

# Economic Policy Making and Parliamentary Accountability in Hungary

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## Acronyms

<b>AFD</b>	Alliance of Free Democrats
<b>APEH</b>	Tax and Financial Control Administration
<b>CEE</b>	Central and Eastern Europe
<b>CC</b>	Constitutional Court
<b>CDPP</b>	Christian Democratic People's Party
<b>CEFTA</b>	Central European Free Trade Area
<b>CW Bank</b>	Affiliate of the National Bank in Vienna
<b>EP</b>	European Parliament
<b>ECE</b>	East Central Europe
<b>EU</b>	European Union
<b>FDI</b>	foreign direct investment
<b>GDP</b>	gross domestic product
<b>HDF</b>	Hungarian Democratic Forum
<b>HSP</b>	Hungarian Socialist Party
<b>HUF</b>	Hungarian forint
<b>IMF</b>	International Monetary Fund
<b>ISP</b>	Independent Smallholders Party
<b>JPC</b>	Joint Parliamentary Committee
<b>MP</b>	member of Parliament
<b>MSZOZ</b>	National Association of Hungarian Trade Unions
<b>PHJL</b>	Party of Hungarian Justice and Life
<b>UNDP</b>	United Nations Development Programme
<b>VAT</b>	value added tax

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## **Summary/Résumé/Resumen**

### **Summary**

This paper by Attila Ágh, Gabriella Ilonszki and András Láncki examines the process of democratization in Hungary and discusses the fine balance between economic policy making and parliamentary accountability. It also explores the new challenges and opportunities created by the country's accession to the European Union (EU).

While part I outlines these problems within a theoretical framework and social context, part II offers a more concrete and empirical analysis of these issues. The case study of the Hungarian Parliament is presented as a two-dimensional critique, discussing, first, the internal workings in terms of the activities of the legislators in the various party factions and committees and, second, the Parliament's institutional environment, or relationship with economic institutions on one hand, and with the government on the other.

An understanding of Hungary's development is linked to how well the country's early democratic consolidation is defined and explained. This is related further to understanding the influence of the dual challenges of globalization and Europeanization. These two issues raise questions about the assumed tension between technocracy and democracy, policy making and politics, and the nature of the process of parliamentarization in Central Europe in general and in Hungary in particular.

Accession to the EU raises new standards for policy making and efficiency in Hungary, and it also changes the criteria and process of democratic accountability beyond recognition. The first decade of democratization can thus be seen, in retrospect, as a prelude to Europeanization and EU membership.

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### **Résumé**

Cette étude d'Attila Ágh, Gabriella Ilonszki et András Láncki porte sur le processus de démocratisation de la Hongrie et sur l'équilibre délicat à trouver entre l'élaboration de la politique économique et la responsabilité parlementaire. Les auteurs s'interrogent sur les défis que pose l'adhésion du pays à l'Union européenne (UE) et sur les perspectives nouvelles qu'elle ouvre.

Si, dans la première partie, ils exposent à grands traits ces problèmes en les plaçant dans un cadre théorique et un contexte social, ils proposent, dans la deuxième partie, une analyse plus concrète et empirique de ces questions. L'étude de cas du Parlement hongrois est présentée comme une critique à deux dimensions, qui traite, tout d'abord, du fonctionnement interne, c'est-à-dire des activités des parlementaires dans les diverses factions partisanes et commissions, et ensuite, de l'environnement institutionnel du Parlement ou des relations avec les institutions économiques, d'une part, et le gouvernement, de l'autre.

Il est difficile de comprendre l'évolution de la Hongrie si l'on ne définit pas et n'explique pas bien la consolidation démocratique qui s'est produite relativement tôt dans ce pays. Cette évolution est aussi liée à l'influence du double impératif de mondialisation et d'eupéanisation. Ces deux enjeux amènent à s'interroger sur la tension supposée entre technocratie et démocratie, la définition des politiques et les considérations politiques, et sur la

nature du processus de parlementarisation de l'Europe centrale en général et de la Hongrie en particulier.

L'adhésion à l'UE oblige la Hongrie à régler l'élaboration de ses politiques et son efficacité sur de nouvelles normes et change les critères et l'exercice même de la responsabilité parlementaire au point de les rendre méconnaissables. Rétrospectivement, on peut donc voir dans la première décennie de démocratisation un prélude à l'européanisation et à l'entrée dans l'UE.

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### **Resumen**

En el presente documento, Attila Ágh, Gabriella Ilonszki y András Láncki analizan el proceso de democratización en Hungría y debaten el delicado equilibrio entre la formulación de las políticas económicas y la responsabilidad parlamentaria. También exploran los nuevos desafíos y oportunidades que crea el ingreso del país a la Unión Europea (UE).

En la parte I se esbozan estos problemas en un marco teórico y un contexto social, mientras que en la parte II se presenta un análisis más concreto y empírico sobre estas cuestiones. El estudio de caso del parlamento húngaro se presenta como una crítica bidimensional: primero se analizan cómo se desarrolla el proceso internamente, con las actividades de los legisladores en las diversas facciones partidistas y distintos comités, para luego abordar el entorno institucional del parlamento, o su relación con, por una parte, las instituciones económicas y, por la otra, el gobierno.

La comprensión del desarrollo de Hungría pasa por una clara definición y explicación de la consolidación democrática inicial del país. También debe comprenderse la influencia del doble desafío de la mundialización y la "europeización". Estos dos factores generan interrogantes en torno a la presunta tensión existente entre la tecnocracia y la democracia, la formulación de políticas y la política, y la naturaleza del proceso de "parlamentarización" de Europa Central en general y Hungría en particular.

El ingreso a la UE trae consigo nuevas normas relativas a la formulación de políticas y la eficiencia en Hungría, e igualmente cambia radicalmente los criterios y procesos de rendición de cuentas en un entorno democrático. En retrospectiva, el primer decenio de democratización puede entenderse entonces como un preludio a la europeización y la incorporación a la UE.

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## Part I: The Framework of Economic Policy Making in Hungary: The International and Domestic Constraints

### *Theoretical framework*

This study of economic policy making and parliamentary accountability addresses a series of theoretical and empirical problems. Therefore, a theoretical framework must be established before their analysis. An understanding of Hungary's development is linked to how well the country's stage of early democratic consolidation is defined and explained. This is further related to an understanding of the influence of the dual challenges of globalization and Europeanization. These two issues raise questions about the assumed tension between technocracy and democracy, policy making and politics, and the nature of the process of parliamentarization in Central Europe,<sup>1</sup> in general, and in Hungary in particular. These issues are briefly discussed here, and they will be analysed in greater depth in subsequent sections.<sup>2</sup>

### The basic concept: Early consolidation and performance crisis

"Postcommunist" as a common term for the former socialist countries has completely lost its validity and explanatory power. As David Lowell observes, "Postcommunism itself can be a misleading entity, for it encompasses a number of different countries in a variety of stages of economic development, with diverse histories and cultures" (Lowell 2001:27). For an analysis of Hungary in a Central European regional framework, one has first to distinguish among the various periods of democratization. While democratic *transition* concentrated on democratic institution building, democratic *consolidation* was the period when a pluralistic civil society and the general patterns of democratic culture were established. Unlike in Southern Europe, for example, in Central Europe the *early* and *mature* phases of consolidation have to be separated as subperiods, because the consolidation process in the region has taken place under more difficult external and internal circumstances, and it will be a longer one. Hence, despite Samuel Huntington's efforts to describe all new democratizations as a common process (Huntington 1991), it would be better to separate the Southern European and Central European democratizations as Third Wave and Fourth Wave. The period of democratic transition has left behind many unfinished problems, but the European Union (EU) requirements also increased as the deadline for accession approached for some Central European countries, including Hungary. The more the Central European countries advance in their particular democratization processes, the more one realizes the basic difference between the Southern European and Central European regions in their patterns of democratization. All of the difficulties of further development have been summarized in terms of the performance crisis, that is, when all institutions work at low efficiency, which is the typical feature of early consolidation.

Democratic consolidation demands high performance from the new democratic institutions, based on the involvement of social and civic actors in the policy-making process. Hence, politics-oriented democratization may be mostly positive in a democratic transition, but policy-oriented modernization becomes a priority afterward, during the period of democratic consolidation. It is true, however, that there was a special need for a policy-oriented and outward-looking approach even in democratic transition, and there is a continued need for the dominance of a politics-oriented approach in democratic consolidation, as well as an ongoing need for an approach such as a "return" to some basic values after the "valley of tears" (the period of suffering caused by the low standard of living) (UNDP 1997:62). Consequently, the "policy determines politics" (or "policy matters") principle of Theodore Lowi can be both positive and negative in the young democracies of Central Europe. Negatively, it can appear as unilateral external dependence on global institutions, and positively in the workings of the

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<sup>1</sup> We have been using the term East Central Europe (ECE) in our publications, but confusion has emerged in relation to the much broader term, Central and Eastern Europe (CEE). Thus we have decided here to use the term Central Europe for Austria, Poland, Hungary, the Czech Republic, Slovakia, Slovenia and Croatia. Historically, these seven countries have formed a region and this long-term historical tendency has reappeared since 1989.

<sup>2</sup> A "lean" explanation of these issues is provided here since they have been discussed elsewhere at great length. See Ágh (1998a, 2000a, 2000b, 2001).

political system, as a higher level of efficiency resulting from the growing professionalization of politics and the political elite. Again, on the contrary, it is true that the “politics matters” principle of Hans Keman can also be valid in another contextual framework, as the nation-state becomes effective in global competition. Nonetheless, this principle may be negative if the political will of the new, transitory elite dominates.<sup>3</sup>

In this context of transition versus consolidation, the first-generation reforms are over in Central Europe and there is an increasing need for second-generation reforms. The *first-generation* reforms were about the establishment of a market economy and democracy; its basic legislation gave a backbone to parliamentary activity. Now, it is time to turn to *second-generation* reforms that are much broader in scope. They are not only about fine tuning after the basic arrangements, nor about correcting the dysfunctions and negative effects of the new market economy, but also about creating a social construct of consensual democracy. Second-generation reforms are (i) market-completing measures to correct market failures (antitrust legislation and effective guarantees of property rights); (ii) equity-oriented programmes designed to ameliorate the widening distributional gap; and (iii) institution-building initiatives aimed at good governance and citizen involvement in the policy-making process. Even the consolidated democracies have to make regular corrections to maintain both the proper working and the efficiency of their democratic orders; therefore the measures that are considered as second-generation reforms are not unknown in these countries either.

The discussion on vertical and horizontal accountability, the accountability of elected leaders and the responsiveness of democratic institutions has been ongoing (see Maravall 1996). As a new idea in the international debate, the model elaborated by Philippe Schmitter on the quality of democracy can be very useful for this theoretical exercise of analysing accountability as a simultaneous evaluation of politics and policy in the parliaments of new Central European democracies. In his systemic approach to accountability, Schmitter (2000) describes the criteria for the quality of democracy in four basic terms, as follows:

	<b>Input</b>	<b>Output</b>
Citizens	Participation	Accountability
Rulers	Accessibility	Responsiveness

Schmitter’s model probably needs further elaboration, but it offers the key to the quality of democracy by setting a framework for the analysis of accountability. Citizens’ input is *participation* and their output is the *accountability* that makes politicians and institutions controllable. The rulers’ input is *accessibility* and their output is *responsiveness*—that is, forcing the politicians and institutions to accede to popular demands on particular issues. The criteria of democracy enter here at two decisive points of policy making. First, the openness of the democratic system toward society appears in both participation and accessibility that can be observed in agenda setting; that is, in the proper and efficient selection of the most important issues as input. Second, the accountability and responsiveness result as outputs; that is, the control of society over the political system. In summary, political efficacy shows how citizen efforts—casting votes and other political actions—effectively influence political decision making as a whole.<sup>4</sup>

These four terms make the evaluation of accountability possible, since it is evident that accountability cannot work properly without substantial participation of the citizenry, and without the institutional frameworks that make the rulers accessible, transparent and open to a process that compels them to respond to popular demands. The institutional framework in our analysis is the parliament, existing in a close and intricate relationship with the government. The question can be reformulated as to whether accountability would lead to responsiveness in

<sup>3</sup> The conflicting approaches of Lowi and Keman are elaborated in greater detail in Ágh (2000a, 2000b).

<sup>4</sup> Philippe Schmitter presented this model in October 2000 at the Budapest conference, Ten Years of Freedom.

and by the Hungarian parliament, or whether popular pressure can produce proper reactions in the institutions concerned with economic legislation. The central hypothesis herein is that accountability has by and large worked in the Hungarian parliament in the field of economic legislation. At first glance, *accountability* has worked rather drastically in the Hungarian parliament by selecting out the members of Parliament (MPs) who were not thought to be doing their jobs: even in the Third Parliament only about 47 per cent of MPs were re-elected. However, as its legislative activity has shown, the Hungarian parliament has been a rather *responsive* institution concerning both the needs of economic systemic change and popular demands, formulated mostly in socioeconomic terms. It experienced relatively good performance in democratic transition but now faces, and has to overcome, a performance crisis under the new conditions of globalization and Europeanization.

### The dual challenge: Globalization and Europeanization

There has been considerable analysis with regard to the “simultaneity” of domestic economic and political changes, such as marketization and democratization. But the simultaneity of two basic external processes—globalization and Europeanization—as a response to the dual challenge of global accommodation and European integration, has been much less rigorously discussed. Compared again to Southern Europe (see, for example, Pridham 1991), it is noticeable that there, Europeanization processes took place before the real start of globalization. For the Central European countries, the accomplishment of Europeanization under conditions of advanced globalization has been complicated. In the first period of globalization,<sup>5</sup> a group of democratic states emerged in Central Europe that were weak and too loyal to the global monetary institutions. Regardless of the extent, during the early period, to which the weakness was avoidable and the loyalty necessary, these now have to be replaced by the strength and self-confidence of the new democratic states in the second period. In the first period, there was a firm belief in the Washington consensus and the rapid homogenizing effect of globalization. With the end of this period of triumphant neoliberalism, the importance of the nation-state has become clear in countering the negative effects of globalization (see UNDP 1997 and World Bank 1997, 2000). In other words, during the so-called triple transition, which goes beyond democratization and marketization, nation building has regained its significance as the creation of an effective state for managing efficient global adaptation.

The synthesis of the global and Central European levels of analysis has to concentrate on the particular regional answer to the “global challenge” in the second period of globalization. Thus, despite the relatively good performance of the Central European political systems—at least in Poland and Hungary—in democratic transition (to democracy and a market economy) in the first period of globalization, these countries were subsequently faced with a new crisis. Simply put, the global challenge, like democratic consolidation, requires an effective state with good governance. An effective state presupposes high performance of the political system under the conditions of advanced globalization and EU accession. This new demand can be formulated as a switch from the narrow meaning of “democratization” as a more politics-oriented approach to political modernization, to one that is more policy-oriented in order to improve the performance of the political system. It may be said that while procedural democratization was the main task in the first period of globalization, political modernization connected with substantive democratization is high on the current agenda of the second period.

