

# Contemporary Governance Models and Practices in Central and Eastern Europe

**Edited by:**  
Polonca Kovač  
György Gajduschek



**NISPAcee**

THE NETWORK OF INSTITUTES AND  
SCHOOLS OF PUBLIC ADMINISTRATION  
IN CENTRAL AND EASTERN EUROPE



Contemporary Governance Models and Practices  
in Central and Eastern Europe



# Contemporary Governance Models and Practices in Central and Eastern Europe

Selected Revised Papers  
from the 22<sup>nd</sup>  
NISPAcee Annual Conference  
May 22–24, 2014  
Budapest, Hungary

## Edited by:

Polonca Kovač

University of Ljubljana  
Ljubljana, Slovenia

György Gajduschek

Corvinus University of Budapest  
Budapest, Hungary

Bratislava: NISPAcee, 2015

Copyright © 2015 by NISPAcee

The Network of Institutes and Schools of Public Administration  
in Central and Eastern Europe

## **Contemporary Governance Models and Practices in Central and Eastern Europe**

Editors:

Polonca Kovač (University of Ljubljana, Slovenia)

György Gajdushek (Corvinus University of Budapest, Hungary)

Reviewers:

Mirko Pečarič (University of Ljubljana, Slovenia)

Bogdana Neamtu (Babes Bolyai University, Romania)

Published by

NISPAcee Press

Polianky 5

841 01 Bratislava 42

Slovak Republic

tel/fax: 421 2 6428 5557

e-mail: [nispa@nispa.org](mailto:nispa@nispa.org)

<http://www.nispa.org>

Printed in Slovakia

ISBN 978-80-89013-75-3

The book contains selected revised papers from the 22<sup>nd</sup> NISPAcee Annual Conference “Government vs. Governance in Central and Eastern Europe”, Budapest, Hungary, 22–24 May 2014, organised in cooperation with Corvinus University of Budapest, Budapest, Hungary & National University of Public Service, Budapest, Hungary

# Table of Contents

## INTRODUCTION

Developing New Governance Models and Administrative Practices in Central and Eastern Europe

*Polonca Kovač*..... 7

## SECTION I

### From Pre-Weberianism to New Weberian State

Universal Rationalization: Max Weber's Great Narrative

*Dirk Kaesler*..... 21

What Would Max Weber Say About Public Sector Innovation?

*Rainer Kattel*..... 29

The Afterlife of Weber's Bureaucratic Model

*Mark Gal*..... 41

Effects of Western Governance Models in Eastern Europe After the Transition, Enlargement and Crises

*Tamás M. Horváth*..... 53

## SECTION II

### Post-New Public Management and Good Governance

From Pre-Weber to Post-NPM: Challenges to Modernization of Public Administration in Latvia and Norway

*Harald Koht, Iveta Reinholde*..... 75

Rationality and Bureaucracy in Hungary Before and After the Transition

*György Jenei*..... 97

Why Do We Need a Strong but Constitutionally Limited State? The Paradigm of Good Government

*István Stumpf*..... 113

Illiberalism in the Making: Orbán-era Governance Reforms in the View of the Administrative Elite

*György Hajnal*..... 133

## CRITICAL NOTES

Critical Notes on Four Major Theories of Public Administration as they Appear in Central and Eastern Europe

*György Gajduschek*..... 157



## INTRODUCTION

# Developing New Governance Models and Administrative Practices in Central and Eastern Europe

---

*Polonca Kovač<sup>1</sup>*

### Abstract

Systemic social changes require new governance modes to cope with the most complex issues and crises emerging today in Central and Eastern Europe (CEE) and beyond. This special book on contemporary Neo-Weberian and Good Governance driven models is one of many initiatives launched by NISPAcee to provide scientific support to CEE countries in their search for the most efficient governance approaches. Contributing authors from CEE and other European countries explore current theoretical paradigms and administrative practices in individual countries and the region with certain characteristics to be taken into account. Together we further explore basic field concepts and offer policymakers in CEE additional resources to develop democratic and efficient policy, using so-called Good Governance as an umbrella doctrine, incorporating Weberian and New Public Management legacies and future perspectives.

**Keywords:** Central and Eastern Europe (CEE), (Good) Governance, New Public Management, Public Administration, Reforms, Weberianism

### 1. Introduction to the Recent NISPAcee Activities on Weberianism and Good Governance

---

Ongoing and rapid social change is generating political-administrative wicked issues that demand global, interdisciplinary and cross-sectional responses. New public governance modes are required to generate new forms of democratic account-

---

<sup>1</sup> Associate Professor, Faculty of Administration, University of Ljubljana, Ljubljana, Slovenia.

ability in the context of transfer of sovereign state powers to the EU; transfer of power from parliaments to executive authorities; privatized delivery of public services, and other similar processes (Pollitt & Bouckaert, 2011, p. 9; Rose-Ackerman & Lindseth, 2011, p. 339; Bevir et al., 2011, p. 17; Eymeri-Douzans & Pierre, 2011, pp. 120–149). We believe that a scientific approach to public administration (PA) and public policy, analyzing best and other practices in individual countries and regions and synthesizing their key elements to new governance models, is of utmost importance (cf. Raadschelders, 2011, pp. 12–41).

To form administrative practices based on theoretically-grounded governance models is even more important in still-transitional Central and Eastern Europe (CEE), a region striving to fully develop public policies that are simultaneously democratic and efficient while facing persistent economic crisis, among other problems. Considering the dilemmas expressed especially in CEE, countries of the region face similar problems, such as determining the proper scope of minimal vs. strong state with the level of (de)regulation or (non-)marketization and developing democratic over technocratic values. In institutional arrangements there is still a problem of fragmentation vs. unity of administration (see Randma-Liiv, 2008/2009). Moreover, several reform processes have been mere “window-dressing” copies of Western patterns. Not surprisingly, one can claim Good Governance practice is still in the nascent state in the region (Kovač, 2013, p. 152).

NISPAcee is an umbrella network aiming to foster interdisciplinary study of the practice and theory of public administration, administrative science and policy on national and European levels. With the goal of scientifically supporting (new models of) public governance in CEE, NISPAcee as a distinguished regional organization of public administration research and study programs for the past 20 years (see Vintar et al., 2013) has initiated and run several activities. The NISPAcee annual conference, widely recognized among academicians and practitioners in CEE and beyond, for 2014 adopted the theme of pre- to new-Weberianism in public governance. More precisely, the main themes of the 2014 conference were devoted especially to the legacy of Max Weber, as we celebrate the 150<sup>th</sup> anniversary of his birth, and to Good Governance topics. As emphasized by the conference programme board:

*Far-reaching developments, achievements and, especially in the last few years, problems of the state and public administration are raising the basic questions of government and governance; what their role should be, what they can and cannot do, and how best to do it. Governance has, over the past two decades, become an often-used term in globally as well as in our region. This alleged shift from a more traditional “government orientation” to “governance orientation”—involving, among others, an increased reliance on horizontal, market- and partnership-based*

*state-society relations as opposed to a more hierarchy- and authority based one... [NISPAcee, 2014].*

The conference presenters and participants engaged in detailed debates in this context, arguing the need for CEE to define advantages and to overcome threats arisen on these grounds. NISPAcee has continued to introduce other initiatives, such as the young academicians V4 network (see Kovač et al., 2014) and Trans European Dialogues, a joint project with our sister organization of European Group of Public Administration (EGPA). This last initiative, organized for the eighth time in 2015, will also address certain issues mentioned above.

In search of new knowledge in the field, this book has been designed by NISPAcee to dedicate special attention to exploring major shifts in practices and theory of public administration and governance models in CEE. Special attention is given to systematic recognition of development of governance in public affairs, namely transforming from traditional Weberian or “good government” driven public administration (cf. Andrews, 2010) through New Public Management (NPM) doctrine (which prevailed for several years), to the now widely acknowledged “governance” characterized concepts, such as post-NPM, New or Neo-Weberian State and Good Governance (on NPM Hood, 1995; on post-NPM Christensen & Læg Reid, 2011; on other concepts in particular in various articles in Pollitt et al., 2008/2009, and Pollitt & Bouckaert, 2011).

While designing and editing this book we invited selected public administration experts to prepare individual chapters. Some of the contributions were previously presented during the 2014 NISPAcee conference in May 2014. However, based on initial texts double-blind peer review was carried out in autumn 2014. At the end of the whole project of inviting experts, thoroughly selecting their submissions, rewriting and editing individual chapters, we have finally gathered eight contributions. Some of the authors have given special attention to Weberian elements in contemporary public administration (Part I of this book, chapters 1–4) and others have formulated their research and conclusions more towards overall Good Governance (Part II of this book, chapters 5–8). Contributing authors (reviewers and editors included) come from a set of European countries, namely Germany, Estonia, Hungary, Norway, Latvia, Romania and Slovenia. Some are researching in-depth national public administration and its functioning or exploring comparative insights on public governance; others dedicate their research rather to global concepts of Weberianism and Good Governance and their implications for public administration theory and administrative practices.

## 2. Governance Shifts – New Models and Practices or Theoretical Myths?

---

It is indisputable that complex and profound changes in patterns of social environment and public governance are both a key incentive for and a result of public administration reforms. The dynamics of the social environment demand responses. Good public governance in this context as the conciliation of interests and regulation of relations between different people, organizations and other stakeholders in a society with the aim to pursue (most) broadly recognized values and general interests is thus becoming increasingly important. Recently, the notion of Good Governance as a kind of umbrella concept has been recognized as a key doctrine in theory at least. Governance was first mentioned by Aristotle, but developed in the late 20<sup>th</sup> Century primarily under the influence of economic factors within the sustainable societal development paradigm (cf. OECD, 2004, pp. 3–25; Andrews, 2010; Venice Commission, 2011, pp. 3–20; World Bank, 2014). But as we understand it today, the concept gained its significance mainly through policy analysis and interdisciplinary application. It emphasizes eight fundamental principles, among them participation, rule of law, effectiveness and efficiency (OECD, 2004, pp. 20–45). In a system of Good Governance the state and its public administration exercise authority and protect public interest but are not the exclusive bearers thereof. Governance is a governmental “well-functioning bureaucracy” with its administration operations and other societal networks included, as opposed to monopolistic hierarchical authority held by core state administration (Peters, 2012). Contemporary governance is (to be) conducted through networking and open structures rather than autocratically and from top to bottom (for more see for instance Schuppert in Bevir, 2011, p. 287), but these guidelines have been formulated as a heritage based on core Weberian and New Public Management legacies. In this respect Good Governance incorporates among other dimensions also a rather legally oriented paradigm of (right/s to) good administration (Venice Commission, 2011, p. 12; Rose-Ackerman & Lindseth, 2011, p. 356).

In order to start on our path of further exploring specific elements of governance models and administrative practices as included in this book, let us initially present some basic concepts, later discussed and applied as a framework or a goal of reforms in CEE. We explore these elements based on, of course, a simplified vision of Good Governance incorporating all other main paradigms, in particular classical and neo-Weberianism and liberalistic New Public Management and post-NPM (see Table 1, main sources applied: Bevir et al., 2011, Raadschelders, 2011, Pollitt et al., 2008/2009, p. 15; Rose-Ackerman & Lisbeth, 2011 p. 350 and on; Mathis, 2014, pp. 139–162).

**Table 1**  
Main elements of development in public governance theories and administrative practices

<b>Model/elements</b>	<b>Weberian public administration</b>	<b>New Public Management and post-NPM</b>	<b>Neo-Weberian State</b>	<b>Good Governance</b>
<b>Main period</b>	19 <sup>th</sup> and the beginning of 20 <sup>th</sup> century	From 1980s on	Late 1990s to present	From 2000s and on
<b>Main principles</b>	Legality, equality, responsibility, formalism, rationalization, other elements of administrative law	Efficiency and effectiveness, economy, users' orientation	Efficiency and effectiveness, state governed by law and social welfare	Participation, transparency, legal certainty, responsiveness, accountability, efficiency
<b>Role of the state</b>	All powerful: state solving all societal problems	Minimal: state ensures, but does not provide public services and products	Stronger: state removes market deficiencies, coordinating societal subsystems	Collaborative: state through government strategically develops partnerships for co-decision-making
<b>Scope of the state and public administration in the society</b>	Rather large, state as an authority and public services provider	Small, focus on privatization and delegation of powers	Stronger, delegating but under preserved coordination and control	Small, but coordinating networks in public interest
<b>Conduct and organization of public administration</b>	Efficient bureaucracy, hierarchy for clear responsibility	Privatization, deregulation, decentralization, etc.	Back to effective public policies implementation	State governed by law through delegation, coordination and participation
<b>Relation of public administration to politics</b>	Apolitization	Neutrality, apolitical management	Improving capacity through public administration, with legally limiting polity	Hand in hand for common public good
<b>Role of an official</b>	Expert/legalist	Service provider	Expert and at the same time manager	Public interest protector but mediator of private interests, too

**Table 1** (continuation)  
Main elements of development in public governance theories and administrative practices

<b>Model/elements</b>	<b>Weberian public administration</b>	<b>New Public Management and post-NPM</b>	<b>Neo-Weberian State</b>	<b>Good Governance</b>
<b>Role of public administration beneficiary</b>	Citizen as legislation addressee	Customer, client, user, consumer	Citizen, more as a subject	Active citizen, co-decision-maker
<b>Scope and orientation of administrative law and procedures</b>	Protection of human rights, strictly regulated procedures, focused on individual decision-making, judicial method (inquisitorial)	Efficient implementation of public policies, deregulated procedures, removal of administrative barriers, business methods	Balanced protection of public and private interests, regulation initiatives, regulative methods	Administrative procedures as a dialogue between authority and citizens, balancing interests by administrative method within the discretion of law
<b>Deficiencies</b>	Does not function in rapidly changing and complex society, failure to acknowledge non-classical structures beyond traditional division of powers, self-centrism, etc.	Does not function if lack of authorized and highly ethical public officials, endangered equality, corruption, technocracy, corporatism, democracy and constitutional state erosion, etc.	Rediscovering prior existing modes of governance as new ones (rule of law, legitimacy, etc.)	Does not function if societal subsystems immature in terms of solidarity and search for common good, favors more active stakeholders, lack of democratic control due to delegation of power

As shown above, we argue that despite country-specific differences one can identify a number of convergence regulatory reforms, administrative practices and Good Governance processes in CEE and beyond (even in the earliest phases, cf. Schuppert, 2000, p. 277; or Peters & Pierre, 2005, pp. 270–275). On the other hand these categorizations seem artificial. In practice, however, different models appear in the real world as parallel and hybrid. Clear theoretical elaborations can support or guide people, especially practitioners as decisionmakers, to be more aware of the advantages and deficiencies of each individual approach.

Finally, let us emphasize the need for understanding the law within public administration, striking the balance between excessive legalism, which is often an issue in CEE and taking law as pure formalism to be avoided in order to efficiently conduct administrative tasks (Koprić, 2012; Kovač, 2013, p. 170). Most often experts claim a tension between striving for democracy and rule of law on one hand and efficient public administration with rationalized management of resources on the other. However, the democracy vs. efficiency dilemma seems artificial when developing Good Governance, although CEE still seems to be in search of a proper balance (Kovač et al., 2014, p. 21; cf. Eyméri-Douzans & Pierre, 2011, p. 24). Public administration was after all first developed by lawyers, especially in continental Europe, and by political scientists in Europe, the UK and the USA (more in Schuppert, 2000, pp. 41–48; Raadschelders, 2011, p. 30, pp. 156–181; Kovač, 2013/2014, p. 34 and on). Later on public administration evolved, from legal and political to corporate or managerially driven models of governance. To conclude: public administration should comprise inevitably legal determinants as well since the legal regulation of public administration is an essential element of constitutional democracy and the rule of law (cf. Schuppert, 2000, p. 42). Nevertheless, pure normative approaches do not suffice to cope with public administration issues systematically and successfully.

### **3. Main Insights on Contemporary Governance Models in CEE**

---

In **Part I**, titled *From Pre-Weberianism to the New Weberian State*, the interested reader can study four contributions. First, distinguished Professor Dirk **Kaesler** from University of Marburg, Germany, invites us to recognize Max Weber's great narrative in terms of "Universal Rationalization". Since Weber is often ascribed the role of the creator of a theory of rationalization, the latter phenomenon is supposed to be in the nucleus of his research. However, as put by the author, there is the questionable nature of the "theory" on it and moreover, the concept of rationalization, as first emerging in Western and Northern Europe, followed by the transatlantic and universal rationalization for which Max Weber is so well known today, was not set as deliberate guiding theme for the major part of his work at all, but rather he focused on concepts of capitalism, protestantism and dehumanization of bureaucracy. These concepts are to be explored in order to be able to give a culturally-driven criticism of Weber's narrative for today's use.

In Chapter two, Professor Reiner **Kattel** (Tallinn University of Technology, Estonia) brings us to the topic of innovation in recent society and public administration from a Weberian perspective in his chapter, “What Would Max Weber Say About the Public Sector?” He starts with the requirement that public sector organizations be (more) innovative, equally less bureaucratic and hierarchical or “less Weberian” as an at first glance inevitable assumption of current discourse on public affairs and the private sector. However, Prof. Kattel raises three objections to this view, since (1) government materia is entirely different from that of the business sector and (2) much of the creativity and innovation of business is in fact driven (paid for) by government. So (3) innovations in the public and private sectors are quite profoundly different in nature and impact. The author wraps up his essay by comparing traditional Weberian claims to recent public sector innovation ones, for instance on the sources of innovation in relation to the authority and norms and its governance and impacts’ level. He concludes: “In sum, looking at these two strands of older and recent literature on PSI [public sector innovation], we can see that disproportionately large areas of public sector activity in relation to innovations are under-researched in current PSI research. Max Weber has given us perhaps the best possible roadmap for future PSI-related research.”

The following two chapters are written by Mark **Gál** (Corvinus University of Budapest, active also at Babes Bolyai University, Romania) on New Weberian State development based on the classical Weberian model and Professor Tamás M. **Horváth** (University of Debrecen). Gál’s contribution reviews historical reforms of administrative systems in order to explore future reforms of Weber’s model in terms of New Weberian State. He believes there is a necessity to research the state of the art of New Weberian State in CEE in particular since presently there is an evident gap. New Weberian State is accordingly a dubious concept, which can be understood only in addition to previous known theories or as an “afterlife” of Weber’s bureaucratic model. Horváth on the other hand, devotes his chapter to the effects of Western governance models in CEE, mainly “after the transition, enlargement and crises”, as he puts it. As do several other researchers, the authors identify the post-communist countries having undergone political transition as provided by Western European patterns for establishing their democratic systems and market economy. This surely leads at least to risk of misunderstandings in managing public policy at the macroeconomic level. As a consequence of influences from different sources (such as CEE tradition and transition, Western influences and EU networks and regulation, crises since 2008) CEE now experiences hybrid models. In particular in the field of services in the public interest such as telecommunication, hybrid territorial governmental models, economic-based partnerships and other such phenomena are characteristic, presenting us with complex challenges of public administration governance on national and supranational levels.

**Part II** of this book, *Post-New Public Management and Good Governance*, consists of an additional four chapters. First, co-authors Professor Harald **Koht**

(Oslo and Akershus University College of Applied Sciences, Norway) and Associate Professor Iveta **Reinholde** (University of Latvia, Riga) provide thorough comparison on modernization of public administration in Latvia and Norway from a “pre-Weber to post-NPM” perspective. Their chapter presents findings from research on public service delivery in the respective countries, based on New Public Management and Good Governance doctrines. They show that some of the problems faced by public officials may be quite similar irrespective of national framework, while there are other “inherent cultural issues” (as put explicitly by the authors) related to trust and accountability, naturally most acute in countries with lack of public service tradition.

The following three chapters are by researchers dedicated to rather different dimensions of transforming public administration and governance reforms, from the points of view of overall policy analysis, to primarily legal study of the constitutionally limited state and, finally, to “illiberalism” in the view of the administrative elite in Europe. Professor György **Jenei** (Corvinus University of Budapest) addresses the development of Hungarian bureaucracy with respect to (again, cf. Part I) the Weberian legacy or more accurately his arguments on rationality. However, as Jenei points out, there are some positive aspects even of formal rationalization, such as that citizens are able to agree on decisions due to abstract and in advance valid, hence generally applied rules, regulations and laws. After exploring different types of rationality the author defines five dimensions of formal rationality and problems related to its interpretation in practice. Finally, Jenei argues, bureaucracy has appeared, lasted and then slowly started to transform significantly; however, a professional bureaucracy is *conditio sine qua non* for the modernization in CEE. Following these broader perspectives, Associate Professor István **Stumpf** (István Széchenyi University, Győr) argues in his chapter an inevitable need for a strong, but at the same time constitutionally-limited state in terms of the Good Government paradigm. Prof. Stumpf thoroughly compares Good Government and Good Governance paradigms as well as the rival concepts of New Public Management and New Weberian State with regard to their assumptions, focuses, logics, reasoning, tools and impacts. On these grounds the author concludes market-based government is insufficient. Hence he concludes, “an active, intelligent and strong state is needed that creates a balance between market and society”. Stumpf advocates Neo-Weberian State characteristics, as interpreted in particular by the jurisprudence and position of the constitutional court under the principle of division of powers, as an answer to present issues in public administration in Hungary and beyond.

In the last chapter of this section, Professor György **Hajnal** (Corvinus University of Budapest, and Institute for Political Science, Center for Social Sciences of the Hungarian Academy of Sciences) deals with the phenomenon of “unorthodoxy”. Unorthodoxy is given as a declared base for Orbán-era governance reforms, and empirically explored in-depth by the author from the perspective of the administrative elite. The research is based on a comparative analysis, relying on a question-

naire survey of senior public administration executives in 16 European countries. The contribution is highly informative and persuasive, also due to combination of quantitative and qualitative methodology, addressing the so-called “strong state” perspective (cf. Stumpf in this sense in particular). Top-down implemented reforms are found as indicating more consistent logic, but in terms of results, these reforms prove to be only modestly successful as perceived by senior officials and even more by other stakeholders. However, Hajnal emphasizes at the end of analysis: “There seems to be no cut-and-dried, straightforward way of interpreting and evaluating the changes that have taken place in the ‘black box’ of administration during the 2010–2014 governmental cycle. Certainly they seem to be significant; but both their substance and their outcomes are debatable and subject to multiple interpretations.”

Finally, György **Gajduschek** (Corvinus University of Budapest, and Center for Social Sciences of the Hungarian Academy of Sciences), as a co-editor of this volume, provides a critical overview of the above-mentioned four major theories from a CEE perspective. In so doing he relies to a great extent on the conclusions of the contributors of this book and several previous NISPAcee publications. His contribution supports their common view on the need for further research on the subject of contemporary governance models and their applications in public administration in CEE in future.

## 4. Conclusion

---

As emphasized above and in the following individual chapters, public administration, its reforms and public policy have to be addressed interdisciplinarily to be successful in resolving cross-sectional and cross-border problems in society. Hence, let us continue to focus even more attention on governance. In other words: let us combine bureaucracy and democracy toward result-based legitimacy (Eymeri-Douzans & Pierre, 2011, p. 109; cf. Bevir et al., 2011, pp. 374–380). In-depth functional renewal of public administration is required to successfully address complex societal (wicked) problems. Hence we believe we can succeed on our path only through further interdisciplinary research, exchange of theory and practice and close cross-national collaboration.

## References

---

- Andrews, Matthew. 2010. Good Government Means Different Things in Different Countries. *Governance* 23(1): 7–35.
- Bever, Mark, ed. 2011. *The SAGE Handbook of Governance*. Los Angeles: Sage.
- Christensen, Tom, and Per Læg Reid. 2011. Beyond NPM? Some Development Features. In *New Public Management*. Edited by Tom Christensen and Per Læg Reid. Farnham: Ashgate, 391–403.

- Dunn, William N., Katarína Staronova and Sergei Pushkarev, eds. 2006. *Implementation: The Missing Link in Public Administration Reform in Central and Eastern Europe*. Bratislava: NISPAcee.
- Eymeri-Douzans, Jean-Michel, and Jon Pierre, eds. 2011. *Administrative Reforms and Democratic Governance*. London: Routledge.
- Hood, Christopher. 1995. Contemporary Public Management: A New Global Paradigm. *Public Policy and Administration* 10(2): 104–117.
- Koprić, Ivan. 2012. Managing Public Affairs in South Eastern Europe: Muddled Governance. In *Governance: Is it for Everyone?* A. M. Bissessar, ed. Hauppauge: Nova Science Publishers, Chapter 3.
- Kovač, Polonca. 2013. Slovene Administrative Reforms: At the Cross-Section of Post-Socialism, Legalism and Good Administration. In *The Past, Present and the Future of Public Administration in Central and Eastern Europe*. Edited by Mirko Vintar, Alex Rosenbaum, Gyorgy Jenei and Wolfgang Drechsler. Bratislava: NISPAcee, 152–177.
- Kovač, Polonca. 2013/2014. The Public Administration Discipline in Slovenia: Between Legal and Administrative Sciences. *The NISPAcee Journal of Public Administration and Policy* 6(2): 33–52.
- Kovač, Polonca, ed. 2014. *Reflections on Good Governance in Visegrad and Beyond*. Bratislava: NISPAcee, <http://www.nispa.org/files/publications/V4-Young-publication-final.pdf>.
- Mathis, Klaus. 2014. Cultures of Administrative Law in Europe: From Weberian Bureaucracy to ‘Law and Economics’. In *Towards a European Legal Culture*. Edited by Geneviève Helleringer and Kai Purnhagen. Beck, Hart, Nomos, 139–162.
- NISPAcee. 2014. The 23<sup>rd</sup> NISPAcee Annual Conference Homepage, <http://www.nispa.org/conference2015.php?sid=1104&cid=23>.
- OECD. 2004. *Principles of Corporate Governance*. Paris: OECD, <http://www.oecd.org/>.
- Peters, B. Guy 2012. The Governance for Everybody? The Use and Abuse of Governance. In *Governance: Is it for Everyone?* Edited by A. M. Bissessar. Hauppauge: Nova Science Publishers, Chapter 1.
- Peters, B. Guy and Jon Pierre, eds. 2005. *Handbook of Public Administration*. London: Sage.
- Pollitt, Christopher, Geert Bouckaert, Tiina, Randma-Liiv and Wolfgang Drechsler, eds. 2008/2009. *The NISPAcee Journal of Public Administration and Policy. Special Issue: A Distinctive European Model? The Neo-Weberian State* 1(2). Bratislava: NISPAcee.

## INTRODUCTION

- Pollitt, Christopher, and Geert Bouckaert, eds. 2011 (3<sup>rd</sup> edition). *Public Management Reform: A Comparative Analysis*. Oxford: Oxford University Press.
- Raadschelders, Jos C. N. 2011. *Public Administration: Interdisciplinary Study of Government*. Oxford: Oxford University Press.
- Randma-Liiv, Tiina. 2008/2009. New Public Management Versus the Neo-Weberian State in Central And Eastern Europe. *The NISPAcee Journal of Public Administration and Policy*. Special Issue: A Distinctive European Model? *The Neo-Weberian State* 1(2): 70–77.
- Rose-Ackerman, Susan, and Peter L. Lindseth, eds. 2011. *Comparative Administrative Law*. Cheltenham, Northampton: Edward Elgar.
- Schuppert, Gunnar Folke. 2000. *Verwaltungswissenschaft (Verwaltung, Verwaltungsrecht, Verwaltungslehre)*. Baden-Baden: Nomos.
- Schuppert, Gunnar Folke. 2011. Partnerships. In *The SAGE Handbook of Governance*. Edited by Mark Bevir. Los Angeles: Sage, 286–299.
- Venice Commission – European Commission for Democracy through Law. 2011. *Stocktaking on the Notions of Good Governance and Good Administration*. Study no. 470/2008, CDL-AD(2001)009, [http://www.venice.coe.int/docs/2011/CDL-AD\(2011\)009-e.pdf](http://www.venice.coe.int/docs/2011/CDL-AD(2011)009-e.pdf).
- World Bank. 2014. Official Website, <http://www.worldbank.org/en/topic/governance>.

