reasons underlying the merger of the five government agencies.

The leadership at KIH spawned a plethora of new guidelines and rules. These new rules and guidelines have had a constraining effect on the maneuvering functions of the civil servants working at KIH. As a result of these new rules, favors are less likely to be given to people as everything is more tightly controlled than before. Bureaucratic procedures became more redundant and complex. Even the simplest tasks require autographs from superiors. Particularly the need to receive signatures from superiors for many activities is a practical mechanism to ensure dependency on the leadership. Hence, since the merger civil servants are less inclined to take risks.

Due to the new rules, processes are slower, and inter-ministerial cooperation has decreased. According to this line of reasoning, the agencies that were previously more autonomous saw the biggest reduction in total personnel. In regard to policy autonomy, since 2010 greater emphasis has been placed on the execution, rather than on the formulation of policies. KIH is predominantly a policy execution body, and its supervising ministry KIM designs most policies. This has led to less inter-ministerial

cooperation, as ministries other than KIM in the past often times asked confidential tasks from agencies merged into KIH.

On the financial front, I see several reasons that motivated the merger. First, having all the agencies in one place gives KIM more insight into the financial expenses. Secondly, the merger made it easier to control and exchange EU funds. Thirdly, it is now easier for the smallest organizations merged into KIH to run big projects on national research fund. My results detail that the patronage networks ensure that EU funds, which are increasingly being used accordingly to how those who designed the merger want to use them. The merger has made the financial operations of the agency more transparent.

As a result of this all, KIM now has a better grasp of that what is going on at KIH, and due to the establishment of patronage networks, it is more likely that the procedures of the political organization will be followed. The formal autonomy of the agencies has not been reduced considerable, but the informal and organizational autonomy has. In focusing on the de-facto autonomy of KIH, it is therefore important to focus on the agencies informal autonomy. The perceived autonomy of the agency is therefore different than the actual de-facto and structural autonomy.

This all has transformed the expansion and spread of patronage networks into a profitable strategy. The merger has reduced financial, personnel management, and policy autonomy, leading to an overall reduction in informal and de-facto autonomy. Lower levels of the agency have fewer and fewer responsibilities, and more and more responsibilities are moved towards top leadership at KIH or its supervising ministry KIM.

Based on observations regarding the three different dimension of organizational autonomy proposed in this work I conclude that the overall autonomy of the agencies merged into KIH has decreased, and the merger has made it easier for KIM to control the agency, and that the overall de-facto and structural autonomy of the merged agencies has decreased considerable.

As I argued throughout this chapter, and in these conclusions, centralization according to Kornai's definition has indeed occurred - all the six different domains of centralization are present at KIH. There are fewer subordinates, fewer levels of superiority and subordination, commands have become more detailed, top leadership is informally able to appoint people to all positions, previously more autonomous

activities are now part of KIH, and state inspection can be made in processes hitherto occurring without such control.

In general, therefore, we may conclude that those who designed the merger now have more control over the personnel management, financial operations and the policies designed and executed by the merged agencies. Those who are inside the patronage network are giving strict orders and are subject to daily financial intrusion. In order to finish tasks, civil servants at KIH have to receive several signatures from several stakeholders, and in general are faced to obey to a low level of autonomy. Hence, the overall organizational autonomy of the agencies merged into KIH has decreased.

## **Section 4: Conclusions and Extensions for Future Research**

### **Chapter Seven**

Conclusions, Recommendations for Future Research, and a Reflection on my Research

# CHAPTER SEVEN –

## CONCLUSIONS AND RECOMMENDATION FOR FUTURE RESEARCH

### 7.1 SUMMARY OF FINDINGS

THIS THESIS EXAMINED three different aspects of what I call the centralization reforms of the incumbent Hungarian Fidesz Government. The different aspects I examined were: (1) the conjunctural factors that served to open a window of opportunity for the Hungarian government to launch ambitious reform programs, (2) the impact of the centralization reforms on the organizational autonomy of Hungarian state agencies and, (3) the impact of the centralization reforms on patronage networks at Hungarian state agencies.

The first hypothesis I addressed, was: H1 **Policy Change**: favorable external economic, political, and fiscal conditions, combined with great leadership, opened a macro-window of opportunity in which all of Keeler's six window-opening mechanisms operated.