In modern democracies the legitimacy of the political system, as well as its institutions, is twofold. On the “political” side, it is based upon democratic procedures, and on the “policy” side, on the efficient workings of the political system and its various institutions. The Central European institutions have been consolidated as democratic institutions with their routine procedures, but not yet consolidated as legitimate bodies because of their low performance. As the public opinion data show, there has been a huge gap in Hungary between the general support for democracy—hovering at around 70 per cent—and public views about the

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<sup>5</sup> According to Hay and Marsh (2000), the first period of globalization came to an end in the second half of the 1990s and a second period has begun.

performance of the new democracy, in which approval is at 20–30 per cent. This gap also exists in the other Central European countries but may be less dramatic, since the Hungarians have had higher expectations for the new democratic order (see Plasser et al. 1998:87, 97). The reasons for the low performance of the political system are rather obvious. First, the new institutions needed a “warm-up period” to gain experience, and during this period they were in a state of permanent adjustment. Second, it has always been easier to eliminate the institutional rather than the cultural gap among those involved in managing the work of new institutions, since the emergence of a new, professional political elite has been painfully slow. Third, there has been great resistance by “high” or elite politics to a devolution of power and decentralization from macropolitics to the level of meso- and micropolitics. Fourth, and most vital, the global challenge presupposes a very complex answer with a sophisticated coordination of policies, including the acceptance and management of the European policy universe. All of these problems lead to the general requirement of completing a consensual democracy in order to create structural homogeneity with the EU (see Ágh 2001a).

There has been a continuous effort in democratization literature to balance the principles of accountability and efficiency, politics and policy, “democracy” and (technocratic) expertise. In the field of international political science, a major step has been taken by distinguishing between vertical and horizontal accountability. The usual analysis in Central Europe has focused on parliamentary activities in democratic transition; therefore *vertical* accountability has been in the forefront, and *horizontal* accountability, so salient for democratic consolidation, has figured in only a low-key fashion. However, in the spirit of consensual democracy, it is not only vertical accountability that is important for the political system through regular elections with democratic procedures. Horizontal accountability is equally important—a system of “checks and balances” in which certain control institutions focus on the performance criteria of the political system as a whole. Horizontal accountability presupposes not only “limited government” at the level of macropolitics, but also the elimination of the asymmetrical character of polity where macropolitics dominates over micropolitics, by proper representation of organized civil society. Efficiency in interest representation and policy making as the “empirical” side of legitimacy is still weak in the Central European countries in meso- and micropolitics, though both are crucial for globalization and Europeanization. Thus, so far, their parliaments and other institutions have underperformed in this respect. A “pathology of public policy” has resulted from the paradox of opportunity and capacity. On this basis, this section argues that, first, both the global and the EU pressure on the Central European countries to complete their adaptation point in the same direction. Second, this pressure is basically not of an economic character, but demands a sociopolitical transformation as a solution for the performance crisis. Central to this argument is that the solution of the performance crisis presupposes a change from a mere *representative* democracy to a more *participative* democracy, as has happened in Western Europe within the EU framework. This change has been closely connected with the new role of the parliaments and their policy orientation (see Herzog et al. 1993).

Hungary has one of the most open economies in the world, and it has been completely “multinationalized”. Foreign direct investment (FDI) had already reached 30.3 per cent of the gross domestic product (GDP) in 1995, compared to 14.8 and 4.2 per cent in the Czech Republic and Poland respectively (Greskovits 2000:144; also see Greskovits 1998:59–62). According to the *World Investment Report 2000*, Hungary had \$1,896 per capita FDI, followed by the Czech Republic (\$1,580), while Poland received much less (\$775). By 1999, 40 per cent of the enterprise assets were owned by foreign companies.<sup>6</sup> Thus, in Hungary the global challenge appeared earlier and more strongly than in the other Central European democracies. The same applies, to a greater or lesser degree, to Europeanization. EU integration has advanced very quickly in building up administrative capacity, and Hungary has been qualified as “ready for Europe” (Nunberg 2000). In these special circumstances the politics/policy dichotomy has also come to the surface in a more marked way.

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<sup>6</sup> In 1999 in Hungary, 26,433 enterprises had more than 10 per cent foreign capital; 59 per cent of them were completely owned by foreigners. The total capital of these 26,433 enterprises was 3,155 billion Hungarian forint (HUF; \$1=185 HUF, March 2005), out of which 2,625 was foreign capital (*Népszava*, 7 May 2001, based on data from the Hungarian Statistical Office and UNCTAD 2000).

### The democracy-technocracy and politics-policy dimensions

The relationship of politics and policy has been a central issue throughout the democratization process in Hungary and other Central European countries. In general, *politics* cannot be identified solely with democratic values of domestic accountability and *policy* with technocratic characteristics of foreign dependence. Technocratic policy making basically means the separation of expert groups from democratic control. The politics-policy relationship is much more complex, although no doubt with increasing globalization, the tension between “external” technocratic policy making and “internal” democratization will come increasingly to the fore. In this spirit, the concepts of the global agencies have been presented as depoliticized views, although they have usually expressed a technocratic position as a specific political stand, advocated by a “close alignment” of national economic technocrats and international financial institutions. This “neutralization” of the global agencies has facilitated the work of local technocrats in convincing the national political elites and populations to accept these globalist concepts. The 1990s witnessed the “domestication” process of global instructions and policy lines (Deacon 1997:198).<sup>7</sup>

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

The gravest problem of economic development in the 1990s was economic crisis management: *economic* deficits were converted into *social* problems by drastically reducing the public sector, even in the fields of education and health care. With the *economic* construction of democracy more or less consolidated, the major issue for the next decade in Central Europe is the *social* construction of democracy; the vital question is whether and how this social deficit can be eliminated (see the basic data in tables 1A and 1B). In any event, positively and/or negatively, economic and social policies have been inseparable, and will be even more so in the spirit of Europeanization. In Hungary, because of the severe economic crisis throughout democratic transition, the share of social benefits grew within the shrinking budget in order to avoid sociopolitical collapse. In the first half of the 1990s, real wages shrank drastically and many people (about one-quarter of the active population) lost their jobs—hence there was an increasing need for joint economic and social crisis management. This “merger” of economic and social policies is continuing now in a different context. In the present period of early consolidation with sustained economic growth, a new institutional design is needed to draw up the borders of the new public sector.

In this respect, for the still weak and “asocial” Central European states, it is vitally important that the EU formulate a policy change. The Lisbon EU summit in March 2000 raised the issue of modernization of the European social model, and the Stockholm summit in March 2001 followed suit. The *Presidency Conclusions of the Stockholm European Council* (Stockholm European Council 2001), referring to the Lisbon summit in March 2000, state in paragraph 50 that “Lisbon has successfully integrated economic and social matters”. It is the EU’s latest reaction to global pressures or competition, since the EU has to provide a common answer. These developments

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<sup>7</sup> In our parliamentary research we have moved more and more toward policy analysis of Central European and Hungarian legislation. In the second half of the 1990s, we produced two volumes on the most important policies in the Hungarian parliament, focusing on economic legislation such as budgeting and pension reforms (see Láncki 1997, 1999). The present work draws on the conclusions of these papers.

toward a “social Europe” will also certainly influence the Central European model of economic and social policy. Parallel with this response at the EU level, there has been a regionalization within the EU itself and new member countries will have special EU assistance for their own social cohesion and regional developments. These factors will determine the general framework within which Central European countries and their parliaments can design their own economic and social policies.

Finally, a key concern is what the small countries of Central Europe will be able to achieve in the present period of globalization. Obviously, within the general Central European strategy, all countries have to develop their own individual strategies of global accommodation. The specific starting condition for Hungary is that it has a constitutional arrangement based on the principles of consensual democracy and rather early, in the late 1980s, produced a democratic system of institutions. This early maturity, however, has produced a number of paradoxes. The *first paradox* is that the early maturity of democratic institutions has aggravated its performance crisis, since there is a sizeable contrast between the democratic-procedural character and the low capacity of these new institutions. It explains why Hungarians perceive a greater gap between procedural and substantive democracy, and between the values and functioning of democracy, than others elsewhere in Central Europe. This paradoxical situation, however, may open up useful perspectives for global accommodation, if the work on consensual democracy can be completed.

There is a *second paradox*, too, formulated by Bob Deacon in his case study on Hungarian economic and social policy. In spite of the fact that Hungary has been eager to cooperate with the global financial institutions, the impact of these institutions on the country has been rather limited (Deacon 1997:104–107). This illustrates that the concrete political and policy demands in a given country make it, to a great extent, resistant to external pressures and demands, even if successive governments are willing to accede to them. The extensive literature on the activities of the Central European, including Hungarian, parliaments and governments has also proved that the complexities of politics and policy have been substantial and have made it difficult to apply foreign advice directly. External influence has been very pronounced, but its effects have become rather indirect, controversial and even counter-productive in the implementation process.

Our detailed parliamentary research in Hungary allows us to demonstrate the contrast between economic and political developments there as a *third paradox*. Hungary has been rather successful in its economic development, while its political development has been much less successful and more controversial. This leads to the third paradox, which is that the “weak” politics of mostly “flying blind” in the last decade, have managed to create a “strong” economy. As a result, the strong economy has become independent from politics to a great extent, so that the negative turns in politics did not stop the sustained growth of the economy, as current developments suggest. At the same time, not only has policy making remained government-centred but the concentration of power within the central government has increased drastically. The government’s efforts to marginalize all other actors, the opposition in parliament and the institutions of meso- and micropolitics have gone against the demands of a dynamic market economy.<sup>8</sup>

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<sup>8</sup> According to the *Central European Economic Review* (December 1999, pp. 14–15), based on 10 criteria, Hungary had the best economic performance in 1999 among all 27 “postcommunist” countries.

**Table 1A: Macroeconomic data on Hungary** *(in per cent or billion \$)*

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GDP growth	-0.7	-3.5	-11.9	-3.1	-0.6	2.9	1.5	1.3	4.6	5.0	4.5
Unemployment (per cent growth)	-	1.9	8.2	13.9	14.0	12.0	10.2	9.9	8.7	7.6	7.0
Inflation (per cent growth)	17.0	28.9	35.0	23.0	22.5	18.8	28.2	23.6	18.3	14.2	11.0
Investments (per cent growth)	-	-7.1	-10.4	-2.6	2.0	12.5	-4.3	6.7	9.2	12.0	-
Household consumption (per cent growth)	-	-3.6	-5.6	0.0	1.9	-0.2	-7.1	-2.7	1.7	4.0	-
Real wages (per cent growth)	-	-4.0	-5.1	-1.8	-3.9	5.2	-12.2	-5.0	4.9	3.5	4.4
Balance of public finances as percentage of GDP	-	0.5	-3.0	-6.2	-6.6	-8.4	-6.4	-3.0	-4.8	-4.8	-
Black economy as percentage of GDP	25.3	26.4	31.9	31.8	33.1	30.5	29.2	27.5	25.5	20.8	-
FDI (US\$ billion)	0.187	0.311	1.459	1.471	2.339	1.146	4.453	1.987	1.653	1.700	1.800
Gross state debt (US\$ billion)	-	-	22.7	21.4	24.6	28.5	31.7	27.6	23.7	24.5	24.6
Net state debt (US\$ billion)	-	-	18.7	17.1	17.9	21.8	19.7	17.8	15.3	15.1	6.9

- = not available. **Source:** Different publications of the Hungarian Central Statistical Office (1981:134, 914; 1989:225, 393; 2000:450, 673).

**Table 1B: Social policy expenditures and criminal cases** (in 1991 HUF billion)

	1994	1995	1996	1997	1998	1999
Education	137.3	126.2	115.5	120.4	125.5	120.5
Health care	137.3	126.2	115.5	120.4	125.5	120.5
Social services	489.6	424.7	376.5	373.6	399.6	409.2
Communal services	46.3	45.5	38.2	39.1	36.7	30.9
Cultural services	48.8	40.7	36.5	28.4	31.5	32.8
All welfare functions (total)	859.3	763.3	682.2	681.9	718.8	713.9
All criminal cases	389,451	502,036	466,050	514,403	600,621	505,716

**Source:** Different publications of the Hungarian Central Statistical Office (1981:134, 914; 1989:225, 393 and 2000:450, 673).

### **Parliamentarization in Central Europe**

Parliamentarization has been a region-specific method of democratization in Central Europe. The substantive definition and general feature of parliamentarization is that parliaments have been both a showcase and a workshop, that is, the essential institutional framework for democratization as a whole, as is the case everywhere in Central Europe. Analysts have noted the decline of parliament in relation to government in the West; however, during the democratic transition in Central Europe, parliament has played an increasing role. In early consolidation, this former decisive role of parliaments came to an end. But a new and important role has come to the fore in connection with Europeanization and consensual democracy, which can be identified as a new meaning of parliamentarization under consolidation and Europeanization. This section will briefly discuss parliamentarization in democratic transition and early consolidation, and will again touch upon this issue in the final evaluation of this process in the context of Europeanization.

#### **Parliamentarization in democratic transition and consolidation**

The main task of democratic transition is institution building, beginning in the parliaments—“polity first” in the words of Wolfgang Merkel (1998:43, 56)—while the task of democratic consolidation is the “cultural revolution”, the emergence of civic culture and civil society. The process of democratic consolidation takes place unevenly in various social subsystems, or in “partial regimes”, that is, it begins in some parts of the polity—such as parliaments and political parties—earlier than in others. In Central Europe, democratic institution building in macropolitics has come to an end. In this respect parliamentarization had at least three meanings. First, the Central European countries created parliamentary types of democracies and, step by step, removed some early features of a presidential system (particularly, but not only, in Poland). They accomplished the *parliamentarization of macropolitics*, and parliaments became the first properly and democratically working institutions. In the first years, the parliaments, as seminal and model institutions in Central Europe, dominated the democratic institution-building process, to the point where questions arose about the possibility of “over-parliamentarization”, that is, the quasi-exclusiveness of parliaments in political life. Second, as a result of this process, there was a *parliamentarization of the parties*, in that parliamentarization also meant the full institutionalization of political parties according to the rules of a parliamentary democracy. Third, in broad terms, *parliamentarization of society* meant its democratization as a whole. It included meso- and micropolitics with the emergence of self-governing parliaments, or elected councils, and with the institutionalized relationship of these special parliaments to the real one. During democratic transition there was a narrow parliament-macropolitics relationship that has changed during democratic consolidation into a wider parliament-society context, as will be discussed below.

Parliaments are the central sites and political parties are the major actors of democratic transition—this may be thought of as a theoretical summary of the historical experiences of the southern European parliaments in democratization (see Liebert and Cotta 1990). This conceptual



framework was an important point of departure for parliamentary research in Central Europe. This research has pointed out that parliaments have indeed been the “model and mother” institutions for the democratic institution-building process. This role for the parliaments is still reflected in the observation that “Recent years have seen a renaissance of legislatures in many of the new democracies in central and eastern Europe” (Scully 1998:103). All in all, the Central European parliaments accomplished full institutionalization in the period of democratic transition according to Western standards and promoted the professionalization of MPs, although a gap remained between the well-developed institutional and the somewhat delayed “cultural” aspects. The parliaments took on the enormous task of legislating systemic change through a massive number of acts and parliamentary decisions passed every year. The classic control function of the parliaments over the executive was less pronounced, but the Central European parliaments created a great number of satellite institutions (including constitutional courts, state audit commissions and chief public procurator’s offices) to ensure control of the executive branch. Finally, the Central European parliaments developed their own staff as an expert community that also represented continuity against the relatively low incumbency retention rate of MPs, increasing from 5–10 per cent to 40–50 per cent in the 1990s (see Ágh 2000a).