# Section I

From Pre-Weberianism  
to New Weberian State





# Universal Rationalization: Max Weber's Great Narrative<sup>1</sup>

---

Dirk Kaesler<sup>2</sup>

## Abstract

Among the “classic” diagnoses of modernity, the German scholar Max Weber is often ascribed the role of the creator of a “theory of rationalization”. If there is one keyword for which Max Weber is constantly mentioned today, it would probably be “rationalization”. This term denotes the vast context in the history of ideas which comprises Weber’s alleged “theory” of a universal, occidental “rationalization”. This paper does not place this “theory” into the portfolio of sociological theories in the strict epistemological sense, but rather into the reservoir of “Great Narratives”, as Jean-François Lyotard has called them, “*Les grands récits*”. Max Weber bestowed his great narrative of universal, occidental “rationalization” upon the self-understanding of humanity by sociology as a discipline during its roughly 150 years of history up to the present day. Whoever wants to refer to this Great Narrative by Max Weber cannot forbear to reconstruct it from his texts. At best, only the outlines of this Great Narrative can be indicated here. We now use this vast context in the history of ideas for labeling Weber’s vision of modernity. The concept of “rationalization”, first emerging in Western and Northern Europe, followed by the transatlantic and universal rationalization for which Max Weber is so well known today, was however not a guiding theme for the major part of his work at all. I will try to demonstrate this in the following five steps.

**Keywords:** Capitalism, Cultural Criticism, Protestantism, Theory of Rationalization

- 
- 1 This essay is the basic text of my keynote address for the “Max Weber 150” panel at the 22<sup>nd</sup> Annual Congress of NISPAcee at Corvinus University Budapest, delivered 22 May 2014. The lecture style has been fully retained. References can be found in my just-published biography of Weber (Kaesler 2014a) as well as in the fourth edition of my introduction to his work (Kaesler 2014b). I would like to thank György Jenei and Wolfgang Drechsler for the invitation and the facilitation of the lecture.
  - 2 Professor of Sociology (retired), University of Marburg, Marburg, Germany.

## 1. If You Are Not Willing to Talk About Capitalism, You Had Better Be Silent About Max Weber's "Theory of Rationalization"

---

To understand Max Weber, today's classic sociological figure, you have to embed him, both in terms of his biography and of his work, into the great figurational context of the capitalist global economy of the 19<sup>th</sup> century. This figuration was the creation of the very same cosmopolitan bourgeoisie from which he emerged.

Weber was born on 21 April 1864 in Erfurt, then Prussia, into the presumably idyllic world of the German upper class, a world of economic, political, social, cultural and technological advancement. With a combination of considerable economic welfare, a solid occidental education and cosmopolitan societal relationships, Max Weber could hardly have wished for more. He was the first-born, embedded in a widely ramified familial setting, descended from one of the richest German-English mercantile elites of the 19<sup>th</sup> century. His paternal grandfather was a prudent textile entrepreneur with international trade relations. His grandfather on the maternal side came from one of the most successful German-English merchant families of Frankfurt am Main. His father, one of the more successful professional politicians of Wilhelmine Germany, was a longtime member both of the Prussian Chamber of Deputies for the national liberal party and of the German *Reichstag*. His mother could have acted the part of a European high society lady and a wealthy heiress with great confidence—had she allowed herself to do so.

Despite the manifold familial interrelations with the cosmopolitan European bourgeoisie, Max Weber's habitus was shaped by the standards of the Prussian Berlin upper-class as a social field at the turn of the 19<sup>th</sup> to the 20<sup>th</sup> century. Perceptively analyzing himself as a *bourgeois scholar*, Weber knew all too well about his localization in the system of lifestyles with their specific way of thinking: "I am a member of the bourgeois class, I identify as such and was raised with its respective opinions and ideals."

From its establishment in 1871, the German *Reich's* emergent capitalist society provided the biographical habitat in which Weber was influenced, and his scientific analysis of the consequences of capitalism constitutes the permanent leitmotif of his university education and the following periods of doctorate (1889), habilitation and *venia legendi* (1892) and the seamless transition to his first professorship (1893).

At the beginning of the Wilhelmine Empire, the scientific examination of the consequences of capitalism was not a particularly inventive choice for a student of the political and social sciences. Capitalism was the defining manifestation of the increasingly industrialized Wilhelmine Germany during its "Gründerzeit", to which Weber's immediate male ancestors contributed substantially and against whose distortions his female ancestry had sought to perform their mitigating philanthropic work.

## 2. If You Are Not Willing to Talk About Protestantism, You Had Better Be Silent About Capitalism

---

After an extended period of illness lasting roughly from 1897 to 1904, Max Weber continued his scholarly work, initially during several extended stays in his much beloved Italy. Stimulated by the life-world experience of Italian Catholicism and the resumption of systematic scientific perusal, he was increasingly concerned with questions about the history, condition and economy of Christian monasteries.

In October 1903, at the age of 39, Max Weber finally withdrew from academic teaching for reasons of health: he became honorary (i.e., adjunct) professor in Heidelberg, including a teaching assignment but with no right to award doctorates, and with no say in his faculty. He lived as a freelance private scholar almost until the end of his life, financing his livelihood mostly from his mother's and his wife's capital yields. Liberated from what he always experienced as oppressive teaching duties and involvement in academic self-administration, he concentrated solely on his scholarly work.

Weber turned towards the origins of capitalism with increasing vehemence, after having dealt with its consequences for many years. In this period, he did not regard his own research as a fundamental alternative, much less a counter-proposal to the Great Narrative of Karl Marx, namely the ultimate victory of the "proletariat" and the necessary establishment of a "classless society", which was important for Weber too. He strived for a supplementary adjustment of the "materialistic" explanations that were prominent in his days as well as to the exclusively historical explanations of the origins of capitalism. Weber's interrogation is markedly focused on the mental foundations of the capitalist organization of economic and social order.

Especially with Weber's studies on the cultural significance of Protestantism and notably its relevance for the formation of those economic ethics that Weber called the *spirit of capitalism*, it is necessary to reflect upon the firm sociological core of the argument. In these essays from the period 1904 to 1906—his most popular writings up to the present day—Weber advocates the complexly derived and elaborately reasoned argument of an *elective affinity* between certain versions and practical maxims of Protestantism and the occidental, modern and *rational industrial capitalism*. In the mental soil of Protestant and Calvinistic sects, Max Weber believed to discern essential roots of modern capitalism.

The first edition of the famous essay, "The Protestant Ethic and the 'Spirit' of Capitalism" (1904/05), in which Weber pursued the question of socio-structural as well as ideational origins of modern capitalism, was already written when Weber exposed himself to the experience of America: the very culture in which modern, rational industrial capitalism, as researched by him, demonstrated its hitherto greatest elaboration.

In the fall of 1904, Max Weber attended the “International Congress of Arts and Science”, which was held on occasion of the St. Louis World’s Fair. Together with his wife Marianne, he travelled through a considerable part of the United States from August to November. Among the experiences on this journey that greatly influenced his future work were the unmediated encounter with various Protestant sects, developing understanding of organizations of the political “machine” and the position of the American president, and the direct confrontation with the US-American women’s movement, the “race issue” and the bureaucratization of both private and public domains in the USA.

### **3. If You Are Not Willing to Talk About Capitalism as Shaped by Protestantism, You Had Better Be Silent About the Process of Rationalization**

---

At first, religion served for Max Weber as the background for his interpretation of the origins of the triumph of occidental, rational industrial capitalism as suggested in his studies about Protestantism. From about 1911 onwards, he turned to the most influential world religions outside Europe, which he classified as the most significant *systems of life regimentation*. He began these studies as a standard of comparison for his thesis about the crucial relevance of the secularized, Protestant version of the Christian faith for the formation of the mental requirements of modern occidental capitalism.

However, in the course of his intensive and longstanding preoccupation with Chinese religions (Confucianism and Taoism), Indian religions (Hinduism and Buddhism) and Ancient Judaism, Weber’s original question about the consequences and origins of capitalism changed drastically.

What Weber himself began as a check study—guided by the question: Where there is no Protestantism, is there no capitalism?—evolved into a constantly expanding and ultimately unfinished analysis of the universal historical processes of “rationalization” within all spheres of life in all cultures. For Weber, this meant addressing the total rationalization of human life in all its aspects.

Over the course of several decades of partial studies about the effects and causes of capitalism, Weber gradually arrived at the notion of a universally active, comprehensive development in history: rationalization. In his previous examinations of the requirements and “cultural significance” of this development, Weber traced its manifestations in all conceivable segments of social and historical reality, including economy, politics, law, religion and culture. Rationalization, as the *fate of our time*, was Weber’s collective formula for all those numerous and varied sub-processes, which he alternately called “bureaucratization”, “industrialization”, “intellectualization”, “development of rational industrial capitalism”, “specializa-

tion”, “objectification”, “methodification”, “disciplining”, “disenchantment”, “secularization” or “dehumanization”.

The diversity of these labels alone reveals that Weber sought to integrate extremely heterogeneous phenomena from highly divergent perspectives into the category of his own choosing, “rationalization”. Hence, there appears to be little sense in formulating “the” concept of rationalization in the work of Max Weber. With the exception of the famous “Preface” (1920) to the first volume of the *Collected Essays on the Sociology of Religion*, there is not one text by Weber in which he himself tries to systematically conceive something of this sort, and even there only a few of the central issues are addressed.

In Weber’s work, “rationalization” on the most general level primarily means order and systematization. A confusing, chaotic group of entities with an infinite number of interconnections among them is being ordered according to man-made criteria. The result of such systematic ordering leads to those processes which Weber calls “rationalization”.

Over the course of his numerous studies and drafts, Max Weber became increasingly convinced that the historical process of systematic ordering which he had termed “rationalization” is on the whole universal and inexorable.

Initially, he had created the hypothesis of “rationalization” for contexts that to him seemed more suited for approaches of systematization and order, most notably the areas of economy, law, technology, science and state order; in other words—as he put it—for the *external organization of the world*. During the development of his thesis about the rationalization of these very spheres of life, Weber concerned himself with three questions in particular, which essentially remained the same:

- 1) Why was it only the “Western world”, the “occident”, that produced a specific “rational” culture of universal historical scope? Why was there no similar process of “rationalization” in the non-European sphere, especially in Asia, where far older and more differentiated cultures compared to the occident existed?
- 2) Why did a “rational” science and technology, a “rational” industrial capitalism, a “rationally” bureaucratic organization of the state emerge in modern Western Europe only?
- 3) What advantages did this “rationalization” bring to the respective society and specific groups within it, and what price was demanded and had to be paid for this development by society, social groups, and single individuals?

In parallel research, Weber also concentrated more intensely on exactly those areas that are generally considered “irrational”—like religion, ethics, arts, culture and sexuality. It is those spheres, according to Weber, that regulate the *internal organization of the world*. These sections of human, social and historical reality were—and are—regarded as safe domains of surprising ideas, of spontaneous notions, of

supernatural powers, of mystery, of the inexplicable—briefly speaking: the irrational, disordered and chaotic.

But it happened again: here, too, Weber saw and established socio-culturally conveyed processes of ordering everywhere, which he subsumed under “rationalization”. Whether he:

- 1) Investigated the specific “rationality” of occidental music, whose notation system, harmonics and instrumental technique seemed to supply evidence for the gradual dissolution of mystical and “irrational” qualities in the arts respectively the practice of art, and their gradual replacement by “rational” patterns.
- 2) Examined the most diverse religions, cults and salvation beliefs across time periods and culture areas, everywhere detecting supposedly obvious signs of a growing “rationalization” of magical wizardry towards systematic-rational theologies and churches. To Weber, rationalization applies to the contents (i.e. theologies) as well as to the organization of religion, such as the development from sects to churches.
- 3) Analyzed the historical development of the sexual behavior of people—this supposedly individual, chaotic and animal incitement of human conduct. Even this he considered an object of a socially driven rationalization. The gradual extinction of all orgiastic fertility cults by priesthood in all world religions and the systematic-rational canalization of sexuality. From the chaotic orgy, the ecstasy and the chaos towards “orderly” sexuality in solid partnerships within a marriage, a “quasi-marital” relationship, a “stable relationship” or a “love affair”. Regardless of whether monogamous, polygamous, matriarchal or patriarchal: there must be order.

No matter where Max Weber looked, everywhere he saw the irrefutable evidence of a great, world-historical process of rationalization.

However, Weber never depicted the processes of advancing rationalization, which he detected and examined, as unilinear developments following a set pattern. His repeated statements that historical reality can only be analytically described as a mixture of ideal-typical constructions, as well as his constantly recurring emphasis on contrary developments should suffice to refrain from making Weber a propagandist of blind euphoria for progress. Drawing from Weber a “theory of modernization” in the sense of an “evolutionary theory”, according to which the world—or at least the history of humankind—would be depicted as a constant ascent to the perfection of rational mastery of the world, would be a grotesque misapprehension of his work.

It was precisely the incredible “serendipity” of this process he called “rationalization”, and at the same time its constant interruption by “non-rational” developments, that fascinated Weber throughout his life and caused him to apply these

questions to ever new areas. Someone like Max Weber, who unrelentingly asked question about the “costs” of those diverse rationalization processes and gave sober, skeptical-pessimistic responses, is not one to portray the “rationalization” of all human spheres of life as immensely positive and desirable in order to deliver an apology for the bourgeois era. Weber’s deep skepticism and his massive fears of the “irrationalities”—in the sense of “unreasonableness” and “inhumanity”—within those researched “rationalization processes” which not only bring along a boost in effectiveness but also a far reaching dehumanization, place Max Weber—this theorist for the rationalization of the irrational—above any accusation of having become an apologist of such developments. Whoever relentlessly emphasizes the “irrational” motives and consequences of “rationalization” as analyzed and partly only discovered by him, and warns about its potential “inhumanity”, cannot be righteously denounced as a blind worshipper of the fatefully proceeding mechanics of “rationalization”.

#### **4. If You Are Not Willing to Talk About Dehumanization Through Bureaucracy, You had Better Be Silent About the Process of Rationalization**

---

Someone like Max Weber, who questioned the “costs” of the rationalization processes he reconstructed and who answered these in a skeptical-pessimistic way, cannot portray the “rationalization” of all human spheres of life as a good development. His deep skepticism and his fears of the “irrationalities” of those processes he observed made him see their boost in effectiveness along with their far reaching “dehumanization”, “objectification”, “depersonalization” and “exanimation”.

Max Weber’s dominant fear, given the inexorable advance of capitalism and bureaucratization, was whether it is *even still possible to salvage any remains of some sense of “individualistic” latitude* and whether “democracy” in the future will be possible at all.

This is where Weber’s concern for the state of culture in general as well as for the chances of free people’s life choices is articulated. And both suffused him with an increasingly pessimistic skepticism.

#### **5. Cultural Criticism and Diagnosis of Time**

---

This is the end of my recapitulation of Max Weber’s Great Narrative of the universal “rationalization” of all human spheres of life. Ultimately, this narrative was—and still is—what made Max Weber one of the paramount diagnosticians of modernity.

To conclude: Weber’s narrative of the inexorable, fateful and universal “rationalization” of all spheres of life, into which his vision of the development of human societies was encoded, was not set as a deliberate guiding theme for the major part

of his work. Only near the end of his life and the sudden end of his scientific work did he develop this prominently dismal view of the future.

When briefly summarized, the Great Narrative of Max Weber is telling the story of an apocalyptic irony of unintended successes. The radicalized Protestants of the 16<sup>th</sup> and 17<sup>th</sup> centuries, in search of worldly signs for their salvation from eternal damnation, participated in the creation of a cosmos of beliefs and behaviors which gradually established the enclosures of subjection and bondage of humankind across the whole globe.

Especially since that time when even the last remains of the original piety had escaped from the thus developed institutions and people carrying them, the “modern”, “rational” and “bourgeois” industrial capitalism of the 19<sup>th</sup> century and the turn of the 20<sup>th</sup> century reared its ever increasingly ugly head. The inseparable connection between this system of capitalist order of economic life and the universally emerging machines of bureaucratic order in all spheres of life caused the endangerment of the individual freedom of all people, if not their ultimate destruction.

The German scholar Max Weber composed this gloomy narrative during the transition from the 19<sup>th</sup> to the 20<sup>th</sup> century, bit by bit and constantly suspicious of his own vision until the very end. At the beginning of the 21<sup>st</sup> century, it has been attributed a suggestive explanatory power that makes it seem superior to other competing narratives. Be that as it may, Weber himself died in the knowledge that it was not the “blossoming of summer”, but the “polar night of freezing darkness and hardship” that lay ahead of the generations following him. Only history as it is created by humankind will show whether the dismal, terrible visions of Max Weber will have come true by the end of the 21<sup>st</sup> century or not.

## References

---

- Kaesler, Dirk. 2014a *Max Weber. Preuße, Denker, Muttersohn. Eine Biographie*. [Max Weber: A Prussian, a Thinker, His Mother's Son. A Biography]. München: Beck.
- Kaesler, Dirk. 2014b *Max Weber. Eine Einführung in Leben, Werk und Wirkung*. [Max Weber. An Introduction to his Life, Work and Impact.] Fourth edition. Frankfurt/Main – New York: Campus.

# What Would Max Weber Say About Public Sector Innovation?<sup>1</sup>

---

*Rainer Kattel*<sup>2</sup>

## **Abstract**

The article aims, first, to give a brief overview of prevailing attempts to conceptualize public sector innovation and, second, to contrast recent literature on public sector innovations with older literature on innovation (Tocqueville, Weber, Schumpeter). This inter-generational discussion shows that the older discussions of public sector innovations have more profound and nuanced views that have all but vanished from today's conceptualizations. Thus, while we cannot know what Max Weber would have said about public sector innovation in today's discussions, it seems worthwhile for us to engage in dialogue with him and his contemporaries.

**Keywords:** Public Sector Innovations, Schumpeter, Tocqueville, Weber

## **1. Introduction**

---

When there are 20,000 new apps emerging monthly in the Apple App Store, and even if only a few of them make money or are sold for a fortune, it is easy to think that technological development and innovation are driven by the private sector. It is indeed a commonplace to view either behemoths like Apple or Google, or small start-up like WhatsApp as highly creative and coveted workplaces. With the same breath government is described by such adjectives as slow, rigid and expensive. This is one of the key drivers of currently popular public sector innovation discourse: public sector organizations should be more innovative, exciting places like Apples

---

1 This chapter is the text of the author's 2014 Alena Brunovska Award Speech at the 22<sup>nd</sup> Annual Congress of NISPAcee at Corvinus University Budapest, delivered 22 May 2014. It is based in part on the author's ongoing research on the FP7-funded project, LIPSE, [www.lipse.org](http://www.lipse.org); (see Kattel, et al., 2014).

2 Professor and Chair of Innovation Policy and Technology Governance, Ragnar Nurkse School of Innovation and Governance, Tallinn University of Technology, Tallinn, Estonia.

and Googles; in a word, they should be less bureaucratic and hierarchical, less Weberian (Bason, 2010).

There are three objections to this view. Each says in a different way that the question as such—Why is government not more like Apple?—is wrong to begin with. The first is that government is dealing with entirely different phenomena than the business sector; the second that much of the creativity and innovation of private business is in fact paid for by the government in one form or another; and the third is based on the observation that innovations in the public and private sectors are quite profoundly different in nature and impact.

The first set of arguments is well summarized by Joan Robinson:

*It is a popular error that bureaucracy is less flexible than private enterprise. It may be so in detail, but when large scale adaptations have to be made, central control is far more flexible. It may take two months to get an answer to a letter from a government department, but it takes twenty years for an industry under private enterprise to readjust itself to a fall in demand (1946, p. 177).*

The second set of arguments is exemplified by Mariana Mazzucato's discussion of what is actually inside Apple's products: she lists 13 basic technological solutions inside Apple's flagship products such as iPod, iPad and iPhone that all were significantly funded and often also developed by (the US) government and its various agencies. These technologies include: internet, cellular technology, microprocessor, micro hard drive, liquid-crystal display, signal compression, lithium-ion batteries, DRAM cache, click-wheel, SIRI, multi-touch screen, and NAVSTAR-GPS (2013, Chapter 5, Figure 13). Mazzucato does not deny Apple's ingenuity in designing remarkable products from existing technological solutions; rather she emphasizes the differences in mode of supporting technological development and innovation: governments are good at taking on long term risks, the private sector excels at driving innovation further by means of competition, adaptation, etc. The third set of arguments—that public and private sector innovations are profoundly different—is what concerns us here in more detail.

To start with, the scholarly literature on public sector innovation (PSI hereafter) has been tormented since its inception by recurring bouts of consciousness: is there such a thing as public sector innovation to begin with?<sup>3</sup> If we cannot delineate and define public sector innovation then the concept—PSI—would denote any good idea or positive change in the public sector organizations as innovations and “will lose credibility because it has no meaning” (Lynn, 1997, p. 98; Pollitt, 2011).

The aims of this article are to give a brief overview of prevailing attempts to conceptualize (define) public sector innovation; to contrast current views on PSI

---

<sup>3</sup> Lynn (1997) gives an overview of early literature on the topic.

with older literature on innovation (Tocqueville, Weber, Schumpeter), and to use this inter-generational discussion to show that the older discussions of PSI have more profound and nuanced views that have all but vanished from today's conceptualizations. Thus, while we cannot know what Max Weber would have said about PSI, it seems worthwhile for us to engage in dialogue with him and his contemporaries.

## 2. Public Sector Innovation: What Is It?

By and large we can divide scholarly efforts to delineate and conceptualize public sector innovation into three periods: 1) *The Schumpeterian period*: in which innovations and the public sector are related to a larger theory of how evolutionary change takes place in societies—primarily associated with Joseph Schumpeter (1912; 1939); 2) *The organizational theory period*: innovations in the public sector are understood as similar to innovations in private companies—primarily associated with early organizational theory and with Wilson (1989); 3) *The autochthonous theory period*: the most recent period, marked by a tendency to disassociate public and private sector innovations.

*The Schumpeterian period.* This period is characterized by Schumpeter's theory of innovation which in fact is an application in economics and business of his wider theory of how evolutionary change takes place in societies. Alas, Schumpeter never really developed his wider theory of social change (see also Andersen, 2009). In his 1939 *Business Cycles*, Schumpeter states in a footnote that he "believes, although he cannot stay to show, that the theory [of innovation] here expounded is but a special case, adapted to the economic sphere, of a much larger theory which applies to change in all spheres of social life, science and art included" (1939, p. 97). His 1912 *Theorie der wirtschaftlichen Entwicklung* (The Theory of Economic Development)<sup>4</sup> assumes an apparently similar theory, without going into greater details either. We can deduce that what Schumpeter meant by this larger theory of change in social life is that change is driven by entrepreneurial, creative persons, or "new men" as he called them in 1939, that look for "new combinations", that is innovative solutions, and thus bring forth evolutionary changes, entirely new ways of doing things (in business, politics, art, science, and so on) that will spread, in some cases more than

4 I use here the German original first edition, as in later editions (that served as the basis for English translation as well), these discussions were cut by Schumpeter; so, e.g., the second chapter of the original edition runs to almost 100 pages, the English translations carries only half as many. In this chapter, Schumpeter discusses his theory of innovation.

others, throughout the given sphere of life.<sup>5</sup> Some of these changes will change value systems and disrupt incumbent hierarchies.<sup>6</sup>

In the economic sphere, such individuals drive innovations and, thus, economic growth. The role of the public sector in entrepreneurial innovation is twofold: first, the public sector can take on the role of the entrepreneur (in fact, Schumpeter argues that in socialism, as there is no private ownership, the state will be the sole innovator; 1912, 173); second, innovations in businesses can also be “called forth” by governments (1939, p. 84).

In sum, what we can take from Schumpeter is that since early theories of innovation, the public sector has had a dual character vis-à-vis innovation: the sector can itself be changed by innovators and the state can also play a crucial role for business innovations (either by directly leading or indirectly supporting entrepreneurial activity). Interestingly, this foreshadows rather closely the currently emerging conceptual dichotomy between innovations *in* public sector and innovations *through* public sector (European Commission 2013).

*The organizational theory period.* Research explicitly dealing with innovation in the public sector goes back at least to the 1960s; however, its inception seems somewhat accidental. Researchers in organizational theory dealing with innovation and how organizational structure supports creative work and novel ideas often did not differentiate between public and private sector organizations. (This non-differentiation goes back, in fact, to Taylor’s *Principles of Scientific Management* as well as to Weber’s bureaucracy as an ideal type for both public and private organizations.) For instance, Thompson talks explicitly about business and government organizations and their “capacity to innovate” (1965, p. 1), and defines innovation as the “generation, acceptance, and implementation of new ideas, processes, products or services. Innovation therefore implies the capacity to change or adapt” (1965, p. 2; see also, e.g., Mohr, 1969). Much of the subsequent management and organization theory literature dealing with innovation moves effortlessly from private to public sector and back, and deals in fact mostly with the paradox of managers calling for innovative ideas that end up meeting resistance in implementation often from the same managers or organizational structures (Lynn, 1997). This strand of research dealt mostly with diversity of tasks and incentives in an organization (see Becker & Whisler, 1967 for a good overview). One of the key figures in this tradition is James Q. Wilson, whose definition of (public sector) organizational innovation remained

---

5 “Das erste Moment, die Freude am Neugestalten, am Schaffen neuer Formen der wirtschaftlichen Dinge ruht auf ganz denselben Grundlagen wie das schöpferische Tun des Künstlers, des Denkers oder des Staatsmannes.” (1912, p. 142)

6 “Sie werden Neues schaffen und Altes zerstören, kühne Pläne irgendwelcher Art konzipieren und durchführen, deren Originalität aller Erfassung zu spotten scheint, ihre Mitbürger ihrer Herrschaft unterwerfen, vielleicht die nationale Politik und Organisation beeinflussen, den ‘natürlichen’ Gang der Wirtschaft durch gesetzliche und ungesetzliche Mittel und jedenfalls anders als durch ‘Tausch’ abändern uws.” (1912, p. 157)

largely the same from the 1960s to the 1980s: “real innovations are those that alter core tasks; most changes add to or alter peripheral tasks” (1989, p.225). Wilson, without referring to Schumpeter, understood these alternations in core tasks to be evolutionary in nature and in impact: “Government agencies change all the time, but the most common changes are add-ons; new program is added on to existing tasks without changing the core tasks or altering the organizational culture” (ibid.). Thus, there is a rather extensive literature that emerged from organizational theory that incidentally or purposefully deals with public sector innovation and where the latter is defined more or less similarly from the 1960s through the 1990s. This literature uses more or less varied Schumpeterian notion of innovation, but it almost does not differentiate at all between private and public sectors and thus innovations in any organization can be defined as significant and enduring changes in core tasks. This way innovation should be different from incremental changes in organizations (public or private) and in fact are similar to (technological) breakthroughs familiar from the private sector evolutionary literature (see, e.g., Lynn, 1997 who explicitly uses the concept of breakthrough).<sup>7</sup>

*Autochthonous theory period.* In the 2000s, literature dealing with public sector innovation tries to move away both from private sector Schumpeterian approaches emphasizing novelty in action and from organizational level changes toward innovation genuinely attributable to public sector and toward discussing innovations in public services and governance (see, e.g., Hartley, 2005; Moore & Hartley, 2008; also Verhoest et al, 2006; Pollitt, 2011). However, while there is a distinct attempt to discuss public sector phenomena (i.e. decentralization of agencies or regions) and move away from the private sector categorization and concepts (such as product and service innovations, lifecycles, and trajectories), there is hardly any substantial change in terms of conceptually differentiating public sector innovations from the private sector ones. The main tenets are still changes that are new to the organization and that are large and durable (e.g., Hartley 2005, p. 27; Moore & Hartley, 2008, p. 5). Hartley, for instance, delivers a useful discussion of the difference between public sector innovations in traditional, new public management and network-based paradigms of public administration (2005, pp. 28–30). However, her conceptual framework is hardly different from Wilson. Similar to organizational theory literature, the most recent literature on public sector innovation ultimately sees innovations in the public sector as something different from incremental improve-

7 Ironically, while this is indeed important for the early Schumpeterian literature, from the 1970s and 1980s onwards, evolutionary economics develops complex theoretical frameworks that show how routine-based individual skills and company-level behaviour leads toward a higher level of complexity and helps to explain how Schumpeterian creative destruction shapes economies and competitive environments. (See Dosi 1984; Nelson & Winter, 1982) This leads to learning economies and national systems of innovation approaches that seek to explain innovations not only as breakthroughs but indeed as incremental everyday changes in company routines, learning, and various levels of interactions (e.g., user-producer—see Freeman 1982 and 1987; Lundvall 1992). Thus, the evolutionary economics dealing with private sector innovations moves during 1980s almost exactly in the opposite direction as the emerging public sector literature.

ments and that can also fail and not lead to better public service. Thus, e-voting would constitute for most public sector researchers a real innovation and yet some would argue that this innovation did not really bring any improvement or at least that the jury is still out. However, in most cases the line between innovation or not, improvement or not, is not only tenuous at best, often it seems plain arbitrary. Moore and Hartley (2008), for instance, use as examples contracting out and private public partnerships; in other words, public sector innovation is another term for NPM-style reform practices.<sup>8</sup>

However, in contrast to earlier periods of public sector innovation concepts, and with the exception of Lynn (1997; see also Lynn, 2013), the current period of scholarship pays much less attention to the evolutionary character of changes described as innovations. This is not to say that there is not an acute awareness that one has to differentiate ordinary change from innovation. For instance, Osborne and Brown (2013) argue, “the management of innovation is an entirely different task from the management of developmental change” (2013, 3); Lynn similarly concurs that all non-transformative change is “‘innovation lite,’ which is indistinguishable from ordinary change” (2013, p. 32). Yet, how this transformative change in fact works in the public sector—and differs from typical private sector dynamics—remains almost always unexplored. Even the most advanced concepts of public sector innovation do not address in detail how selection mechanisms and other processes take place that would enable us to distinguish innovations from ordinary changes. What makes one reform or new service an innovation, and the other not? Often there seem to be normative connotations involved in distinguishing innovation from change: as innovation is good, a successful reform must be innovative.