My findings attest to this hypothesis. I argue that Keeler's framework for policy change is an instructive way of describing policy change in Hungary, but most effectively if it takes into account Hungary's post-Communist legacy and how actions of the EU affect domestic process. My analysis showed that it is indisputable that the Fidesz administration functioned in a policy environment that was extraordinarily conducive to policy innovation - all of the six window-opening mechanisms were strongly at play.

In chapter 5, I argued that previous attempts to reform in Hungary were tempered by institutional barriers together with pluralist party competition, and by external demands in the process leading to admission to EU and NATO admission. After the election result were out, Fidesz, under the leadership of Viktor Orbán, started a Coalition with KNDP to ensure that it held a two-thirds majority in Parliament so that it could avoid parliamentary deadlock. Post-admission, Fidesz was therefore both authorized and empowered to act.

At the time of the election, Hungary was facing a desperate financial situation as a result of the 2008 financial crisis, and Hungarians had become disenchanted with the previous socialist government. The reputation of the previous socialist government shattered after a video was leaked in 2006 that showed the then incumbent Prime Minister of the Hungarian Socialist party saying how he cheated to win the election. These socioeconomic factors explain the opening of the window and the operation of the crisis-mandate mechanism.

Internal demands were tempered by external demands in the process leading to admission to the EU. This explains why the only other Hungarian post-Communist government, led by Gyula Horn from 1994-1998, could not pursue centralization reforms. These external constraints were no longer in place after Hungary's admission to the EU 2004. Post-EU admission, the EU could no longer directly put pressure on domestic Hungarian policies and the political parameters in Hungary widened. Over more, the Horn government did not want to indicate that it was returning to Communist practices and would therefore not pursue centralization reforms.

Orbán understood that nationalism was on the rise in Hungary in the 2000s, and that the EU had lost influence over Hungarian domestic policies ensued after the country had been admitted to the EU. To improve his chances of getting elected, Orbán communicated his vision for the Hungarian nation and asserted that his policies would protect the Hungarian nation. Orbán argued that the EU wants “*to take away from ordinary people*”, and that his structural reforms would help the country. By doing so, he rallied both party members and public opinion behind his reforms and created a sense of urgency.

Although the story of a selfless, power-hungry and charismatic leader in the form of Viktor Orbán who overcame all odds is a compelling historical trope; it is a misleading and inaccurate way to view these historically important events. Leadership is only a part of the story. In this case, strong leadership, while being a prime factor for reform, was facilitated by a political and economic crisis, and an absence of external constraints. It was within this context that the Fidesz administration achieved its landslide victory in 2010, resulting in the opening of a macro-window of opportunity. Orbán did not pursue these reforms because of pure luck, but because he understood the barriers that traditionally face reform in Hungary and capitalized on both an economic and political crisis.

Against the background of the Centralization reforms, I raised two research questions and hypotheses. My second research question: what has the effect of the centralization reforms been on patronage networks? In my second hypothesis I hypothesized that the centralization reforms have strengthened patronage networks.

The third question I raised was: How have the centralization reforms affected organizational autonomy at the Hungarian central state level? In my third hypothesis I stated that I expected that all three dimension of organizational autonomy (financial, policy and personnel management) have decreased as a direct result of the centralization reforms.

I addressed the latter two hypotheses and research questions in the context of the Hungarian Office of Public Administration and Justice (KIH). KIH was the result of the merger of five background institutes of the Hungarian Ministry of Public Administration and Justice and was established on August 16 2012. Since KIH is being used by the Hungarian government as a roadmap for future government reforms, it provides for a perfect case study as I can apply my conclusions more broadly.

The official reasons behind the merger were cost reductions, bringing the government closer to the people, and increasing the efficiency and effectiveness of the merged agencies. Despite the financial cost reductions and increased organizational efficiency achieved over the mergers, they were not the main reasons behind the merger.