In the conceptual framework suggested here, early consolidation begins with a shift from a vicious circle, in which economic, political and social systemic changes influence each other negatively, to a virtuous circle, in which these subsystems mutually reinforce each other. The decisive push came from the results of economic systemic change, that is, from the emergence of dynamic market economies in Central Europe. The process of gradually overcoming democratic transition was generated by sustainable economic growth from the mid-1990s onward, and has led to an early consolidation in politics. Democratic transition began in Central Europe with the institutionalization of parliament and its major actors, the parliamentary parties. Therefore, the parliaments and parties were also consolidated first. This consolidation has been demonstrated by the emergence of a quasi-two-party system, with large centre-left and centre-right parties. This system, with two large and several smaller parties, has changed the political horizons of the MPs as well. In the early 1990s many MPs in Central Europe argued that the left-right division had lost its validity and these terms had become empty. Now, most MPs have returned to these terms and use the left-right division for their own political orientations as well. In 1996, for example, 68 per cent of Hungarian MPs already supported the validity of the left-right scale in (parliamentary) politics, and in 1998 this increased to 73 per cent (Simon 1999:6).

This reorientation has been part of the parliamentary learning process, the subjective side of parliamentarization. Thus, parliamentarization has been a very complex process during which the political system as a whole has been democratized in its contacts with, or under the influence of, the Central European parliaments. Moreover, parliamentarization includes its own institution-building process as part of the gradual overcoming of its own institutional and cultural deficits. In this general process, the parliamentarization of parties (and their MPs) may be essential to the creation of party cohesion and discipline (Ágh 1999:181–185). The specific contradiction of “over-parliamentarization” and “over-participation” (that is, efforts by the two dominant parties to maintain their positions as such) was somewhat corrected after a couple of years but will disappear completely only with the mature consolidation or establishment of a full-fledged multiactor democracy instead of a simple multiparty one. The parties are still too overwhelming, since the “institutional density” of politics, in particular, and “organizational density” of the whole of society, in general, has been rather low during democratic transition. Institutional density, in fact, during democratic transition reached a relatively high level only in macropolitics. But the “consolidation of civic culture and civil society completes the stabilization of the sociopolitical substructure of democracy” when these institutions “enjoy an abundant degree of trust” (Merkel 1998:40, 61). With mature consolidation the organizational density of the society as a whole, with a rich web of civil society associations, will be high and, in this way, the entire task of systemic change will be accomplished.

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

Most analysts have indicated that Central European parliaments have performed rather well in passing democratization legislation, and this has been an integral part of the establishment of minimal, or procedural, democracy. As Ellen Commisso notes, “Legislative output has been prodigious everywhere, even in legislatures in which party lines were poorly formed”, with a “rather positive picture of procedural democracy” (Commisso 1997:5, 6). Moreover, these parliaments have been “policy-influencing” institutions, since no competing centres have emerged in this respect, although the governments have, in fact, monopolized the major policy decisions. The Central European parliaments have also been forced by Europeanization—the requirements of legal and political harmonization—to have a more substantial role in policy-making processes than the typical European parliament. First of all, policy making has been undertaken in and by the parliamentary committees that have acted, in effect, as workshops and schools for professionalization. It is true that the Central European parliaments have not been able to cope completely with these tremendous tasks, and that they have underperformed in this respect due to the contrast between opportunity and capacity.

The public policy approach offers an answer to this contrast and also to the above-mentioned gap between the high level of general support for democracy and the low level of approval for the way it is actually functioning. It applies three criteria—effectiveness, efficiency and efficacy—in order to analyse the performance of political systems. First, effectiveness is used holistically, and refers to whether the institutions concerned have promoted systemic change in general, or some basic legislation in particular. Efficiency relates to the internal operation of the institutions, such as their use of time and other resources (through a cost-benefit analysis). Finally, efficacy indicates the process of turning the decision-making output into social outcome during the implementation process. In a policy approach, the effectiveness of democracy has frequently been analysed as a central notion of the performance of democracy. Efficiency and efficacy have come to the fore as a measure of internal workings (to produce an output) and as a form of external outreach, with a contrast between political output and social outcome in the implementation process. These criteria have sometimes been used in Central European democratization analyses, but the application of all three criteria together, in a systematic way, has rarely been undertaken. Moreover, the Central European governments have disregarded this policy approach to a great extent, including the feasibility studies of legislation, although without the application of these three criteria it is impossible to eliminate “the implementation gap” (European Union 1997a) so often criticized by the EU.<sup>9</sup>

The legislative and the policy-making functions of the Central European parliaments are interconnected; the latter, however, requires a special analysis.<sup>10</sup>

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<sup>9</sup> The authors of this Hungarian case study participated in the common Central European analysis of parliamentary developments in the 1990s, involving these performance criteria (see Ágh and Kurtán 1995; Ágh and Ilonszki 1996; and Ágh and Kurtán 2001). This case study has largely grown out of these analyses of the Hungarian parliament.

<sup>10</sup> For example, Fuchs and Roller (1998:48) note the salience of the term “effectiveness of democracy” and quote its classic definitions, such as “the extent to which the system satisfies the basic functions of government” (S.M. Lipset); “the capacity of a regime to find solutions to the basic problems facing any political system” (J. Linz); and “the effectiveness of different regimes in dealing with the critical problems” (R. Dahl).

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

- Social and political inclusion: no 'structural' minority group (racial, ethnic, linguistic and religious minorities) as well as relevant political minorities, should be barred from or be at a disadvantage in gaining institutional access to political power;
- Institutional efficiency: the political institutions must allow for efficient decision making and policy implementation;
- Political effectiveness: the political decision making must be seen to contribute to the solutions of societal problems (Merkel 1998:48).

It is obvious that systemic change necessitates a general overhaul of previous legislation. In the early 1990s analysts thought that, after a few years, there would be less need for such urgent legislation. But it is now evident in the fourth parliamentary cycle in Hungary, that at least the 1990s, as a whole, were characterized by a necessarily hectic legislative pace, despite its counter-productive effects. The breakthrough from a legislation factory to a body producing quality legislation has come to the fore everywhere in Central Europe. At the same time, it has been formulated as a means of overcoming the institutional and cultural deficits. This may, again, express a general trend in the Central European parliaments.

#### Parliamentarization as a vehicle of Europeanization

During democratic transition, Central European parliaments moved more and more from the establishment of the constitutional state to the task of EU *legal* harmonization. In early consolidation, a new challenge arose when the accession negotiations began. By the late 1990s they became more and more important vehicles of *political* harmonization with the EU; at the same time, their main partner, the European Parliament (EP), also became an important power centre within the EU. This, to a great extent, has led to the "parliamentarization" of European integration, including the enlargement issue. Whereas the European Parliament had not been active in the enlargement issue in the early 1990s, it became much more involved in the enlargement discussions in its legislative period of 1994–1999. This greater involvement was due partly to the new competencies resulting from the Treaty on the European Union, and partly to the "participatory revolution" in the member countries, which has mobilized citizens and organized interests, and created increased popular pressure on both the European Parliament and national parliaments. This period was only the introductory phase in the relationship between the European Parliament and the parliaments of the candidate countries. With the increasing significance of the European Parliament as a power centre, the contacts with the national parliaments of the candidate countries are likely to become more intensive and more important for the entire enlargement process.<sup>11</sup>

The EU has set no detailed requirements for the workings of the Central European parliaments. Even Agenda 2000<sup>12</sup> repeats the almost identical, and very general, statements concerning the parliaments of the candidate countries: "Parliament functions satisfactorily. Its powers are

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<sup>11</sup> In this period the European Parliament organized two meetings on the role of parliaments in the European integration and enlargement processes (in Vienna in March 1996 and in Paris in June 1998). In addition, the International Institute for Democracy (Strasbourg) also organized, in cooperation with the German Bundestag, a similar conference in the framework of the East-West Parliamentary Practice Project (Berlin, May 1997). These and other events have been supported by several Central European initiatives. Two conferences also took place on the same topic in the Hungarian and Czech parliaments (in Budapest in April 1997 and in Prague in September 1997). For the proceedings of these conferences see Földeák and Horváth (1997) and Mansfeldová and Klíma (1997), and for information about the Berlin conference, see International Institute for Democracy (1998). The EU has organized many programmes for staff and members of Central European parliaments. Beyond this, there is also a need to organize a comprehensive programme on EU affairs for the MPs of the ECE accession countries. However, the real importance of the European Parliament and the Central European parliaments was not fully articulated in these meetings and the ensuing publications until the early 2000s.

<sup>12</sup> Agenda 2000 is an action programme agreed on by EU member states "to strengthen Community policies and to give the European Union a new financial framework for the period 2000–06 with a view to enlargement." [http://europa.eu.int/comm/agenda2000/index\\_en.htm](http://europa.eu.int/comm/agenda2000/index_en.htm), accessed in February 2005.

respected and the opposition plays a full part in its activities".<sup>13</sup> In other respects, the agenda is much more critical and analytical, demanding significant transformations and setting high standards for economic and political institutions in detail. As to the parliaments, the principle of "minimum democracy" obviously applies. In this respect, EU interests seem to be reduced to assuring national or ethnic minorities' parliamentary representation in a minimal consensual democracy and to regulating the referendum for enabling the control of direct democracy. Hence, there is no scrutiny behind the statement that the Central European parliaments are "working satisfactorily" and that the opposition is playing a "full part" or a "normal role".

Consequently, Agenda 2000 does not yet take into account the fact that in the second half of the 1990s, the European Parliament became a major player in EU politics. In his comprehensive analysis, Geoffrey Harris states quite clearly that there is confusion in the candidate countries, which believe that the power centre in terms of preparing for enlargement still rests with the negotiation task force, that is, the European Commission. According to Harris, currently there is no single power centre of this kind. The role of the European Parliament will be more and more decisive, given the fact that members of parliament, whether they are national or European parliamentarians, have an obligation to reflect the opinions of their electors regarding enlargement issues. As a practical matter, for many years the European Parliament has been an important site for discussing the enlargement issue in depth, unlike the short meetings between political leaders at the EU summits or at the Association Council sessions. Harris notes that "The parliamentary dialogue therefore fills an important gap in terms of exchanging ideas and encouraging debate, both at the parliamentary level and within public opinion, both in the candidate countries and within the European Union itself" (Harris 1998:15). Hence, it is "reasonable to argue that the European Parliament has already established itself as an active participant in the enlargement process". Thus, "The European Parliament will also be stepping up efforts to raise its public profile in the candidate countries where, up to now, EU public information efforts have relied entirely on the Commission" (Harris 1998:22). Finally, "Enlargement since then has become a much more central political issue and the members to be elected in June of 1999 will take office already well aware that they may have to exercise their vote on the question of enlargement before the next election in 2004" (Harris 1998:12). Keith Dowding has recently argued, "Academics are increasingly turning to the EP as it takes on a more important policy-making role and the EP is beginning to behave more like a parliament with a party system" (Dowding 2000:133).

The parliamentarization of the EU and the ensuing need for the Europeanization of the Central European parliaments have also changed the task of these parliaments beyond recognition. Reinforcing this external challenge, there are also, however, three internal issues pushing the Central European parliaments toward change. First, when the basic democratization and marketization legislation, or the legal systemic change, is more or less over, the Central European parliaments are faced with the huge legislative task of the detailed legal and political harmonization bills or the "Euro-legislation" as the domestication of the *acquis communautaire*<sup>14</sup> is known. Second, these parliaments have had a decisive role in articulating the national interests for the EU negotiations by aggregating the interests of social groups. Third, they have had to communicate the process and the results of accession negotiations to their populations at large. When, however, these parliaments are faced with these demands, again a major paradox appears. As long as internal democratization was the main focus for the Central European parliaments, until the mid-1990s, the parliaments were the major venues and vehicles of democratization and institutionalization. Despite the relatively low quality of the legislation (in terms of repeated discussion of the same measures) and many other problems discussed above the parliaments on the whole maintained their very positive role until the late 1990s. Paradoxically, however, the Central European parliaments are now not only the promoters and vehicles but have also become, to some extent, the bottlenecks in, and obstacles to, Europeanization, in terms of political harmonization. In a word, they have been much less able

<sup>13</sup> European Union 1997b:14. See also European Union (1997a:16, 1997c:16).

<sup>14</sup> *Acquis communautaire* is the body of common rights and obligations that bind all of the member states within the European Union.

to perform their current role in “external” political harmonization than they were in their previous role in promoting “internal” democratization.

Association with, and accession to, the EU can also be considered as two subsequent periods of “general” and “particular” Europeanization. That is, in the association period there was a challenge of democratization in general; in the accession period the copying and domestic adaptation of the concrete rules of the “EU polity”, and the treaties as its “constitutions” in particular, became the major task. This shift from the general to the particular in Europeanization or Westernization has caused serious problems for Central European parliaments, and so far they have not been able to fully cope with the difficulties of the new challenges. Thus, at least for a transitory period, these parliaments have become bottlenecks to the Europeanization process. The issue of the institutional and cultural deficit has re-emerged in this new context of the Europeanization of the Central European parliaments. The inclusion of professionals and the extension of their own independent expert base for the Central European parliaments already indicate the principal direction for overcoming the cultural deficit. It is certainly more difficult than overcoming that on the institutional side. The “opportunity-capacity” paradox appears here as a contradiction between the “Euro-mindedness” and “Euro-capacity” of the MPs. In the Hungarian case, the EU accession had overwhelming support among the MPs; in 1998, 97 per cent of them approved Hungarian membership in the EU. The vast majority of the MPs, 82 per cent, supported membership, mainly for economic reasons, and 83 per cent of them expected the accession to take place within five years. Altogether, the European identity of the MPs is quite high – 6.12 on a seven-point scale (Simon 1999:14–17).

The Euro-mindedness of the Hungarian MPs has already formed but the emergence of their Euro-capacity, that is, their understanding and managing of Euro-affairs, has lagged behind. The first limitation is rather obvious – the language barrier – followed by the lack of adequate knowledge about the workings of EU institutions. The real problem, of course, comes to the surface as a lack of information on current Euro-affairs, and as a contrast between Euro-mindedness in general and its distortion on concrete issues in particular. For example, many MPs understand and accept that EU citizens have the right to live and purchase landed property in Hungary. Even more, there was a slightly decreasing percentage of MPs supporting openness between 1996 and 1998, which indicated an increasing demand for restricting immigration because of the growing worry about unemployment. At the same time, there was also an increase in concern among MPs about the costs of EU integration and about its dangers with regard to Hungarian national identity. There has also been a shift in support of the need for greater state intervention in the economy to secure higher employment and to maintain welfare at least at the current level. Some changes between 1996 and 1998 were connected with the more conservative attitude of the rightist parties, such as their less liberal attitude about abortion. In general, in terms of the self-identity of the leftist MPs, the support for Hungarian EU membership was their top priority, while for the rightist MPs it was only their fourth priority, preceded by support for Hungarians living in neighbouring countries (Simon 1999:13). This survey indicates that in the Second Parliament there was not yet sufficient Euro-capacity among Hungarian MPs. The situation was not much better in the Third Parliament (1998–2002), but the external challenge could already be felt, as was discussed earlier.

In fact, Europeanization is a broad process embracing the three major areas of political-legal structures, the economy and civil society. It is an old story that the economic features of European integration have mostly been overemphasized and the sociopolitical ones have been neglected, or at least minimized, in the description of both Europeanization and the criteria for full EU membership. In the late 1990s, however, political harmonization, that is, the structural adjustment of the Central European polities to EU standards, rose to the forefront and became more important than the economics and the simple legal adjustments. In the case of four Central European Free Trade Area (CEFTA) countries, Poland, the Czech Republic, Hungary and Slovenia, the democratization process has by and large come to an end. Democratic order as one of the preconditions for full membership has been taken for granted. Meanwhile, however, more and more problems have surfaced with the efficient “working” of the political system, or

with regard to the criteria for an “effective” democracy. The EU has increasingly questioned the Euro-capacity or Euro-conformity of the Central European polities from this perspective. Simply stated, the new democratic structures, the newly (re)-organized or established institutions, still have only a rather low capacity to apply and transfer Euro-policies to their own institutions. In general terms, the actual political performance of the new democratic institutions is still insufficient; at the time of writing, their effectiveness, efficiency and efficacy did not yet meet the requirements of the EU.