On the other hand, *evolutionary* dynamics dominate the private sector innovation literature, evident in such concepts as backward and forward linkages, increasing returns to scale, first mover advantage, winner-take-all markets, imperfect competition, externalities and so on (most present already in Schumpeter, especially in 1939 *Business Cycles*). In fact, innovation research in the private sector is all about evolutionary change: how and why certain products, services, technologies and technology systems, but also organizational forms and institutional frameworks become dominant over others that in turn become obsolete or vanish altogether. (Nelson and Winter 1982, Perez 2002, etc.) The role of technology, particularly large-scale shifts following technological revolutions that lead to whole new paradigms, is difficult to overestimate here.

However, such evolutionary practices and processes are simply much less evident or even lacking in the public sector. Moreover, many of these processes would be also undesirable in the context of public organizations, such as monopoly rents garnered by first movers, or undercutting the same first movers by

---

8 See Drechsler (2005) on the role academic and policy talk fashion plays in such relabeling practices.

imitation. There is hardly any competition within the public sector for such evolutionary processes to take place. The way innovations diffuse in the market environment, via imperfect competition and imitation, is hardly a way for public sector innovations to emerge and to diffuse. Furthermore, in business there are many failures at innovation and many losses through innovations or imitations by competitors. Again, these phenomena seem not to be present in the public sector or present themselves in a different form.

That is not to say there is no evolutionary change in the public sector. As we have seen above, almost all literature on public sector innovation *assumes* there is evolutionary change, but attempts to conceptualize the evolutionary changes in the public sector seems to have gotten lost in private sector terminology. The key lesson from previous literature, accordingly, seems to be that we should not attempt to look for similar processes to take place within the public sector; rather we should try to focus on evolutionary processes within the public sector that originate from logics of the public sector and pertain to such phenomena as power, legitimacy and trust.

### 3. Public Sector Innovation: No Theory for Old Men?

---

This is arguably exactly the topic of perhaps the earliest ‘discussion’ on public sector innovation, namely between Tocqueville and Weber on state-level public administrations in the US. Tocqueville’s analysis, and admiration, of state-level administration is famous, Weber’s counterarguments are much more scattered and less well-known (Tocqueville’s was published in 1835 and 1840;<sup>9</sup> Weber’s remarks can be found in *Wirtschaft und Gesellschaft* from 1922 and elsewhere).<sup>10</sup>

Tocqueville’s main question in looking at US state and especially township level administration was how can diverse townships in New England, without central administration, still provide relatively uniform public services, especially under an administrative system where most public functions are fulfilled by elected officials? (1876, p.92) He explained this with judicial oversight of administrations, and called both—decentralized administration and judicial oversight—in-

---

9 We refer here to the 1848 French edition, available via Project Gutenberg and to the 1876 English translation.

10 In Weber’s case, we use the 2002 German edition. For a comparative discussion of Tocqueville’s and Weber’s discussions of America, see (Kalberg, 1997).

novations (ibid.).<sup>11</sup> In Tocqueville's view, decentralized administration with elected officials and judicial oversight work better than centralized administrations (which, he argues, was an innovation of the French revolution; p. 121): centralized administrations have more resources, are good at regulating business, maintaining social order and security but also keep society equally from improvement and decline (p. 113); centralized administrations are good at mastering resources to combat problems but they are poor at rejuvenating what might be called socio-political resources for change (p. 109).

When we jump two thirds of a century further, we can see that all the ills of centralized administration described by Tocqueville become positives in Weber's view: in order to keep social order, that is to retain authority and keep society functioning, centralized bureaucracy is the "technically" superior instrument to elected officials (2002). Elected officials and other "*schöpferische' Betätigung der Beamten*" lead rather to unpredictability and a politically corrupt system.

While Tocqueville and Weber had different normative goals—the former describing the benefits of active civic life, the latter describing the benefits of a well-functioning and predictable state apparatus—both discuss eventually how authority, to use Weber's term, is maintained in society with competitive interests via institutional and administrative innovations (although Weber does not use the term). We can paraphrase Weber: the modern state is defined by its authority to use violence to uphold the very same authority. Above all, Tocqueville and Weber show how such innovations lead to differing socio-political relationships and networks, institutional and organizational structures and cultures; in other words, how these innovations drive *different evolutionary change*. But both also show why evolutionary processes in the public sector are *punctured* by political, legal, institutional and administrative constraints. In fact, these very constraints are part of these evolutionary processes, forming simultaneously internal factors that are changed and external factors limiting changes. *Constraints are intrinsic to the public sector*. Thus, to use Tocqueville's example, judicial oversight in small townships acted as a constraint on elected officials, yet this same constraint led to better service for the citizens. Weber, on the other hand, writing two thirds of a century later, argued that modern societies have become increasingly more complex and thus require centralized administrations that can act simultaneously as constraints and enablers.

---

11 "C'est ce qui ne se découvre pas au premier coup d'œil. Les gouvernants regardent comme une première concession de rendre les fonctions électives, et comme une seconde concession de soumettre le magistrat élu aux arrêts des juges. Ils redoutent également ces deux innovations"/"The communities therefore in which the secondary functionaries of the government are elected are perforce obliged to make great use of judicial penalties as a means of administration. This is not evident at first sight; for those in power are apt to look upon the institution of elective functionaries as one concession, and the subjection of the elected magistrate to the judges of the land as another. They are equally averse to both these innovations".

Consequently, following Tocqueville and Weber, we can argue that *instead* of competition as driver and diffuser of evolutionary processes as is the case in private sector, *intrinsic public sector features* act simultaneously as *constraints and enablers* and engender *punctured evolutionary processes* as consequence of public sector innovations. Notice that in both cases the innovations influence organizational level capacities, institutional interactions and, eventually, political authority of a state. Their recommendation, as it were, would be to look at changes in the public sector that lead to 1) changes in constraints and enablers, that relate directly to how authority is obtained/retained, and 2) engender clearly discernible evolutionary trajectories in their respective ecosystem; such changes could be termed public sector innovations.<sup>12</sup>

#### 4. Concluding Remarks

---

Summarizing 150 years of discussion above on conceptualizing public sector innovations and innovations generally, we can draw the following conclusions:

- A) From the oldest literature discussing public sector innovations (Tocqueville, Weber):
  - 1) Public sector innovations are in the most abstract sense related to public authority and legitimacy;
  - 2) Innovations lead to evolutionary changes in constraints and enablers that are intrinsic to public sector (rules, relationships, institutions);
- B) From recent public sector innovation literature:
  - 3) Literature on public sector innovations rarely deals with authority (and related phenomena such as legitimacy, trust, etc.) but rather with relatively specific features of these changes, e.g. with specific modalities (within public sector organizations), agency (reactions to external stimuli such as technology, politics, social challenges) and morphology (incremental changes); most of these changes are in fact not evolutionary or their impact remains difficult to discern;
  - 4) Innovation is too often defined from a normative viewpoint (as something leading to significant improvement in public service delivery) rather than a process that explains how profound changes take place in the public sector;
  - 5) In defining innovation, the literature has focused mostly on organizational or policy levels, but in doing so it has neglected the wider, public sector level constraints and enablers.

---

<sup>12</sup> It can be argued that a recently emerging literature on social innovation tries fill the gap in public sector innovation literature by looking at values and social relevance and thus moves the discussions towards issues of authority, trust, etc. See (Bekkers, et al., 2013) for an overview.

In sum, looking at these two strands of older and recent literature on PSI, we can see that disproportionately large areas of public sector activity in relation to innovations are under-examined in current PSI research. Max Weber has given us perhaps the best possible roadmap for future PSI-related research.

## References

---

- Andersen, Esben S. 2009. *Schumpeter's Evolutionary Economics. A Theoretical, Historical and Statistical Analysis of The Engine of Capitalism*. London: Anthem.
- Bason, Christian. 2010. *Leading Public Sector Innovation*. Bristol: Policy Press.
- Becker, Selwyn W. & Thomas L. Whisler 1967. The Innovative Organization: A Selective View Of Current Theory And Research. *Journal of Business* 4: 462–469.
- Bekkers, Victor J. J. M., Lars Tummens, and William Voorberg. 2013. From Public Innovation to Social Innovation in the Public Sector: A Literature Review of Relevant Drivers and Barriers. LIPSE project working paper, Rotterdam: Erasmus University Rotterdam.
- Dosi, Giovanni. 1984. *Technical Change and Economic Performance*. London: Macmillan.
- Drechsler, Wolfgang. 2005. The Rise and Demise of the New Public Management. *Post-Autistic Economics Review* 33: 17–28.
- European Commission. 2013. *Powering European Public Sector Innovation: Towards a New Architecture. Report of the Expert Group on Public Sector Innovation*. Brussels: European Commission.  
[http://ec.europa.eu/research/innovation-union/pdf/PSI\\_EG.pdf](http://ec.europa.eu/research/innovation-union/pdf/PSI_EG.pdf)
- Freeman, Christopher. 1982. Technological Infrastructure and International Competitiveness. Draft paper submitted to the OECD Ad hoc-group on Science, technology and competitiveness, August, mimeo. [http://redesist.ie.ufrj.br/globelics/pdfs/GLOBELICS\\_0079\\_Freeman.pdf](http://redesist.ie.ufrj.br/globelics/pdfs/GLOBELICS_0079_Freeman.pdf).
- Freeman, Christopher. 1987. *Technology Policy and Economic Performance: Lessons From Japan*. London: Pinter Publishers.
- Hartley, Jean. 2005. Innovation in Governance and Public Services: Past and Present. *Public Money and Management* 25(1): 27–34.
- Kalberg, Stephen. 1997. Tocqueville and Weber on the Sociological Origins of Citizenship: The Political Culture of American Democracy. *Citizenship Studies* 1(2): 199–222.
- Kattel, Rainer, Aleksandrs Cepilovs, Wolfgang Drechsler, Tarmo Kalvet, Veiko Lember and Piret Tõnurist. 2014. Can We Measure Public Sector Innovation? A

- Literature Review. *LIPSE Working Paper 2*. <http://www.lipse.org/userfiles/uploads/Working%20paper%20%20Kattel%20et%20al.pdf>
- Lundvall, Bengt-Åke, ed. 1992. *National Innovation Systems: Towards a Theory of Innovation and Interactive Learning*. London: Pinter Publishers.
- Lynn, Lawrence E. 1997. Innovation and the Public Interest. Insights From the Private Sector. In *Innovation in American Government. Challenges, Opportunities, and Dilemmas*: 83–103. Edited by A. A. Altshuler and R. D. Behn. Washington, DC: The Brookings Institution.
- Lynn, Lawrence E. 2013. Innovation and Reform in Public Administration: One Subject or Two? In *Handbook of Innovation in Public Services*. Edited by Stephen P. Osborne and Kerry Brown. Cheltenham: Elgar.
- Mazzucato, Mariana. 2013. *The Entrepreneurial State: Debunking Public Vs. Private Sector Myths*. London: Anthem Press.
- Mohr, Lawrence. B. 1969. Determinants of Innovation in Organizations. *The American Political Science Review* 63(1): 111–126.
- Moore, Mark and Jean Hartley. 2008. Innovations in Governance. *Public Management Review* 10(1): 3–20.
- Nelson, Richard R. and Sidney G. Winter. 1982. *An Evolutionary Theory of Economic Change*, Cambridge, MA: The Belknap Press of Harvard University Press.
- Osborne, Stephen P. and Kerry Brown. 2013. Introduction: Innovation in Public Services. In *Handbook Of Innovation In Public Services*. Edited by Stephen P. Osborne and Kerry Brown Cheltenham: Elgar.
- Perez, Carlota. 2002. *Technological Revolutions and Financial Capital: The Dynamics of Bubbles and Golden Ages*. Cheltenham: Elgar.
- Pollitt, Christopher. 2011. Innovation in the Public Sector: An Innovation Overview. In *Innovation in the Public Sector: Linking Capacity and Leadership*: 35–43. Edited by Victor Bekkers, Jurian Edelenbos and Bram Steijn. Basingstoke: Palgrave Macmillan,
- Robinson, Joan. 1946. Obstacles to Full Employment. *Nationalekonomisk Tidsskrift* 84: 170–178.
- Schumpeter, Joseph A. 1912. *Theorie der Wirtschaftlichen Entwicklung* (The theory of economic development: an inquiry into profits, capital, credit, interest, and the business cycle). Berlin: Duncker & Humblot.
- Schumpeter, Joseph A. 1939. *Business Cycles. A Theoretical, Historical, and Statistical Analysis of the Capitalist Process*, Vol 1. New York: McGraw-Hill.
- Thompson, Victor. A. 1965. Bureaucracy and innovation. *Administrative Science Quarterly*, 10(1), Special Issue on Professionals in Organizations: 1–20.

De Tocqueville, Alexis. 1876. *Democracy in America*, Vol 1. Boston: John Allyn.

Weber, Max. 2002. *Wirtschaft und gesellschaft. grundriß der verstehenden soziologie* (Economy and society). 5<sup>th</sup> edition, Mohr Siebeck.

Wilson, James Q. 1989. *Bureaucracy: What Government Agencies Do and why They Do It*. New York: Basic Books.

# The Afterlife of Weber's Bureaucratic Model

*Mark Gal*<sup>1</sup>

## Abstract

This paper has dual objectives. First, it looks backward, to the history of administrative systems, with an emphasis on the available paths for reform; and it looks forward, to the possible direction of reforms—the possible future of Weber's model. Its main questions in this regard—How we can understand the “legacy” of the past? And how might the past may explain change and continuity in the present?—address theoretical issues, with special attention given to a distinctive reform model, namely the Neo-Weberian State (NWS). Second, we believe that thus far, the number of articles which discuss the NWS is quite small and in order to develop this as a possible reform model it needs to be put under the “view of a microscope”. Why? Because only by so doing, by analysing its elements, will it be possible to use it as a theory or a normative vision in the future. The question arises whether NWS is only complementary to a previous model or whether this model can be considered to represent the “afterlife” of Weber's model. In order to give a suitable answer to this question, we aim to analyze the “neo” elements of this model as well.

**Keywords:** Administrative Reform, Bureaucracy, Neo-Weberian State, Public Management Reforms, Weber's Bureaucratic Model

## 1. Introduction

What is the current state of the public administration system? Where are we headed? What are our options? What might be the optimal model for our country? These are just a few questions that public administration practitioners, researchers and scholars alike ask when a debate on public management reforms arises (note: this paper does not attempt to find a “perfect solution” to these questions).

---

<sup>1</sup> PhD student at Corvinus University of Budapest, Doctoral School of Political Science, Public Administration sub-program, Hungary; assistant lecturer at Babes Bolyai University, Faculty of Political, Administrative and Communication Sciences, Public Administration department, Satu Mare, Romania.

In order for us to look back and understand Max Weber's theory of bureaucracy we consider it useful to provide in a few sentences a summarization of changes which have had an effect on the organization and management of public administration, and which in the end have resulted in a new type of administrative structure. By the end of the 19<sup>th</sup> century the public administration model and its institutional environment were almost totally transformed: development of legal regulations concerning public administration were completed and the previously secret rules became accessible to the members of society, thus making the decisions made by the state organs more predictable. The most important result of this transformation was that the administrative organization started to confine political decision making itself.

The key importance of Weber consists in having been the first in a row of researchers who focused their scientific investigations on the new administration system: the bureaucratic organization and its functional characteristics. He put the modern state and the state organization into a system of a bureaucratic state and a bureaucratic administrative organization (Schuppert, 2000, p. 66).

Surprisingly enough Max Weber himself did not even particularly like the model which nowadays we attach to his name—he only saw it, rightly, as being the most rational and efficient one for his time (Drechsler, 2005). The fact that even today we not only speak about the bureaucratic model, but also have cases where the administrative system functions based on this model would probably be a huge surprise to Weber. It should also be noted that the development of a classical model of administration owes much to the administrative tradition of Germany and the articulation of the principles of bureaucracy by Max Weber (Pfiffner, 2004, p. 443).

This paper takes as a starting point the work of Pollitt and Bouckaert and their version of the NWS from the 2011 edition of *Public Management Reform*. This paper presents in a descriptive way the main components of the original model of Max Weber together with its main problems, thus making it possible to identify and analyze the new elements within the NWS, resulting in a clear comparison between the two models. The goal is to obtain information on the similarities and differences between the traditional Weberian model and the Neo-Weberian State. However the question still remains whether this will also result in a possible movement from a Weberian era, to a Neo-Weberian era.

## **2. Weber's Bureaucratic Theory**

---

Considering that it was the 1930s when Max Weber described the bureaucratic form as being the ideal way of organizing public institutions, we might ask, why are we still discussing bureaucracy today? However if we consider this from the opposite point of view, then we can affirm that this is exactly why we have to discuss this theory: because it has been used for so long, then some of its elements must still be

functioning in many organizations today. But how exactly did Weber see that bureaucracy can make public administration (PA) and thus the institutions within PA more efficient? He basically viewed the whole work process as being organized like a set of offices ("bureaus") in which the civil servants were engaged in their operations under the principles of hierarchy; division of labour; a merit selection system; use of a high number of written forms; career advancement and legality. And so the increase of rationality was obtained and with it the increase of speed, cost-effectiveness, and predictability were met, criteria which were all greatly needed by society.

Numerous books and articles have been written on Weber and his ideal bureaucratic model and I do not wish to repeat all the descriptions that are out there in the scholarly world; rather this chapter aims to summarize in an orderly manner the ups and downs of this model, which will lead the reader to a transparent overview of the characteristics of bureaucratic theory.

## 2.1 The ups (major benefits) of bureaucratic theory

Weber described the bureaucratic organization as based on the following six characteristics:

- Management by rules promises control and consistency: If the entire organization were managed by rules, then the top management could be sure that the organization would be controlled by their decisions. Thus once they set up a system based on several "golden rules", it would set the course for the organization to be in a permanent state since everyone has to follow the rules by which top management controls the entire "machinery". At the time when this form of organization was at its peak (prior to the industrial revolution) consistency was a highly desirable thing since inconsistency dominated at that time. People were discriminated against because of race, religion, education, and so on. As such the promised consistency of the bureaucratic form must have seemed very desirable for many.
- Control and responsibility are achieved through hierarchical authority: At the time when bureaucracy was beginning to grow this was probably the most important characteristic, which ensured one top executive had control over the entire organization and thus the outside world knew who to hold responsible if something went wrong.
- Specialization of sub-units promises accountability, control and expertise: If specialists were in charge of each function in an organization, then the manager could be certain that the people handling that particular function were experts and a high level of accountability could be assured.
- Decisions are delivered in a written form: This element contributed to the increase of rationality;

- Impersonal objectivity ensures consistency and equality: If every citizen or customer is treated equally then fairness can be ensured. This was highly valued in the 1920s and 1930s because a relatively high percentage of people believed that they didn't get treated equally with those who were in possession of great wealth, power and/or position.
- Employment based on technical qualifications promises equal opportunity: Bureaucracy promised protection against arbitrary dismissal (Johnston, 1993, p. 16). In the early 20<sup>th</sup> century job security was not a well-known phenomenon; thus, if this opportunity was promised it quickly became highly valued amongst the workers.

Based on these features Weber's bureaucratic theory can be applied to the public sector system. In the PA the task of the organization's members and their competencies are defined by legal measures. Neither in public servants' careers, nor in the practice of their functions can they act based on their own beliefs or judgements. From all this it follows that in the bureaucratic organization the significance of personal dependence is diminishing, as the exemplary behaviour is being regulated in detail (Horváth, 2006, p. 291).

## 2.2 The downs (major criticisms) of bureaucratic theory

Without resorting to doing research on the topic at hand it can be reasonably affirmed that the state bureaucracy rarely works in the ideal manner of an administrative authority and its actions can easily become self-serving (with their own goals) or a harmful administrative routine could surface that can assume the role of the expertise within the administrative, decision-making processes. Furthermore control above the public administration may be missing and with these kinds of circumstances the civil servants can intervene in an authoritarian manner, if a problem arises: a process of "pointing fingers at each other" begins.

The word 'bureaucracy' has negative connotations even today, mainly in connection with the organization's function. The criticisms relating to these connotations are as follows:

- A man does not live solely and exclusively for the organization—he has his own goals as well, which may differ from those of the organization;
- Customers use the term "bureaucratic" organization when the organization appears inflexible and unresponsive to a customer's individual situation;
- Customers call an organization "bureaucratic" when it has overly complicated or time-consuming procedures and policies (which is often described as having too much "red tape");
- Bureaucratic organizations are viewed as being "uncaring" due to people being treated more like "numbers" than individuals;

- There is little or no room for innovation and individual creativity.

In today's theoretical and practical organizations two governing principles exist for and against bureaucratic organizations. The protectors of bureaucracy claim that the bureaucratic system works like a well-oiled machine in the case of large, stable organizations. Robbins (1983) considers that the explanation for the functioning of bureaucratic systems in modern organizations is that they are functional in many organizations, successful organizations are growing and bureaucracies work well in the case of big organizations, the slow social changes still value greatly the order, standardization and strong centralization are considered such weapons of bureaucracy of which an equivalent was not found yet (Huczynski-Buchanan 1985, p. 426).

The principal criticism of the bureaucratic organization is that it is not able to respond quickly to society's changing needs; structural "freeze" (inflexibility) and money scattering follow from this. Argyris, Crozier, Gouldner all argue against the bureaucratic system. According to sociologist Chris Argyris (Huczynski-Buchanan, 1985, p. 423) bureaucracies help to further develop a type of human being who isn't fully developed psychologically.

Michel Crozier talks about the vicious circle of bureaucracy. He argues that the functions of bureaucracies are not bound to a person. Furthermore it is impossible to foresee everything. The members of an organization are trying to check situations which cannot be foreseen in order to obtain more power within the organization. If one or more persons from the organization are able to control these situations, they will acquire greater strength, but their relation with other members of the organization will change.

Alvin Gouldner distinguishes three types of bureaucracies: "mock bureaucracy", "representative bureaucracy" and "punishment-centred bureaucracy". The first type ("mock bureaucracy") describes a situation in which the rules are prescribed from the outside, but they do not have any support from the members of the organization, neither from the managers nor from the employees. Gouldner's example is the prohibition of smoking which comes from the outside, from the fire department. This rule isn't followed either by the managers or the employees; this can be described as an unspoken convention.

Bureaucracy based on the principle of representation describes a situation in which everybody accepts the rules in the organization because they are useful (e.g. labour protection rules).

The bureaucracy which puts an emphasis on punishment, exists when a group—usually those who have power—prescribes rules, with which the rest of the groups do not agree. In order to force these other groups to conform with these rules the group who is in charge resorts to sanctions.

If we try to look for the existence of the three types of bureaucracies in reality we may see that a mixture of the three is present in almost every organization. If we take into consideration the modernisation ambitions of today's public administration we can observe that one of the European Union's objective is to cut back the bureaucracy but for this to happen there is a need for real administrative politics furthermore we experience that this is a lengthy process to which there is a need for social changes and the complex application of the tools/mechanism which are at our disposal.

### 3. The Neo-Weberian State (NWS)

---

As the New Public Management (NPM) model gradually appeared in the Anglo-American realm the continental European world eventually had to make some changes in order to modernize the public administration system. The model which eventually emerged was labelled the Neo-Weberian State.

Today, we can definitively declare that NPM was not able to change public administration radically neither abroad, nor in Hungary. Applying the tools of NPM did not result in a new kind of public administration model nor did it bring a revolutionary breakthrough in the organization or function of the state (Lőrincz, 2007, pp. 5–7).

Why so many remarks regarding NPM, you ask? This is because the NWS was developed in the context of concerns with the shortcomings of NPM. If we wish to simplify, the NWS came into existence as a wave of criticism toward NPM. The first—and perhaps the most important—critique was that NPM did not provide a strong state that could manage the challenges (both internal and external) facing newly independent states, including the civil services. Furthermore it is believed that NPM has failed, for the most part, in achieving the goal of establishing more effective and efficient public institutions in developing countries in Central and Eastern Europe (Dunn & Miller, 2007).

In their chapter titled “An American Perestroika”, Osborne and Gaebler (1992) affirm that “the bureaucratic model worked superbly” before 1945, in the unstable political and economic environment which was present in the USA between World War I and the Depression through World War II. Even now, they argue that the bureaucratic model is appropriate under a range of conditions:

*Bureaucratic institutions still work in some circumstances. If the environment is stable, the task is relatively simple, every customer wants the same service, and the quality of performance is not critical, a traditional public bureaucracy can do the job. Social security still works. Local government agencies that provide libraries and parks and recreational facilities still work, to a degree (Osborne & Gaebler, 1992, pp. 15–16).*

This exact argument describes the essence—in a nutshell—of why the NWS exists. There are some positive aspects of the bureaucratic system which can still work even today. But what exactly does the NWS consist of? What are the elements that are defining or describing it? Two of the most well-known administrative reform scholars, Pollitt and Bouckaert (2011) summarise their description of the Weberian basis of the model in the following four points:

- Reaffirmation of the role of the state as the main facilitator of solutions to the new problems of globalization, technological change, shifting demographics and environmental threat;
- Reaffirmation of the role of representative democracy (central, regional and local) as the legitimating element within the state apparatus;
- Reaffirmation of the role of administrative law – suitably modernized – in preserving the basic principles pertaining to the citizen-state relationship, including equality before the law, legal security and the availability of specialized legal scrutiny of state actions;
- Preservation of the idea of a public service with a distinctive status, culture and terms and conditions.

Discounting the “Weberian elements” the NWS contains “neo elements” as well, such as (Pollitt and Bouckaert, 2011):

- Shifting from an internal orientation (bureaucratic rule-following) towards an external orientation (meeting the citizens needs);
- Moving from primarily representative democracy to emphasize direct representation of citizens' views;
- Modernizing the relevant laws in order to encourage a greater orientation towards achieving results (in the case of the management of resources within government);
- Professionalizing the public service (shifting from a classical ‘bureaucrat’ to a professional manager who is oriented to meet the needs of the citizen).

Based on these descriptions we can formulate the following attributes of the NWS:

- The state is strong and active;
- The state accomplishes the synthesis of legalism and managerialism;
- The governmental act is based on the law and order;
- The private sector actually competes to offer quality community services;
- The civil sector participates in the preparation and implementation of public policy decisions.

These attributes have several consequences: reconsideration of the state’s role with the aim of strengthening the state; “rediscovering bureaucracy”; restoration of normativity; suppression of corruption; promotion of economic growth; reduction of poverty and widening of democracy.

The following table, based on the work of scholars who have examined the experience of Central and Eastern Europe, provides an overview of the models examined in this chapter.