I attest to my second hypothesis. As my discussion in Chapter 6 showed, the merger of the five different agencies created an institutional structure that centralized power and facilitated the establishment of patronage networks. Since the merger, patronage networks have both been considerably expanded and strengthened, as (a) appointments based on particularistic characteristics have increased, (b) these appointments now reach lower levels of the organization, (c) those who designed the merger have unofficial power to appoint. Hence, the strategic and operational personnel autonomy of the merged agencies has decreased. Patronage networks were an often mentioned reasons underlying prime reasons underlying the merger of the five government agencies.

In the KIH case, detailed guidelines were imposed by the organization's leadership. Compared to the previous situation at the merged agencies, there is less room for innovation as orders are more clearly defined. These guidelines and rules effectively limited the role of the civil servants of KIH in the policy making process.

Bureaucratic procedures became more redundant and complex, processes became slower, and inter-ministerial cooperation decreased. Also, favors and counter favors are less likely to be carried out as rules have become stricter and more guidelines have to be followed. In short, the policy autonomy of the agencies merged into KIH has decreased. And, as a result of the new guidelines and the decrease in policy autonomy, the leadership of KIH now controls both routine tasks and policies that are executed.

Regarding financial issues, the merger has led to the following developments: (1) the different financial departments of the mere put together, and have given KIM a better insight in the financial situation of the agency as the one financial department has heightened financial insights by increasing financial supervision, (2) it has become easier to distribute EU funds according to the wishes of those who designed the merger, (3) small agencies are now able to fulfill down payment obligations more easily than before as they can now rely on the budget of KIH and not just on their own budget. Stronger budgetary controls and insights were therefore prime motivators for the merger of the agency. Because of the stronger insight into the organization, inter-ministerial and agency collaboration has decreased, and EU and National funds are used according to how those who initiated the reform programs want to use them.

As a result of these developments, lower levels of the agency have fewer autonomy, and more responsibilities are moved towards top leadership at KIH or its supervising ministry KIM. Agencies that previously could operate most autonomously saw their autonomy decrease the most. For example, ECOSTAT, an agency that often times discreetly worked for different agencies by providing independent information, saw its size reduce with over 80%.

In short, the centralization reforms are strongly correlation with a reduction in organizational autonomy The merger led to a reduction in the financial, personnel management, and policy autonomy – in other words, the organizational autonomy of the agencies has decreased and I can also attest to my third hypothesis. The creation of KIH made patronage networks flourish, rather than evaporate and led to additional means of informal control. In short, helped those who formulated the centralization policies to control the agencies.

Those who are inside the patronage network are giving strict orders, are subject to daily financial intrusion, have to receive several signatures from several stakeholders, and in general are faced to obey to a low level of de-facto autonomy. In a sense, this is the anti-thesis to the liberal democracy initiated in Hungary in 1990.

Admission to the EU suggested that Hungary would follow a progressive, modern path towards all matters economic, political, administration and social. Now, the Hungarian administration is paradoxically, on one hand being modernized but, on the other, showing signs of a return to Communist practices.

## 7.2 REFLECTION ON MY RESEARCH AND CONTRIBUTIONS TO SCIENCE

I provided a new CEE case study to the institutional and reform literature. After investigating the centralization reforms through Keeler's framework it becomes apparent that Keeler's theory, and institutional and reform literature in general, does a good job in explaining the developments in Hungary. The institutional and reform literature is, however, limited in that it only provides a holistic path for reform; it does not really allow one to understand the policy making process. The applicability of the theories I used was tested against several cases. Over more, total-window size can best be calculated by looking at consecutive elections, as it allows the adding up mandate scores. That is something I could not do with this analysis. In addition, Keeler's framework does not do a good job in explaining the policy making process, and each reform is so fundamentally different that I had to make a lot of generalizations. In short, although Keeler's framework does a good job in explaining policy change in Hungary, but it fails to characterize the policy making process and therefore I had to make a few generalizations. The results of this thesis and its case study can, however, be extrapolated to other experiences in democratic, economic, and legal reform in developing countries. This research on policy change could go further by including it in a comparative analysis.