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

The management of accession to the EU in Central Europe has been a typical case of state or government overload. Therefore, it has been not only politically counter-productive (creating a democracy deficit by alienating the population), but also “functionally” inefficient and, finally, ineffective as well—that is, it has not produced the desired results. As to the constitutional structures of the democratic institutions, the Central European polities are already structurally homogeneous with the EU and its member states, but these countries still have to enhance their political capacities to apply EU decisions and basic policies efficiently. They have to break out from the narrow horizon of government activities and broaden to a multiactor approach, represented and mediated mostly by the Central European national parliaments.

The Central European parliaments, of course, have to “Europeanize” themselves, too. They are the classic case of “institutional” Europeanization on one hand, and the “functional” lack of Euro-capacity on the other. Paradoxically, at the moment when parliaments could have taken a leading role in the European integration process from the governments, the former have not only been weak in their performance in general, but are especially weak concerning the handling of the European policy universe in particular. All Central European parliaments have established European Affairs Committees to act as a partner institution with a committee of the European Parliament, together forming a Joint Parliamentary Committee (JPC). These JPCs and the European Affairs Committees have made great efforts to support European integration. Yet, these EU committees have been the weakest parts of the Central European national parliaments, and they have usually been among the least important committees. They reveal a shocking contrast with the strong “grand committees” of the latest Nordic entrants. Now, the Central European parliaments are obviously not yet able to meet the challenge of Europeanization, but this challenge provides institutional pressure for them to realize their own internal Europeanization and political modernization programmes. Europeanization “has arrived” at the level of party politics and within the public debates of organized interests as well. But it will become a serious political and policy issue for the Central European countries if and when an influential and legitimate opposition emerges against it, enabling the proper articulation of views and interests both for and against Europeanization. This public debate already increasingly reflects the real conflicts of interest, such as the competitiveness of agriculture in the EU, and could create and institutionalize an articulated and structured social support for Europeanization. Hungary is currently at this turning point, but the creation of widespread and demonstrative public support for Europeanization may be more difficult in the next phase of democratic consolidation than was the establishment of a system of basic democratic institutions in the previous phase of democratic transition. Constitutionalization as a long-term process came to an end, from a historical perspective, with the accession treaty to the EU.

## Participatory democracy and the Central European parliaments

The Europeanization of the Central European parliaments will remain high on the agenda for the next decade. It is no longer simply a learning process for MPs, but a question of opening up to civil society, including an intensification of social pressure on parliaments that should result in a growing institutional density in macropolitics and organizational density in (civil) society. In this respect, the Central European parliaments are only at an initial stage in the EU policy-making process. For an advanced system of policy making, a new feedback loop is needed between the EU and the accession countries and their parliaments. It is even more important between the “parliament and society”, as the title of a book on the subject suggests (*Parlament und Gesellschaft*, Herzog et al. 1993). Based on this innovative work, some major directions for the analysis of Central European parliaments and their relationship to society can be outlined:

- There has recently been a “functional change” in parliaments from the functions that were classic to those that are new. These have been connected with the new, complex meaning of *representation* (social and policy representation) that has also transformed the former workings of interest representation as well (Herzog 1993). This change is much more important and difficult for the Central European parliaments than the previous procedural changes.
- In interest representation, mediation, coordination and conversion processes, the parliaments acted as “clearing houses”; their function in terms of social *responsiveness* became even more decisive (Herzog 1993; Hirner 1993). For the Central European parliaments, this function presented an urgent task of aggregating conflicting interests into a national interest in the EU negotiations.
- The classic “teaching function” of the parliaments has been transformed into a capacity, and also a duty, to develop strategic *perspectives* and alternatives, while the governments are much more engaged in the management of short-term issues (Herzog 1993; Werner 1993). The development of strategic perspectives for Europeanization is the greatest task now facing the Central European parliaments.
- The representation function of the parliament, including interest representation and aggregation, has to be conceived as a *communicative* model. The communication function is central to modern parliaments, both between legislators and the population at large as well as among various elite groups (Wessels 1993). It creates a common language for political discourse and solves the problems of the “cultural lag” between those governing and those governed. The communicative model ushered in a new period in understanding of the Central European parliaments in general and in “political marketing” for EU accession in particular.
- EU integration has created tremendous *difficulties* for the parliaments of the older member states as well. A strong statement has even been formulated by some Western analysts suggesting that some member parliaments, such as the Bundestag, are not yet ready and able to act in the EU context (Brückner 1993:233). It indicated the difficulty and complexity of Europeanization for the parliaments of all member states, but it cannot be used as an excuse for the delays of the parliaments of the Central European accession states.

Altogether, this articulation of the problem contains within it some lessons and solutions for the Central European parliaments:

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

- The Central European parliaments still have a narrow understanding of representation, and they fall between corporative-consensual arrangements, which attempt to involve social partners, and majoritarian-governmental decision making. By widening the meaning of representation to its full complexity, and by completing the corporative-consensual arrangements, these parliaments were able to take part in coordinating EU accession with the governments. First of all, the parliamentary committees acted as honest brokers between the parliaments as representatives of the long-term national interests and the organized interests, with the particular groups of populations behind them.
- Finally, in this process, consolidation can be seen as a reconciliation between the institutional and cultural approaches, and, at the same time, as overcoming both the institutional and cultural deficits of the Central European parliaments. Democratic political culture has been institutionalized in civil associations – civic communities – and vice versa, the organizations of civil society have been based upon the commitment of citizens to democratic values. Thus, the increasing institutional density in politics and organizational density in civil society are running parallel with the professionalization of MPs and the increasing routinization of democratic patterns of behaviour among the population.

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

- Democratic transition began with the parliamentarization of the polity. Democratic consolidation has to start with parliamentarization, but within a new framework of the parliament-society relationship. This will accomplish the parliamentarization of both politics and policy making.
- In Central Europe, unlike in the Balkan or East European regions, parliamentarization has been accomplished during the period of democratic transition with relative ease because of Central European democratic traditions and the less acute economic crisis. The Central European parliaments have performed rather well in constitutionalization and legal harmonization (effectiveness) but have been relatively less efficient in legislation and even less so in implementation.
- Parliamentarization in Central Europe is now, and will continue to be in the next decade, much more difficult during the period of democratic consolidation. This is evident in the Europeanization of the Central European parliaments – both in their relationship (externally) to the European Parliament and in the parliamentarization (domestically) of sociopolitical life – in reaching and penetrating the realm of civil society.

### ***Participation and accessibility deficits in Hungary***

The successful democratic transition in Hungary has created new contradictions that present a major obstacle to further democratization in general. This can be identified as the participation and accessibility paradox, which has been overcome to some extent, but has been transformed into a participation and accessibility deficit. As has already been indicated, participation and accessibility appear more on the input side, and accountability and responsiveness on the output side, forming one coherent system of democracy. It would have been satisfying to conclude that Hungary has never been a “defective democracy”, but in a later stage of early consolidation, it has indeed developed a democratic deficit, which is very similar to, but more marked, than those of the mature democracies.



### From the economic to the social deficit

In democratic transition, the participation paradox means that democratic institution building presupposes the disempowerment of the masses, that is, their exclusion from meaningful political participation, since exclusion from work due to unemployment leads to marginalization in politics. Therefore, in order to have a system of accountability after the process of institution building in democratic transition, new efforts have to be made to create a *participatory* democracy. In the early consolidation period, it has to go beyond formal *representative* democracy through eliciting the involvement of politically “silent” or marginalized populations in political decision-making processes. In the mid-1990s, only 15 per cent of Hungarians (and 7 per cent of Poles, for example) associated democracy with participation, but 31 per cent of Austrians did (Plasser et al. 1998:75). The accessibility paradox means that the real social actors were also missing in the decision-making process, or, perhaps, that the emerging new actors were too weak to represent the interests of the major social groups in the principal political institutions. There were only limited possibilities for channelling particular interests in a legitimate and transparent way into the macropolitical institutions, especially into the Hungarian parliament. All these problems go back to the deep economic crisis in the early 1990s and to the drastic economic crisis management of the mid-1990s. Although the ensuing social crisis has been deep and wide in Hungary, it should still be emphasized that the Hungarian case is special in that it was actually the least painful transition. As Deacon mentions, public social expenditure as a percentage of GDP in the mid-1990s was still the highest in Hungary (Deacon 2000:153).

While both political and economic construction of democracy have been by and large completed in Hungary, the social construction of democracy has not only been delayed, but also disturbed and distorted, by these successful political and economic processes. In sum, then, the removal of the *economic* deficit has created a serious *social* deficit and the new problem is how to cope with this deficit. Moreover, democratization has led to *political* demobilization and disempowerment of the masses. The current agenda is how to mobilize and empower them in the stage of early consolidation. One can identify the major problems in terms of key words or catchphrases, such as “the decivilization process” and “the demobilization of voters” and/or “the depoliticization of public life”. In general, these issues have been discussed as the “social costs of transition” (see Deacon 2000:148–152), while the “political costs of transition” may be added for the same reason. Supported by extensive literature on this topic, Béla Greskovits has recently described the controversial nature of democratic transition in its complexity. First of all, he points out that

Hungary underwent a transformational recession (Kornai 1994), which, however, was milder than the recession in many other East European countries, both in depth and length... While the recession resulted in impoverishment and increasing social inequality, the alarming degree of social dislocation characteristic of countries of the Balkans, the Baltic states and, even more, of many ex-Soviet states, was absent in Hungary. (However, the available evidence suggests that after 1995–1996 the implementation of a draconian stabilization and adjustment package resulted in a large deterioration of the standards of living in Hungary) (Greskovits 2000:127).

Indeed, Hungary experienced a decade of “social patience” without significant social upheaval, with “empowered winners” who were relatively active and influential in politics and disempowered “patient losers”, who experienced a long march through the “vale of tears” (Dahrendorf 1990). Nonetheless, even after the first, difficult decade of democratic transition, social discontent has loomed large and disillusionment in the social construction of democracy has turned out to be a very important political factor. Hungary could have been one of the most successful countries in terms of both democratization and marketization, but it has drifted backward, in terms of its interest and influence in politics, into a trap of materialist needs. For two-thirds of the population, the “postmaterialist” agenda has been postponed to a remote future of 15–20 years hence. Against gloomy expectations, Hungarian democracy survived the transformation recession but the crisis left behind much political damage. Democracy took root

only at the cost of its full ability for representation and its capacity to uniformly provide and protect civil liberties since the marginalized masses could not fully benefit from their civil rights. Throughout the past decade it was obvious that the new system would be incapable of meeting even the most justified demands for acceptable living standards and the security of large social groups. The major dilemma the political system had to face was the political representation of the masses, who were pushed to the margins by the transformation strategy and crisis management policies. If their demands had received strong political representation, they would have paved the way to economic chaos and a short-lived “populist democracy”. Thus, Greskovits concludes, on the dual nature or internal contradiction of democratic transition, which has in fact been characteristic of all Central European states:

Conversely, if the essential democratic institutions and capitalism had simultaneously taken root under economic stress, the political system had to exclude justified but unfeasible economic demands from the discourse as political non-issues. The emerging Hungarian democracy had simultaneously to perform the democratic agenda of political integration, and the authoritarian agenda of political and economic exclusion. It succeeded in both, consolidating a democracy with strong exclusionary features. This is the price Hungarian democrats paid for building capitalism in democratic settings after socialism... As a consequence, large sectors of Hungarian society continue to be both marginalized in the economy, and excluded from political representation (Greskovits 2000:139-140).

#### “De-civilization” and demobilization processes in Hungary

There were two harmful processes in the early 1990s in Hungary that led to the de-politicization of the masses as the major form of social deficit. The first and most shocking process may be called the de-civilization process. It would require a very long list to enumerate the civilizing effects of democratization in Hungary. But contrary effects also appeared through the large-scale disinvestment in education and health services, which ultimately produced de-civilized Hungarians in great numbers, and a rapidly increasing rate of criminality (table 1B). Aggression and lack of solidarity became rather general patterns of behaviour, even in the upper income group. Polarization and marginalization penetrated the schooling and health care systems, so an increasing part of Hungarian society could not afford proper schooling and health care for their children and themselves. As a result, all the data have clearly shown a deteriorating health situation in Hungarian society. Large numbers of youths with low levels of educational attainment and literacy have also emerged in the postindustrial society, as if they were “trained for unemployment”. Hungarian society has paid for the drastically reduced social provisioning and increasing polarization with a criminality rate that has doubled since 1989. Finally, rapid marketization and democratization have been managed mostly by an economic and political elite engaged in a “war at the top” among the various elite groups. Moreover, there has been an “infantilization of society”, since most people have gone through this period of great transformation in the spirit of “we do not understand anything about the world around us”. The infantilization of society has produced, for its part, a mass of politically silent or absent people.

The second harmful process was the demobilization of voters removed from political participation, which translated even more directly into the de-politicization of public life, a condition in which the people have become uninterested in political decisions. The largest base for demobilization and de-politicization was among those economically and socially excluded from the productive world. The Hungarian economic activity rate (the percentage of economically active persons in the group between 15–64 years of age) was only 58.9 per cent in 1998 (66.6 and 51.1 per cent for men and women, respectively). This activity rate continued to be very low even in the late 1990s, not only compared to Western Europe but also within Central Europe (68.0–74.9 per cent for men and 61.4 per cent for women in Poland). The employment rate (the percentage of employed persons in the group between 15–64 years of age) is equally low in Hungary. In 1998 it was only 53.9 per cent (60.6 and 47.3 per cent for men and women, respectively). Hence, what appears as a relatively low unemployment rate in official statistics (about 7.0 per cent in the early 2000s, see table 1A) is

somewhat misleading because it does not take into account the high proportion of the population that is economically and socially excluded (which includes half of the women of active age). Statistics for the early 1990s showed a reduction of employment and increase in unemployment, and to make matters worse, since 1996 economic recovery (see table 1A) has not led to a significant improvement in employment rates; in fact, many people have left the labour market permanently, particularly women. In the 1990s, the social crisis seemed to be transitory, but it has been protracted and will be with us at least for the entire decade of the 2000s.<sup>15</sup>

The demobilization of the masses in the early 1990s was, in some ways, a result of conscious efforts by parties and politicians to avoid populism. But, even more, it was an unintended result of the economic and social marginalization discussed above. The two major institutional aspects of demobilization have been in the world of civic associations and industrial relations. The first process might be described as “over-parliamentarization” and “over-participation”, since parliament became the only site for politics and was monopolized by the parties. There has been a dearth of both civil organizations representing the patient losers, and channels—other than voting in elections—for civil control over state policies in general. Second, the trade unions were delegitimized and marginalized, so the interests of employees remained mostly underrepresented at both national and shop floor levels (Greskovits 2000:139). Actually, depoliticization has been much wider than demobilization. There has been a concentrated effort by successive governments to exclude all social actors from the political process in order to increase their own power. This includes even employers’ and business organizations and professional chambers, although they have to move to centre stage for a successful consolidation. As a result of this demobilization process, during the general elections of 1998 the turnout was as low as 56 per cent (65 per cent in 1990 and 68 per cent in 1994).