**Table 1**  
Comparison of the “Weberian model” (WS) and the Neo-Weberian State  
(Gellén, 2012, p. 105)

<b>WS: the original Weberian model</b> (Drechsler, 2009)	<b>NWS</b> (Fodor & Stumpf, 2008; Drechsler, 2009)
<b>Its relationship to the civil service:</b> The civil service is an independent profession, with its own specific culture, with a separate legal status, with a specific language, submitted exclusively to legal measures and the interest of the public	<b>Its relationship to the civil service:</b> The professionalization of the civil service means that the civil servant is not just an expert in his own specialty, but at the same time a “manager” who works for the needs of citizens and for the public interest
<b>Presupposition:</b> The state is the primary solver of problems and challenges including: globalization, changing techniques, demographic, and environmental challenges	<b>Presupposition:</b> Competition and state planning are each far from perfect. The state tries to minimize market coordination within the state, the control over society is considered as a harmonious unit of the coordination mechanism
<b>Its relationship to politics:</b> The public service tries to work in isolation from politics; the single connecting factor is represented by legislation. The Weberian model tries to satisfy needs as an ultimate base of legitimacy for a representative democracy (common good)	<b>Its relationship to politics:</b> It seeks to expand the territory of politics by restoring state capacity, but by emphasizing the tools of the rule of law it strengthens its political common good against power goals
<b>Its program:</b> Strengthening administrative law – besides an appropriate modernization – with the preservation of the state-citizen relationship through the equality in the eyes of the law, legal certainty and through an emphasized legal regulation of the states action.	<b>Its program:</b> Effectiveness is the most important goal; it is to be achieved by leaving the achievements of the rule of law intact and by ensuring the greatest possible preparedness.

#### 4. Concluding Remarks

---

The traditional Weberian model in public administration spread throughout the industrialized world at a rapid pace. Why? Because its characteristics seemed to have worked well at the time when the model was developed. Guy Peters gives a

very good summary of this traditional model, describing its major characteristics (Peters, 2001):

- An apolitical civil service;
- Permanence and stability;
- Hierarchy and rules;
- Internal regulation;
- Equality;
- An institutional civil service.

This model was very successful in aiding the development of modern economies and Weber himself argued that it was the most efficient mode of organization possible, yet recent critics view it as being old, inefficient and even out-dated. Why is this?

The desire to achieve an efficient and accountable public administration is an ever-present concern. One of the primary challenges in most CEE countries has been establishing modern management systems without previously establishing a solid base for democratic development. Without these basic PA frameworks, there has already been—and there still is—a continuous pressure to reform management practices. However, post-communist states are still not as strong as needed in order for these changes to be possible. Therefore it is likely that for some time, technical approaches to PA according low priority to strategic thinking will continue to prevail.

It is obvious by now that the traditional Weberian bureaucratic model is out-dated in many ways. However we should not dismiss it totally because in certain situations, certain elements can still be quite effective; we just need to learn when and in what type of situations can we implement it in an organizational setting. This however raises a big question, namely whether the classical Weberian administration can fit the CEE even better than the NWS. Based on this paper (and on other scholarly materials) we can give two main reasons to argue that NWS is better suited than the traditional Weberian bureaucracy. The first point is that isolation is impossible in the contemporary world. Attempts at modernizing public management will continue influencing development in the CEE region. Secondly, there is an issue of path dependency in CEE countries. As many fundamental state-building efforts have already been based on the NPM-like approaches, it is more realistic to develop NWS than the traditional Weberian system of PA (Randma-Liiv, 2008). In general the European countries have shared a more optimistic attitude towards the future role of the state.

So is NWS only complementary to a previous model or can we consider it to represent the “afterlife” of Weber’s model? First, we should not forget that different societies offer quite different support for public administration, and more importantly they have different types of needs for public services. Thus my central argu-

ment is that we need to bring society back in if we are to produce a suitable theory (or model) of state capacity within a Neo-Weberian framework. Up until now we should view the NWS as a means of understanding what is happening with the government after the reforms of NPM have run their course.

Second, the creation or—as in this case—the re-creation of bureaucratic forms of governing is especially important for transitional regimes (e.g. third world countries or the consolidating democracies of CEE). Therefore the NWS as a model can represent a vital solution for transitional governments. In essence, it can be viewed as a hybrid between the managerial and the hollowed out state that had been created during the reform era, and therefore it may have the capacity to provide some level of improvements both in efficiency and probity.

The main question still remains, that with the new type of challenges of the 21<sup>st</sup> century which model will be capable of gaining priority, which model (if any) will be capable of offering a more efficient, effective and in totality a more suitable tool for the states? Beyond the theoretical significance of this question, its fundamental importance resides in how the administrative reforms are able to form the state so that in the meantime its democratic, rule of law and efficiency components are not getting injured, better yet, if possible to strengthen each other.

## References

---

- Buchanan, David A. and Andrzej A. Huczynski. 1985. *Organizational Behaviour*. Prentice Hall, London.
- Drechsler, Wolfgang. 2005. *The Re-Emergence of “Weberian” Public Administration after the Fall of New Public Management: The Central and Eastern European Perspective*. Halduskultuur, 2005, vol 6: 94–108.
- Drechsler, Wolfgang. 2009. *The Rise and Demise of the New Public Management: Lessons and Opportunities for South East Europe*. Uprava Univerza v Ljubljani Fakultete za Upravo. November 3: 7–27.
- Dunn, N. William and David Y. Miller. 2007. *A Critique of the New Public Management and Neo-Weberian State: Advancing a Critical Theory of Administrative Reform*. *Public Organization Review* 7: 345–358.
- Fodor, Gábor G. and István Stumpf. 2008. *Neoweberi Állam És Jó Kormányzás*. [Neo-Weberian Government and Good Government] *Nemzeti Érdek*, 2. évf., 7 sz.: 6–26.
- Gellén, Márton. 2012. *A Közigazgatási Reformok Az Államszerep Változásainak Tükrében* [Administrative Reforms and the Changing Role of Government]. Ph.D. diss., University of Győr.

- Horváth, Imre. 2006. *Vezetési módszertan*. [Management practices] Dialóg Campus kiadó, Budapest-Pécs.
- Johnston, Kenneth. B. 1993. *Busting Bureaucracy: How to Conquer Your Organization's Worst Enemy*. Irwin Professional Pub.
- Lőrincz, Lajos. 2007. Közigazgatási Reformok: Mítoszok És Realitás [Administrative Reforms: Myth and reality]. *Közigazgatási Szemle*, 2 sz.: 5–7.
- Osborne, David and Gaebler, Ted. 1992. *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*. New York: Penguin Books.
- Peters, Guy B. 2001. *The Future of Governing*. 2<sup>nd</sup> ed., Lawrence, KS: University Press of Kansas, 3–12.
- Pfiffner, James P. 2004. Traditional Public Administration Versus the New Public Management: Accountability Versus Efficiency. In *Institutionenbildung in Regierung und Verwaltung: Festschrift für Klaus König [Institutions in Government and Administration. Papers for Klaus König]*, edited by A. Benz, H. Siedentopf, and K. P. Sommermann. Berlin, Germany: Duncker & Humboldt, 443–454.
- Pollitt, Christopher and Geert Bouckaer. 2011. *Public Management Reform: A Comparative Analysis. New Public Management, Governance and the New Weberian State*. 3<sup>rd</sup> edition, Oxford, Oxford University Press.
- Randma-Liiv, Tiina. 2008. New Public Management Versus Neo-Weberian State in Central and Eastern Europe. Paper presented at the Trans-European Dialogue 1, Towards the Neo-Weberian State? Europe and Beyond, 31 Jan.–1 Feb., in Tallinn, Estonia.
- Schuppert, Gunnar Folke. 2000. *Verwaltungswissenschaft: Verwaltung, Verwaltungsrecht, Verwaltungslehre [The Science of Administration, Administration, Administrative Law and the Craft of Administering]*. Baden Baden, Germany, Nomos.



# Effects of Western Governance Models in Eastern Europe After the Transition, Enlargement and Crises

*Tamás M. Horváth*<sup>1</sup>

## Abstract

The post-communist countries undergoing political transition were encouraged to adopt Western European models for establishing their democratic systems and market economy. According to our hypotheses the territorial governmental model has been modified in the Eastern and Central European countries for specific systemic reasons. Firstly, although the European Union framework laid down substantive requirements and boundaries for the domestic regulation of public services, services of general economic interests are protected from the general provisions of the law of the internal market and the EU competition law. Secondly, from the point of view of territorial governance, international networking monopolies especially in utility services were focused more and more, building on inequalities among different stakeholders' positions. Thirdly, on the effect of the crises in 2008 regulatory functions of nation states have been enhanced, and now government preferences are widened and governments have more opportunity to influence the development of public administration based on specific national interests.

## Points for Practitioners

The European Union framework laid down substantive requirements and boundaries for the domestic regulation of public services. Simultaneously services in the public interest are protected from the general provisions of the law of the internal market, EU competition law and EU state aid law. The effect of this correlation is crucial on the monopolies of public utility services, their profitability and their position in the domestic, EU and wide-world regulation.

**Keywords:** Governance, Networking, Public Utility Services, Transition Countries

---

<sup>1</sup> Professor, Head of Department of Public Financial Law and Public Management, Faculty of Political and Legal Studies, University of Debrecen and the leader of the MTA–DE Public Service Research Group, Debrecen, Hungary.

## 1. Introduction

---

The post-communist countries in their transition tried to adopt Western European patterns of democratic systems and market economy. Donor countries did consider the implications of globalization and potential integration. Yet, it was the individual countries themselves who had to, or ought to have taken into consideration the implications of their own social context which is more or less resistant to the received models. The same also applies to many other subsystems regarding multi-level government functions and structures. The study first of all enumerates basic original limitations of the received models on territorial government in the diverse regions of the Eastern (historically post communist) block.

The hypothesis is that the territorial governmental model has been modified in the countries of Eastern and Central Europe (ECE) not only because of historical tradition, but for more specific systemic reasons. In public utility services external cooperation became crucial in some of the huge projects in public transport, telecommunication and development of techno-poles. Another issue is that the European Union framework laid down substantive requirements and boundaries for the domestic regulation of public services. Simultaneously services in the public interest are protected from the general provisions of the law of the internal market, EU competition law and EU state aid law. In addition, the effect of the crises in 2008 has been that the regulatory positions of states have been enhanced, and now governments have more opportunity to make regulatory decisions based on specified national interests.

The paper is based on a comparative investigation by the *MTA-DE Public Service Research Group*, Debrecen, Hungary. In this research different branches of service are studied in order to specify basic models of public service provision in Europe by sectors. Two volumes<sup>2</sup> have been published about it. For the historical analysis as a factual basis of the issue, we have used analyzes including the transformation of local administration systems in post-communist countries. Statements are built on the three thick volumes<sup>3</sup> written along uniform principles implemented by the *Open Society Institute Local Government and Public Service Reform Initiative (LGI)*<sup>4</sup> and to a smaller extent also on parts of the Council of Europe documents containing system descriptions. As a complementary method we have applied statistical data analysis. For secondary analysis the study draws on the complex mapping of the European public services (CEEP, 2010).

---

2 Horváth, 2013; Horváth, 2014.

3 Horváth, 2000; Kandeva, 2001; Muntenau & Popa, 2001.

4 The research director and program manager was Gábor Péteri.

## 2. 'Eastern' Countries Joining the EU in 2004

---

The massive commitment of acceding countries to the western development model demonstrates a certain similarity in the routes of the political transition they have undertaken. A proof of this commitment is their EU membership. In the development process of the 1990s various intergovernmental and international programs underpinning public administration (Phare, US AID, British Know How Fund, WB programs, Soros Foundations OSI, the SIPA and SAPARD support programs of the EU) emphasized the conditions and potentials of pattern pursuance. In order to be able to roughly interpret the overall outcome, we will have to examine the time gap in which local self-government changes took place in relation to the political transition. The year of declaring independence is also of considerable importance, for six of the eight countries were fully newly constructed. Municipal elections can be interpreted this time closely linked to the constitutional structure taking shape. Another basis of comparison for studying local self-government reorganisation can be the lowest point of economic recession, since transitional countries underwent a substantial transformation of the economic structures, and also severe production crises owing to social changes. These crises surpassed, even in their slightest form, the shock of the Great Economic Depression in 1929, as far as the drop in GDP is concerned. The transformational decline simultaneously had external causes (Kolodko, 2002, p.57). Significant among these were the collapse of the Soviet Union and later the monetary crisis in Russia (1998–99), the changes in the prices of raw materials throughout this time, and the various regional wars.

Table 1 distinguishes between “formal” and “genuine” changes of national local self-government systems. The former refers to the adoption of new laws for municipalities and to the declaration of the new system replacing the Soviet-type councils. Compared to this, “genuine” change is the legislation that results in deep changes in the institutional system. In ECE countries these two points of time were mostly the same, or were at least very close to one another. This means that the political transition processes were more or less uniform. The social and governmental processes of the transition reached the local context at more or less the same time. The integral relationship is well illustrated by how it was related to the economic crisis. The lowest level of the recession was always preceded by the political transition, inclusive of the real starting point of establishing self-governments.

Naturally, all countries are different. For instance, in certain cases one leap was enough for genuine change (Poland, Hungary, and the then-existing Czechoslovakia), in others several were needed. The Hungarian Act on Local Government of 1990 illustrates the one-phase radical change, while in other cases bargaining took longer. At this point, even the memory of the “big leap” in Hungary has faded considerably. For those who do remember, it is no longer so highly valued because the corrections still required after the initial change have never been implemented. The numbers and dates may even provide cause for further argument.

**Table 1**  
The basic circumstances of creating local self-government systems  
in countries of the former Eastern Bloc acceding to the EU In 2004

Country	Time of political transition	Time of obtaining independence	Local government system's		Time of the lowest level of economic recession Year: (GDP <sup>s</sup> , 1989=100%)
			formal change	first <sup>s</sup> genuine change	
1. Czech Republic	1989-90	Jan. 1, 1993	the same →	Sept. 1990	1992 (86,9); 1993 (86,9)
2. Estonia	1990	Aug. 1991	Nov. 1989	June 1993	1994 (63,7)
3. Poland	1989-90	-	the same →	March 1990	1991 (82,2)
4. Latvia	1990	May 1991	Feb. 1990	1991-92	1995 (54,1)
5. Lithuania	1990	Feb. 1991	Feb. 1990	1993-94	1994 (54,3)
6. Hungary	1989-90	-	the same →	August 1990	1993 (81,9)
7. Slovakia	1989-90	Jan.1, 1993	the same →	Sept. 1990	1993 (75,1)
8. Slovenia	1990	June 1991	1991	1993	1992 (79,1)

Source: Based on Horváth, 2000; GDP-figures: ECE, 2003:112; Ágh, 1998; Dexia, 2003

5 Here and in the following tables this is real GDP/NMP (gross domestic product/national revenue), at an unaltered price, in percentage.

6 Generally, comprehensive genuine changes occur in several phases; the only exception in this respect was Hungary. The second phase concerned basically the regional level and mergers and also the functional settlement. Next comprehensive reforms linked the analysed issue came into effect in the Czech Republic: 2000, Estonia: 1995, Poland: 2004, Latvia: 2003-04, Lithuania: 2001, Slovakia: 2002.

As a basis for establishing an assessment we provide a description of the formation of post-communist systems in CEE countries (Horváth, 2000), which we have tried to check from various sources. Consequently, we conclude that in this group of countries the political transition was fairly compact. Their own economic development could not serve as the basis for change, since the transformation of the institutional system was in the process of changing. The question of how to overcome the crisis was still a matter of daily importance throughout the early 1990s.

Finding a connection between following the Western pattern with respect to the adoption of institutions of market economies and democracies and the maturing phase of this adaptation regarding the economy and the political institutional system seems to be justified. Political changes—including changes in local self-government—were implemented despite the confusing turns in the maturing process of the new system; this is a good sign even though it does not guarantee immunity against faltering.

Comparing this fast-test of pattern pursuance with the test outcomes of the other two Eastern country groups there are slight differences. In the Balkans the political transition was crossed strangely by independence movements spilling over into wars. Political and military conflicts flared up in various parts of the region in several waves. As with state development, the local government process also failed. The formal change of the system is sharply distinct from the creation of sufficiently applicable institutions. The context of war naturally did not favour the democratic transition of local power structures. At the same time, genuine legislation was postponed so long that even the recovery from the economic crisis could commence. Even though the turning points of economic development follow a consolidation phase, still they precede profound institutional change. We can therefore conclude that development really can start on a certain course, even on that of market economy. It can be launched and even be stabilized—even in the absence of new type institutional reforms. See Table 2 in the Annex.

The Commonwealth of Independent States has in effect been in existence since 1992. In the previous one or two years the former member republics of the Soviet Union declared their independence one by one. At the same time the process of reorganisation was begun both on state and local levels. The new system and the new or newly authorized representative officials began their work fundamentally in the old framework. Of course, even that required legislation and the amendment of the constitution. That is what we mean by important—however, in an institutional sense only formal-legal—changes of the system. The profound systemic transition—the new structure underpinned by organisational, functional and operational conditions—could only evolve as the outcome of a long process.

This phase stretched out much longer than in the ECE countries, and the delay was not exclusively a result of mainly local armed conflicts, as in the case of the Western-Balkan states. Although such conflicts did strike major parts of these

countries, still that was not the sole and most decisive reason for the slow pace. The crisis itself was grave, as is clearly illustrated by the data on the recession. In *Table 3* in the Annex one can find the data for the armed crises following the declarations of independence, the low points of the economic recession and the time of the formal and “genuine” changes in local government transition in relation to them, with data on the legislative process, like milestones on a route.

The fundamental reorganization of the local government system took place well after the beginning of the economic growth. The proportions show that the crisis was virtually beyond comprehension from a European point of view. The turn of the trend was clearly connected to the emergence of the market economy. At the same time, this refers to the unusual circumstance that institutional changes did not have to be or could no longer be postponed until market economy processes commenced. The new competitive environment was also operational in the absence of certain political-institutional safeguards. Naturally not exactly the same way, as if its own development could have taken place in due course.

If we have earlier made the statement that transformational development of the market economy had started before the new model of the political-institutional system was formulated, then we are justified to presume that further development will proceed without the maturing of the institutional structure, but that the two processes will surely no longer strengthen each other with sufficient interference. Furthermore, if the stability of the market economy is already guaranteed (e.g. the protection of privatisation and of monopolistic interests) the influential interest groups will cease to advocate a further, broader and deeper democratisation of the political institutional system.

This circumstance will slow down or even halt the local government development process, and may divert its course from economic unfolding. And if all that is true for the whole of the state structure, i.e. safeguarding means are not provided for, then in the long run one must count on an Eastern type transformation of the competition context. In other words: one must count on the prospect that there will not be an organic link to Western-European institutions, which are obviously the outcome of a specific civilisation. It follows that pressing on with such a model, or outwardly pursuing it cannot lead to substantial results.

### **3. The Networking Context of Public Service Management Development**

---

i) External cooperation became crucial in some of the huge projects in public transport, telecommunication and development of techno-poles. Their very ambitious and successful linkages spread to different policy initiatives. Investments promoted large city regions overlapping country boundaries to be competitive at the interna-

tional level and gave an opportunity to influence the complex area of development and governance further on.

Earlier European programmes and projects scrutinized mainly the territorial framework of the European urban system. The *ESPON* highlighted polycentric development, then delimitation of functional urban areas and other spatial analyses. *METREX* is concerned with planning and development at metropolitan levels. The *URBACT* programme takes a more functional view. Nevertheless the *URBACT II* developed this profile to a direction of actions to promote more integrative development in different fields of cooperation. The ongoing *URBACT III* extends these efforts.

For instance, connecting to modern methods of transport, like high speed trains, are good examples on flexible but competent forms and frameworks of all the levels of governments and different forms of governance in competitiveness. Public managing centres are institutional engines of wide-scale strategic development which spread regional coverage of cooperation to wider areas, including cross border in an ongoing, complex process.

There are further examples from the field of urban public services. In most of the metropolitan areas, for instance, solid waste collection and disposal are managed under formal and/or informal co-operations and provided by networks. Externalities arise necessarily, so the question is whether it is accepted and if it is, in which framework and methods. In this case we found out division of municipal shares in providing companies as an instrument of making public influence.

In sum, governing actors, methods, and processes cannot be presented as simply municipal or local association issues. This contemporary phenomenon is over the horizontal cooperation among municipalities or vertical cooperation between any different levels of governments. In particular cases functions are spread among a wide range of counterparts and territorial area, stepping over every geographical or administrative barrier. This approach can mobilise many resources.

Technological development or infrastructural networks are neither traditional nor local nor internal functions at all; however, local actions made very important contributions to expand cooperation. The basis of it becomes more and more difficult to imagine and describe and is not based on administrative areas or methods. However non-administrative instruments have become more widespread at this large scale.

For instance, the European policy promoting metropolitan regions could be one of the relevant policy responses. The desire to be more competitive in the global economy either for increased growth or in response to crisis is one of the key motivations to the development in the mentioned direction.

Local actions made very important contributions in to expand this type of cooperative action; however, this is not necessarily based on administrative areas

or methods. Non-administrative instruments have become more widespread at this large scale, neglecting spatial aspects. Therefore there is some risk weakening democratic legitimacy, if tradition is not strong enough.

ii) Another absolutely different aspect of international networking is the freedom of competition in the EU. Large companies as actors of the European market do not seem to be linked directly to one or other Member States. Especially companies providing public services defined by the EU laws with general economic interests are out of national boundaries in many fields of tasks and functions.

Networking public services cannot be fully liberalised in order to make them subject to the Community law of competition. There can be oligopolistic competition among a few large groups, leading to concentration. Against these failures the concept of general or universal services appear for electricity, energy, transport, postal services, telecommunications guaranteeing some basic services to all residents and citizens.

The European Union framework lays down regulatory boundaries and substantive requirements for the domestic regulation of public services<sup>7</sup>. Services in the public interest are protected from the general provisions of the law of the internal market, EU competition law and EU state aid law. The central element of the law here is that the discretion of the Member States is constrained by the fundamental requirements arising from the rule of law and from the principles of good regulation. The Member States are allowed to pursue nearly any policy priority in public services regulation provided that their intervention is adequately prepared, substantiated and that they comply with the fundamental requirements of the rule of law. Public undertakings providing these tasks are in the position in which public authorities may exercise directly or indirectly a dominant influence by virtue of their ownership of them, their financial involvement or governing rules. They may get exclusive rights from Member States through legislative or any regulative manner to provide services or undertake activities within a given geographical area.

Notwithstanding the possibility to make specific rules in these areas has been in place since the very beginning of the European integration, only in the 2000s were more detailed legal regulations laid down on this issue, which was generalized in the Treaty of Amsterdam. So far, in quite crucial public service provision areas specific rules or decisions of the European Court of Justice allow new requirements, such as in public transport and waste management. As a general impulse changes in the process were very crucial in the European regulation on the system of public

---

7 Commission Directive 2006/111/EC on the transparency of financial relations between Member States and public undertakings as well as on financial transparency within certain undertakings; Commission Decision 2012/21/EU on the application of Article 106(2) of the Treaty on the functioning of the European Union to state aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest.

procurement namely in procurements on different services of general interests, by each. The effect on oligopolistic corporations was very fast and direct, because they shift their position in the European internal market. Allowed by the EU, Member States could intervene in order to guarantee public interests that were served by providers being in monopolistic position.

iii) Integration is influenced by interests. Recommendations of the 1990s and 2000s to countries in transition concern the effect of public administration on the system of public service provision. Among the main organizations affecting this circle more important ones are: the World Bank; several programs of the IMF for developing and transitional regions; the Council of Europe; EU policies and development strategy, and the support policy of the European Bank for Reconstruction and Development (EBRD). Often there are programs running also outside “the sphere of operation”, like the West-Balkans support programs of the European Union. The direct and indirect impact of projects promoting progress cannot be underestimated. The one we would here like to highlight as an example is that adopted by the Council of Europe, the European Charter of Local Self Government, setting the minimum standard for self-government development including financial resources. The document is a treaty by form, issued on October 15<sup>th</sup> 1985 in Strasbourg. In its content it lays down the basic requirements of self-government according to the European model. The signatory countries undertake to incorporate the criteria into their own laws. Since then 45 countries have adopted the document<sup>8</sup>. Among them are the former socialist Central and Eastern-European countries in full number, including those in the Balkans and some of the Commonwealth of Independent States: Azerbaijan, Georgia, Moldova, Russia, Armenia and the Ukraine, the Balkan states, and the successor states of Yugoslavia. It is common knowledge at the same time that the contents of the document serve as the norm for Central Asian countries of the Commonwealth of Independent States in professional and policy disputes.

The extent to which the Charter has been adopted by countries varies. Not all member states signed the treaty immediately. Furthermore, signing has not always been followed by successful ratification, which may indicate the presence of political resistance, a will to decentralise as opposed to government decision. A successful ratification, however, seems always to be followed by the document eventually becoming effective in time.

There is also a third level of variance: a difference in the extent of submitting oneself to various individual articles of the Charter, for which the declaration leaves room to a certain degree. When browsing the ratification list, certain facts are striking: Ireland signed the treaty only within 12, and Switzerland only within 19 years of issuance. From among those immediately signing it, Belgium needed another 19 and France another 22 years to ratify the agreement. However, Albania, Lithuania,

---

8 Chart of signatures and ratifications, 2014.

Moldova, Poland, Russia, Macedonia and the Ukraine “kept the right rhythm” in signing, ratifying and putting it into practice. Moreover, they did not even opt out of any of its provisions. The “local government major powers”, the United Kingdom, Sweden, Holland, Italy, Germany, Denmark and Austria, however, did exercise the right of opting out. Hence, the newcomers appear to be more bent on following the western model than the model-setters themselves.

Within the European Union acceding countries declaredly and naturally sign up accepting all existing laws of the EU. This requirement concerning the state structure is mainly specified by the principles regarding the Single European Public Administration Area. Even more important may be, however, regulations provided for by statute, stipulating the essence and practice of competences which constitute an integral part of the *acquis communautaire* European Community law. Most important may be the regulations on arranging public services, for which the local self-government role is decisive.

Nevertheless, the *acquis communautaire* works on the principle of subsidiarity, so centralized decision-making only occurs when an issue cannot be settled on a more local level. Therefore, member state characteristics will always retain their significance, including in creating the organizational structure of local self-governments. The fact that no universal patterns exist has been thereby acknowledged. All seems to be in order as far as the crux of the matter is concerned. The source of the problem here too, as with the Charter, lies more in the pattern followers. Due to the regulators, they seem to be less able to think in terms of alternatives than the model countries. This is best illustrated by the creation of regional administration systems. Newcomers and future members both aim to create institutional structures that would ensure maximum benefits when utilizing Structural Funds.

The lure is attractive indeed, and they do submit regional mechanism to that aim. Complying with a pattern creates the model itself, even if only for an imaginary object, since the imaginary goal is heterogeneous in reality. Regulations themselves can no doubt be blamed, but the process can still take a rather unusual course.

After all, the pattern itself is not even so uniform as neophyte followers make it appear in their own true or imagined interest. Under such circumstances, how successful can such transformational routes may be? Even though this question may be of interest regarding the EU, we will postpone dealing with this rather delicate matter in the absence of historical experience. The global approach studied so far can be better matched by an overview and assessment of routes the large groups of countries undergoing political transition have taken. Let us now study certain overall contents and the framework of the western local self-government development pattern as followed by all the transitional countries.

## 4. Management Answers on the European Challenges in ECE Countries

---

The management context of infrastructure policies in ECE countries should be viewed in progress from the late 1980s. The main stages (1–7) and their contents are as follows:

- (1) Before system transition the state and local councils operated utility services through public utility companies, which they founded and ran. Public utility companies had independent budgets. Councils' budget contained only subsidies to them. Human social services were provided by budgetary institutions.
- (2) After the transition at the beginning of 1990s the first step was preparation for possible privatization. In general it was supposed in the ECE countries that this way of progress conformed to the process of pre-accession into the EU. By the middle 1990s the transfer of state-owned core assets to local governments was completed. The financial mechanism of local public utility services was re-established. This progress focused on the following main issues as follows:
  - Rights of price setting were divided between municipalities and the central government;
  - To ensure central budget funds for developing networks;
  - Conditions were created for converting state and local government-owned enterprises into limited or share companies.

Transformation into companies needed asset valuation which preceded conversion in order to post the real value of utility services. In general this exceeded their earlier registered book value. Conversion made it possible to separate equity in the physical sense from the transferable stakes and shares which represented the ownership rights. At the same time organizational transformation occurred.

Two parallel stages came after this. Some transformed companies managed to privatize, while others failed.

- (3) There were at least three good reasons for managed privatization of public companies by decision-makers. Firstly, private capital seemed to be more efficient to economize than the public sector. Secondly, a price competition was sparked by the privatization tender (which includes consumers' pricing formulae for longer time). Thirdly, private companies could be used to take responsibility for local functions. On the other hand, large West European companies in the energy, water, and waste sectors were ready to enter the opened regulated market in the 1990s and 2000s. These companies and their investors in general also naturally followed interests of their own.