My research sheds some light into patronage networks in contemporary Hungary, broadening the existing research by focusing on central state agencies. My research on patronage networks differentiated itself in that it did not rely on quantitative, but more on qualitative research. This type of investigation went into the heart of the matter, but is not effective in comparing to different time periods, nor did I set certain yardsticks against which future research can be compared. Similar to my reflection on organizational autonomy, this was not a comparative study. The limitations to the scope of the research, which, considering the use of a single case study for analysis is relatively modest. My case study on KIH offers a detailed empirical inquiry into changes in patronage networks and autonomy at central government agencies in a country in Central and Eastern Europe, but it is not suitable

for comparative research as it mostly investigative in nature. On the empirical level, these findings add a new dimension to research on patronage networks and organizational autonomy in contemporary Central and Eastern Europe. The major downside of this approach is that my questions are very broad in nature, and that therefore my research on organizational autonomy and patronage networks lacks theoretical grounding. The narrative of findings below adds to the work on the organizational autonomy of state agencies in Hungary, and add findings towards the politics of patronage in Hungary

One of the more obvious limitations of this study, besides limitations on time, is my lack of Hungarian language skills. For this reason, some useful documents might have been ignored. Over more, the total number of data points available for research was limited and hindered the analysis. Over more, the predominant use of a more recent time-period might narrow down my research, for this a more longitudinal research is required. My research did not extensively analyze the different policy proposals. In addition, it does not encompass an extensive international comparison through a comparative framework.

### 7.3 DIRECTIONS FOR FUTURE RESEARCH

Though my particular focus is on Hungary, my study can be used for future comparative research within the region. Hence, I would like to apply the conclusions I made beyond the borders of Hungary. However, the variance among centralization developments is significant and we can therefore not come to any general conclusions regarding such developments. More region specific research would add to the depth of this study. I have identified several new avenues for future research: (1) how do the Hungarian centralization reforms relate to other developments in the CEE region?, (2) how have patronage networks developed since the transition in Hungary? (3), how did windows-of-opportunity open in other CEE countries.

A worthy goal for future research would be to do a cross-country case study comparison, focusing on policy change, organizational autonomy, and patronage networks. Clearly, there is a need for conceptualizing and theorizing re-centralization in Eastern European countries. Research into any of the identified variables will shed further light on to how to incorporate these factors into future research.

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**The Author Attended the Following Lectures and Debates:**

-Audio Recording of Roundtable Discussion at Stanford, “The End of Hungarian Democracy? International Implications”, the Europe Center, FSI Stanford Round Table

**Sources to Use for Data Gathering:**

Eurostat, IMF, Corruption Index, OECD, European Commission (AMECO), Hungarian Chamber of Commerce and Trade, Hungarian Statistical Office, The World Bank, and Gallup

## ADDENDUM:

# ADDENDA A – CONDUCTED INTERVIEWS

I used two different questionnaires, one for government employees and one for academic scholars. The first category interviews were used for my micro-level analysis, the latter for the macro-level analysis. I categorized my interviews in several categories developed from theories presented in chapter one through four of my thesis. Here, I introduce some sample questions. A detailed protocol of interviews is included in Chapter four of this work. This list of questions is non-exhaustive; not all follow-up and regular questions are included.

### **Basic Background Questions:**

1. What is your title and how were you involved in the 2012 merger of KIH?
2. What is the size of the ministry/agency in terms of employees, # of departments, # of working groups and so on?
3. What was the main motivation behind the merger of the agencies?
4. Where can I find background information on these agencies?

### **Political Control:**

5. Since 2012, did KIH lose important tasks previously to ministries or the Prime Minister's office?
6. In your opinion, were such reforms used as a means for increasing political control and accountability?
7. In your opinion, did such reforms strengthen political centralization and lead to centralization of power?
8. In your opinion, have such reforms strengthened political control?
9. How have these reforms affected the power of informal" political actors such as pressure groups, societal interest groups, labor unions?
10. In your opinion, did these reforms come about in part because of the influence of a strong political party?

### **Role of Civil Servants**

11. Have these reforms affected the role of civil servants?
12. Theory states that centralization redefines of the role of (senior) civil servants in a way that distances them from policy advice and especially policy formulation and, instead, emphasizes their role in the implementation of policies. Do you believe that this is the case considering KIH?
13. Have these reforms altered the control of staff, which refers to the totality of institutions, practices and techniques used by/enabling politicians to employ (senior) administrative personnel in line with their political / ideological dispositions, and to induce those in office to align with these values.