The common wisdom is that the state was weakened because this was what global and local neoliberal elites wanted. Actually, the situation has been more complex in the young democracies, as Joel Hellman (1998) has suggested. Velentin Ganev has recently returned to the argument developed by Hellman. According to Ganev, the statement that the political will or policy choice of neoliberal elites weakened state capacity fails to generate a convincing explanation of diminished administrative capacity in those states where elites could not implement the “neoliberal agenda”, as in Romania (Ganev 2001:3). For a deeper analysis, however, that approach may also yield some insights: the winners in the early reforms, especially the waves of privatization that made them beneficiaries of democratic transition, seek to retain their privileged positions. As Hellman noted in his 1998 paper that provoked the debate, “Indeed, it is reasonable to assume that the winners might have an implicit veto power in the decisions over separate components of economic reform” (1998:222). The key to Hellman’s theory is the implicit veto power that has been exercised by the empowered early winners. It means also that the reform should not be constructed in terms of a policy choice at one critical juncture. It is a process, “a sequence of many distinct choices over time on separate components of an overall reform plan...that do not necessarily coincide with the electoral calendar” (Hellman 1998:221–222). In Ganev’s comment, the beneficiaries of the first reform measures who constitute the “early winners” and seek to retain their privileged positions and their influence remain a constant *causal* factor throughout the entire economic reform process. In another rejoinder to Hellman’s paper, Yusuf Bangura refers to the difference between the parliamentary and presidential systems, the former having been more successful in implementing economic policy reforms than the latter. Indeed, “policy isolation” of technocrats has been easier to associate with the presidential system. Obviously, the same isolation turns into a negative after the power transition in the new democratic regime. “Technopol” is a term borrowed by Bangura from the Latin American literature, meaning a specific breed of technocrats or highly trained individuals who become elected politicians in their own right (Bangura 2001:7, 13). It is possible that the term technopol may also be applied in a Hungarian context, since there were very popular experts or technocrats in the late 1980s who later became successful politicians based on their reputation for expertise.

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<sup>15</sup> The above data are from Eurostat. See also the data attached to the November 2000 regular report by the EU Commission on Hungary.

Consequently, Hellman's approach has some explanatory power for Hungarian development as well, in which the multinationals have assumed the role of the early winners. In a much broader context, we have identified this situation as the accessibility paradox. It means that democratization produced (in the first decade) relatively privileged access for some social groups (representing the winners) to parliamentary legislation in particular, and political decision making in general, based on their monopolistic social capital and access to special information. On the other hand, and based upon the lack of above-mentioned resources, most of the social actors representing the losing groups were excluded from, or severely restricted in their access to, legislation and political decision making. Both participation and accessibility paradoxes as constraining conditions have been general phenomena in Central Europe. They also appeared in Hungary but have been removed step by step to the extent that the democratization process has been completed. In the first years of democratic transition, the parties built up their *clientura* on one side, and the politicians sought business opportunities on the other. Although these features, which initially influenced all economic legislation, have not disappeared completely, they have been significantly reduced in Hungary. There has been a self-correction process in the Hungarian parliament through legislation that constrains the legislators themselves, for example, through measures passed on prevention of conflicts of interest (measure separating politics and business, Act V/1997) and on public procurement (measure separating administration and business, Act XL/1995 amended as XIII/1997). In 2001 a new act on lobbying activities was also drafted to separate long-term institutional interest representation from the specific activities of special interest lobbies. Still, due to the contrast of high visibility and low efficiency, the Hungarian parliament has always suffered from the twin diseases of high levels of distrust and low popularity.

#### High distrust of public institutions, including the parliament

There is a substantial literature discussing the high levels of distrust, or low levels of trust, of public institutions in "post-communist" countries.<sup>16</sup> Because of their high visibility, distrust in the emerging parliaments of Central Europe has been especially overwhelming. The high distrust in, and low popularity of, the public institutions were already well known in the Southern European democratization processes (Liebert and Cotta 1990). They have been even more marked in the Central European democratic transitions, since the public expectations have been higher and the capacities of the new parliaments have been lower than in Southern Europe. There have been extended research surveys on trust in the new democratic institutions. As a result of those surveys, David Lowell has recently concluded that the political system in the new Central European democracies "was characterised by low levels of trust in the new institutions of democracy" (2001:31).

In Hungary in the mid-1990s, the level of trust in parliament was only 19 per cent (compared to 46 per cent in the former West Germany), while the level of trust in the media was 39 per cent (Plasser et al. 1998:114). From a different perspective but indicating the same tendency, the prestige of the Hungarian parliament declined – on a scale of 0 to 100 – from 61 in 1989 to 37 in 1998. Likewise, the prestige of government declined (from 56 to 43), as well as that of the trade unions (from 61 to 32), and all public institutions (on average from 60 to 48). The only exceptions were the President of the Republic and the Constitutional Court (in 1998, 62 and 59, respectively) (see Kurtán et al. 1998b:823). Despite the small improvement, the legacy of the active mistrust of macropolitical institutions is still haunting Central Europe. Therefore, as Lowell suggests, the politicians, and first and foremost the MPs, must now establish a new role as representatives, aggregators of interests and mediators, in order to create and reinforce the centrality of public interest above the self-interest of politicians and administrators (2001:33–37). These distortions – high distrust and low popularity – have to be taken into consideration in analysing Hungarian legislation. But they were transitory features that did not prevent the essentially proper functioning of the Hungarian parliament. Despite these distortions, the

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<sup>16</sup> Olson and Norton 1996; Longley and Davidson 1998; Johannsen 2000; Noergaard 2000.

parliament by and large has retained both its accountability to the citizens and its responsiveness to popular demands.

### ***Hungarian parliamentarism and policy making***

#### The Hungarian parliament and its institutional framework

Hungary has a fully developed parliamentary system with a constitution based upon the principles of consensual democracy. In the late 1980s it emerged from an elite-driven negotiated transition and produced a democratic system of institutions rather early. In discussing the nature of the parliamentary system and the structure of its political institutions, one has to make it clear that Hungary is very close to the classic case of a parliamentary democracy, with a very strong, centuries-old, parliamentary tradition. The Hungarian parliament is unicameral and has inherited an extensive standing committee system from the 1970s and 1980s. It has 386 MPs, out of which 176 MPs are elected in single-seat constituencies (direct MPs), and 210 MPs are from the party lists (list MPs). Hungary has had four free elections since 1989, accordingly electing the First Parliament (1990–1994), the Second Parliament (1994–1998), the Third Parliament (1998–2002) and the Fourth Parliament (2002–2006). The following parties have participated in these parliamentary cycles: the Hungarian Democratic Forum (HDF), Hungarian Socialist Party (HSP), Fidesz-Hungarian Civic Party (referred to as Fidesz), Alliance of Free Democrats (AFD), Independent Smallholders Party (ISP), Christian Democratic People's Party (CDPP) and the Party of Hungarian Justice and Life (PHJL) (see table 2).<sup>17</sup>

In 1990 Hungary established a prime-ministerial system of executive power in which the president has played only a rather minimal, symbolic role. From the very beginning of democratization, the parliament has been dominated by a simple majority of the governing coalition that has minimized its direct control function over the executive. Despite its weakness in controlling the executive by traditional means, the Hungarian parliament has a broad system of “checks and balances”, including the Constitutional Court, Ombudsman, State Audit Office, Chief Public Prosecutor, Chief Judge and the National Bank, for controlling and restraining the power of the executive. Therefore, political and technocratic decision making has to be analysed in Hungary in this wider context. The workings of the Hungarian parliament have been organized around the party factions, and there is a division of labour between plenary and committee sessions. A review of the parliamentary elite reveals various social connections and influences both through party-political and policy-community lines. In a word, Hungarian parliaments have been “penetrated” by vested interests and the activities of several lobby groups. The behaviour of the Hungarian parliamentary elite has regularly been analysed through questionnaires by the team of the Hungarian Centre for Democracy Studies, and the survey results have indicated the outside linkages of MPs. Although the workings of the First Hungarian parliament are reviewed, the investigation focuses on the Second and Third Parliaments.

Certainly, in the young democracies there has been a need for “legislative systemic change”. Hungary has been an outstanding case, since the Hungarian parliament has worked as a “legislative factory” by producing more than one hundred acts every year (table 3), and, indeed, the political output has also been very high in the other institutions (table 4). Beyond this political approach, there are some specific factors demanding a more policy-centred approach even during the period of democratic transition: first, the legislative overload, or decision-making overload in general, that would have demanded increasing efficiency of the institutions concerned, above all in the parliament; second, the negative effects of coalition politics that conveyed a high blackmailing capacity on some small parties—that harboured low-capacity politicians and gave inflated importance to the particular claims of some social strata. The third factor is the need for drastic economic crisis management that presupposes coordination and

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<sup>17</sup> The Hungarian Centre for Democracy Studies has produced the *Political Yearbook of Hungary* since 1988 with full documentation of political events, including parliamentary activities. The tables here are based on this documentation. In 1998 the centre published a *Decade Book* in two volumes, which summarized the decade of democratic transition (1988–1998).

concertation of several policy fields in policy formulation and implementation processes, particularly between economic and social policies.

In the analysis of the relationship between economic policy making and parliamentary accountability, one has to take into account the fact that, according to the Hungarian political system of “chancellor democracy”, in which the prime minister (as in the case of the German chancellor) dominates the government, policy making has mostly been pursued by the government. Robert Jenkins has aptly summarized this:

The policy-making process in Hungary remains highly centralized, with basic decisions made by the government (the prime minister and ministries), which is the primary initiator of legislation. Due to the strength of the prime minister’s position, the independence of ministries from parliamentary control, and party centralization, Parliament exercises only limited influence in the development of policy. The yearly budget is the main source of parliamentary influence. But the government makes the preparation of the budget, with the Finance Ministry playing a decisive role. The government and the individual ministries have broad powers to use decrees as administrative tools (Jenkins 1999:176).

Since July 1993 the government has had to prepare a feasibility study before initiating draft bills, but this requirement has often been neglected, citing reasons of urgency or lack of time.<sup>18</sup>

Moreover, Jenkins points out that although the formal interest representation institutions are nominally in place, they are not important venues for decision making. Instead, as he formulates it (1999:177), interest groups work to lobby ministries, the prime minister’s office and the parliament, since both professional and economic interest groups are experienced in such lobbying techniques. Much of this access is informal and occurs behind closed doors because Hungary is a small country and long years of working together in professional situations has led to dense networks of professional ties, which have kept the system of informal bargaining alive. Jenkins thinks that it is rather difficult to transform this “behind closed doors” type of bargaining or lobbying into public negotiations. Although his description is still correct in many ways, the self-correction process in the Hungarian parliament has proceeded to a great extent.

The largest problem of political development has been, however, the tendency of majoritarian democracy, “the winner takes all” approach. The regular parliamentary elections are insufficient controls over politics in general, and this is even more the case in young democracies. In such a situation, the rule of the simple parliamentary majority can be distorted into that of a tyrannical majority. In addition, coalition politics as an effort to create a simple majority can also exert pernicious influence on both democratic polity and efficient policy. Altogether, Hungarian economic policy making has been a government-centred process in a parliamentary framework. Hence, it is necessary to deal with executive power as it formulates the legal-political inputs for legislative power. Otherwise, the relationship between economic legislation and the “rest” – mostly political legislation – varies from period to period, even within one parliamentary cycle in the Hungarian parliament. Analysis of the evolution of economic policy making in and by the Hungarian parliament needs special care with regard to parliamentary participation and its role in final decisions. Economic legislation has played a pre-eminent role in the life of the Hungarian parliament; it has to be analysed in terms of its dynamic increasing role separately, and at the same time in its relationship with political legislation. There have been a substantial number of economic legislative measures since 1990: they constitute about one-fourth of all legislation for the period 1990–2000; but their significance has, in fact, been much greater. In economic legislation the issues of politics and policy, or democratic and technocratic decision making, appear in a concentrated way.

<sup>18</sup> An AFD MP, Alajos Dornbach, raised this issue in the Third Parliament and Csaba Hende, the state secretary in the Ministry of Justice, responded that the government tried to keep to this rule but that there was no time for feasibility studies (*Magyar Hírlap*, 13 December 2000).

**Table 2: Seats in the Hungarian Parliament, 1990–1998**

	1990				1994				1998			
	Individual districts	Territorial lists	National list	All	Individual districts	Territorial lists	National list	All	Individual districts	Territorial lists	National list	All
AFD	35	34	23	92	16	28	25	69	2	5	17	24
Fidesz	1	8	12	21	–	7	13	20	90	48	10	148
HDF	114	40	10	164	5	18	15	38	17	–	–	17
HSP	1	14	18	33	149	53	7	209	54	50	30	134
ISP	11	16	17	44	1	14	11	26	12	22	14	48
CDPP <sup>a</sup>	3	8	10	21	3	5	14	22	–	–	–	–
PHJL <sup>b</sup>	–	–	–	–	–	–	–	–	–	3	11	14
Independent	11	–	–	11	2	–	0	2	1	–	–	1
All	176	120	90	386	176	125	85	386	176	128	82	386

– = not available. <sup>a</sup> The CDPP failed to gain representation in the 1998 elections. <sup>b</sup> The PHJL was created in 1993 and failed to win any seats in Parliament in the 1994 elections. **Source:** Ágh and Kurtán 2001.

**Table 3: Legislation in the Hungarian Parliament**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
New acts	29	55	50	61	43	67	75	82	49	84	97
Amendments	48	38	42	60	56	59	55	77	45	42	50
Decisions	55	73	92	103	75	128	120	126	95	109	104
All	132	166	184	224	174	254	250	285	189	235	251

**Source:** Ágh and Kurtán 2001.

**Table 4: Decision-making output**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Governmental decrees	32	188	177	185	190	179	242	288	245	228
Constitutional Court decisions	84	180	167	145	149	169	239	191	150	229
Issues treated by the Ombudsmans' offices (citizenship rights, personal data protection and minority rights) <sup>a</sup>	0	0	0	0	0	0	3,353	2,477	2,556	2,308
Reports of the State Audit Office	28	52	72	38	31	54	158	59	44	37

<sup>a</sup> The ombudsman's offices began their activities in 1995, so the figure presented here under 1996 is a joint figure for 1995 and 1996.  
**Source:** Kurtán et al. 2000:503.

There are some focal points in the analysis of economic legislation that deal with parliament-government relations. First, it has to be mentioned that the Hungarian National Bank, which is responsible for the monetary policy of the country, is independent from the government and is controlled by the parliament. Thus, the advantages and disadvantages of its special position can also be investigated from the perspective of parliamentary scrutiny. Second, the dilemma of technocratic versus democratic decision making surfaces most markedly in budgeting, which is a concentrated expression of the political will of the executive. The parliamentary discourse on the budget and the special parliamentary budgeting process are central in this analysis. At the same time, the budget debate shows the "viscosity" of parliament (Blondel 1970) that is, its resistance to the executive and its orientation toward opposition with respect to economic policy. Third, beyond budgeting and connected closely with it, taxation laws also represent a concentrated form of politico-economic interests in all states, but first of all in young democracies where the economic construction of democracy is still in the making.