(4) Simultaneously, other companies remained non-privatized. As far as specification is concerned, there are differences either in ECE countries and fields of public services. Explanation of 'failure' may be different. The primary reasons mentioned are as follows:

- Fees paid by consumers do not cover costs, and subsidies are not defined clearly in advance by normative regulations;
- Revenue-centric privatization often needed to sell the infrastructure itself, apart from the right to provide the service;
- Separating the maintenance of network infrastructure and service supplement aimed providers to be interested in increase of efficiency at first. Acceptance of this aspect depends on investors very much.

Nevertheless, these companies were re-organized widely in order to develop their effectiveness and efficiency.

(5) Remunicipalisation in Europe from the second half of 2000s was similar but not the same phenomenon in some of the countries of the ECE region. As a reaction to the above-mentioned point (3) in 2010s larger municipalities at first, then central government began to reacquire shares of formerly privatized providing companies. The motivation was to regain control over increases of consumers' fees and to limit investors' profit. This issue became a burning political topic of ongoing public debates.

(6) Non-privatized companies previously mentioned (4) started to shift to companies directed in a common way by their municipal owners. Formally this is a similar process to that which has been in process in West-European countries since around 2010s. Multi-utility holding companies were established from single-profile municipal companies in order to exploit options for synergies. So-called in-sourcing emerged near the formerly extremely preferred outsourcing. This development was not independent from the changes in the EU legislation on general economic (and non-economic) services. As far as the structure of ownership is concerned municipal corporate governance was developed (Grossi & Reinhard, 2008; Grossi & Thomason, 2011) and this process emerged in ECE countries, as well. It makes a difference that the process is promoted with regulatory environment heavily in some cases from the region. Because of this economic and political conflicts may much more critical here.

(7) As a reaction to remunicipalisation (5) the central government may become and in some countries has already become a subject of the ownership in core assets and utility companies. In the case of Hungary the central government competes with municipalities to get shares in 100 percent of the network infrastructure sector in 2010s.

Where state regulation becomes widespread, this attitude may reach whole social systems like education, social services and health care. In extreme examples budgetary institutions under state direction get exclusive control over delivery of public services at the expense of non-governmental organizations or private bodies.

Privatized companies are owned by foreign professional investors, i. e. West-European groups of monopolistic providing companies, like the German RWE, E.ON, EnBW, the French GdF and EdF, the Italian ENEL in the energy sector; the German RWE, BerlinWasser, the French SUEZ, Veolia in water, Astrian ASA etc. in waste. Therefore remunicipalisation or keeping municipal corporate governance means a different understanding of nationalisation in contrast to foreign ownership. Some of the key dilemmas of the whole process in the region may be described through the, somewhat extreme, Hungarian case, which presents a quite specific answer to the ongoing European challenges in addressing the scrutinized issue. The characteristic feature of the development in 2010s is the emerging governing practice against former mechanic privatization.

There are different initiatives in Europe which lead to remunicipalisation and municipal corporate governance. One is public, the other is central administrative (bureaucratic). Stages (5), (6) and (7) are detailed more precisely as follows:

- remunicipalisation putting services back to municipalities in a
  - public or
  - administrative bureaucratic way;
- re-emergence of municipal corporations in a
  - public or
  - administrative bureaucratic way.

In West-European countries remunicipalisation is based on different motivation. According to the collected experiences on the issue (Hall, 2012; Water Remunicipalisation Tracker) it is possible to specify different types of motivation on the part of the public. Seeing excessively high consumer fees may lead to municipalities or intergovernmental level bodies intervening in different ways. The policy of placing services into public hands is a late reaction to conflicts relating to privatisation and outsourcing (Hall, 2012; Pigeon et al., 2012). Apart from these, water services and waste management are local functions. Additionally, public transport and electricity are services that are managed from the central level of government. Also, in-house services are highlighted in different fields, like public cleaning, housing, etc.

Basic types of instruments to restrict monopolistic private interests can be defined as follows. Tools of local governments in the process of remunicipalisation are:

- Making a new contract with municipal-owned company upon expiry of the former long-term period;
- Shift to in-house solution of service delivery, on the basis of modified rules of the EU;
- Restriction of profit-rate interest through non-profit companies or direct labour organizations;
- Additional regulation on openness.

The relatively extreme Hungarian case from 2010 adds something special to this process, namely quite a strong campaign against private providers in the case of the provision of public services. This means not only sector policies, but also direct political measurements influencing the market of public utility services. Specific taxes, central administrative price control, cutting prices by legal acts are absolutely against regulatory principles and allowed instruments in a liberalized market.

## 5. Conclusion

---

Networking public services cannot be fully liberalised in the EU and OECD in order to make them subject to the Community and international law of competition. There can be oligopolistic competition among a few large groups, leading to concentration. Against these failures the concept of general or universal services appeared guaranteeing some basic services to all residents and citizens. The European Union framework laid down substantive requirements and boundaries for the domestic regulation of public services. Services in the public interest are protected from the general provisions of the law of the internal market, EU competition law and EU state aid law.

The effect of oligopolistic corporations was very fast and direct, because they shift their position in the European internal market. Allowed by the EU, Member States could intervene in order to guarantee public interests that were served by providers in monopolistic positions. However, on the effect of the crises in 2008 regulatory positions of states have been enhanced, and now government preferences are widened as far as their instruments are concerned to influence them on the basis of nationally specified interests.

The central element of the law here is that the discretion of the Member States is constrained by the fundamental requirements arising from the rule of law and from the principles of good regulation. The Member States are allowed to pursue nearly any policy priority in public services regulation provided that their intervention is adequately prepared and substantiated and that they comply with the fundamental requirements of the rule of law. This is also a risk to fallacy, because nationwide aspects might overwrite the original (Western-type) integration mod-

els. On the other hand the monopolized market is a global unity and the role of the countries is different in it according to their position as representing direct or indirect owners or less influential consumers. It is less the question of following patterns, rather being more or less influential part of a really integrated unit. Roles can be shifted, if at all, in an uneasy way.

## References

---

- CEEP [European Centre of Employers and Enterprises Providing Public Services]. 2010. *Mapping of the Public Services: Statistics, Organizations and Regulations*. Brussels: European Commission.
- Csaba, László. 2005. *The New Political Economy of Emerging Europe*. Budapest: Akadémiai.
- Dexia. 1999. *Local Public Companies: In the Fifteen Countries of the European Union and in Norway*. Paris: Dexia.
- Dexia. 2003. *Local Finance In the Countries Joining the European Union in 2004*. Paris: Dexia.
- Dexia. 2004. *Local Public Companies: In the 25 Countries of the European Union*. Paris: Dexia.
- ECE. 2003. *Economic Survey of Europe*, No. 2. New York: United Nations.
- ESPON. <http://www.espon.eu>
- Frendreis, John P. 1983. Explanation of Variation and Detection of Covariation: The Purpose and Logic of Comparative Analysis. *Comparative Political Studies* 16(2), July: 255–272.
- Goldsmith, Michael. 2001. Urban Governance. In *Handbook of Urban Studies*. Edited by Ronan Paddison. London: SAGE: 325–335.
- Grossi, Giuseppe and Christoph Reichard. 2008. Municipal Corporatization in Germany and Italy. *Public Management Review* 10(5): 597–617.
- Grossi, Giuseppe and Thomason, Anna. 2011. Jointly Owned Companies as Instruments of Local Government: Comparative Evidence From the Swedish and Italian Water Sectors. *Policy Studies* 32(3), May: 277–289.
- Hall, David. 2012. Re-Municipalising Municipal Services In Europe. Greenwich: Public Services International Research Unit (PSIRU), Business School, University of Greenwich, pp.29, [www.psiru.org](http://www.psiru.org) (2013.09.19.) A report commissioned by the European Federation of Public Service Unions (EPSU).
- Hall, David, Sandra Van Niekerk, Steve Thomas and Tue Anh Nguyen. 2013. Renewable Energy Depends on the Public not Private Sector, Greenwich: Public Services International Research Unit (PSIRU), Business School, Universi-

- ty of Greenwich. <http://www.psiru.org/reports/renewable-energy-depends-public-not-private-sector> (2013.07.07.)
- Horváth, Tamás M. 2007. Humpty Dumpty: Problems of Globalization Issues Illustrated by Local Self-Government Development. *International Journal of Public Administration in Central and Eastern Europe* 2007(2): 2–19.
- Horváth, Tamás M. 2009. City-Region as Marble Cake: Methods of Governance Across Any Framework. *The URBACT Tribune*. 2009, Nov.: 31–33.
- Horváth, Tamás M., ed. 2013. *Kilengések. Közszolgáltatási változások*. (Swinging. Changes in Public Service Provision). Budapest: Dialóg Campus.
- Horváth, Tamás M., ed. 2014. *Külön utak. Közszolgáltatási modellek*. (Special Roads: Models of Public Services). Budapest: Dialóg Campus.
- Horváth, Tamás M., ed. 2000. *Decentralization: Experiments and Reforms*. Local Governments in Central and Eastern Europe. Volume 1. Budapest: Local Government and Public Service Reform Initiative, Open Society Institute.
- Kandeva, Emilia, ed. 2001. *Stabilization of Local Governments*. Local Governments in Central and Eastern Europe. Volume 2. Budapest: Local Government and Public Service Reform Initiative, Open Society Institute.
- Kolodko, Grzegorz W. 2002. *Globalizáció és a Volt Szocialista Országok Fejlődési Tendenciái* (Globalisation and the development tendencies of former socialist countries). Budapest: Kossuth Kiadó.
- Mallin, A. Christine. 2013. *Corporate Governance*. Oxford: Oxford University Press.
- Marcussen, Martin. and Jacob Torfing. 2007. *Democratic Network Governance in Europe*. Basingstoke: Palgrave Macmillan.
- METREX <http://www.eurometrex.org>
- Munteanu, Igor and Victor Popa. 2001. *Developing New Rules in the Old Environment*. Local Governments in Eastern Europe, in the Caucasus and Central Asia. Volume 3. Budapest: Local Government and Public Service Reform Initiative, Open Society Institute.
- Pigeon, Martin, David A. McDonald, Olivier Hoedeman and Satoko Kishimoto, eds. 2012. *Remunicipalisation: Putting Water Back Into Public Hands*. Amsterdam: TNI (Transnational Institute)
- Ravetz, Joseph. 2000. *City-Region 2020*. London: Earthscan.
- Sorensen, Eva, and Jacob Torfing. 2007. *Theories of Democratic Network Governance*. Basingstoke: Palgrave Macmillan.
- Szyszcak, Erika, Jim Davies, Mads Andreaes, and Tarjei Bekkedal, eds. 2011. *Developments in Services of General Interest*. The Hague: Springer.

Transition Report. 2003. *Transition Report 2003: Integration and Regional Cooperation*. London: European Bank for Reconstruction and Development.

URBACT <http://www.urbact.eu>

Water Remunicipalisation Tracker, <http://www.remunicipalisation.org>  
(2013.09.19.)

Wollmann, Hellmut and Gérard Marcou, eds. 2010. *The Provision of Public Services in Europe: Between State, Local Government and Market*. Cheltenham: Edward Elgar.

**Table 2**  
The basic circumstances of creating local self-government systems  
in the former Eastern Bloc countries in the Balkans

Country	Time of Political transition	Recently obtained independence	Military/armed political crisis	Local self-government system's		The lowest level point of the economic recession: year (GDP, 1989 = 100%
				formal changes	genuine changes	
Albania	1991	-	-	1992	2000	1992 (60,1)
Bosnia-Herzegovina	1990-91	1991 and 1995 (Dayton)	1992-95	-	1999 után	1993-1994* (%:?)
Bulgaria	1990	-	-	1991	1998	1997 (68,2)
Croatia	1990-91	1991	1991-95	the same →	1992-93	1993 (59,5)
Macedonia	1991	1991	2001	the same →	1995 (then: 2002)	1995 (70,8)
Romania	1990	-	1989-1990	1991	1996 (then: 2001)	1992 (75,0)
Serbia	1990	1992	1991-	1999	2002	1993 (40,6)
Montenegro	1990	2006		[1999]		[1993]
Kosovo	1990	[1992]	1998-1999	[2001]	2003 (UNMIK)	no data

Source: Based on Kandeava, 2001 (HMT); GDP-data: ECE, 2003:112; furthermore: Ágh, 1998.; Sevic, 2003.

\* Transition report, 2003:56

**Table 3**  
Basic circumstances of the creation of local government system  
in the former Soviet successor states (CIS)

Country	Recently acquired independence	Armed military political crisis	Local government system's		The lowest level of the economic recession: year (GDP, 1989 = 100 %)
			formal changes	genuine changes	
Azerbaijan	Oct 1991	-	-	1999	1995 (37,0)
Belarus	1990	1995-96	1991	-	1995 (63,9)
Georgia	1990-91	1992-; 2003-	Jan. 1991	Oct. 1997, 2005	1994 (23,4)
Kazakhstan	1991	-	Febr. 1991	Jan. 2001	1995 (60,8)
Kyrgyzstan	1990	March 2005	1994	1999-2001	1995 (53,1)
Moldavia	1991	1992-93	-	Dec. 1998	1999 (33,2)
Russia	[March 1992]*	-	1991	-	1999 (55,7)
Armenia	Sept. 1991	1991- May 1994	-	July 1996-1998	1993 (44,3)
Tajikistan	Sept. 1991	1992-94	Febr. 1991	-	1996 (29,8)
Turkmenistan	1991	-	1993	-	1997 (60,7)
Ukraine	end of 1990	Nov. 2004	1990 and 1992	May 1997; Dec. 2004	1999 (39,3)
Uzbekistan	Sept. 1991	2005	1993	1999	1995 (80,5)

Source: Based on Munteanu and Popa, 2001 (TMH); GDP-data: ECE, 2003:112.; Csaba, 2005: 67-69.;

\* The new federation treaty of the Russian Federation



# Section II

## Post-New Public Management and Good Governance





# From Pre-Weber to Post-NPM: Challenges to Modernization of Public Administration in Latvia and Norway

---

*Harald Koht<sup>1</sup>, Iveta Reinholde<sup>2</sup>*

## **Abstract**

This chapter presents findings from research on public service delivery in Norway and Latvia. By providing a comparative perspective we seek to show that while some of the problems faced by public officials in the two countries may be quite similar, there are also some inherent cultural issues of trust and accountability that are particularly vexing in countries where the tradition of public service has yet to be firmly established. Efforts to study and modernize public administration must take account of these differences that can be seen as challenges to the adoption of Good Governance, an administrative reform movement where some tools from earlier New Public Management may be included.

**Keywords:** Accountability, Good Governance, Latvia, New Public Management, Norway

## **1. A Multi-level View of Public Administration**

---

The current academic critique of public administration is largely based on claims that it fails to serve the citizens by being too bureaucratic, too rule-based, and too hung up in “red tape”. Moreover, public criticism of bureaucracy sharpens in pre-election periods and thus strengthens the political will to follow through with reforming and modernization activities. This type of criticism has resulted in efforts at modernization to make public administration more efficient and responsive to citizen demands.

---

1 Professor, Department of Public Management and Welfare Studies, Oslo and Akershus University College of Applied Sciences, Oslo, Norway.

2 Associate Professor, Department of Political Science, University of Latvia, Riga, Latvia.

Since the 1980s attempts at “re-inventing government” have generally been labeled New Public Management. However, these efforts often fail to consider whether “really existing” public administration fits the ideal-type model of bureaucracy as described by Max Weber in his seminal work on governance.<sup>3</sup>

In contrast, anecdotal evidence suggests that a major challenge to public administration in many countries is its frequent failure to live up to reasonable expectations regarding impartiality, rationality, rule-based decision-making, honesty, and other characteristics of Weber-type bureaucracy. These failures may be especially relevant in countries in various stages of development or transition, but highly-developed countries also suffer instances of breakdown or disasters that expose flaws in their administrative systems. In these cases we can speak of the re-surfacing of cultural traits and beliefs that pre-date the administrative ideals of Woodrow Wilson and Max Weber.

While Max Weber himself can be credited for pointing out that a negative aspect of bureaucracy consists of depersonalization, Robert K. Merton in his influential article “Bureaucratic Structure and Personality” (1940) laid the groundwork for the systematic critique of public administration. Specifically, Merton pointed at such “dysfunctions of bureaucracy” as goal displacement and the rigidity of the bureaucratic personality. This early critique has been the foundation stone for administrative reform efforts since World War II.

The focus on “dysfunctions” in formulating demands for reform fits well with the ideas of paradigm shifts introduced by Thomas L. Kuhn (1970). In this view the introduction of the bureaucratic model of public administration represents a regime change that invalidates all previous approaches. Kuhn’s followers appear to have disregarded his caution that, “A student in the humanities has constantly before him a number of competing and incommensurable solutions to these problems, solutions that he must ultimately examine for himself.” In this respect public administration belongs to the humanities, rather than the hard sciences. Yet, in the public administration and management literature, the “bureaucratic paradigm” has been prevalent for decades to the exclusion of other approaches (Park & Comeaux, 2014, p. 51). Correspondingly, the market model has served as the favorite approach to modernization of public administration.

## **2. The Current Hegemonic Approach: The Market Model**

---

Perceptions about current problems of public administration world-wide vary considerably. B. Guy Peters (1996) identifies four major approaches, but also claims that, “If there is a single alternative to the traditional model of public administration

---

<sup>3</sup> For a characteristic example of this approach to the study public administration reforms in Europe see the recent report by G. Hammerschmid et al. (2013).

favored by contemporary politicians, academics, and probably the public it must be the market model” (p. 21).

This model has been applied to the administration of all countries from the affluent to the poorest, from the most stable to countries in transition. According to Peters, supporters of market-like reforms have promoted them in order to combat such diverse problems as indolence, overzealousness, bureaucratic self-interest, and the undersupply of public goods. Although the model has been criticized as inappropriate for developing countries, where formal institutions and external checks on public administration are weak (Schick 1998), market-like reforms were and still are attractive for their promises of improved public service quality and efficiency.

Johan P. Olsen (2014) identifies the market model with the neoliberal reform efforts introduced in the United States and Great Britain in the 1980s (p.97). Jonathan Boston (2011) in addition indicates managerialism and agency theory as key theories that informed especially the movement for “New Public Management” (p. 20). Oddly enough, these neoliberal reforms implied the use of detailed external controls (Olsen, 2014, p. 211). The market-oriented approach includes the idea of “generic management” – the suggestion that all formal organizations are fundamentally alike – which is supported by some academics, but mostly by suppliers of management tools (Peters, 1996, p. 29).

While there has been no lack of academic criticism of New Public Management together with announcements of its imminent demise, its continued status as a major approach to the study of public administration reform shows in the continual flow of new research publications, not least of which is the recent, monumental handbook edited by Christensen and Læg Reid (2011). However, this massive volume has no chapters or references to the application of NPM in Central and Eastern Europe. Research into New Public Management is largely confined to Western Europe and English-speaking countries in other parts of the world. One possible reason for this state of affairs lies in the complexity of reforms in Central and Eastern Europe where administrative reforms served as an integral part of economic and political reforms. This explanation creates difficulties in formulating precise assumptions with regard to the most significant factors in the modernization efforts: market requirements, domestic needs, or international pressure. However, tools offered by New Public Management were accepted in CEE countries because of attractiveness, modernity and the illusion of modernization. At the same time, Western Europe, according to Elizabeth Meehan (2003, p. 26) took steps to shift from New Public Management to the Good Governance approach and to substitute governance through market with governance where networks and partnerships matter.

### 3. Characteristics of Public Administration Pre-Weber

---

What could non-bureaucratic or pre-modern problems of public administration possibly be? The list may well include such occurrences as despotism, corruption, nepotism, simony, patronage, scapegoating, willful arbitrariness, as well as disregard for the rule of law. While some of these seem quite familiar even today, others, such as simony, may just have historical significance. The actuality of these problems usually has deleterious effects on the quality of decision-making, equal treatment, and fairness. In his classic discussion of “The State as a Work of Art”, Jacob Burckhardt saw the flagrant nepotism of the Renaissance pope Sixtus IV as a particular evil aspect of the corruption of the political system. In 1473 the efforts of Sixtus and his followers to make the papal throne inheritable “threatened at one time to destroy the Papacy altogether” (1990, p. 83).

A royal coup paved the way for the imposition of the absolute rule of the king in the united realms of Denmark, Iceland, and Norway in the 1660s. Paradoxically, this event led to a centralized bureaucratic structure of government. The coup was supported by the clergy and the bourgeoisie that battled the arbitrary power of the nobility (Mykland, 1977). But as we shall argue in the following, bureaucracy did not put an end to all aspects of pre-Weberian government.

While in the popular mind the Soviet system represented the embodiment of excessive bureaucracy, this was not the case according to scholars such as Anders Åslund. The communist administration was not all that large, and most countries saw their bureaucracies swell with the transition (Åslund, 2002, p. 373). For obvious reasons, we can find few contemporary studies of the public administration from the Soviet era. However, Alexander Solzhenitsyn (1918–2008) wrote fictionalized accounts on how everyday life could be affected by the willful arbitrariness of powerful officials. In his tale “For the Good of the Cause” Solzhenitsyn (1963) showed how enthusiastic, voluntary efforts of students to build a new school for themselves were thwarted when party officials arbitrarily turned the completed building over to a completely different purpose.

For Woodrow Wilson and his Progressive allies in the US an important target for reform consisted of the practice of patronage usually called the “spoils system”. Patronage allowed winners of elections to fill appointed offices with political friends and relatives. The Progressives started civil service reform on the federal level in 1883. However, in a recent book on African public administration, Merilee S. Grindle (2012) makes the point that a patronage system for recruiting officials is not only thriving in many countries, but also has some beneficial aspects. Some authors even claim that aspects of corruption or “honest graft” must be accepted in developing as well as well-established democracies (Sharma 2013; Rauch 2014). However, the common view remains that “corruption harms the economy and the society as a

whole,” as expressed in a recent European Commission report (European Commission [EC], 2014, p. 2).

#### 4. Pre-Weberian Aspects of Modern Public Administration

Some years ago one of the authors conducted with the help of student assistants a survey of the openness of Latvian public agencies to citizen requests for information. The telephone survey included simple questions regarding the size of the agencies and their budgets that should according to law be available to anyone. Yet, officials often refused to provide the requested information over the phone. Sometimes, this refusal took the form of passing the buck or creating bureaucratic red tape by asking for written requests. More surprisingly, an official would demand that the caller should appear in person at the ministry or independent agency to get the requested information (Koht, 2003, p. 186). This locating of trust only in face-to-face meetings, that is the need to see a face, can be found in many societies, according to Pollitt and Bouckaert (2000, p. 158).

**Table 1**

Relevant concerns in deciding cases in elderly care.  
Average scores of respondents in each country. Ranked according to stages of ethical reasoning.  $N \approx 101$ .

	<b>Norway</b>	<b>Latvia</b>	<b>Lithuania</b>	<b>p</b>
1. I can be punished for making the wrong decision.	39.4	61.1	39.7	**
2. I have to maintain good relations with other people involved in this case.	60.3	65.7	66,6	
3. I have to maintain long-term relationships with other people to get along.	49.3	71.9	64.0	**
4. Respect for the authority of law is part of one's obligation to society.	81.5	66.4	77,4	**
5. My plan of action needs to be rational and strive for the equal treatment of all.	82.6	67.7	81,8	**

Notes: Scores higher than 50 indicate support or agreement with the statement. Scores below 50 indicate disagreement. Varying  $n$  for each statement.

Kruskal-Wallis Multiple Sample Test for comparing distributions across groups: \*\* Answers are significantly different at the  $p < 0,01$  level

Source: Kjørstad & Tufte, 2014, table 5.3.

More recently, both authors of this paper have been involved in a project to study elderly care at the local government level in three countries: Norway, Latvia, and Lithuania (Kjørstad & Tufte, 2014). The research focuses on the importance of legal thinking, professional attitudes, and personal ethics in deciding individual cases by local government officials. As shown in *Table 1*, the emphases in regard to core administrative values vary considerably in each of these three countries. Norway and Latvia can be found at extreme ends, while Lithuania occupies the middle position more similar to its southern neighbor Poland (cf. Stewart *et al.*, 1997).<sup>4</sup>

The variables in *Table 1* have been drawn from the work of Stewart *et al.* (1997; 2002). While Norwegian respondents put a heavy emphasis on respect for the law (4) and rational action (5), Latvians are concerned that they may be punished for making the wrong decisions (1), and they tend to emphasize the need to maintain long-term relationships with other people to get along (3). These data show that Norway has well-functioning formal institutions while Latvia still relies on informal communication as a main source of bureaucratic power.

Overall, the Norwegian case-workers seem so rule-oriented that they appear overly rigid in their interpretation of client rights and needs, and in that sense seem representative of the “dysfunctions of bureaucracy” outlined by Robert K. Merton. However, while the fear of reprisals expressed by Latvian case workers may be a sign of pre-Weberian public administration, this phenomenon is not unknown to modern management theorists such as Kathleen D. Ryan and Daniel K. Oestreich (1998).

## 5. Recent Public Management Reforms in Latvia

---

### 5.1 Before the 2008 financial crisis

The administrative transformation process in Latvia began with the collapse of the communist regime in 1990. Latvia started to build its national public administration based on the principles of Weberian bureaucracy—looking for inspiration in German laws as well as in the laws of the Republic of Latvia approved before World War II. In the mid-1990s, under pressure from international organizations and as a result of policy transfer, NPM ideas were introduced to public administration in order to break bonds with the previous regime and to ensure quicker integration into the European administrative space.

Already in 1997, the European Commission in its report *Agenda 2000* pointed out problems of public administration which might negatively affect Latvia's capacity to cope with *acquis* (EC 1997). Because integration into the EU was the

---

4 Differences in municipality size may explain the difference in results between Latvia and Lithuania. At the time of the survey Latvian municipalities outside the major cities were much smaller than their Lithuanian counterparts.

goal of both domestic and foreign policy, Latvia invested considerable efforts to modernize its administration. In 2001 the government set out to reform structures and policy processes through a Public Administrative Reform Strategy, which included a Strategic Planning Unit at the State Chancellery (Verheiljen & Dobrolyubova 2007). After becoming an EU member state in 2004, Latvia slowed down its modernisation activities while concentrating more on the representation of interests in EU institutions.

## 5.2 During the crisis

The last administrative reform wave started in 2008 as a result of the economic downturn affected by the global economic crises of 2008. The sharp decrease of GDP along with increase of unemployment pushed the government to promise to modernise administration.

Latvian promises to implement structural reforms were included in a letter of intent to the IMF in December 2008 as a pre-condition for being granted an international loan. The government developed an action program for 2009–2011 containing five main paths regarding fiscal measures, the social safety network, economic measures, policies for the financial sector, and sector reforms (labelled later as structural reforms) (European Community 2009). The government tried to implement effective measures to cope with the unpleasant economic conditions by carrying out a complex set of activities to stabilise the banking sector, and as result decided to nationalize Parex Bank – one of the largest Latvian banks.

The government, however, lacked funds to cover everyday expenses after financing the nationalisation of Parex. Subsequent fiscal consolidation measures included tax increases (e.g. personal income tax, excise tax, value added tax, and property tax), an increase in user fees and the introduction of new taxes (e.g. tax on capital income). Tax increases were linked to decreases in all kinds of spending: wages, benefits, and allocations for service delivery (European Community 2009; Latvia 2008a). Salary cuts in the public sector had a direct impact on private sector wages as well and turned out to be shocking for citizens, who had experienced mainly wage increases over the previous ten years.

However, the notion of structural reforms included in the Letter of Intent was completely different from their actual implementation and public perception. In practice, structural reforms were perceived and implemented as the reshaping of institutional arrangements in public administration, in the health and education sectors, and the elimination of some public organisations. But, there were no defined policy alternatives or guidelines that could have provided a vision for extensive reforms and modernisation efforts.

In March 2009, after the appointment of the new Prime Minister, Valdis Dombrovskis, the general speed of structural reforms increased. He came with a political

commitment to evaluate all public functions and to provide a more or less clear plan for reforms aiming at a small and effective public administration.

### 5.3 The “Optimisation Plan”

---

Dombrovskis’ public administration reform plan called the “Optimisation Plan” was developed in a short time span and envisioned a small, professional, and socially-oriented public administration (Latvia State Chancellery, 2009a). In fact, the objectives repeated the aims of the previous reforms plans of 1995, 1997, and 2001, including the idea of a professional and small-sized administration. The first draft of the Optimisation Plan (developed in April 2009) was harshly criticised by local experts and stakeholders; as a result a revised version of the plan was published and approved by the government already on 25 June 2009.