### **Resource Dependency and Informal Control**

14. How have the roles of these agencies changed since the merger?
15. Did these reforms increase the role of citizens in the process?
16. At which level of government were these reforms designed?
17. In your opinion, are these agencies in part controlled through informal or formal control?
18. Have the budgets of these different agencies changed over time?

### **Questions concerning Specific Agencies**

19. How has the role of Government ECOSTAT Impact Assessment Centre changed?
20. How has the role of the Human Resource Management agency changed?
21. How has the role of the Property Management agency changed?
22. How has the role of the IMPACT Assessment Legislation agency changed?
23. How has the role of the Judicial Services agency changed?

### **Autonomy of Agencies**

24. How has the autonomy of the Human Resource Management agency changed?
25. How has the autonomy of the Property Management agency changed?
26. How has the autonomy of the IMPACT Assessment Legislation agency changed?

27. How has the autonomy of the Judicial Services agency changed?

### **Formal Levels of Autonomy**

28. More formal autonomy seemed to imply less de facto autonomy

29. Broadly speaking, for which implementation tasks is the agency responsible? Did these tasks change since 2010?

30. What is the superior organ of KIH; budgetary status; founding document (statute); participating role in decision-making process?

31. What are the fixed term appointments of the leaders within KIH?

32. The goal of the Fidesz government was to simplify and consolidate power within the Hungarian Government? In your opinion, did these reforms achieve this objective?

33. Approaches and findings within Central and Eastern European Studies

### **Patronage Networks**

#### **-Presence of Patronage Networks**

34. Have these reforms increased the influence of Hungarian politicians:

To place senior party cadres or clientele into prestigious and well-paid positions and to exert influence on larger and more important personell, budgets and policy fields. Moreover, these capacities extend to the future possibility of a political shift in the governing coalition or party, thereby creating an organizational Hintergrund for party cadres and clientele

35. In your opinion, do such individuals (ministers, PM, President, party chairman) actually appoint individuals to jobs in this institution?

#### **-Depth of Patronage Networks**

36. If yes, what role do political parties play in these appointments? Small or large?

37. If yes, would you say that “political parties” appoint at the top managerial level, at the middle level (employees) or at the bottom level (technical and service personnel)?

38. What are the prime reasons underlying these appointments?

39. If so, do they do so at all agencies merged into KIH?

40. In your opinion, is this institution formally reachable by “political parties,” i.e. in general, do people linked to political parties have legal power to appoint individuals to jobs in these institutions?

41. If yes, would you say that “political parties” appoint in a few institutions, in most institutions or in all of them?

### **Patronage Network Trends**

42. Do you believe that patronage networks substantiate significantly from before 2010? If so, how and why?

43. In your opinion, have patronage networks increased or decreased since 2010?

### **Personnel Autonomy**

44. How have these reforms affected staff size?

45. Do you believe that the personnel management of KIH, which is defined as the extent can take decisions regarding general rules for setting the level of salaries, conditions for promotion, evaluation, appointment and downsizing of personnel?

46. Which actor has the most leverage in the personnel management of KIH?

47. Who evaluates, promotes and appoints the leaders of KIH?

### **Financial Autonomy**

48. Do you believe that the financial autonomy, defined as the degree of autonomy which an organization can take decisions regarding its financial resources, from the agencies merged into KIH has changed?

49. Which financial decisions can the agency take itself?

50. Which actor has the most leverage in the financial management of KIH?

51. Which actor has the most leverage in defining how EU funds are spend?

### **Policy Autonomy**

52. Do you believe that the policy autonomy, defined as to degree to whether subnational officials are free to choose policy instruments to achieve its objectives elected or appointed by the center, for the agencies merged into KIH has changed?