#### The Hungarian case study

Part I of this paper summarized the general situation following extended research on socioeconomic development in Hungary (see Cox and Mason 1999; Cook et al. 1999). Hungary has been one of the best performers in Central European economic development (table 1A). The marginalization of domestic actors may be said to characterize recent Hungarian economic developments, as a result of a foreign capital-led privatization process. At the same time, the policy making is government centred, although, for instance, the National Bank has become fully independent and is controlled only by the parliament. The independence of the National Bank is positive in terms of policy, since it protects the bank from possible arbitrary decisions of the government. It opens the way, however, to the influence of international monetary institutions, and provides substantial opportunities for the national monetary elite to influence decisions (see Gedeon 1997). This controversial situation illustrates the complexity of the key issue under discussion, the relationship between economic policy making and democratization. It bears repeating that, despite all distortions, the Hungarian parliament has played an eminent role in democratization. It has kept both its accountability and responsiveness in democratic transition and in early consolidation, and has rather successfully united the political and policy dimensions. Given an extended checks-and-balances system of (economic) institutions attached to it, the Hungarian parliament has, for the most part, avoided the technocratic style of decision making. Although the system of chancellor democracy has provided the government with dominance in policy making, economic legislation has still taken place in a parliamentary framework, through public discussions and control. However, the Hungarian parliament has to face up to the problem of the performance crisis due to the dual challenge of the Europeanization and globalization requirements that will be discussed below.



**Table 5: Economic policy legislation in Hungary, 1990–2000**

Year	Total passed laws	Total economic laws (per cent)
<b>First Parliament</b>		
1990	77	25 (32.5)
1991	93	29 (31.2)
1992	142	34 (23.9)
1993	119	37 (31.1)
1994	49	16 (32.7)
<i>Total</i>	<i>480</i>	<i>141 (29.4)</i>
<b>Second Parliament</b>		
1994	50	15 (30)
1995	126	41 (32.5)
1996	130	36 (27.7)
1997	159	43 (27)
1998	34	6 (17.6)
<i>Total</i>	<i>499</i>	<i>141 (28.3)</i>
<b>Third Parliament</b>		
1998	59	21 (35.6)
1999	126	11 (8.7)
2000	147	17 (11.6)
<i>Total</i>	<i>332</i>	<i>49 (14.8)</i>
1990–2000	1311	331 (25.2)

Source: Ágh and Kurtán 2001.

Part I of this paper has outlined the main problems—both the theoretical framework and the social context—of economic policy making and parliamentary accountability in Hungary. It has prepared the field for more concrete, empirical analyses of this issue, to which Part II is devoted. The case study of the Hungarian parliament requires a two-dimensional analysis: first, that of the internal workings of the parliament in terms of the activities of the MPs in the party factions and committees; and second, that of its institutional environment, that is, its relationship with economic institutions on one hand, and with the government on the other.

These empirical analyses will provide a detailed picture with many nuances, and will include negative features and distortions. The 1990s have seen a great deal of conflict, even in Hungary. All processes have been extremely controversial—with a mix of positive and negative features—which necessitates a complex analysis. It means deconstructing these positive and negative features for in-depth treatment and putting them in the proper context. In order to facilitate the discussion of the central hypothesis, four auxiliary hypotheses are introduced here. First, it is necessary to start from the assumption that, in the early 1990s, the new democratic institutions and the new politicians were still inexperienced in policy making. By the mid-1990s their experience had increased, both in keeping expert advice under control and handling the ensuing social crisis more skilfully. By the late 1990s, the parliamentary parties and their factions had become well organized and their party discipline and coordination of specializations were determined, so they were established as modern parties (see Ágh 1999).

Second, the problems that emerged in the Third Parliament (1998–2002) were of a different kind. A deep economic crisis had been overcome and the fight for competencies between the government and parliament had begun in a nearly consolidated democracy. In addition, this technocratic style was also strengthened during the incumbent government with a tendency toward “presidentialization of democracy” and successfully reducing the role of parliament in the control of government in terms of the economic legislation (for example, passing a two-year budget in December 2000).

Third, it can be assumed that some issues in economic legislation have been more prone to the technocratic style of policy making than others, and have become more remote from public supervision (privatization and debt management) than others (taxation and budgeting), which have been more closely scrutinized through public, democratic control.

Fourth, one can presuppose that there were some particular points when public control was weak and technocratic decision making to some extent escaped public control. This was the case in 1990–1991 and 1994–1995, when there was considerable external pressure on Hungary because of its huge international debt. This problem returned in the Third Parliament with the presidentialization of democracy mentioned above.

After the detailed analyses of positive and negative features of economic legislation, a coherent picture will be presented below. It will prove the central hypothesis through these four auxiliary hypotheses that, despite all distortions, the Hungarian parliament has performed rather well so far. Again, it is evident that early consolidation and EU accession have produced both new challenges and new opportunities that are also explored throughout the paper.

## **Part II: The Precarious Balance Between Economic Policy Making and Parliamentary Accountability in Hungary**

### ***The general framework of economic legislation***

#### **Policy institutes and the “science of democracy”**

For their good performance, democracies need a set of policy institutes to provide expertise and a developed political science discussing the working of democracy as a “science of democracy”. Since 1989, Hungary has advanced considerably in both respects. Professional policy institutes have been established in Hungary, working for the market and meeting the demands of private actors, and/or for the government, in shaping, discussing and controlling public policy making, mainly in the field of economic legislation and planning. This cumulative and competitive expertise has controlled the opinions of techno-bureaucrats within the government and has offered both political alternatives for the opposition and policy alternatives for the professionals, as will be discussed below in the section on transparency. These policy institutes have maintained contacts with their sister institutions internationally and have been legitimized by the large global and EU research/policy institutes through the exchange of data and analyses. The result is a public opinion that is well informed about current economic issues. Thus tendencies toward a technocratic style of policy making may be countered even before the parliamentary stage, and public resistance may be mobilized during parliamentary discussions (for example, on pensions or taxation).

Politics requires the same public expertise and control. Although the institutionalization of political science in Hungary has lagged far behind the above-mentioned policy institutes, some institutions have been able to provide expertise for a structured, pluralized public opinion in order to control the actions of the political parties and the government. The *Political Yearbook of Hungary* (Kurtán et al. 1998a, 1999, 2000) has been published since 1988 with all the political—and some socioeconomic—data, together with the main public opinion surveys of the year. It includes a large section about the Hungarian parliament, its legislative agenda and the behaviour of party factions, which provides an opportunity for a large polity of opinion makers to gain an insight into the workings of parliament. Parliamentary research was particularly strong in the First and Second Parliaments, during the institutionalization period. It was continued in terms of both empirical and policy-oriented research, joining the mainstream comparative research in Central Europe (Olson and Norton 1996; Longley and Davidson 1998). These two research endeavours had a common interest in extended research on parliamentary committees as “the central sites of policymaking” in the Central European parliaments (Ágh 1998b).

Thus, the “science of democracy” has also emerged to some extent in Hungary, and the policy experts, as well as political scientists, have become part of the national policy-making process. They have played an informative and critical role so far. It has been common in Central European party research to distinguish between “process” and “structural” approaches. The same is now necessary concerning the role of the Hungarian parliament in economic legislation. The process approach purports to consider the first decade of democratization as a transitional period, but leading to a more or less established structure, which requires a new approach. Actually, during democratic transition the politics-policy relationship was rather conflictual and controversial in various ways, and to a different extent, each year. This conflict should not be extended into the new period, in which the politics-policy relationship has been more or less coordinated and balanced. The former period, however, produced the typical contradictions of a simultaneous transition in which both democracy and a market economy were being created at the same time. These two transformations both contradicted and supported one another, in a double emergence process with a double weakness that has come to an end with democratic consolidation. When the new structure has been established and the democratic institutionalization completed, the validity of the “process” approach has to be replaced by the structural approach. This new approach has shown that while some former problems have been overcome (for example, processes of privatization), other new problems have come to the fore (such as selling the newly privatized landed property to foreigners inside the EU), which may be summarized as the new challenge of Europeanization.

The terms “process” and “structure” can be formulated in the current policy terminology as well. In international literature, the distinction between “policy regime” and “policy change” has recently surfaced, meaning that a policy regime with its common organizing principle is followed by a policy change that represents a new policy paradigm (Wilson 2000:247). So far, the Hungarian policy regime—including policy making in the parliament—has been a regime of socioeconomic crisis management. One now observes a policy change and a newly emerging paradigm of European Union adjustment. This policy change in many ways reflects the new conditions of the post-Washington consensus in the second period of globalization (see Makinson 2000).

#### Weak periods and hard issues in Hungarian economic legislation

At this turning point, the previous external dependence has discontinued and a new dependency framework has emerged in its place. Because of its huge international debt, Hungary was very dependent on global monetary organizations such as the World Bank and the IMF. But at the time of writing in 2001, with a net state debt of only around \$6 billion, which might be completely paid off in the coming years,<sup>19</sup> this dependence has been drastically reduced. At the same time, Hungary had entered the final phase of the accession negotiations with the EU. The accession process brought with it a new task: the burden of economic legislation legally approximating that of the EU. It is relatively easy to judge the relationship between technocratic policy making and parliamentary accountability in both consolidated democracies and developing countries, since they offer two clear, polar cases. It is much more difficult to assess the cases “in between”, which have changed substantially in their emergence process. Therefore, Hungary has been a very complex and difficult case with its old, new and changing contradictions, which require a nuanced analysis.

The first decade of democratization was very difficult and painful for the young democracies, including Hungary. The new democracies began to create their institutions in a globalized world with an increasingly technocratic style. The neoliberal ideas of the international financial institutions narrowed the choices in economic policy making to a limited set of objectives, for example, to issues of the balance of payments or reduction of budget deficits. Furthermore, pressure to standardize macroeconomic objectives led governments to take actions that generated results in the short term, and to restrict policy making to experts and, in this way,

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<sup>19</sup> See the communication of the President of the Hungarian National Bank (*Magyar Hírlap*, 28 April 2001).

exclude key democratic institutions. In Hungary this situation existed mainly in the early 1990s. The countries with more experts and contacts in the international economic policy-making community, in banking affairs and on monetary issues, had more opportunities for flexibility in their own economic—and even monetary—decision making. This was, and increasingly is, the case in Hungary. For example, in late 1994 Hungary refused to accept the IMF plan for monetary stabilization, and prepared its own, based on the opinion of its internationally acknowledged Hungarian experts. After some months, the IMF admitted publicly that the domestic recipe prepared by the Hungarian experts—led by György Surányi, who was twice the president of the Hungarian National Bank—had been better and more effective.

As is well known, the pressure of the international financial institutions may affect democratization in two ways. First, it may distort the structure of accountability by encouraging national authorities to be more responsive to financial markets and multilateral institutions than to fledgling parliaments and citizens. Second, social policies that were crucial in consolidating Western democracies may be treated as a remainder of macroeconomic policy and democratization. Moreover, those efforts that do not conform to neoliberal economic orthodoxy may be dismissed as populism. This point will be discussed later. The special Hungarian case concerning the first restriction was that although this external pressure was very strong in 1990–1991 and 1994–1995, it was still to a great extent “solved at home”. It influenced political decision making mostly from inside, through the national technocratic elite. First, the external pressure was reflected in the expertise of Hungary’s own technocratic elite having very good contacts with the international financial institutions, but at times successfully engaging in debates with the global institutions. Second, Hungarian privatization was a foreign capital-led transformation that produced a considerable presence and influence of multinationals in Hungary. Therefore, the huge foreign capital has emerged as domestic enterprises, so the pressure has come from inside. Hungary has been “multinationalized” to a great extent, since one-third of the Hungarian economy is controlled by the multinationals, and this proportion is even higher in the banking sector (Greskovits 1999:22). Hungary has been multinationalized not just in pure economic terms, but also in terms of organized interests and pressure groups. It is very difficult to decide what constitutes the proper national interest in concrete terms, since these multinationals have been the prime movers behind the robust economic recovery in Hungary. Since nearly 75 per cent of Hungarian foreign trade has been with the EU, the multinationals have been responsible for uniting Hungary economically with the EU.

There is no doubt, however, that the interests of these multinationals and Hungarian national interests have at times diverged, and even come into conflict, as in the case of tax havens and offshore enterprises. In most cases, the multinationals have succeeded in pushing through decisions that have been favourable to them. When the Hungarian parliament has needed expertise, and/or the parliamentary committees have opened up to contact with interest groups, there is no question that both expertise and pressure have come from the above-mentioned actors. Consequently, the chief social actors influencing economic policy making in Hungary have been the Hungarian or “Hungarianized” technocrats and representatives of the local branches of multinationals. Initially, sufficient amounts of foreign capital—around \$2 billion—were needed every year for debt servicing and the budget deficit, and subsequently this amount has been necessary for the development of investment in Hungary. Despite this positive role, there is also an argument that the links between the technocratic policy making of the multinationals and “home-made” democracy have not always been without serious conflict in Hungary. Yet, the final assessment in this respect is that the Hungarian economic recovery has been so successful that the role of the multinationals has been more positive than negative. However, it is not suggested that this evaluation of the domestic technocratic elite, the multinational representation in systemic change and the economic recovery in the second half of the 1990s may be generalized or extended beyond the specific Hungarian case.

It is difficult to generalize about economic legislation since there were two major exceptions to parliamentary accountability as the pre-eminent examples of weak control: privatization and debt management. In Hungary, as in all transitional countries, there was a bottleneck in

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

Second, the servicing of the state debt was also exempt, for the most part, from democratic control, and, because of its disruptive and destabilizing effect, the response was left mainly to the governments. But throughout the first half of the 1990s, there was consent among the major parliamentary parties that, unlike in Poland, debt should continue to be serviced despite all difficulties. Furthermore, the two issues converged in the Second Parliament, which voted, amid angry debates, to speed up privatization in order to drastically reduce the international indebtedness of the Hungarian state (see table 1A for figures on the national debt). These efforts were successful, and during the term of the Second Parliament, the international debt was reduced and became manageable, although at a price of overdriven privatization that included the energy industry, which has usually been kept as a state asset in Western democracies. Privatization and debt servicing have been the two outstanding issues for the Hungarian extreme right, the PHJL, since in these two cases the Hungarian population has felt that it has had neither information nor control of the processes.

However, those basic issues that have formed the new “structure” of consolidated democracy, taxation and budgeting have escaped the technocratic style of policy making. The Western model of taxation was introduced in the late 1980s among widespread political and policy discussions, under the slogan “no taxation without participation”; hence it strengthened the demand for free and fair elections in parliament. Taxation has always been at the centre of public and political debates. The elaboration and/or amendments of the taxation legislation have been made with the active participation of the social actors concerned, and there was a flurry of legislation in this respect. There were 36 acts on taxation in the First Parliament and 39 acts in the Second; at the time of writing, it was not unrealistic to expect a similar number in the Third Parliament as well (see Ágh 1995, 2001a, 2001b, 2001c and 2001d). The same is true with regard to budgeting. As has been shown, budgeting has been protected from a technocratic style of decision making by lengthy and sophisticated parliamentary procedures, with the participation of all parliamentary standing committees. Budgeting has always been at the forefront of the public interest and political fights. It is characteristic that, in the First Parliament, the passage of the first budget required a marathon session, including working through the night of 30–31 December 1990. Thus far, budgeting has been completed every year by 31 December, but always amidst passionate debates—even among the government MPs—and followed with great interest by the public at large.

These critical issues culminated in two crucial periods—at the start of new governments—in 1990–1991 and 1994–1995. The crises, which predated the new governments, forced them to act. The legacy of state socialism was paradoxical, a huge state debt on one side but good preparedness for a market economy on the other. As a result of the good business climate and the basic economic legislation that was created in the late 1980s, the FDI in the early 1990s exceeded \$10 billion. The first freely elected government in 1990 rejected the idea of shock therapy and continued the usual Hungarian gradualism. Its crisis management was only partially successful, since the debt situation was aggravated and the slight economic recovery

was threatened with more indebtedness, due to the worsening balance of payment situation. József Antall's government (1990–1993) averted the danger of populism—although the PHJL emerged in 1993 from the ruling “umbrella” party, the Hungarian Democratic Forum (HDF)—and did a good job in the legislation of macro-political institutions. It was unable, however, to cope with the general economic crisis, which included a drastic drop in GDP (by 20–25 per cent), high unemployment affecting one-third of the population and a decrease of about 25 per cent in the standard of living (see tables 1A and B); and, to add to this, the government had no solid majority in the First Parliament for crisis management.