The final Optimisation Plan included both short-term as well as long-term activities. However, the plan concentrated only on reforms in public administration and civil service, not on reform in the public sector as such. According to the Optimisation Plan, the civil service system (both as general civil service and as specialised civil service) was to be simplified by including more positions at the central and local levels (Latvia State Chancellery, 2009b). Though this simplification was clearly in line with NPM, the government did not make this link explicit. Later, in 2013 and 2014, simplification was extended to public service covering central and local government. Before the crisis of 2008 any discussion of civil service in local municipalities was blocked by the local municipalities themselves and the association representing local municipalities.

The State Civil Service Administration was abolished and all its functions distributed between the State Chancellery and the Ministry of Finance by the end of 2008 following a decision of the government (Latvia, 2008b). Thus, the Ministry of Finance was made responsible for the system of civil servants and their salaries, while the State Chancellery was responsible for human resource policy in public administration in general.

However, the Optimisation Plan had an impact on the main processes in bureaucracy like recruitment and dismissal of employees, salaries and promotion. In practice, during 2009 and 2010 recruitments to public administration were rare due to dismissals. The crisis showed that stability of tenure in public administration was illusory.

In 2009 the public administration (public agencies of central and local government) employed 205,263 persons (around 9.1% of the total population), and the government planned to dismiss 25,000 persons within the next three years (LETA, 2009) in order to decrease public expenditures, of which staff costs constituted the major part. The existing State Civil Service Law allowed the government to dismiss civil servants if an agency was going to be eliminated. In fact, there was no addi-

tional job security for employees of public administration, and they were exposed to the same conditions as any employee in the private sector.

Limited promotions, increased dismissals, and salary cuts were the main elements of the last reform wave. Balancing or reducing public expenditure was the main goal. The first cut in the Salary Fund, of 15 percent, was made in January 2009, right after the first negotiations with the IMF and the EU. In June 2009 the government cut 20 percent off the salary of the civil servants at the top and middle level management positions. The government took as given that their salaries were higher than the average salary in public administration. Thus, cuts in salaries for top and middle management would affect fewer civil servants and might be perceived as a sign of social justice to equalise salaries and to ensure certain proportionality ratio among salary and position filled. However, the final decision was still left to the discretion of the heads of the particular ministries and agencies. A choice—to cut all salaries—or just to cut the so-called “large” ones for managerial positions—provided discretion for management with a negative side effect discovered later.

A sharp division between the lowest and highest positions in public administration “de facto” established by top management pushed the government to increase the lowest salaries in 2013 (Latvia Finance Ministry, 2013). In fact, the salary cuts eliminated all differences between the status of a civil servant and an employee, thus a labour contract become more rewarding than the status of civil servant (Latvia State Chancellery, 2009a, p. 19). The transfer to labour contracts, providing more flexibility in dismissal and promotion of servants, represents a retreat from classical Weberian concepts of a permanent civil service

#### 5.4 Following the crisis

At the same time, the crisis paved the way to introduce the unified remuneration system at central and local levels. The law “On Remuneration of Officials and Employees of State and Local Government Authorities” was approved by parliament on 1 December 2009, a year after the start of the economic crisis. The unified remuneration system was based on a simple assumption: the prime minister’s salary is the highest in the system, while other salaries are to be set accordingly.

Finally, the Weberian public administration assumes training as a key element for the development of public administration. All training activities were partly frozen during the crisis. In June 2009, the government decided to end all allocations for training purposes, thus the government subsidy for the School of Public Administration dropped by 99 per cent in 2010 in comparison to 2009 (Latvia State School of Administration 2011, p. 3). Since the 2010 budget allocation was just around 700 euros, the school provided courses for user-fees (p.6). Agencies had two choices—either to pay the school for training or the employee covered the costs himself. The well-off agencies could afford to pay for at least some training courses, thus ensuring the qualification and motivation of staff while other agencies found

themselves in desperate conditions. In general, this cut-back approach raises the question whether or not the government perceives public administration as a tool for the implementation of policies.

Despite the ambitions of the Optimisation Plan of 2009, the practical implementation of the reforms served as across-the-board cases of cut-back management in order to reduce governmental expenses in the short term. However, the effects of these policies will be felt by Latvian public administration for a long time.

## **6. Recent Public Management Reforms in Norway**

---

In recent years, reform in the public sector, both at the state and the local level, has focused on changes in the organizational structure<sup>5</sup>. In a remarkable report, the Directorate for Public Administration and Information Technology (DIFI), which itself came into being in 2008, has charted the rapid pace of reorganization since 1992. The DIFI report shows that the number of state agencies declined steeply from more than 350 to less than 250 over a period of fifteen years (DIFI, 2008). This reduction was accomplished either by fusing agencies at the national level or by devolving tasks to municipalities or to market actors. However, there are several instances of reverse processes whereby major state responsibilities, such as hospitals and food safety, have been centralized at higher levels of the government. For this reason, observers such as DIFI find it difficult to detect a common pattern behind these reorganization efforts, except perhaps sector interests and political expediency.

Another government report (Norway Statskonsult, 2006) that has taken a closer look at the reorganization of ministries and other state agencies concludes that a leading principle of this process has been to create clear distinctions between the different tasks and roles of public administration. Service provision has been outsourced to agencies that have either been privatized or given semi-independent status as publicly-owned corporations or foundations. To monitor and control the activities of these autonomous entities, the government has found it necessary to establish several supervisory agencies such as the Norwegian Railway Inspectorate (Norway Statskonsult, 2006, p. 27). When the county hospitals were nationalized in 2002, they were not put under direct ministerial control, but incorporated into at first five, later four, regional state enterprises.

Although reorganization remains the most tangible outcome of the modernization of Norwegian public administration, the reform agendas since 1992 have included other goals such as improving efficiency, quality, and user orientation. However, these admirable aims have too often failed to show significant positive results (Norway Statskonsult, 2006, p. 28). Computerization has not improved productivity

---

<sup>5</sup> This account draws extensively on Koht 2009.

and communication as much as expected. Different information technologies have been allowed to proliferate in the public sector without much central coordination. The report notes there are divergent opinions regarding citizen participation: The government in one instance promoted the idea of consumer choice by encouraging competition among service providers; on another occasion the government sought the direct involvement of citizens in the shaping and delivery of their services (p. 28).

Other public sector reforms favor management by objectives (MBO) and results rather than traditional Weberian-type rule-orientation, although the actual production of new regulations after 2000 remains higher than in the 1990s (DIFI, 2008, p. 87). MBO has given agency executives more freedom concerning budgets, recruitment, and salaries. On the other hand, managers are required to follow—though they often disregard—stricter rules regarding purchasing and contracting, partly as the result of the EEA treaty with the European Union.<sup>6</sup>

### 6.1 How to measure effects

DIFI sought in 2008 to report actual results regarding the effects of reorganization, but disappointingly found only a few systematic evaluation studies, some written by consultancy firms, others by academics and master students (DIFI, 2008). Scholars, however, point out that frequent reorganization and the introduction of MBO resulted in the establishment of several independent agencies and supervisory bodies. The cumulative effect of these changes has led to increased power of administrative leaders at the expense of the ministers (Christensen & Læg Reid, 2004, p. 133). In addition, these reforms have contributed to the fragmentation of the state as depicted in the main report of the commission on power and democracy in 2003 (Norway, 2003). Yet administrative reform in Norway has not meant the radical introduction of market-based solutions as has been the case in some other countries such as Great Britain.

In a 2013 survey DIFI found high levels of job approval among civil servants. Particularly, they were satisfied with the content of their jobs, the presence of clear, over-arching goals, and regular performance reviews together with their supervisor. Satisfaction with job content, the perception of fairness, and participation in decision-making are all significantly positively related to work commitment (DIFI, 2013a, p. 7), while participation and “culture” are perceived as vital in supporting performance (p. 8). In this survey, the researchers have deliberately avoided measures developed for commercial purposes, but instead chosen criteria drawn from government white papers and investigation reports.

---

6 The Kingdom of Norway has since 1994, together with the Republic of Iceland and the Principality of Liechtenstein, enjoyed a mutual treaty with the European Union, which allows for full integration in most economic fields, except farming and fisheries. Norway also participates in other types of EU cooperation such as education, research, and passport-free travel.

## 6.2 Value-oriented reforms

In a white paper published in 2009, the cabinet explicitly pointed at the prevalence of market-oriented reforms in many countries, but argued that public administration should represent certain fundamental values to ensure stability, continuity, and a good framework for a well-functioning society (Norway, 2009, p. 9). The paper goes on to list these democratic and administrative values: Participation and user-orientation; clear lines of responsibility and division of work; instrumental coordination; effectiveness; good management practices; professional competence of the civil service, and a favorable job environment. Most items would – at least superficially – be easily recognized by students of Max Weber (1864–1920) and Henri Fayol (1841–1925), but the white paper includes also more recent ideas about human relations, citizen participation, and environmental concerns (pp. 9–11).

## 6.3 Effects of a terrorist attack

The 22 July 2011 terrorist attack on the Government headquarters and a youth holiday camp, which cost 77 lives, revealed to the official investigation commission serious failures of public administration. Its primary recommendation for administrative reform argued that managers on all levels of government should systematically work to strengthen their “attitudes and culture” regarding recognition of risk, implementation ability, coordination, information technology, and results-based leadership (Norway, 2012, p. 458). Despite its apparently limited scope, this non-partisan investigation report led to a widespread, critical appraisal of the implementation ability of several state services, particularly of the police (DIFI, 2013c, p. 8).

In addition the investigation pointed at the important contribution of civil society in the rescue work. Volunteers responded quickly and effectively to rescue survivors and provided first-aid treatment to the wounded and traumatized (Norway, 2012, pp. 202–204).

In 2013 DIFI conducted a broad survey regarding citizen satisfaction with life in Norway in general and with public services on the local and national levels of government. More than 11,000 respondents took part. Generally, the public shows a higher trust in the quality of public service delivery than in their political leaders (DIFI, 2013b, p. 2). However, the majority show dissatisfaction with three important aspects of public administration. They think public agencies use their resources ineffectively; spend too much time on handling and deciding individual cases, and fail to fit individual needs (p. 18). In other words, citizens are looking for greater flexibility and participation.

In the same year, another DIFI report evaluated the role of independent agencies or directorates in Norwegian public administration. The research sought to answer whether the directorates provided added value in implementing public policy (DIFI, 2013c, p. 11). Considering the large number and variety of directorates in Norway, there is no wonder that the relatively brief report does not provide concrete

answers to this question. Instead the report points at values and criteria for determining whether directorates provide added value, such as democratic and legitimate governance; professional legitimacy; efficiency and coordination, and correct and user-oriented application of authority. In practical terms the authors of the DIFI report are worried about excessive growth in directorate size. They conclude that the government ought to establish new procedures to learn on a day-to-day basis how directorates actually contribute to public administration (p.5–6). Since 2000 these independent Norwegian agencies have suffered a seemingly endless maelstrom of fusions; fissions; re-organizations; horizontal and geographical mobility; closures, and not least the creation of new agencies. To what common end is not clear.

#### **6.4 The Auditor General focuses on administrative performance**

The Office of the Auditor General each year produces a number of reports that offer recommendations for administrative improvements and reforms. The most important reports – about 15 every year – are transmitted for discussion in Parliament. In a 2013 report on the efficiency of hospitals, the auditor general advocated several steps to make hospitals more effective with regard to patient flows, increased productivity of surgical operation rooms, and standardization of medical practices (Norway, 2013a, p. 11). In contrast the report on the performance of the Directorate of Health emphasized problems of management such as delays and lack of systematization of the implementation of new regulations and guidelines. The office proposed more emphasis on establishing workable internal routines and procedures (Norway, 2013b, pp. 85–88).

While the Auditor General typically investigates individual ministries and agencies, the office from time to time also tackles broader issues and practices. In 2013 the office critiqued both the substance and quality of governmental policy reports or white papers. While regulations exist to oblige the government to evaluate the economic and administrative consequences of policy reforms, they are not fulfilled in practice. The Auditor General expects the ministries to do a better job in calculating societal consequences of new or revised policies and in presenting alternative policy options (Norway, 2013c, pp.56–57).

So far we have reviewed a limited set of recent proposals for administrative reform produced by public agencies. Although both DIFI and the Auditor General have a statutory obligation to provide critical evaluations, their reasoning may be limited by organizational and professional selectivity, or as expressed by social anthropologist Mary Douglas, “the burden of thinking is transferred to institutions” (Douglas, 1986, p. 83). Thus, a proper study of public administration reform in Norway should include the ideas of other actors, such as independent management consultants and university scholars. However, such analysis lies outside the scope of this paper, which is to make illustrative comparisons between challenges to public administration in Latvia and Norway.

While press reports, court cases, and anecdotal evidence suggest that Norwegian public administration experience incidents of corruption, malpractice, and arbitrariness, only a few reports investigate such phenomena in a systematic fashion. This may have to do with the limited set of questions usually asked in such studies. Tantalizingly, a recent report by the respected engineering and consulting firm Det Norske Veritas (DNV GL) depicted the Customs Service in highly unusual terms. Veritas accused the agency of covering up deficiencies in its IT and communication systems by maintaining a climate of fear among employees. Respondents expressed concern that their opinions conceivably could harm both relations at work and their prospects for career advancement. However, the Veritas team noted that it had no similar experience of this kind from other assignments (Det Norske Veritas, 2013, p. 28). For this reason the Customs Service report may actually be quite exceptional, or even indicate a more general failure to ask the right questions.

## **7. Discussion: From Emphasis on Structure to Efforts at Good Governance?**

---

### **7.1 Norway**

The review of recent reports about public administration in Norway indicates that proposals for reform to a large extent focus on management and re-organization, rather than introducing elements inspired by business. This characterization is particularly valid regarding the period leading up to the disastrous events of 2011, but there are signs that a change of emphasis in public administration reform began earlier. While typical NPM reforms have a clear customer-orientation, Norwegian modernization efforts after 2000 have given more emphasis on citizen participation, particularly in area planning (Jensen, 2004). Since 2011 this approach has so far culminated in the embrace of the contribution of civil society to governance.

While re-organization efforts at the beginning of the 21<sup>st</sup> century have been marked by the introduction of hierarchical controls to ensure compliance, the current trend promotes ideas of professional legitimacy and a positive organizational culture. Although the precise meaning of culture in public administration is difficult to define, the terminology should be seen as a response to perceived failures of team efforts and coordination. While issues of efficiency and performance continue to be major concerns, there is a renewed interest in policy analysis to allow the calculation of exogenous costs and effects of new policies. The aims of administrative reforms have thus moved towards a broader view of government's contribution to fulfilling the ideals of "Good Governance".

### **7.2 Latvia**

The reform process in Latvia has been challenging and full of contradictions not only in the last few years. The whole reform path since the 1990s indicates that

throughout the period Latvia has been seeking the best reform and modernization models. However, reorganization was given primary importance rather than reform goals. The terminology used to describe the reforms as well the direction of accomplishments indicates the correctness of this assessment.

The language used to describe modernization has changed over time as well. Before membership in the EU, Latvia discussed widely the structural adjustments that were necessary for a democratic state and membership in EU (Palidauskaite *et al.*, 2010, p. 45). After being accepted as a full member of the EU, Latvia considered modernization for governance as the appropriate term describing all kinds of improvements in public administration emphasizing quality of administration (Latvia State Chancellery, 2008). After the economic crises of 2008, structural reforms as a term describing the agenda was back (European Community, 2009).

At the same time, the Latvian reform experience includes almost all models – classical Weberian model, NPM, and a mix of both. The classical Weberian model can be found in the first civil service law passed in 1994. This law was based on German civil service law and the law of civil service from pre-WWII Latvia. In the mid-1990s ideas of NPM became wide-spread. NPM in the form of performance contracts, agencies, and contracting out was accepted as a business model offering client-oriented and effective bureaucracy. The Law on Public Agencies was passed in 2001 with an idea to establish business-like service delivery organizations and to ensure transparency in the use of public funds. However, public agencies did not work as intended. The State Audit Office has often pointed out problems with financial transparency in agencies (Latvia State Audit Office, 2014a). Thus, policy transfer of attractive reform ideas from elsewhere remained the main policy instrument to ensure quick administrative modernization without taking into consideration possible negative effects in the long term (Reinholde, 2006).

The proposed reform agenda was sharply turned around by the economic crisis of 2008. Before membership in the EU, the reform and modernization agenda was defined by internal or external needs, taking into account the best available reform models. The crisis swept away all models outlined in previous reports. As never before, the government now gave priority to the issue of the operational cost of public administration. Administrative costs of public administration and costs of policies were the main issues discussed between the government and International Monetary Fund as well as between the government and social partners to ensure balanced public expenditures. However, at the same time the State Audit Office insisted that structural reforms should be carried out based on impact assessments, so that decision makers might have a clear view of the costs of these reforms (Latvia State Audit Office, 2014b). This discussion was in line with the NPM idea of “value for money”.

In conclusion, centrally designed and managed reforms in Latvia show evidence of a government-based approach. All kinds of reforms require mandates by

the government expressed as normative regulations. At the moment, governance networks play a minor role since even decisions reached within networks must be institutionalized to ensure proper implementation.

## 8. The Way Ahead: From NPM to “Good Governance”

---

Although market models since the 1980s have dominated much of the discussion of public administration reform, B. Guy Peters in his 1996 book presents what he regards as three other emerging models: The participatory state; flexible government, and deregulated government. Of these, the idea of the participatory state has had the greatest impact in stimulating analysis and reform efforts that can be seen as serious rivals to New Public Management. Several international organizations such as the World Bank, OECD, and the European Union have embraced the ideal of “Good Governance” as a vision for government reform (Koht, 2009). OECD (2008) provided the following definition:

*Good, effective public governance helps to strengthen democracy and human rights, promote economic prosperity and social cohesion, reduce poverty, enhance environmental protection and the sustainable use of natural resources, and deepen confidence in government and public administration.*

This definition encompasses ideas for reform presented in the 2005 OECD review on modernizing government, such as open government, but passes over market-type mechanisms. The governance approach promises to break with the constraints of the Weberian approach to the study of public administration, while similarly the movement for “Good Governance” goes beyond a strictly defined NPM perspective on public sector reform. By emphasizing the relationship between government and society, the governance approach invites comparisons between a wider range of political and administrative systems than NPM which in practice has been limited to highly-developed political units. We expect that the role of networks and partnerships in policy decision-making will increase in both countries. However, due to country-specific perceptions of what the concept of governance should encompass, the Good Governance approach will differ in Latvia and Norway.

A particular challenge to governance in Latvia, Norway, and other countries concerns diversity management in public administration. While Sabharawal *et al* (2014) focus on the training of public servants, Latvian scholar Juris Rozenvalds (2014) sees diversity management as closely linked to people’s ability to arrange their lives so that economic and social sustainability can be achieved for society as a whole. In this context, public administration faces challenges as regards institutional arrangements and public service delivery as well as the capacity of public servants to win the trust of a variety of publics. Diversity management is also closely linked to issues of integration and human rights in the European context

(Köhler-Olsen, 2014). For US scholars, social equity, which encompasses diversity issues, has long been deemed a major pillar of public administration (Garrizales & Gaynor, 2013). Thus, a governance approach shows a promising way to useful comparative research of public administration in a global perspective. For some practitioners, however, the NPM approach with its simpler world-view may continue to be attractive as an alternative to the more complex approach represented by the “Good Governance” movement.

## References

- Åslund, Anders. 2002. *Building Capitalism: The Transformation of the Former Soviet Bloc.*, Cambridge UK: Cambridge University Press.
- Boston, Jonathan. 2011. Basic NPM ideas and their development, in T. Christensen and P. Læg Reid (eds.), *The Ashgate Research Companion to New Public Management.* Farnham, UK: Ashgate, pp. 17–32.
- Burckhardt, Jacob. 1990. *The Civilization of the Renaissance in Italy.* Translated from the German by S. G. C. Middlemore. Originally published 1860. London: Penguin.
- Carrizales, Tony, and Tina Sherèe Gaynor. 2013. Diversity in public administration research, *Public Administration Quarterly* 37: 306–330.
- Christensen, Tom, and Per Læg Reid. 2004. Governmental autonomisation and control: the Norwegian way. *Public Administration and Development* 24: 129–135.
- Christensen, Tom, and Per Læg Reid, eds. 2011. *The Ashgate Research Companion to New Public Management.* Farnham, UK: Ashgate.
- Det Norske Veritas. 2013. Sluttrapport: Gjennomgang av Toll- og avgiftsetatens IKT-område [Final report: Review of the IT activities of the Customs and Revenue Agency]. Høvik: DNV GL.
- DIFI. 2008. Forvaltningsutsyn 2007 [Administrative review 2007]. Report 2008: 10. Oslo: Direktoratet for forvaltning og IKT.
- DIFI. 2013a. Medarbeiderundersøkelse i staten 2013 [State employee survey of 2013]. Oslo: Direktoratet for forvaltning og IKT.
- DIFI 2013b. Innbyggerundersøkelsen 2013 [Citizen survey of 2013], Oslo: Direktoratet for forvaltning og IKT.
- DIFI. 2013c. Merverdi eller unødvendig omvei? Om direktoratenes rolle i gjennomføring av offentlig politikk [Added value or unnecessary detours? The role of directorates in the implementation of public policy], Oslo: Direktoratet for forvaltning og IKT.

- Douglas, Mary. 1986. *How Institutions Think*. Syracuse: Syracuse University Press.
- European Commission. 1997. *Agenda 2000: For a stronger and wider Union*. Eiropas Komisijas atzinums par Latvijas pieteikumu iestāties Eiropas Savienībā.
- European Commission. 2014. *EU Anti-Corruption Report*. COM (2014) 38 final.
- European Community. 2009. Memorandum of Understanding between the European Community and the Republic of Latvia 29 January 2009. ec.europa.eu/latvija/documents/pievienotie\_faili/29.01.09.mou.doc.
- Grindle, Merilee S. 2012. *Jobs for the Boys: Patronage and the State in Comparative Perspective*. Cambridge, MA: Harvard University Press.
- Hammerschmid, G., S. van de Walle, A. Oprisor, and V. Štimac. 2013. Trends and impact of public administration reforms in Europe: views and experiences from senior public sector executives. *European Policy Brief*, September. Brussels: European Commission.
- Jensen, Rolf. 2004. Hvordan styre arealbruk og transport når “governance” erstatter “governing” [How to manage property development when “governance” replaces “governing”]. *Plan* no. 5: 4–11.
- Kjørstad, Monica, and Geir C. Tuftes, eds. 2014. *Challenges from an Aging Population*. Riga: Zinātne.
- Köhler-Olsen, Julia. 2014. A human rights approach to integration and diversity, in Harald Koht and Pål Veiden, eds. *Integration and Diversity in the Baltic Region*. HiOA Report 2014 no. 14, 65–80. Oslo: Oslo and Akershus University College of Applied Sciences.
- Koht, Harald. 2003. New Public Management in Latvia: variations in openness to customer requests in public agencies. *Journal of Baltic Studies* 34, 180–196.
- Koht, Harald. 2009. Good Governance in Norway, in: Žaneta Ozoliņa and Iveta Reinholde, eds: *Laba Pārvaldība [Good governance]*, 50–68. Riga: Zinātne.
- Kuhn, Thomas L. 1970. *The Structure of Scientific Revolutions*. Second edition, enlarged., Chicago: University of Chicago Press.
- Latvia. 2008a. Letter of intent. Riga, 18 December 2008. [http://www.fm.gov.lv/files/files/Letter\\_of\\_Intent\\_2008-12-18.pdf](http://www.fm.gov.lv/files/files/Letter_of_Intent_2008-12-18.pdf)
- Latvia. 2008b. Ministru kabineta rīkojums Nr. 747. Par Valsts civildienesta pārvaldes reorganizāciju [Order No. 747 of the Cabinet of Ministers. On reorganisation of the Civil Service Administration]. Riga, 28 November 2008. <http://likumi.lv/doc.php?id=184579>.
- Latvia Finance Ministry. 2013. Valdība vienojas no nākamā gada palielināt zemākās algas publiskajā sektorā.[Government decided to increase lowest salaries

- in public sector]. Riga, 8 August 2013. <http://www.mk.gov.lv/lv/aktuali/zinas/2013-gads/08/080813-fm-03/>.
- Latvia State Auditor. 2014a. Jāuzlabo finanšu vadība VSIA Nacionālais rehabilitācijas centrs “Vaivari” [There is need to improve financial management in the national rehabilitation centre Vaivari]. Riga: State Audit Office: <http://www.lrvk.gov.lv/index.php?id=633&newsid=1348>.
- Latvia State Auditor. 2014b. Strukturālās reformas visās jomās jāveic pārdomāti [Structural reforms shall be performed in all spheres carefully]. Riga: State Audit Office. <http://www.lrvk.gov.lv/index.php?id=633&newsid=1348>.
- Latvia State Chancellery. 2008. Valsts pārvaldes politikas attīstības pamatnostādnes 2008.–2013. gadam. Labāka pārvaldība: pārvaldes kvalitāte un efektivitāte [White paper for public administration development 2008–2013: better governance, quality of administration, and effectiveness]. Approved June 3, 2008. Riga: <http://polsis.mk.gov.lv/view.do?id=2675>.
- Latvia State Chancellery. 2009a. Pasākumu plāns valsts pārvaldes sistēmas un civildienesta optimizēšanai. [Plan for optimisation of the public administration and civil service]. 1<sup>st</sup> draft for public discussions. Unpublished material. Riga: State Chancellery, April 2009.
- Latvia State Chancellery. 2009b. Pasākumu plāns valsts pārvaldes sistēmas un civildienesta optimizēšanai. [Plan for optimisation of the public administration and civil service]. Approved on 25 June, 2009. Riga: <http://polsis.mk.gov.lv/view.do?id=3099>.
- Latvia State School of Administration. 2011. Valsts administrācijas skolas 2010. gada pārskats [The Annual report of the Latvian School of Public administration, 2010]. Riga.
- LETA (Latvian national news agency) 2009. Valdība apņemas ierēdņu skaitu samazināt līdz 8% no iedzīvotāju skaita [The government decided to decrease number of civil servants to 8% of total number of citizens]. September 15, 2009. Riga: [http://www.tvnet.lv/zinas/latvija/195494-valdiba\\_apnemas\\_ierednu\\_skaitu\\_samazinat\\_lidz\\_8\\_no\\_iedzivotaju\\_skaita](http://www.tvnet.lv/zinas/latvija/195494-valdiba_apnemas_ierednu_skaitu_samazinat_lidz_8_no_iedzivotaju_skaita).
- Meehan, Elizabeth. 2003. From government to governance, civic participation and ‘New Politics’; the context of potential opportunities for the better Representation of women. *Occasional Papers* no. 5, Queen’s University Belfast. <http://www.qub.ac.uk/cawp/research/meehan.pdf>
- Merton, Robert K. 1940. Bureaucratic structure and personality. *Social Forces* 18: 560–568.
- Mykland, Knut. 1977. *Gjennom nødsår og krig 1648–1720* [Through years of want and war 1648–1720]. Cappelen, Oslo.

- Norway. 2003. Makt og demokrati [Power and democracy]. NOU 2003: 19. Oslo.
- Norway. 2012. Rapport fra 22. juli-kommisjonen [Report of the 22 July Investigative Commission], NOU 2012: 14, Oslo.
- Norway. 2013a. Riksrevisjonens undersøkelse av effektivitet i sykehus [The Auditor General's report on the efficiency of hospitals]. Oslo.
- Norway. 2013b. Riksrevisjonens undersøkelse av effektivitet og resultatoppnåelse i HelseDirektoratet [The Auditor General's report on the efficiency and performance of the Directorate of Health]. Oslo.
- Norway. 2013c. Riksrevisjonens undersøkelse av om offentlige tiltak utredes på en tilfredsstillende måte [The Auditor General's report on whether policy initiatives are properly prepared]. Oslo.
- Norway. Statskonsult. 2006. Utviklingstrekk i forvaltningspolitikken og forvaltningen fra ca 1990 [Development of administrative policy and public administration after 1990]. Report 2006: 10. Oslo.
- Norway. St. meld. nr. 19 (2008–2009) Ei forvaltning for demokrati og fellesskap [A public administration for democracy and community].
- OECD. 2005. *Modernising Government: The Way Forward*. OECD, Paris.
- OECD. 2008. Public Governance and Management. [http://www.oecd.org/topic/0,3373,en\\_2649\\_37405\\_1\\_1\\_1\\_1\\_37405,00.html](http://www.oecd.org/topic/0,3373,en_2649_37405_1_1_1_1_37405,00.html).
- Olsen, Johan P. 2014. *Folkestyrets varige spenninger: Stortinget og den norske politiske selvforståelsen* [The permanent tensions of people's government]. Universitetsforlaget, Oslo.
- Palidaukaite J., A. Pevkur, and Iveta Reinholde. 2010. A comparative approach to civil service ethics in Estonia, Latvia and Lithuania. *Journal of Baltic Studies* 41: 45–71.
- Park, J., and J. F. Comeaux. 2014. The legacy of Max Weber in contemporary scholarship, in Brian R. Fry and Jos C. N. Raadschelders, eds. *Mastering Public Administration: From Max Weber to Dwight Waldo*. Los Angeles: CQ Press, 51–59.
- Peters, B. Guy. 1996. *The Future of Governing: Four Emerging Models*. Lawrence, KS: University Press of Kansas,
- Pollitt, Christopher, and Geert Bouckaert. 2000. *Public Management Reform*. Oxford: Oxford University Press,
- Rauch, Jonathan. 2014. The case for corruption: why Washington needs more honest graft. *The Atlantic* 313 no. 3: 19–22.
- Reinholde, Iveta. 2006. Policy transfer in public administration: how it works in practice. *Public Policy and Administration* 16: 53–64.