53. Which actor defines which policies KIH executes?

54. Who develops the policies that KIH executes?

## ADDENDA B – CLASSIFICATION OF INTERVIEWS

Topic Covered	Date	Name of Interviewee	Title of Interviewee	Duration and location	Reference for citation	Format
<b>Historical Background, Explanatory Variables and Theoretical Framework</b>	5/30/2013	Professor Janos Kornai	Professor Emeritus of Harvard University (Cambridge, Ma.) and Honorary Professor Emeritus at Corvinus University of Budapest.	90 min, residence of Professor Kornai	[ I, 1 ]	Discussion and Questions
<b>Official Reasoning Behind merger of KIH</b>	7/06/2013	Dr. Bence Rétvári	Parliamentary Secretary of State at KIM	60 min, KIM	[ I, 2 ]	Questions submitted in advance
<b>Historical Background and Organizational Autonomy</b>	01/08/2012 and 08/08/2012	Anonymus	Department Head at EMMI	2 x 60 min, EMMI	[ I, 3 ]	Discussion and Questions
<b>Organizational Autonomy at KIH</b>	5/17/2013	Anonymus	Employee of EU Coordinating Unit at KIH	75 min, KIH	[ I, 4 ]	Questions submitted in advance
<b>Organizational Autonomy at KIH</b>	5/31/2013	Anonymus	Head of Department at KIH	KIH	[ I, 5 ]	Questions submitted in

<b>KIH</b>						advance
<b>Organizational Autonomy at KIH</b>	5/31/2013	Anonymus	Deputy Department head at KIH	45 min, KIH	[ I, 6 ]	Questions submitted in advance
<b>Design of KIH at KIM</b>	17/08/2012	Leticia Fekete	Senior Researcher at KIM	90 min, KIM	[ I, 7 ]	Discussion and Questions
<b>Legal and Organizational Structure at KIH</b>	05/06/2013	Anonymus	Legal Secretary at KIH	40 min, KIH	[ I, 8 ]	Questions submitted in advance
<b>Corruption</b>	5/31/2013	Dr. Peter Klotz	Government Advisor at KIM	30 min, KIM	[ I, 9 ]	Discussion and Questions
<b>Organizational Autonomy at KIH</b>	06/06/2013	Anonymus	Leader at KIH	Corvinus University E building	[ I, 10 ]	
<b>Legal Structure of Government</b>	06/06/2013	Zsuzsa Levei	Legal Advisor at KIM	KIM	[ I, 11 ]	Questions submitted in advance
<b>Historical Background and Explanatory Variables</b>	14/09/2013	Atilla Agh	Professor at the Department of Political Science at the Corvinus University of Budapest and President of	60 min, Szent Júpát Étterem , Budapest, Hungary	[ I, 12 ]	Questions submitted in advance

			the IDEA Public Administrati on Reform Project			
<b>FDI in Hungary and role of Int. organization s</b>	11/05/20 12	Dr. Adam Meszaros	Assistant Professor at Corvinus University and Head of Unit for Analysis, RDI Observatory	60 min, Corvinus Universi ty E Building	[ I, 13 ]	Discussi on and Open Question s
<b>Centralizati on within Hungary</b>	16/05/20 13	Krisztian Kadar	Senior Government Advisor at EMMI	60 min, Rokus Pub, Budapes t Hungary	[ I, 14 ]	Discussi on
<b>Regionalizat ion Within Hungary</b>	15/08/20 12	Anonymo us	Civil Servant Secretariat of Territorial Reforms	45 min, KIM	[ I, 15 ]	Question s
<b>Centralizati on Within Hungary</b>	29/05/20 13	Dr. István Hoffman	Associate Professor at Eötvös Loránd University, Budapest	50 min, ELTE Universi ty, Law Faculty	[ I, 16 ]	Discussi on and Question s
<b>Inter- ministerial Communcati on</b>	13/08/20 12	Zsuzsa Tokes	Cultural Reference at KIM	45 min, KIM	[ I, 17 ]	Discussi on
<b>Organizatio nal</b>	31/05/20	Anonymo	Junior Researcher	30 min,	[ I, 18 ]	Question

<b>Autonomy at KIH</b>	13	us	at KIH	KIH		s
<b>Organizational Autonomy at KIH</b>	06/06/2013	Anonymously	Former leader at KIH	60 min, Corvinus	[ I, 19 ]	Discussion and Questions
<b>Follow-up questions on KIH</b>	06/21/2013	Anonymously	Head of Department at KIH	45 min, KIH	[ I, 20 ]	Discussion and Questions
<b>Follow-up questions on KIH</b>	06/21/2013	Anonymously	Legal aid at KIH	30 min,	[I, 21]	Discuss and Questions

## **ADDENDA C - Example of an Interview:**

### Questions for State Secretary for Parliamentary Affairs in the Ministry of Public Administration and Justice Dr. Bence Rétvári

#### Brief background on my Thesis

My thesis investigates aspects of Hungarian government reforms. It consists of three parts and locates itself in the 21st and late 20th century, though my focus is on the period after 2010.