Radical crisis management was left to the second government, which inherited a huge debt and a host of unsolved issues. It had, however, a solid majority in the Second Parliament, amounting to a two-thirds majority (72 per cent of the MPs). In the second crucial period, after protracted hesitation, on 12 March 1995, the Gyula Horn government (1994–1998) introduced the Bokros package (named after the Finance Minister, Lajos Bokros). It was like a “palace coup”, a pact between the prime minister and the finance minister, who put together their 50-point “package” over a long weekend, so that it came as a surprise even for the government. One can conclude that it was indeed a technocratic style of decision making, but there are also dangers in coming to premature conclusions. Actually, this hastily made package was mainly composed of the project elaborated by former Finance Minister László Békesi, as a result of long parliamentary and public debates. It is also true that external pressure on Hungary by the international financial institutions was substantial at that time. But, again, it would be a simplification to deduce that this abrupt economic turning point was induced by external pressure, since, after a long delay, the government implemented this economic programme, the basis on which it had been elected. Obviously, this crucial period witnessed the overlap of many factors, and the political will for drastic crisis management measures did not exist until March 1995. Whereas the government made the crucial decision, the necessary legislation was, in fact, passed by the Second Parliament, though again amid very passionate debates. Yet, the pro-government MPs understood the necessity of crisis management and supported the ensuing economic legislation in a disciplined way.

This summary of “the weak periods and hard issues” has proved the four auxiliary hypotheses that were put forward above. Hopefully, these hypotheses have helped in assessing the complexity of the Hungarian transition. Their summary allows for some generalizations as well. The simultaneous transition to a market economy and democracy may create major difficulties and raise the danger of populism aborting democracy. But the idea that “transition countries” start from a zero situation of “no democracy, no market economy” certainly cannot be applied in Central Europe, and especially not in Hungary. The historical inheritance in both respects was very substantial in Hungary in the early 1990s. The dual task of re-democratization and re-marketization was solved and the deepening early crisis was overcome by internal resources, growth and dynamism, but also through the assistance of FDI by the multinationals. Unlike Spain, Portugal and Greece, Hungary has not received substantial assistance from the Western powers or from the EU, Western assistance itself having been “privatized” through the multinationals. This has also been reflected in the partial and transitory technocratic distortions of the economic legislation, as has been indicated with regard to the participation and accessibility paradox, which resulted in a participation deficit. The multinationals were the early winners in Hungary and their “implicit veto power”, with privileged access to both the parliament and the government, played a significant role in Hungarian developments.

#### Parliamentary responsiveness and the social construction of democracy

The most sensitive issue to be tackled concerning economic legislation is the above-mentioned problem of the pressure by the international financial institutions to reduce and/or marginalize social policy. As Yusuf Bangura suggests,

welfare policies that are important in protecting social groups from the adverse consequences of liberalization, and in helping countries to consolidate their democracies, are treated as residuals of macroeconomic

policy. Democratization that does not conform to neoliberal orthodoxy is dismissed as populism, making it difficult to promote genuine social dialogue on the issues that affect the lives of most people (Bangura 2001:3).

Social policy in Hungary was also brutally subjected to the exigencies of monetarist economic policy, but was represented throughout the worst periods of crisis management as legitimate demand. Despite the painful economic crisis management, extreme populist parties emerged only marginally in Hungary. In general, within the Central European developments, economic and social policies have been inseparable, both positively and negatively. Thus, in democratic transition and during the severe economic crisis in Hungary, the share of social benefits grew in the shrinking budget in order to avoid a populist reaction and a sociopolitical collapse. In the first half of the 1990s, real wages shrank drastically (by 25 per cent) and many people (about one-third of the active population) lost their jobs; hence there was an increasing need for joint economic and social crisis management. This “merger” of economic and social policies continues in a different context. In the present period of early consolidation with sustained economic growth, a new institutional design is needed to draw up the borders of the new public sector. A 1997 UNDP report on “post-Communist” countries analyses the role of nation-states in welfare provision. This report, exploring the “East-West” contrast with respect to welfare provision, has actually formulated the tasks of the Central European states in designing their new public sectors (UNDP 1997:62). Since then, the creation of a new public sector has been high on the agenda in Hungary.

The social deficit left behind by economic crisis management and neglected—willingly or unwillingly—by the new Central European governments, has been enormous. The dominant tendencies and the basic facts in Hungary indicate that in the late 1980s, income polarization between the highest and the lowest income brackets was very similar to that of the Nordic states (5:1). By the early 1990s polarization was comparable to the French or Spanish levels (8:1), which was better than the Greek or Portuguese levels (10:1), where economic development was closest to that of Central Europe. The big push for social change was provoked by the drastic reduction of real incomes and increasing rates of unemployment, which necessitated social crisis management during the 1990s. This trend has turned around because since the late 1990s, job creation has dominated and unemployment has dropped below 10 per cent. In Hungary at the time of writing, the income level of the richest decile was eight times higher than that of the poorest decile. In general, in the late 1990s average income in Hungary was close to that of the late 1980s; and in the early 2000s, as a regional average, it has become more or less equal to the average that prevailed before the systemic change. But in Hungary, as a result, a “one-third-two-thirds society” has emerged, with about \$3,000 per capita income a year (in purchasing power terms). The upper one-third is living at a Western European level, while the lower two-thirds survive only at a minimal level, with significant income differentiation within both groups. The most characteristic phenomenon of the 1990s was the degradation and impoverishment of the lower middle class, first of all those in the public sector, that is, the “declassification” of public employees in education and health care and, to some extent, in public administration. As public opinion surveys show, the perception of the situation by the population at large is even worse than the situation itself, which may reflect the cumulative effect of transition fatigue.

Although with great difficulties, the safety net of the social insurance system, inherited from state socialism, has still been working in Central Europe; about 25–30 per cent of the budget has gone to social spending (32.2 per cent in 2000). However, no Central European government has yet accomplished the profound reform of the major redistributive systems in social welfare, health care and education, representing the largest part of the budget (a total of 58 per cent in Hungary in 2000). In Central European countries, there are only a few tentative attempts being made as a reaction to the continued budgetary problems, first of all in reforming the pension system. According to the logic of the four-year governmental cycle, a major social, and/or budgetary, reform may only be launched in the first half of this cycle, but so far no Central European government has had the vision and taken the political risk to attempt it. It is true that

one can already notice some improvements in the standard of living as a result of the trickle-down effect of sustained economic growth. The real question, however, is its speed and the extent to which it trickles down, and, most vitally, whether it reaches the real poor, the lowest 20 per cent of Central European society.

Hungarian social reform legislation, which was initiated—although it is still incomplete—has been successful, but not sufficient. As to the public sector at the macro level, no fundamental reform ideas have been formulated, although changes have taken place—for example, in the ministerial structures and state funds—because of the direct pressures of state budgeting. The major socioeconomic transformation is at the macro level, as a postindustrial structure of employment has also come into being. At the meso level, substantial changes have also occurred, but due to the half-completed, asymmetrical institutionalization, no real multi-actor society has yet emerged. Now the biggest task is the revitalization of the public sector within its new borders and with its new actors and organized interests. Consequently in Hungary, economic-cum-social legislation has been efficient enough to avoid major social conflicts or widespread popular dissatisfaction provoking large populist movements, so there has been no dominating “technical spillover” on these issues from governments to parliaments and other public bodies. Social legislation has not yet been powerful enough, however, to accomplish real systemic social change by creating a new social security system. All in all, the economic structure of democracy has been completed but its social structure has not yet been consolidated, although without the social construction of democracy, the democratic system as a whole remains weak.

The key question is whether this weakness may be qualified only as an “infantile disease” or whether it is a structural, negative feature of the new system. The second case is more characteristic of the countries that can be identified as “defective democracies”. According to conventional wisdom, technocratic policy making can be extended to the social field, although democracies that do not address the social well-being of their citizens may be prone to instability. The weak performance of new democracies in reducing poverty is noticeable everywhere, and the costs of a technocratic style of regulation are rather high. It can be argued that the Hungarian situation is different and that the weakness in the social construction of democracy is only a transitional phenomenon. It is true that the legislative framework, as a whole, for the new public sector and the “social state” is still missing, but its outlines have already been drawn up. The “Social Europe” project of the EU has formulated clear criteria for the accession states (Falkner 2000), and the *Presidency Conclusions of the Stockholm European Council* (Stockholm European Council 2001 paragraph 50) also emphasized the necessity of merging the economic and social issues, thus indicating the way for Hungarian economic legislation as well.

### ***State capacity and democratization***

#### **Parliamentary capacity and political transparency**

In terms of international comparisons, the Hungarian state and its parliament have a relatively high capacity for managing democratic transition and building a market economy. In a contextual analysis, state capacity can only be treated and measured against the background of the particular society it regulates, since it receives both feedback and resources from the same society. State capacity also has to be considered from the point of view of the global system, in an international context of challenges and opportunities. If one takes, for example, the Czech case, with a low capacity for economic crisis management, then the capacity of the state—and the parliament—for managing systemic change may be high in Hungary, even in a Central European context. As a part of state capacity in Hungary, the information network reporting on the activities of the state—or the parliament—has been rather stable and reliable, even with regard to the high complexity of economic and social transformation processes. The “social capacity” for managing systemic change by the society as a whole has been even higher, since the public at large has been very active in making the politicians and political institutions



accountable. The public has followed the events and discussions in parliament closely through television and radio broadcasts and through the newspapers.

The public at large has also reacted intensively to parliamentary events, sometimes very angrily. Some legislative actions have provoked peaceful protests and mass demonstrations at the parliament building, but without eruptions of extremist populism. The popular feedback has worked rather well and efficiently. It is fair to say that parliament has pursued its policy making under popular pressure and control. Popular dissatisfaction with incumbent governments has regularly led to their electoral defeat. The composition of the Hungarian parliament has changed drastically during all four elections. The “splendid isolation” of politicians from public demand has not been evident, and many politicians have been forced out of parliament. Yet, this feedback system has brought with it a series of mistakes and failures. Thus, also in Hungary, the information deficiencies have often led to demands for more transparency in public policies, more reliable financial reporting and stronger regulatory institutions. However, one can also add that the popular pressures in this direction have been successful in most cases, and the special ombudsman for information has taken care of public demands. Therefore, these deficiencies have had no substantial spillover effects on political institutions, such as “election offices” that organize and supervise elections, the judiciary or lawmaking bodies, where both transparency and reliable information have been available, so that the political institutions have worked properly and democratically.

It has often been emphasized that transparency is not a sufficient condition for accountability, which denotes capacity to hold policy makers responsible for their actions. This argument refers to the public sector as a whole and opens a new perspective on the relationship between technocratic elites and political accountability beyond high politics, for example, in territorial, municipal and local self-governance. It is true that technocratic elites may prevail because of the low level of expertise available to political parties and legislatures, but only in the very first years of systemic change, although later this gap has appeared at lower levels of political decision making. Therefore, the argument that improvement of public sector accountability may take place by separating public policy making from service delivery, which becomes the responsibility of executive agencies, is also more valid at subnational levels than at the level of central government and parliament in Hungary.

However, it is also possible to make institutions both relatively independent and accountable, but there is a danger that accountability can lead to overpoliticization of service delivery – and this danger may be greater at the national level than at the subnational or local level.

### Synthesis of politics and policy

In conceptualizing the links between democracy and technocracy, it is useful to consider this relationship as a continuum or a spectrum. Thus most countries are likely to fall between the two poles. This approach presupposes an antagonistic relationship between democratization and (policy-oriented) efficiency, although efficiency is a legitimate goal and does not necessarily take a technocratic form. It would be easy to assume that on a continuum between technocracy and democracy, Hungary has fallen closer to democracy. The real situation, however, is more complex, since one can also claim that the democratization process has taken place with high efficiency in public policy. Thus, political decision making and policy making might, and to some extent should, be reconciled. This reconciliation—or the synthesis of both—has been extremely difficult, but still possible. Hungary and Poland have been among those very few cases to produce the synthesis of the two criteria: by the late 1990s they had both reached their 1989 GDP levels on the basis of the new market economy, and had a system of democratic institutions. Thus, these can be qualified as “successful transitions” (see Campbell 2001; Dulgheru 2001).

For evaluation of the role of the parliaments, one has to take into account that the traditional forms of legislative control over executive power have been weakened in all parliamentary

democracies. This has happened for two reasons. The first is the inherent nature of parliamentary regimes working with a simple majority. In most cases it is the government that has controlled the parliament, rather than the other way around. Second, the increasing complexity of policy making has made this control more difficult; therefore new forms of control over executive power have emerged (Warwick 2000). As has often been pointed out, there has been a growing trend to create autonomous public authorities that check the discretionary powers of governments in key areas of policy making. One set of these—more policy-oriented—institutions includes the above-mentioned central banks on one hand and the often public/private structures for service delivery on the other. The important role of the Hungarian National Bank has been discussed, and this section now turns to the non-profit sector and its substantial growth in Hungary. This development has been facilitated by legislation in the Hungarian parliament, first of all by the Organizations for Public Benefit Act (CLVI/1997, passed on 15 December 1997), known as the act on non-profit organizations. These organizations have, indeed, played a very important role in controlling the executive and providing public services at the grassroots level.

A second set of institutions for control is of a more political nature, since it includes independent courts, electoral bodies and ombudsmen. Although they share some characteristics in terms of the promotion of horizontal forms of accountability, the two sets of institutions are different. In Hungary, the second set of institutions has been even more broadly developed, since this group emerged earlier, it is more consolidated than the first set of policy making institutions. At the time of writing, the National Electoral Committee had organized and surveyed three free and fair elections so far without any significant complaints. The ombudsman's office had dealt effectively with thousands of cases each year (see the figures in the introduction; 2,308 cases in 1999), and was a rather efficient "popular" control over the executive. Finally, there was an Act on the Organization of the Courts (Act LXVI/1997). This act was passed on 8 July 1997 as part of a major legislative package on the independence of the courts. It took the court system from state control and established a self-governing control body for the Hungarian courts through organizing the National Judiciary Council. All three institutions have been closely connected with and/or controlled by the Hungarian parliament.

This long-term institutionalization has also changed the time dimension in the politics-policy interaction, since politics tends to work in four-year terms following the electoral cycle and policy requires a long-term perspective, or even a quick adjustment at any time in the political cycle. It is generally valid that central banks are more likely than politicians to develop long-term monetary policy, and politicians tend to manipulate taxation policies during the electoral cycle. Similarly, independent fiscal authorities enjoy the flexibility to adjust tax rates according to the business cycle, and not the electoral one. Hungary has also witnessed the fact that the proper institutionalization can prevent or restrict political short-term thinking. Admittedly, this has had only a very partial and controversial success so far, since, for example, one can point out that there has always been overspending by governments in the year before the elections. What is clear, however, is that these "non-traditional" control institutions have been centred on the Hungarian Parliament, a body which has elected their leaders, and received and discussed their reports every year.