- Rozenvalds, Juris. 2013. Diversity management and sustainability, in Harald Koht and Pål Veiden, eds. *Integration and Diversity in the Baltic Region*. HiOA Report 2014 no. 14, 133–155. Oslo: Oslo and Akershus University College of Applied Sciences.
- Ryan, Kathleen D., and Daniel K. Oestreich. 1998. *Driving Fear Out of the Workplace*. San Francisco: Jossey-Bass.
- Sabharawal, Meghna, Imane Hijal-Mograhbi, and Marcene Royster. 2014. Preparing future public servants: role of diversity in public administration. *Public Administration Quarterly* 38: 163–205.
- Schick, Alan. 1998. Why most developing countries should not try New Zealand's reforms. *World Bank Research Observer* 13: 123–131.
- Sharma, Vivek. 2013. Give corruption a chance. *National Interest*, November-December. <http://nationalinterest.org/article/give-corruption-chance-9276>.
- Solzhenitsyn, Aleksandr. 1972. Til sakens beste [For the Good of the Cause]. (Originally published in Russian as Для пользы дела [Dlza pol'zy dela] in the journal *Novy Mir* in 1963). Translation from the Russian by Ivar Magnus Ravnum: Oslo: Tiden.
- Stewart, Debra W., Norman Sprinthall, and Renata Siemienska. 1997. Ethical reasoning in a time of revolution: a study of local officials in Poland. *Public Administration Review* 57: 445–453.
- Stewart, Debra W., Norman Sprinthall, and Jackie D. Kem. 2002. Moral reasoning in the context of reform: a study of Russian officials. *Public Administration Review* 62: 282–294.
- Verheiljen, Tony, and Yelena Dobrolyubova. 2007. Performance management in the Baltic States and Russia: success against the odds? *International Review of Administrative Sciences* 73: 205–215.



# Rationality and Bureaucracy in Hungary Before and After the Transition

---

György Jenei<sup>1</sup>

## Abstract

One of the main concepts which led to the development of Weber's bureaucratic model was "rationality". Although Weber himself had some concern about the dominance of formal rationality, it did bring some positive effects such as the fact that citizens of a society could make their decisions based on generally applied rules, regulations and laws. This paper addresses the different types of rationality, the five dimensions of formal rationality, and the misinterpretation of this formal type of rationality when applied in practice. The case of Hungary is a good example if we wish to develop a timeline of how bureaucracy appeared, endured and then slowly started to fade away, or better yet to transform into something different. The paper also addresses the impact of Weber's theory after the transition period in Hungary. What is the message of Weber's theory for our time? A professional bureaucracy is *conditio sine qua non* for the modernisation of Hungary.

**Keywords:** Bureaucracy, Formal Rationality, Hungary, Rationality, Transition Period

## 1. Introduction

---

Max Weber made an important forecast regarding policy-making in 1918, when he was asked by his students about the alternatives of German policy-making after the First World War. Weber's forecast outlined a general description of policy-making for the 20<sup>th</sup> Century.

He was speaking about two twin trends: the rise of modern bureaucracies in a growing state apparatus, led by technically trained, professional career administrators, and the emergence of a new class of professional politician backed by mass political parties with required membership and the suffrage of millions of citizens

---

<sup>1</sup> Professor Emeritus, Corvinus University of Budapest, Budapest, Hungary.

expressed in regular elections (Aberbach, Putnam, and Brockman, 1981, p. 1). The core issue is the relationship between the two trends. Did they become good twins or bad twins? Sometimes they seem to be good, sometimes bad. But definitely they have become twins and even now they still are twins.

Now we can say with confidence that Weber's original forecast has turned out to be remarkably accurate. The state has become a steadily and continuously growing industry of the modern world; meanwhile human beings have created and survived a number of economic, social and political changes, tensions and crises. On this background new types of politicians have been emerging. The aristocrats and local gentry amateurs disappeared and according to Aberbach, "they are now vastly outnumbered by new men and women of power, risen mostly from middle-class (and occasionally working-class) backgrounds, well-educated, committed to a lifetime in politics, dependent on the electoral fortunes of their particular party and on their own success in playing the game of party politics" (Aberbach, Putnam, and Brockman, 1981, p.2). The old type of politician lived for politics; in contrast the new breed make a living from politics.

On the other side of the coin are highly-educated, professional state bureaucrats primarily motivated by career objectives. Since 1918 their position has greatly expanded both in size and in the scope of their tasks, and their tasks have been increasing in complexity as well. Modern civil services have become increasingly specialised and highly professionalised and are granted significant power in the running of the modern state. Politicians and civil servants have developed various forms and types of relationships in the last hundred years.

Currently we tend to find two mainstream actors in policy making: elected party politicians and professional state bureaucrats. We should add that only institutionalization of mass-based parties and of professionally staffed bureaucracies are the preconditions of a modern political system.

According to the Weber narrative (sorry to say, but it was and still is the mainstream in the discourse on Weber's theory) the core element of the emergence and ascendance of professionally staffed bureaucracies is so-called bureaucratisation and not more. In this approach bureaucracy provides the rational-legal form of the modern state and it promotes the rationalisation of organisational tasks and goals of the public agencies. Its main orientation (at least in its ideal type) is characterized by specialisation; hierarchy; rules; impersonality; appointed, full-time career officials, and the separation of public and private. It was and still is a simplification of the theory of Max Weber.

After World War II., the main strand of criticism of the Weberian model of ideal bureaucracy was based on the analysis of the empirical realities of decision making. Bureaucracies were criticized for being too complex, inefficient, and inflexible. And this criticism was directly connected to Weber's theory of bureaucracy.

Weber was blamed for the dehumanising effects of excessive bureaucracy and for unnecessary bureaucracy by the modern managerial theories. These criticisms were reasonable regarding the Weber narrative, but they only referred to a simplified version of Weber's complex theory. We have to be careful at this point, because in the terms of the Weberian narrative Weber was not Weberian. What are the relevant differences between the theory of Weber and the Weber narrative?

## **2. The Interpretation of Weber's Terms of Rationality**

---

In the Weber narrative various interpretations were formulated of the term "rationality", many of these controversial. Undoubtedly the term had a central role in the theory of Max Weber. We can find in his work four types of rationality: practical rationality, theoretical rationality, substantive rationality, and formal rationality.

Practical rationality belongs to the day-to-day life of people. It means calculation of adequate means for the accomplishment of practical ends. While practical rationality enables human beings to act in the world around them, in contrast the second type, theoretical rationality, enables people to understand the world around them. Theoretical rationality is abstract and deductive, aiming to give logical meaning to the surrounding world and the activities of other persons.

The third type, substantive rationality, refers to choice of means to ends based on value orientation. The substance of this type of rationality is the implementation of individual decisions guided by value orientation. And this orientation involves understanding the value system set by the social groups. Substantive rationality connects practical rationality to theoretical rationality.

From the point of view of bureaucracy the most interesting type of rationality is formal rationality. Formal rationality also connects practical and theoretical rationality, but not on the basis of a societal value system. According to formal rationality citizens of a society make their decisions based on generally applied rules, regulations and laws. Formal rationality means that individuals use existing rules, regulations and structures with a predetermined impact to the chosen ends and means. It puts emphasis on the role and influence of institutionalised structures like bureaucracies. Weber saw clearly the advantages, even the superiority of bureaucratic rationality compared to previous organisations such as the sanctity of hereditary rule or charismatic authority. Formal rationality meant rational-legal authority based on the emergence of a bureaucratic system of administration.

Weber was convinced that this authority was superior to the two previously existing types of authorities, charismatic and traditional. According to Weber charismatic authority rests upon the "devotion to the specific and exceptional sanctity, heroism or exemplary character of an individual person" and on the other hand traditional authority based on "an established belief in the sanctity of immemorial traditions and the legitimacy of the status of those exercising authority under them".

For Weber, the superiority of the rational legal authority is based on “a belief in the legality of patterns of normative rules, and the right of those elevated to authority under such rules to issue commands” (Weber, 1947, p. 328). We should add that Weber sees rationalization as the way we can move beyond the earlier forms of despotic and aristocratic dominance. In his view only bureaucratic organisations can provide legal protection of natural, human rights.

On the other hand Weber was concerned that the dominance of formal rationality would create an “iron cage of rationality”, because with bureaucracies acting on the basis of formal rationality the world would become immobile and inflexible and citizens would be trapped and controlled by bureaucrats. His nightmare was that at the end society would become nothing more than a seamless web of rationalised structures.

We should add that the original German term *stahlhartes Gehäuse* was translated by Talcott Parsons into “iron cage”. The translation is misleading. For instance in the Hungarian translation of *The Protestant Ethic and the Spirit of Capitalism* the German term *stahlhartes Gehäuse* was translated into “shell as hard as steel”. I quote Weber in English based on the original Hungarian translation. “In Baxter’s view the care for external goods should only lie on the shoulders of the ‘saint like a light cloak, which can be thrown aside at any moment.’ But fate decreed that the cloak should become a ‘shell as hard as steel’” (Weber, 1982, p. 287). This is an essential difference, because while iron rusts, steel definitely does not.

Originally Weber differentiated among five dimensions of formal rationality: efficiency meant that public agencies organise their processes to be as fast and labour-free as possible; calculability connected the day-to-day work of bureaucrats primarily to the quantified aspects of an issue, and predictability meant consistency among a series of bureaucratic actions. These three dimensions established the superiority of bureaucracy compared to any other types of organisations.

The fourth and fifth criteria are controversial. The fourth criterion referred to the substitution of nonhuman technology for the arrangement of human problems. Weber saw quite clearly the controversial impact of the practice when technology replaces human beings. When technology controls human beings, it places limitations on individuals and social groups.

The most problematic and controversial is the fifth criterion, namely the irrationality of rationality. According to Weber formal rationality creates an “iron cage” or “shell as hard as steel” for human beings. Public agencies oriented toward formal rationality are forced to make compromises and to limit rationality, because of the constraints set by social circumstances and the expectations of individuals and social groups.

The Weber narrative does not reflect this complexity of formal rationality; it provides only a simplified version of the original theory. As a result those approach-

es having developed negative connotations for the term “bureaucracy”, criticizing the dehumanising effects of bureaucracies because they are too complex, inefficient, or inflexible are only relevant regarding the Weber narrative.

But these criticisms are not relevant when we analyse the original form of Weber’s theory. On the contrary, Weber had deeper concerns than his reviewers had ever had, not only about the dominance of bureaucracy, but also about the social order based on rational-legal authority.

Further confusion of interpretation arose when formal rationality was equated with efficiency, a special problem when efficiency is measured through the calculation of cost in monetary terms. This type of calculation is a narrow and false approach to the term efficiency. According to Weber formal rationality had a broader meaning. He was speaking about a correct calculation, which emphasized not only quantifiable elements but also the logical and value-oriented aspects of formal rationality. In his theory the meaning of formal rationality is closely connected to clear value orientation and feasibility as well.

### **3. The Misinterpretation of Formal Rationality in Practice**

---

In the last century the relationship between the two twin trends – the modern bureaucracy and professional politicians – has become deformed in many ways. One such deformation is the limitation of bureaucratic autonomy through the interventions of politicians. The classical illustration of this limitation was the Southern European model of the Rechtsstaat. This model was essentially different from the other models of the European Rechtsstaats.

Dealing with the state models in Europe, Walter Kickert created a typology of the Rechtsstaat consisting of different models (Kickert, 2008, pp.5–9). In the first place he emphasized the difference between the Napoleonic and Germanic Rechtsstaat. The German model was based on the hegemony of the political elite. In contrast in “the French model the ‘*principe de legalite*’, in which the law is the expression of the ‘*volonte generale*’” (Ziller, 2003; quoted by Kickert, 2008, p.6). But in both models power had to be bound by laws and rules, and the dominance of legalism meant that laws and regulations were to be equally and fairly applied to citizens. And in both cases the establishment of the Rechtsstaat meant the rise of modern professional bureaucracy characterised by rationality. Bureaucrats were properly educated and trained professionals.

Kickert pointed out that in the so-called Southern European model legalism was historically bound to formalism, instead of formal rationality. In those South-European countries the strong relationship between legalism and formalism was originally introduced as a counterbalance against political interference. But the implementation of this intention had turned out to be historically a failure. Public administrations of the South-European countries became highly politicised

because of the impact of authoritarian political systems. Even inefficient actions were implemented with rigidity. They tried to legitimise the arbitrariness of politicians with formalism instead of formal rationality. The main reason for this confusion was direct, uncontrolled and sometimes arbitrary political influence on public institutions.

#### **4. Politicians and Bureaucrats in “Actually-Existing Socialism”: The Case of Hungary**

---

What was common in this so-called “actually-existing socialism”? Was it a loop or historical progress? It was a subject of scientific and public debate at that time. But it is perhaps best expressed by the Hungarian joke which looks upon existing socialism as the longest and most painful transition from capitalism to capitalism. Anyway, it did not have much to do with social ideals; instead it was bureaucratic tyranny with a new elite and privileged class, under the veil of a new religion—the religion of “historical progress” (Jenei, 2013).

After World War II and before the transition, the role of public administration to a certain extent was similar to the South-European model in CEE countries. In the very beginning all CEE countries—not just Hungary—established a totalitarian system in which public administration functioned through arbitrary actions implementing the arbitrary party resolutions. The party directly controlled the public agencies and their activities often had strong political overtones. Even day-to-day routine activities became infused with the party line: the classical state-party and party-state model. The political system was a special mixture of cruel arbitrariness and a continuation of the Byzantine formalism that had been implemented in the Middle-Ages. We can identify this as a pre-Weberian period.

This model was the implementation of Lenin’s theory: The proletariat needs state power, the centralised organisation of violence, both to crush the resistance of the exploiters and to lead the enormous mass of the population—the peasantry, the petty bourgeoisie, and semi-proletarians—in the work of organising the socialist economy (Lenin, 1917, p. 41).

In implementation the model was combined with the Stalinist position, according to which the doctrine and the practice of revolution in one (or several) countries needed extremely rigid forms of oppression. At the same time this approach resulted in a sharp and cruel power struggle not just among top party officials but also within different power structures. It was a state-party or party-state system, in which arbitrary politicians had absorbed public administration.

## 5. Moving Away From the Classical Pattern in Hungary

---

In Hungary not directly after the 1956 revolution but only after 1962 – when the regime eased off on its post-‘56 repression – a new trend emerged of moving away from the totalitarian to an authoritarian model.

The social background of that was an informal deal between Hungarian social groups and the regime. It basically meant that the Hungarian population promised not to attack directly the party-state power through organised resistance, and in return families and the wider community enjoyed limited autonomy in their day-to-day affairs.

Politicians were elected by party organisations, and even when non-party members were appointed to leading positions the appointment had to be approved by the relevant party committee. The essential change was that three requirements were emphasized as part of the nomination process for a leading position: in addition to political reliability were added professional expertise and managerial skills. This resulted in changes in the relationship between party politicians and state bureaucrats.

By the mid-1970s generally the three requirements had equal importance. In fact within some fields, for instance in agriculture, professional expertise had become the primary requirement to which political reliability was subordinated. This meant that people were appointed to leading positions based on their professional expertise and managerial skills and then they were persuaded to enter into the Party, which provided them with formal legitimacy. Despite this the political system remained authoritarian. It was a classical one party system, operating with the untrammelled power of the Party while on the surface it was labelled as “parliamentary power”. Please note that within this parliamentary power structure there was only ever one candidate in each constituency, therefore we cannot really speak of genuine elections as such.

In the first totalitarian phase public administrators were led by technical rationality. Politicians made decisions that were beyond criticism and bureaucrats implemented them. But by the second phase a limited autonomy for civil servants had emerged, and with its limited autonomy the public administration legitimised the arbitrariness of the politicians as well. On the other hand, public administration began to move away from technical rationality in the direction of formal rationality.

## 6. The Third Phase: Growing Autonomy of the Public Administration

---

In the third phase—and especially after the 1975 Party Congress—the nexus between politicians and bureaucrats began to fray and splinter amid growing tensions: civil servants were automatically blamed for problems or failures.

The crisis of the system became quite clear for the political elite. The party response to this challenge was the resolution of the 1975 Party Congress containing the vision of the “Developed Socialist Society”. This set of policy goals caused confusion among civil servants. They could not transform these policy goals into realistic plans. The dream of the politicians became a nightmare for the bureaucrats. They already developed by that time the skills of administrative rationality and they were convinced that the dream of the “Developed Socialist Society” was not realisable.

By then they were dealing only with the technical details; giving proper form to irrational content. This formalism had nothing to do with Weber’s formal rationality.

After 1975 however bureaucrats could be seen as engaged less in processes of technical rationality and more in those of formal or even substantive rationality, because they could analyse economic and social problems and they were able to work out options or alternatives for solutions. They also had greater understanding than political leaders of the day-to-day problems and constraints of social groups.

They came to recognise that under such special conditions, public administration must reorient toward the sphere of politics. They came to the conclusion, emphasized previously by Weber, that “Every problem, no matter how technical it might seem, can assume political significance and its solution can be decisively influenced by political considerations” (as cited in. Aberbach, Putnam, and Brockman, 1981, p.5)

The collapse of the 1975 Party Congress “ideal” only served to solidify this conviction among civil servants.

The party state was still alive. Decisions were made by the Politburo and the Central Committee of the Party but they did not actually know what those decisions entailed precisely. Informally by the mid-1980s the upper level of public administration could influence the political agenda and the timing of decisions.

According to Weber, “Under normal conditions, the power position of a fully developed bureaucracy is always over towering. The ‘political master’ finds himself in the position of a ‘dilettante’ who stands opposite the ‘expert’ facing the trained official who stands within the management of administration” (as cited in. Aberbach, Putnam, and Brockman, 1981, p.6)

In the Hungarian process—under unusual conditions—by the mid 1980s the vast majority of politicians also proved to be dilettantes who did not know how to resolve the economic and social crisis.

## **7. Preparation for the Transition: From Autonomy to Sovereignty of the Government**

---

It became quite clear to the elite of public administration that there was only one way out of the dead-end: transition to the legal state, to political pluralism—which

meant the creation of a multi-party system—and to a market economy. The Party could not undertake and manage this complex mission, and could no longer limit the government and its public administration in the management of the transition.

Government autonomy and sovereignty was developed, otherwise the government could not have answered the challenge to establish the legal and organisational foundation of transition and it could not have prepared the free election in March 1990, providing legitimacy and general social acceptance for the transition. Public administration could create a unique combination of technical effectiveness and democratic responsiveness for society.

The government defined its political position as independent from the Hungarian Socialist Worker's Party. According to its declaration, the government became responsible only to the nation, recognising the Hungarian Parliament as the sole competent rule maker. Decisions were not discussed with the Party leadership anymore, a process that had been compulsory in the past.

Civil servants replaced politicians. They brought hard data and knowledge into the decision-making process and they represented social interests and value-orientations at the same time. They combined political rationality with administrative rationality. Government and its public administration articulated both broad, diffuse interests and narrow, focused interests of organised social groups.

It was a unique situation. The government was able to capitalise on the power vacuum then characterizing party relations: the old party was already weakened while the newly established parties were still in their infancy.

This was the reason why only Hungary was able to establish the legal-organisational framework of a market economy, multi-party system and legal state, legitimising it with a single free election. In other countries of the region the transition required two or even more elections, while in certain countries the creation of the legal-institutional framework of transition is incomplete and continues even today.

## **8. The Impact of Weber's Theory After the Transition**

---

By 1990 the legal-institutional framework was established for a legal state, a market economy and a liberal democracy. In March 1990 this framework was legitimised by a free election. The core actor of the transition was the Hungarian government while the parties—the old one and the newly established ones—supported and participated in the process of transition. (An in-depth account of the Hungarian peaceful transition is described in Tőkés, 1996).

What type of Rechtsstaat model was established in Hungary? The Napoleonic model could be excluded because the authoritarian system was not abolished in a revolutionary way. The Hungarian ambition and intention was to create a liberal constitutional Rechtsstaat based on the primacy of law. Legal sources had to provide

the basis of administrative actions implemented by a modern professional bureaucracy. In spite of the fact that Hungary followed the German *Rechtsstaat* model in the period of the Austro-Hungarian Monarchy, there were no attempts to renew it.

The legal-institutional framework was established but it had serious deficiencies. The *Rechtsstaat* required the separation of the three basic power branches: the legislative, executive and judicial institutions. In Hungary, the separation of the judiciary from the two other power branches was not completed. The courts were influenced by the executive in different ways; for instance in agenda-setting and in timing the judicial process. (For a detailed analysis of the process, see: Tőkés, 1998.)

The extent and the forms of arbitrary actions also became an Achilles heel in the system. Politicians and bureaucrats were often “in cahoots” when it came to bribery and corruption. Sometimes elected politicians were the initiators. Sometimes it was bottom-up corruption with low-level civil servants giving a certain share to their principal. But top-down corruption also occurred quite frequently when top-level civil servants had to buy the silence of others.

The paternalistic value orientation survived the old system. Bribery was still accepted. And the process of privatisation provided unique opportunities of arbitrary actions and corruption because of the lack of civil control and participation. It was implemented “above the heads” of the ordinary citizen.

The way that the *Rechtsstaat* was established in Hungary had a controversial impact on the autonomy of public administration. In the beginning, autonomy was decreased, even limited, based on the opinion that the bureaucracy served the previous authoritarian power. But the fact that bureaucracy had a controversial role in the crisis of the previous political system was not taken into account. While it is true that bureaucracy was simply the executive arm of the Party, later on and based on its increasing autonomy it acted independently of the Party, pursuing transition. As a matter of fact this independence was declared in a critical phase of the transition in May 1989, and it was the main guarantee for a peaceful and consensus-based Hungarian transition.

After 1990, the new political parties not only restricted the autonomy of the public administration, but also politicised the activities of the bureaucracy. This resulted in a decrease in the professionalism of the bureaucracy. Thus the legal-rational principle of the Weberian theory on bureaucracy was only partly accomplished. The legal-institutional framework was set up, but the standard of political conduct fell well short of what was required for the adequate running of this framework, and this gap caused further deficiencies.

Democracy is in the third, so-called “post-parliamentary”, or participatory stage in the mainstream countries. The participation of pressure groups is increasing. The organised groups of civil society—such as consumers, tenants, parents or patients—require parties and governments to take into consideration their advice.

The very essence of the third stage is that public policies are developed and implemented in negotiation between government agencies and pressure groups organised into policy communities.

In this model of democracy the role of social groups is much greater than in a representative democracy. In these participatory democracies pressure groups have grown up alongside the formal institutions of government and political system. They developed bargaining power and governments and parties had to seek the consent and cooperation of these pressure groups (Jenei, 2013, p. 44).

But the democratic political system in Hungary has essentially been frozen in the stage of representative democracy. One of the consequences is that public opinion polls have showed a frightening decline in the personal prestige of politicians. Political institutions and public agencies have been able to garner very limited public support and confidence. (Exceptions were some local politicians, among them city mayors). This level of mistrust endangered the stability of the democratic system.

The Hungarian model cannot be described as a participatory democracy. The system has not met the criteria because the institutional mechanisms of participatory involvement either have not been set up (mechanisms of civil dialogue) or regardless of how they were established, they did not function in the day-to-day practice of policy-making (mechanisms of social dialogue).

The model has come to resemble a representative democracy in which regular competitive elections are the core of the political system. The key deviation, however, is that the parties are not mere competitors but instead they have polarised this competition, leading to the complete and irrevocable fragmentation of the party system.

The system is at a complete impasse. The integrative political organizations, pressure groups and civil society organizations are not able to force the parties out of this deadlock of fragmentation. Democracy here has an unbalanced institutional background. The centrifugal forces (parties) essentially have more strength than the centripetal, integrative forces (trade unions, pressure groups, civil society organizations). At times even these centripetal, integrative forces only imitate their socio-political functions, because some of them were created by parties and therefore could be considered mere extensions of the various parties.

The dynamic of the state and market integration is a second deficiency in the Hungarian experience. In the mainstream countries (Pollitt & Bouckaert, 2004), market integration was built upon the traditional framework of the "Rechtsstaat". They moved away from the dominance of hierarchical integration. It was a sequential process. In contrast in Hungary the process was not sequential, but parallel. The introduction of market mechanisms occurred when the legal-institutional framework of the "Rechtsstaat" had not yet been established completely.

This resulted in a “vicious circle”: The legal institutional framework could not provide institutional stability for the application of market mechanisms; meanwhile, the impact of market mechanisms increased the instability of the legal-institutional framework.

The third problem is that Hungary has had an incomplete trajectory in public management reforms. In the mainstream countries public management reforms were the combination of three contracts, which were as follows:

- Creation of contractual based relationships between the regulative and service provider functions of the governments providing ability for public agencies to compete. The governments had to separate service-delivery and compliance functions from the policy-focused departments that housed them—separate steering from rowing. Second, they had to give service-delivery and compliance agencies much more flexibility and autonomy. And third they had to hold those agencies accountable for results, through performance contracts.
- Contracting out to create competition and improve the quality of public services. This required departments to bring in private sector help in analyzing the most promising areas for privatization and contracting, and it gave them incentive to privatize by allowing them to keep any savings achieved.
- Legitimizing public services by Citizens’ Charter, whether they are market oriented as in Great Britain or “Rechtsstaat” (Rule of Law) oriented as in France. The social groups cared about far more than efficiency. Citizens wanted public services to be effective: they wanted the subways and commuter trains to run on time, the mail to arrive in one day, and their children to receive a quality education. To force agencies to look beyond efficiency—to produce quality services for their customers—the government needed a new strategy. It needed to make agencies directly accountable to their customers. The answer was the Citizen’s Charter.

In contrast, in Hungary only contracting out was applied in practice of the three different contracts: contractual based relationship between the regulative and service delivery functions; contracting out for quality improvement, and Citizens’ Charter for the provision of social acceptance (Jenei, 2013. pp. 46–47).

Within the Hungarian public agencies the steering and rowing functions were not uncoupled. The day-to-day actions of the public agencies were not based on contracts between regulation and service provision.

The consequence of the incomplete Hungarian pattern was that public agencies could not compete in the badly regulated market for service delivery with private enterprises. Contracting out, public procurement and Public-Private Partnerships were all implemented using the tool-kit available to government, but they did

not generate the required competition because of political patronage. Sometimes the state monopoly was replaced with private monopoly.

No transparent mechanisms of accountability were built up for civil monitoring. Citizens were not empowered with Citizens' Charters.

We have to find the way out of this trap. The only solution seems to be for Hungary to embrace the Rechtsstaat phase of development. On its own, the legal-institutional framework is not enough. A functioning Rechtsstaat is needed because it is the precondition to modernisation. Yet the Rechtsstaat is not sufficient. Another requirement is to apply and implement many quality public service models, and achieve this with the involvement of private enterprises and civil society organisations. A balanced position is essential, and public administration needs a stable political background and strong consensus of the political parties in supporting this process.

The missing element is a Neo-Weberian synthesis, in which governmental actions are based on the Rule of Law, in which private enterprises are involved in quality competition in service delivery, and in which civil society organisations have full involvement in public policy-making, from decision-making to service provision.

What is the message of Weber's theory for our time? A professional bureaucracy is "*conditio sine qua non*" for the modernisation of Hungary. Civil servants should be properly educated and trained professionals with proper expertise. They should fulfil an official, formally described task, and should have a formal, ring-fenced and life-long position, with regular salary and pension. Of course this is the ideal-type of "bureaucracy" in the term of Weber's theory.