The first part focuses on the emergence of these reforms. For this, I employ theories on policy windows and path dependency to theoretically explain what happened and why it happened. My literature is institutional and reform literature.

The second part covers literature on organizational autonomy. My case study for analysis is KIH.

The third part alludes to the first two parts and contains policy recommendations and conclusions.

#### Questions:

**Preamble:** I have divided my questions over several categories. I completely understand if you are not able to answer all my questions.

#### **General Background Questions**

- So, my first question to you is: what was the main motivation behind the reorganization of the different government agencies into KIH? Does the merger fix certain bureaucratic oddities that were identified after the 2010 elections?
- How does the merger help the government pursue the goals laid out in the Magyar Program, i.e. tackle governmental inefficiency and reduce the size of the government? Do these goals tackle concerns of voters?

#### **Design of Merger**

- If successful, will KIH be used as a model for how the Hungarian government can and should work?
- Some Agencification scholars argue that large agencies have access to more government resources and expertise by being housed with similar agencies and

that merging agencies will therefore create a more effective agency. Was this one of the reasons behind the merger?

- Which potential concerns about folding the different agencies together were identified when designing the merger?

### **Political Actors**

- Have political actors such as pressure groups, societal interest groups, labor unions raised concerns about the merger? If so, did these institutions lobby against the merger?
- Did the merger draw praise from opposition parties? Or were they against the merger?

### **Inter-Institutional Relationship**

- Does KIM supervise KIH? Did the merger change the relationship between involved?
- Since 2010, did the merged agencies hand over tasks to ministries or the Prime Minister's office?
- Have concerns about the fast-track of different Hungarian governmental mergers raised concerns among Hungarian politicians or interest groups?

### **Centralization Literature**

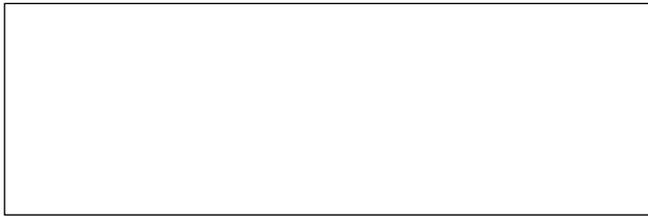
- Theory states that centralization redefines of the role of (senior) civil servants in a way that distances them from policy advice and especially policy formulation and, instead, emphasizes their role in the implementation of policies. Do you believe that this is the case considering KIH?

## ADDENDA D - KIH BEFORE THE MERGER

President									
Cabinet	Internal Control	ECOSTAT							
Secretariat							Vice President of HR Management	Vice President of Staff Development	Vice President of Judicial Services
Division for Coordination			Chief Financial Manager	Service Manager	Property Manager	Chief Project Manager			
Division for Communication			Legal and Administrative Department	IT Services	Property Management Department	State Domestic Support Department	Personnel Records and Controlling Department	Department of Further Education	Probation and Restitution Department
Human Resource Management			Department for Economic Management	Purchasing Department	Department of Facility Management	EU Programme Office	HR Methodology and Development Department	Department of Staff Development Programmes	Victim Support and Legal Assistance Department
Journal Editors						EU Projects Office			

## **ADDENDA E - CORVINUS UNIVERSITY – OWN WORK DECLARATION**

By my signature below, I pledge and certify that my M.A. thesis, entitled “*Rowing against the European Stream: Re-centralization within the state of Hungary since the 2010 parliamentary elections – the case of the Hungarian Office of Public Administration and Justice*” is entirely my own work. That is to say, I have cited all the sources I have used, whether from books, journals, letters, other media, including the Internet. If this pledge is found to be false, I realize that I will be subject to penalties. This thesis therefore represents my own work in accordance with the Corvinus University of Budapest Thesis Regulations.



Melvin van Velthoven

Budapest, September 5 2013