#### The democracy deficit and EU accession

The young Hungarian democracy, even in its "process" stage, was not a defective democracy despite all of its deficiencies. Wolfgang Merkel defines democracy according to three criteria, the lack of which create a defective democracy: vertical accountability; horizontal accountability; and the "monopoly of power" by the elected representatives. This last criterion is elaborated by Merkel: "the exercise of political power—the authoritative distribution of goods and values (Easton 1965)—must lie exclusively in the hands of the democratically elected representatives" (Merkel 1999:5). In Hungary the exercise of political power remained in the hands of the democratically elected representatives and was not superseded by either the military or the technical elite. This was so even in the initial, difficult period of systemic change and much more

so in the later periods. The economic transformation was under democratic control, except for the cases of privatization and debt servicing, but these issues were temporary and a part of crisis management for the long-term public benefit. The economic recovery and sustainable economic growth that ensued may have justified these hard decisions. The new institutional “structure” of the polity has mostly overcome the former deficiencies but has produced a democracy deficit, similar to those of the consolidated democracies, as was discussed earlier in this paper. Early consolidation has also been controversial and asymmetrical in many ways. It has not yet succeeded in the reintegration and empowerment of those excluded from the political process through a marginalized economic and social existence, that is, in the creation of participatory democracy. The exclusion and disempowerment of the losers might have been the price for the stabilization of democracy, but their inclusion and mobilization is now the basic precondition for mature consolidation. Economic legislation can be completely under parliamentary control, but its democratic character may be questioned if the Hungarian parliament represents only half of the population—in 1998 the electoral participation was only 56 per cent—and in this way the democracy deficit is becoming substantial. The special political contradictions of early consolidation have also added a new dimension to this dearth of mass participation in sociopolitical life. As was discussed earlier, the tendency of the “presidentialization” of the Hungarian democracy may improve the efficiency of political decisions in the short run by removing possible areas of opposition or veto, including some of those in the parliament, but will be counterproductive in the long run. The tendency to turn to a majoritarian type of democracy in order to correct the problems of consensual democracy may, in fact, aggravate the democracy deficit by lessening the role of the Hungarian parliament in general, and that of the social actors in particular. This was the new, third, “crucial” period of democratic control in Hungary, right at the time when the country was faced with the task of accession. The presidentialization of democracy has been in conflict with the EU requirements, as various reports from EU bodies have warned.

This new controversial situation was also observable in the MPs’ behaviour and the activities of the Third Parliament as a whole.

The institutional “structure” that has been established in the Hungarian parliament more or less corresponds to the needs of the Hungarian transformation in early consolidation, but at the time of writing did not align with the exigencies of EU accession. Although, in a declaration on 11 September 2000, all six parliamentary parties—including the PHJL—supported full entry to the EU, the Hungarian MPs still had only minimal contacts with the European Parliament and the national parliaments of the EU member states. While their professionalization, and the institutional structure of the Hungarian parliament may be enough for the democratic control of internally initiated legislation, they are not enough for the domestic implementation of EU legislation; therefore Hungarian MPs fear the prospect of an increasing administrative burden. They were generally unenthusiastic about the broadening of the EU’s powers, and were reserved about the direct legislation of the EU concerning the member states. All in all, Hungarian MPs were very supportive of EU membership in abstract terms, but had a number of specific concerns, and therefore felt considerable discomfort with regard to the concrete process of Europeanization (see annexes 17–23 on accession to the EU).

Consequently, one has to conclude that EU accession has aggravated the situation and threatens the former fragile balance between politics and policy, and accountability and efficiency, in Hungary. In the near future, Hungary will have to cope with structural adjustment to the EU in all respects. This process will basically redress the interaction of “internal” and “external” factors. It will not only raise new standards for policy making and efficiency, but will also change the criteria and process of democratic accountability beyond recognition. But the accommodation of Hungary to EU requirements will certainly need even more of the above-mentioned synthesis between politics and policy, as the study of the EU has taken place within a combined institutional and policy-making approach (Aspinwall and Schneider 2000). The first decade of democratization can only be seen now, in retrospect, as a prelude to “Europeanization” and EU membership.

## Annexes

**Notes to the annexes:** Unless another source is cited, the annexes are derived from a survey conducted by the authors.

There are no figures for the CDPP in the Third Parliament, because the party failed to gain representation in the 1998 elections. The PHJL, on the other hand, is represented only in the Third Parliament because it was created in 1993 and failed to win any seats in the 1994 elections.

### ***Annex 1: Division of seats in the First, Second, and Third Parliaments***

	First Parliament 1990		Second Parliament 1994		Third Parliament 1998	
	Number	Per cent	Number	Per cent	Number	Per cent
HDF	164	42.5	38	9.9	17	4.4
AFD	92	23.8	69	17.9	24	6.2
ISP	44	11.4	26	6.8	48	12.4
HSP	33	8.5	209	54.2	134	34.7
Fidesz	21	5.4	20	5.2	148	38.3
CDPP	21	5.4	22	5.7	–	–
PHJL	–	–	–	–	14	3.6
Others	11	2.8	1	0.3	1	0.3
Total	386	99.8	385	100.0	386	99.9

Due to rounding, not all percentage columns add up to 100.

## Background of MPs

**Annex 2: Characteristics of MPs by party, 1990–1998** (per cent)

	1990							1994							1998						
	HDF	AFD	ISP	HSP	FIDESZ	CDPP	PHJL	HDF	AFD	ISP	HSP	FIDESZ	CDPP	PHJL	HDF	AFD	ISP	HSP	FIDESZ	CDPP	PHJL
Average age	44.7	42.4	58.6	52.0	27.8	54.7	–	49.6	45.4	56.4	45.3	35.2	54.1	–	46.8	47.5	50.8	48.5	41.3	–	52.9
Teachers and University professors	21.8	16.0	2.0	12.1	18.2	4.8	–	18.4	14.3	4.0	13.5	15.0	18.2	–	0	4.2	9.3	8.5	11.2	–	21.4
Writers and journalists	3.6	1.1	1	6.1	4.5	9.5	–	0	1.4	0	1.9	5.0	4.5	–	0	0	0	0.8	0	–	0
Lawyers	7.3	12.7	3.0	0	0	14.3	–	13.2	12.9	12.0	4.3	0	13.6	–	14.3	12.5	9.3	3.1	7.4	–	7.1
Managers and entrepreneurs	10.9	14.9	8.0	6.1	9.0	9.5	–	10.9	18.6	4.0	24.0	15.0	9.1	–	0	4.2	16.3	21.7	16.9	–	0
Politicians	0	0	1.0	21.2	4.5	0	–	5.3	4.3	12.0	16.3	35.0	9.1	–	42.9	70.8	23.3	35.7	27.9	–	21.4

**Annex 3: Professional background of MPs in committees** (per cent)

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

<sup>a</sup> Dates refer to the month the survey was conducted.

**Annex 4: MPs who had local political background** (per cent)

Party	1990	1994	1998
HDF	10.5	7.9	41.2
AFD	5.6	11.4	8.3
ISP	5.6	23.1	25.0
HSP	0	35.3	9.7
Fidesz	0	10.0	50.7
CDPP	0	27.3	–
PHJL	–	–	14.3
Per cent of total	4.6	27.5	29.0

**Annex 5: MPs with parliamentary experience** (per cent)

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

**Annex 6: MPs who held party positions at the time of election** (per cent)

Party	1990	1994	1998
HDF	68.4	39.5	29.4
AFD	88.9	32.9	45.8
ISP	94.4	42.3	18.8
HSP	58.6	15.3	9.7
FIDESZ	100.0	35.0	18.9
CDPP	100.0	42.5	–
PHJL	–	–	42.9
Per cent of total	77.5	27.5	18.7

**Annex 7: Candidates for the Second Parliament (1994) who held elected political office between 1990 and 1994 (per cent)**

Party	Member of Parliament	Mayor	Local councillor
HSP	9.9	5.0	34.3
AFD	35.7	10.9	31.7
HDF	39.6	6.3	29.7
ISP	2.7	7.1	23.0
CDPP	11.7	8.8	38.9
FIDESZ	14.0	7.6	37.7
PHJL	4.8	0	14.3
Per cent of total <sup>a</sup>	10.3	5.1	21.5

<sup>a</sup> Including non-parliamentary parties. **Source:** Sebestény 1994.

## Constituencies

**Annex 8: Who do you represent in your parliamentary work?**

	Direct MPs			List MPs		
	Number (per cent)			Number (per cent)		
	1992	1995	1999	1992	1995	1999
City, region	2 (3.6)	6 (9.1)	7 (14.9)	9 (14.8)	9 (13.8)	6 (12.0)
Constituency	24 (42.9)	32 (48.5)	21 (44.7)	2 (3.3)	1 (1.5)	2 (4.0)
Interest group	–	–	–	2 (3.3)	2 (3.1)	–
Party	5 (8.9)	5 (7.6)	6 (12.8)	15 (24.6)	11 (16.9)	12 (24.0)
Ethnic minority	–	–	–	1 (1.6)	1 (1.5)	–
Citizens	21 (37.5)	17 (25.8)	11 (23.4)	17 (27.9)	32 (49.2)	21 (42.0)
Social group	2 (3.6)	2 (3.0)	–	10 (16.4)	7 (10.8)	5 (10.0)
Other	2 (3.6)	3 (4.5)	1 (2.1)	5 (8.2)	2 (3.1)	3 (6.0)
No response	–	1 (1.5)	1 (2.1)	–	–	1 (2.0)
Total	56 (100.1)	66 (100)	47 (100)	61 (100.1)	65 (99.9)	50 (100)

Due to rounding, not all percentage columns add up to 100.

**Annex 9: How do you keep in contact with your constituencies? (per cent)**

	Direct MPs			List MPs		
	1992	1995	1999	1992	1995	1999
Has local office	77	74	72	31	40	42
Has permanent staff in the constituency	66	74	68	31	48	40
Regularly visits constituency	86	96	96	45	40	63
Organizes meetings	80	77	75	71	57	83
Receives mail	59	62	53	29	28	33
Only limited contacts	4	–	–	5	3	–
Has no constituency <sup>a</sup>	–	–	–	39	52	47

<sup>a</sup> List MPs are elected on party lists and thus have no constituencies.



## MPs and interest groups

### *Annex 10: Interest group connections of the members of three parliamentary parties, 1997–1998*

Party/type of interest group		1997–1998	
		Number	Per cent
HSP	business/entrepreneur groups	56	26.5
	trade unions	9	4.3
	professional groups	56	26.5
	cultural, ideological groups or groups that support a public interest issue	79	37.4
	groups with political aims (but non-party)	11	5.2
	Total	211	99.9
AFD	business/entrepreneur groups	4	6.0
	trade unions	0	0
	professional groups	18	26.9
	cultural, ideological group or groups that support a public interest issue	37	55.2
	groups with political aims (but non-party)	8	11.9
	Total	67	100
FIDESZ <sup>a</sup>	business/entrepreneur groups	5	9.3
	trade unions	0	0
	professional groups	7	13.0
	cultural, ideological groups or groups that support a public interest issue	32	59.3
	groups with political aims (but non-party)	10	18.5
	Total	54	100.1

Due to rounding, all percentage columns do not add up to 100. <sup>a</sup> FIDESZ data include the ex-CDPP members who have joined the faction.

## MPs' advisors

### *Annex 11: Whom do you consult before making an important decision? (1999)*

	Direct MP	List MP	Government	Opposition	Total
Members of own faction	2.15	2.25	2.20	2.20	2.20
Faction leader	3.74	3.54	3.50	3.74	3.64
Members of other government factions	3.79	3.96	3.54	4.13	3.83
Members of other opposition factions	3.94	3.87	4.18	3.70	3.90
Government representative	3.70	3.69	3.03	4.19	3.69
Interest group representative	3.40	3.48	3.69	3.26	3.44
Party expert	2.49	2.47	2.62	2.37	2.48
Independent expert	3.15	2.86	3.12	2.91	3.00

**Note:** Responses are average scale scores: 1 = most often, 5 = most rarely.

## Voting

### *Annex 12: Source of bills initiated and passed*

Initiated by	1994–1998			1999			2000		
	Bills initiated	Bills passed	Per cent	Bills initiated	Bills passed	Per cent	Bills initiated	Bills passed	Per cent
Government	470	434	61	131	118	55	128	123	52
Committee	16	11	2	8	3	3	11	7	4
MPs	290	53	37	96	5	41	109	17	44
Total	776	498	100	315	126	100	248	147	100

### *Annex 13: What do you taken into consideration when you vote in Parliament?*

	Government		Opposition	
	1995	1999	1995	1999
Interests of the whole country	2.3	1.9	2.1	2.1
Own conscience	2.4	2.4	2.5	1.8
Need for political stability	3.7	4.1	4.3	3.8
Opinion of voters	3.9	3.5	3.7	3.3
Opinion of the parliamentary faction	4.0	3.2	3.3	3.5
Opinion of government	4.1	3.2	6.9	6.8
Interests of a social group	5.9	6.7	5.8	4.8
Opinion of an interest group	7.1	7.0	6.3	6.8

**Note:** Responses are average scale scores: 1 = most important, 8 = least important.

### *Annex 14: How important is the faction meeting in your parliamentary activities? (1995, per cent)*

	Direct MPs	List MPs	Government	Opposition
Very important	12	31	16	50
Important	74	62	75	36
Not important	12	8	9	14
No response	2	–	1	–

**Source:** Ilonszki 2000:219.

## Committees

### *Annex 15: How do you evaluate your committee's work?*

	Government		Opposition	
	Second Parliament	Third Parliament	Second Parliament	Third Parliament
	1994	1998	1994	1998
In legislation	2.4	3.9	2.7	3.2
In scrutiny	3.3	3.3	3.7	2.4
Public relations	3.6	3.3	3.4	2.5

**Note:** Responses are average scale scores: 1 = excellent, 5 = poor.

**Annex 16: How responsive is the government to your committee's activity? (per cent)**

	Government MPs		Opposition MPs	
	Second Parliament 1994	Third Parliament 1998	Second Parliament 1994	Third Parliament 1998
Very	32	52	5	7
Not very	60	39	86	59
Not at all	8	9	9	33

## The European Union

**Annex 17: Did you receive ample information for decisions concerning Hungary's EU membership? (1999–2000, per cent)**

	Direct MPs	List MPs	Government	Opposition	Per cent of total
Yes	89.3	84.0	95.2	80.0	86.6
No	10.6	14.0	2.4	20.0	12.4
Do not know	–	2.0	2.4	–	1.0

The following tables refer to MPs from the Third Parliament (1998–2002).

**Annex 18: How many times have you had any official contact with the following institutions during this parliamentary term?**

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

**Note:** Responses are average scale scores: 1 = none, 2 = once or twice, 3 = more often.

**Annex 19: What do you think the EU legal regulations imply for the Hungarian legislative process? (per cent)**

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

***Annex 20: In your opinion, what inhibited detailed talks about EU entry?***

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

**Note:** Responses are average scale scores: 1 = most important, 5 = least important.

***Annex 21: EU powers and the European Parliament***

Would you support or oppose:	Direct MPs	List MPs	Government	Opposition	Total
Broadening of EU powers	3.41	3.06	3.39	3.11	3.23
That the European Parliament directly make laws concerning a member state	4.15	3.96	4.34	3.84	4.05

**Note:** Responses are average scale scores: 1 = strongly supports, 7 = strongly opposes.

***Annex 22: What do you think are the roles of economic and political interests in Hungary's entry to the EU?***

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

**Note:** Responses are average scale scores: 1 = most important, 5 = least important.

***Annex 23: Do you believe that EU rules and decisions serve Hungary's best interests? (per cent)***

	Direct MPs	List MPs	Government	Opposition	Per cent of total
Yes	89.3	96.0	95.2	90.9	92.7
No	6.4	2.0	4.8	3.6	4.1
Do not know	4.3	2.0	–	5.5	3.1

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