But the concerns of Weber are also relevant. Formal rationality should be combined with democratic responsibility. The content and the requirements are clear, the real question is how can we create a proper combination?

Hungarian politicians divide society into a polar spectrum containing the market on the one side and the government on the other. In this approach, civil society is dependent on these two centres but what we need is an approach in which market economy, government and civil society are parts of a three-legged chair. The first leg creates market capital, the second creates public capital and the third creates social capital. Civil society has to turn into a third, independent force in public policy-making and then, the Hungarian perspective is a Neo-Weberian synthesis and not a mistake of a neo-patrimonial state.

## 9. Conclusion

---

The main conclusion pertaining to the case of Hungary and other CEE countries is that the development of a professional bureaucracy was the *conditio sine qua non* of the emergence from totalitarian power. In other words, dominance by a profes-

sional bureaucracy was an unavoidable first phase in the development of public administration, because only such a bureaucracy could act as the bedrock of rules and regulations necessary for the implementation of programmes and actions—the polar opposite to the arbitrariness of the previous, authoritarian political system.

Without this functioning professional bureaucracy, deviations, dead-ends, and mutations would have been inevitable in the public administration development of these countries. Indeed we know of many cases where the absence of a professional bureaucracy resulted in the hasty contracting out of duties to private enterprises or civil organisations (phase two) and the concomitant rise in institutional corruption. More often than not, this resulted in a “vicious circle” whereby the legal institutional framework could not provide institutional stability for the application of market mechanisms while at the same time the very impact of these market mechanisms helped to entrench the instability of the legal-institutional framework.

Furthermore, within the third phase of development—the empowerment of civil society and its organisations by building up the transparent mechanisms of accountability—even a functioning professional bureaucracy could not restrict the influence of partisan politicisation and the emergence of clientelism.

It is a complete misunderstanding of the theory of Max Weber when the first phase mentioned above is couched in terms of the traditional Weberian model. While the influence of the Weberian narrative is certainly detectable, phase one had nothing to do with the original theory of Max Weber.

The Weberian narrative simplified the original Weberian theory. Weber distinguished four different meanings of rationality with equal importance. The Weberian narrative simplified the original theory and identified the ideal type of public administration as based on formal rationality. But this did not take into consideration that Weber had serious concerns related to the dominance of formal rationality. He identified this dominance with an “iron cage of rationality”.

The involvement of private enterprises and the empowerment of civil society, these typical innovations in the development of public administration, were directed against the Weberian narrative but not against the original Weberian theory, which was combined and multidimensional. According to Weber the four interpretations of rationality (practical, theoretical, substantive and rational) are of equal importance. This means that the ideal type of public administration is not based on the implementation of formal rationality, but rather on the synthesis of the four interpretations.

I argue that this Neo-Weberian synthesis is not only up-to-date, but it provides the relevant theoretical background for further innovation within public administration. In this view the basis of public decisions and actions is the synthesis of generally applied rules, regulations and laws, the implementation of individual decisions guided by value orientations, the individual calculation of adequate means for

the accomplishment of practical ends, and giving logical meaning to the surrounding world and the activities of other persons. A natural corollary of my argument is that within this period of regular reforms and innovations one should implement the original Weberian theory of rationality and at the same time emphasise that the Weberian narrative is out-dated.

## References

- Aberbach, J. D., R. D. Putnam, and B. A. Rockman. 1981. *Bureaucrats, Politicians in Western Democracies*. Cambridge, MA: Harvard University Press.
- Jenei, G. 2013. Transition and transformation: The last 20 years and the role of NISPAcee. In Vintar, M., Rosenbaum, A., Jenei, Gy. and Drechsler, W., (eds.). *The Past, Present, and the Future of Public Administration in Central and Eastern Europe*. (pp.468). Bratislava: NISPAcee Press.
- Kickert, W. 2008. *The Study of Public Management in Europe and the U.S.* London: Routledge.
- Lenin, V. I. 1917. *State and Revolution*. Moscow: Foreign Languages Publishing House.
- Pollitt, C. & G. Bouckaert. 2004. *Public Management Reform. A Comparative Analysis*. Oxford, UK: Oxford University Press.
- Tóké, R. L. 1996. *Hungary's Negotiated Revolution*. Cambridge, U. K.: Cambridge University Press.
- Tóké, R. L. 1998. *Democracy in Hungary: Institutional Origins and Legitimacy Dilemma*. Discussion Paper, Collegium Budapest. Institute of Advanced Studies.
- Weber, M. 1947. *The Theory of Social and Economic Organisation*. (A. M. Henderson & T. Parsons, Trans.). New York: Free Press.
- Weber, M. 1982. *A Protestáns Etika és a Kapitalizmus Szelleme* [The Protestant Ethic and the Spirit of Capitalism]. (A. Gelléri, P. Józsa, P. Somlai, & G. Tatár, Trans.). Budapest: Gondolat.
- Ziller, J. 2003. *The Continental System of Administrative Legality*, in B. G. Peters and J. Pierre (eds) *Handbook of Public Administration*, London: Sage.



# Why Do We Need a Strong but Constitutionally Limited State? The Paradigm of Good Government

*István Stumpf<sup>1</sup>*

## Abstract

The main objective of this research is to re-examine the possible role of the state in the period after the global financial crisis. The first section of the paper—based on the findings of relevant academic sources—evaluates two rival paradigms, Good Government and Good Governance, considering their preliminary assumptions, logic and typical tools. It concludes that the consequences of a market-based government are unacceptable and an active, intelligent and strong state is needed that creates balance between the market and society. The Neo-Weberian State is proposed as an answer to address the distortions of New Public Management (NPM) and merge its positive elements with Weberian considerations. The second section of the paper examines Hungary's new Fundamental Law (Constitution) in terms of the jurisprudence of the Constitutional Court. It reviews the (regulatory and executive) strength of the Hungarian state and changes in the distribution of power, and examines the coherence of the constitutional framework with those stated benefits of the Neo-Weberian State which can be formulated not only as consequences, but also as normative values of this paradigm.

## 1. Rediscovering the State and the Neo-Weberian State

### 1.1 The crisis of super-capitalism

The global financial crisis has forcefully raised the question of what role the state should play in eliminating market errors and managing the resulting social crises. Using USD 85 billion in cash, the Bush administration essentially nationalized the insurance company AIG after several financial institutions previously considered symbolic fortresses of the American economy had gone bankrupt or neared bank-

---

1 Associate Professor, Faculty of Law and Political Sciences, István Széchenyi University, Győr, Hungary.

ruptcy. After the government prepared a USD 700 billion rescue action to save the financial sector, the Bush government was accused by many of mocking capitalism.

A similar economic paradigm shift surfaced almost immediately on the Old Continent. In exchange for tens of billions of euros, the European Central Bank, as well as the governments of Great Britain, France, the Netherlands, Germany, Belgium and Luxembourg, obtained shares in some of the largest European financial institutions (e.g. Bradford & Bingley, Dexia, Fortis and Hypo) in order to strengthen them and create economic equilibrium. These rescue operations provide evidence that the market-based approach, which followed Smith's principles to the extreme and prospered in the Reagan and Thatcher eras of the 1970s and 1980s, can now be maintained only under certain limitations, if at all. The viability of the government approach inclined toward a *laissez faire* free market agenda, which is best modeled with zero-sum games and which often looked at natural social communities as strangers, has now been shaken to its very foundations by the international economic crisis.

Surely many concerns had been raised and many signals for change observed even before this crisis. The corporate scandals questioning the purity of market mechanisms (e.g. Enron, Siemens, Deutsche Telekom) and the Western European political approach that openly mixed the benefits of market economy with protectionism (e.g. Sarkozyism) had already raised the issue that the market's own way of thinking, its self-regulatory mechanism, does not have a one-to-one correspondence with the government type tasks of social organization and social reproduction. Market changes provide a flexible interpretation in that the art of government cannot be removed from the framework of nation states and that not only social welfare but also economic balance necessitates the application of neo-corporative strategies between the public and private sectors.

## 1.2 Rival paradigms: Good Government vs. Good Governance

For a long time, we (Fodor & Stumpf, 2007) have committed ourselves to the pre-suppositions of the Good Government paradigm based on the principles of the central state, liability and accountability instead of the paradigm of *Good Governance*:

- The market, in and of itself, cannot provide welfare, solidarity and fairness equally to all
- We need an active, intelligent and strong state that creates balance between the market and society
- The state has to correct market mechanisms for the good of the community and that of the market

**Table 1**

The paradigms of good governance and good government based on G. Fodor and Stumpf (2007)

Good Governance <sup>2</sup> Paradigm	Good Government Paradigm
<ul style="list-style-type: none"> <li>• Both formal and informal elements are equally significant; in addition to behavior of institutions changing norms and new kinds of operating method are at least as important;</li> <li>• Social self-control and cooperation of actors replace the previously dominant position of the state;</li> <li>• The role of the state can, at most, be to create the conditions of good governance; but the state ceases to exist as an exclusive or defining actor;</li> <li>• The task is to create a connection between public affairs and the private sector;</li> <li>• Such task may only be fulfilled by developing horizontal instead of vertical structures;</li> <li>• Therefore, the final decision maker must be removed from the equation, i.e. the role of the state needs to be reduced and thereby the functional position of the "decision" is taken over by the geometry of negotiation and the process of seeking a consensus. The result: the process of decision making may be made potentially infinite;</li> <li>• Private organizations must be provided with enough room to exercise their social coordination functions<sup>3</sup>;</li> <li>• Instead of set procedures, governance is conducted by debate, discussion and agreement;</li> <li>• There is a kind of social publicity, designed to act as the final control, that can weigh the rationality and normative justice of various arguments; therefore, the concept found its philosophical justification as well as its weaknesses in the concept of deliberative democracy and discourse ethics.</li> </ul>	<ul style="list-style-type: none"> <li>• Governance focuses on solving problems and the actor is the democratic government;</li> <li>• The tool used to solve such problems is democratic reform (currently: a new social contract, a reform of the old-age pension system, workfare, family policy and the policy of democratic integration);</li> <li>• A good government is sensitive and innovative and, using its intelligence, it has the ability to manage emerging new issues;</li> <li>• The state plays a role not only in creating the <i>conditions</i> for good governance but it also undertakes the <i>tasks</i> expected of good governance;</li> <li>• A good government is therefore expected to manage economic and social resources, maintain impartial and transparent management of public affairs, and ensure welfare, solidarity, justice and cooperation;</li> <li>• In other words the very essence of governance is to provide for the common good;</li> <li>• The ideal of common good becomes identical with the normative content of a good democracy;</li> <li>• The concept of "good government", however, cannot be imagined without an active, intelligent and strong state.</li> </ul>

- 2 The term Good Governance is imprecise partly because different authors use it in different contexts and partly because the concept is still evolving. As used in international development literature, it is often more neutral as to *what* tasks the state undertakes directly (role of the state), and focuses more on the problems of *how efficiently* state institutions and regulatory environments operate. For example, IMF managing director Michel Camdessus in a 1997 address focused on those aspects of good governance that are most closely related to IMF surveillance over macroeconomic policies: "the transparency of government accounts, the effectiveness of public resource management, and the stability and transparency of the economic and regulatory environment for private sector activity" (IMF 1997: iv.). This approach to Good Governance is not *per se* incompatible with the good government paradigm, and in fact they have shared aims. However, for the purpose of this article, we discuss the term as it is used more generally (see next footnote).
- 3 Critics are more clear on this; they believe this model increases operating space for businesses and powerful economic players and thereby the concept of *governance* degrades the representative function of democracy.

### 1.3 Rival paradigms: NPM vs. NWS — preliminary assumptions for New Public Management

If we were to follow the principles of New Public Management when answering the question what role the state should play (primarily in eliminating market errors and managing the resulting social crises), we should start from the logic of *Good Governance*, as NPM is built on the following preliminary assumptions<sup>4</sup>:

- Focus on market mechanisms and techniques rather than on the state: the state becomes a service provider while citizens are viewed as consumers requiring “consumption guarantees”;
- Adherence to neoliberal *public choice* theories;
- Consequently, it uses the tools of corporate management and requires an increase in the role of the market for the public sector with the emphasis on public sector reform and competition;
- Promises a reduction of costs while maintaining service level quality under the umbrella of “result oriented governance” (*openness, consultation, choice, value for money, remedies*);
- Embraces the logic of competing public and private sectors and cost comparison;
- Relevant tools include:
  - restructuring of the public sector primarily using various forms of privatization (such as appearance on the stock market and employee privatization), management contracts and outsourcing designed to involve market and civic organizations in performing these tasks;
  - restructuring of public services in the spirit of the *entrepreneurial model of government*;
  - increasing the efficiency of public administration: on one hand, state administration is forced into a marginal role using the principle of “emptying the centre” (Dunleavy & Hood, 1994) and assuming cost efficiency;
  - controlling the state by giving deregulation priority over regulation and by making new forms of regulation necessary because the state is supposed to ensure efficiency, supervision of service quality, financial auditing, and so on.

---

4 In linking the Good Governance paradigm to NPM theory, we rely on Drechsler, who—besides acknowledging that a unitary definition of the concept never existed—points out that the concept as it is generally used, “is not at all neutral; rather, it is a normative concept that again embodies a strong value judgment in favor of the retrenchment of the state, which is supposed to yield to Business standards, principles, and—not least—interests”. He also adds that in that sense, “Good Governance” privileges the Second [business] over the First [state] Sector, even in First Sector areas. He concludes, “Within the state sector itself, many of the principles of ‘Good Governance’ are therefore identical with NPM” (Drechsler 2005b).

- Requirement of result orientation is the norm, yet no agreement exists as to what is considered effective and what techniques (*MBO*, *MBR*, *TQM*) to use to achieve such results. However, there is an agreement that “traditional values must be depreciated” (Gray & Jenkins, 1995). The requirement of result orientation depreciates the principal values of traditional (Weberian) bureaucracy: neutrality, the ethos of public service, the principle of liability, the requirement of accountability and bureaucratic logic.<sup>5</sup>

But what are the consequences of a market-based government?

- *Emptying the centre.* Can you *outsource* public administration or was central government originally invented because it has a function and job that no other entity can take? Critics state that by practicing outsourcing, *NPM* forces state administration into a marginal role and excessively fragments the public sector without being able to coordinate or control the newly created networks.
- *Violating the requirements of accountability and political liability.* The efficiency force of the market logic overrides the requirement of accountability, and thereby increases the risk of corruption; political liability is lost as a principal of government and, as a result, trusts in the state and governments are shaken.
- *Violating the principle of equal treatment.* The efficiency force of market logic overrides not only the requirement of accountability but also that of equal treatment. Therefore, it violates not only the principles of democratic representation and government but also the constitutive core of the liberal credo and the thesis of moral egalitarianism.
- *Weakening the legitimacy of central institutions.* The new public management reduces the legitimacy of public institutions because, according to the opinions of the citizens of the state, using a thought-processing method based on economic rationale results in deficiencies in value orientation and the enforcement of moral bases. Namely, the public sector is limited to residual functions: the state provides less for the public good and this, of course, impacts the system of public administration and the quality of public services. “Social dissatisfaction with the quality of public services boomerangs in the market economy and this results in a direct dissatisfaction with the political leadership, as politicians are responsible for controlling market extremes and externalities” (Jenei, 2007).<sup>6</sup>

---

5 The enumeration of the characteristics of the *NPM* paradigm relies on: Minogue, 2000; Gray & Jenkins, 1995; Dunleavy & Hood, 1994; Barzelay, 2001; Drechsler, 2005a; and Randma-Liiv, 2008.

6 In the typology he follows, Jenei separates two approaches of “minimalisation” and “marketisation”, yet he himself agrees that these two approaches and methods are used together in the motivation practiced by the public institutions of certain countries. A very strong and integral relationship between the logics of the “marketisation” and “minimalisation” approaches can be seen.

- *Cutting back the power of the state.* In the spirit of *good governance*, the new public management empties and cuts back the state. Then again we are faced with the issue of a missing actor.

We believe that the consequences are unacceptable. There is an alternative solution, though: the Neo-Weberian state.

#### 1.4 Rival paradigms: NPM vs. NWS — preliminary assumptions for the Neo-Weberian State

Let us consider the fundamental aspects of the Neo-Weberian approach: The Neo-Weberian State is an answer to the distortions of a New Public Management with a clear understanding that no return to the classic Weberian state is possible. Accepting and merging the perceptions, evaluations of situations and positive elements of NPM and merging those with Weberian considerations: “Merit with flexibility” (Drechsler, 2005a: 102), where merit is a Weberian principle while flexibility would be a characteristic value of New Public Management. We are talking about merging effects but in a way that the two systems would not be mixed together but instead integrate typical features of New Public Management considered capable of working within the Weberian framework.

This kind of a state is considered *Weberian* because:

- The role of the state is strengthened (the state has a monopoly on legitimate violence);
- Various levels of representative democracy (central, regional, local) are distinguished even as there is emphasis on the unity of the executive power of the state;
- Legitimacy and *system of norms* are strengthened; public law, including administrative law, continues to remain a key tool in the function of the rule of law and in the relationship between the citizen and the state, and
- The ideal of public service is preserved by maintaining the *ethos of the public servant*, with special status, culture and conditions.

It exhibits the following “Neo” components:

- A shift from bureaucratic logic to *citizen-friendly* and service-oriented operation and, as a result, the commitment to neutrality and legitimacy, complemented by subscription to the objectives of public political programs and result orientation, which then creates a professional culture with quality and service as its organic parts;
- Complementing (not replacing) representative democracy with *civil consultations* and thereby direct representation of the citizens;

- More efficient management of government resources, characterized by a shift from *ex-ante* toward *ex-post* control, and
- Professionalization of public services.<sup>7</sup>

The neo-Weberian paradigm, therefore, serves as a base for bureaucratic competency and for the stability and control of the state (Randma-Liiv 2008: 12). So what is the “point” of this neo-Weberian approach?

- *Rethinking the role of the state in order to strengthen the state.* As we have indicated, the concept of the neo-Weberian state is nothing else but a response to the distortion of New Public Management. In comparison with the *NPM* approach, neo-Weberians claim that the state is neither dead nor disqualified, and we may need it more than before. Reinert, for instance, goes as far as to say that the state is the only qualified actor and that the main economic issues of our days, such as sustainability, dynamic markets, innovation and technology, demand strengthening the role of the state in order to ensure economic growth (Reinert, 1999) or otherwise regaining the integrity of the state (Drechsler, 2005: 104).
- *Rediscovering bureaucracy.* Bureaucracy may be considered as a rational tool designed to execute the orders given by elected leaders, or as a holder of certain cultural values and a special form of governance with its own internal values (Olsen 2004: 2). No good governance is possible without the normative system, legitimacy and rationality embodied in state administration and the ethos of public service as guarding constitutional principles and respecting professional and legal standards. Therefore, bureaucratic “fussing” is not an obstacle in the way of governance and government that needs to be demolished or “outsourced” but instead is a precondition for norm-based governance.
- *Restoration of a norm-based approach.* Accountability and political liability are the *ultima ratio* of governance. The key aspect of the neo-Weberian approach is that it recognizes that government action must be based on constitutional values and the rule of law,<sup>8</sup> which means that enforcement of such norms must begin with the state and the political class embodying the state.
- *Rolling back corruption.* The merit-based operation of the neo-Weberian public administration is in positive correlation with the reduction of corruption (Drechsler 2005a, p. 97). A recognizable, properly rewarded and long-term career increases the level of competency and reduces the risk of public servants giving in to the temptation of corruption (Henderson et al., 2003, p. 9).

---

7 For the characteristics of the neo-Weberian paradigm, see Pollit-Bouckaert 2004: 99–100, Jenei 2007, Drechsler 2005, Randma-Liiv 2008.

8 This aspect does not regard the mere number of regulations, which was on rise on large scale in recent decades; it rather focuses on the restoration of certain public policy areas under public administration, where hierarchical control and public administration law provide a stronger normative framework than horizontal partnerships. (This also has consequences for policy decision making itself.)

- *An increase in economic growth.* Empirical studies show that there is a direct relationship between efficiently operating bureaucratic institutions and economic development. The classic empirical work of Evan and Rauch, for instance, studied 35 developing countries and concluded that the Weberian characteristics of public administration significantly contribute to the possibility of economic growth (Evans & Rauch, 1999, p. 748)<sup>9</sup>.
- *Reducing poverty.* In their empirical work studying 29 developing countries and those with medium-level revenues, Henderson et al. (2003) argue that there is a strong relationship between the efficient operation of the Weberian public institutions and the ability of the state to reduce poverty.
- *Widening democracy.* By involving the civil sector in the development process of public policy decisions, the system of institution of representative democracy is complemented with the tools of direct and consultation-based democracy. As a result, it helps the civil sector find its role and also helps the political-social articulation of civil interests (we must note that an active civil society is not necessarily a precondition but is rather a consequence of the neo-Weberian logic, i.e. it does not take civil courage for granted but instead facilitates its growth).
- *Empathy seen toward particularism.* Whereas the ideology of the new public management, by principle, wants to remain universal, the neo-Weberian approach is more understanding towards geographical, cultural and political differences.

As seen above, the choice between the two paradigms is based on the “reason” for the state (“what is the role of the state?”, “what is the state supposed to be like?”, “what roles does the state have?”), and the consequences of the answer given.

We are convinced that **a strong, active and intelligent state is needed**. One question: **How can we accomplish that?** Therefore, political conditions for such a state must also be studied. However, the other question: **How to prevent this strong state from misusing its powers and how to secure that it delivers the benefits expected from its active and extensive operation?**

---

<sup>9</sup> See also: Henderson et al., 2003.

**Table 2**  
Comparison of the two paradigms

<b>New Public Management</b>	<b>Neo-Weberian State</b>
Focuses on market mechanisms and techniques rather than on the state: the state becomes a service provider while citizens are viewed as consumers requiring “consumption guarantees”	A response to the distortions of public management in order to strengthen the state: “Merit with Flexibility”
Does not work if certain preliminary conditions are missing (providing resources seen in advance, the ethos of public service or creation of credible professional politics)	A response given to the crisis of the welfare state by intelligent state participation with country-specific characteristics
Based on an erroneous assumption: it is not possible to solve everything based on the absolute logic of the market; in this sense no market approach to the state and to the public sector is possible	The state must initiate, launch and preserve economic growth in order to ensure the efficient operation of the market
Reason: the operation of the state is based on market principles	Key point: Rethinking the role of the state in order to strengthen the state
Consequences: <ul style="list-style-type: none"> <li>• Emptying the centre;</li> <li>• Violating the requirements of accountability and political liability;</li> <li>• Violating the principle of equal treatment;</li> <li>• Weakening the legitimacy of central institutions, and</li> <li>• Cutting back the power of the state.</li> </ul>	Consequences: <ul style="list-style-type: none"> <li>• Rediscovery of bureaucracy;</li> <li>• Recovery of a norm-based approach;</li> <li>• Rolling back corruption;</li> <li>• Reducing poverty;</li> <li>• Widening democracy, and</li> <li>• Empathy seen toward particularism.</li> </ul>

## 2. Strengths, Constitutional Limits and Values of Government

The following section outlines the major changes in the Hungarian constitutional system that came to live with the adoption (and the further amendments) of the new Fundamental Law<sup>10</sup> that affect the state’s capacity for action on the one hand and the possible checks and balances on the other hand. Based on this outline, I will

---

10 In Hungary parliamentary democracy was established in 1989–90 after forty years of socialism. The regime change in terms of constitutional law came about by the modification of the old socialist constitution Act XX of 1949 (and by the adoption of a few cornerstone laws, such as the Act on the Constitutional Court). The modified preamble of the Constitution itself considered the Constitution temporal and foresaw the adoption of the new and final constitution after the transition. Preparatory works for a new constitution were re-initiated after the parliamentary elections in 2010. During the spring of 2011 the Parliament debated and adopted the bill for the new constitution. On 25<sup>th</sup> April 2011 the so-called “Fundamental Law of Hungary” was promulgated in the official gazette. Both constitutions were modified several times. Hereafter—if not specified otherwise—I will use the word “Constitution” in reference to the previous constitution as in force on 1<sup>st</sup> January 2010, and the word “Fundamental Law” in reference to the new constitution as in force on 1<sup>st</sup> September 2014.

examine if there are signs of the emergence of the Neo-Weberian State-paradigm<sup>11</sup> on the level of the Fundamental Law.<sup>12</sup>

## 2.1 Role of the state and the separation of powers

The key point of the NWS paradigm, as noted before, is strengthening the role of the state. This issue raises two related questions: what the role of the state is in general (how extended and strong); and how its strengths (tasks, powers) are distributed among state organs.

The Constitution already declared that Hungary shall be a “State under the rule of law”. From this principle—and from the detailed constitutional rules on government institutions—the early Constitutional Court deduced the **principle of separation of powers**. Later, in the new Fundamental Law this important principle was explicitly recognized.<sup>13</sup>

As a fact, separation of powers has never been introduced to Hungarian legal order in the strict and classical sense, that is, the executive, legislative, and judiciary powers of government should be divided into three independent branches. Under the Constitution the executive was responsible to the Parliament. This latter model was upheld by the Fundamental Law: the Parliament elects the Prime Minister, who is the head of the executive (that we call “Government”), and may also terminate Prime Minister’s mandate by adopting a motion of no-confidence. The Prime Minister and other Ministers may be Members of Parliament at the same time.<sup>14</sup>

Since Hungary is not a federal, but a **centralized, unitary state**, not only the “horizontal” division of powers is peculiar, but the “vertical” separation of powers can be also considered weak. The Hungarian **Parliament** was not granted enumerated legislating powers from the Fundamental Law, but **has a general power** to “adopt Acts”<sup>15</sup> that is, legislative power over everything and anything — so far it is not contrary to the Fundamental Law.

---

11 Neither the Hungarian Fundamental Law, nor its preparatory materials refer to the NWS paradigm, so the Fundamental Law was not explicitly established on it. The examination aims to uncover to what extent the rules of the Fundamental Law are *compatible* with the NWS model.

12 A more detailed view might be obtained on the topic by analyzing not only the Fundamental Law, but the whole regulatory framework concerning the points of the NWS paradigm; however, this task is beyond the scope of this paper. The reason why I do not consider inutile the examination of the Fundamental Law, is because no regulation may be contrary to the Fundamental Law [cf. Article T) Section (3)], so the constitutional framework—through the decisions of the Constitutional Court which enforce it—determines the direction and the standards of the regulation by large.

13 Fundamental Law Article C) Section (1).

14 Fundamental Law Article 1 Section (2) f), Article 15 Section (1), Article 16 Section (2)-(3), Article 20 Section (2) b)-c).

15 Fundamental Law Article 1 Section (2) b).

Despite leaving power concentrated at the Parliament, the Fundamental Law set up two institutions that limit the power of the legislation and the executive in special areas:

The adoption of an act on the central budget by the Parliament needs the prior approval of the **Budget Council** consisting of three members: the Governor of the National Bank of Hungary, the President of the State Audit Office and a member appointed for six years by the President of the Republic. The Budget Council may deny its approval if the budget fails to provide for state debt reduction in proportion to the GDP.<sup>16</sup>

The Fundamental Law has also introduced the institution type “**autonomous regulatory organ**” that is an organ established in a cardinal (two-thirds majority) act by the Parliament for the performance of certain tasks and the exercise of certain competences belonging to the executive branch. The head of an autonomous regulatory organ can issue decrees within its competence.<sup>17</sup>

These new institutions limit the power of the Parliament and the executive, but do not diminish the overall capacity and power of the central state.

In such a government structure, the only significant check in the system balancing the legislature is the Constitutional Court, which—according to the Fundamental Law—“shall be the principal organ for the protection of the Fundamental Law”. The preamble of the Act on the Constitutional Court furthermore specifies the “enforcing the principle of the separation of powers” as one of the main functions of the Court.

The Constitution granted the Constitutional Court judicial review over rules of law (for example acts of Parliament, decrees of Government); judicial decisions in individual cases could only be contested on the basis of a constitutional complaint by claiming that an unconstitutional law had been applied in that particular case.

The Fundamental Law extended the competence of the Constitutional Court over judicial decisions: on the one hand, it prescribed that, “In the course of the application of law, courts shall interpret the text of rules of law primarily in accordance with their purposes and with the Fundamental Law”. On the other hand, it empowered the Constitutional Court on the basis of a constitutional complaint to

---

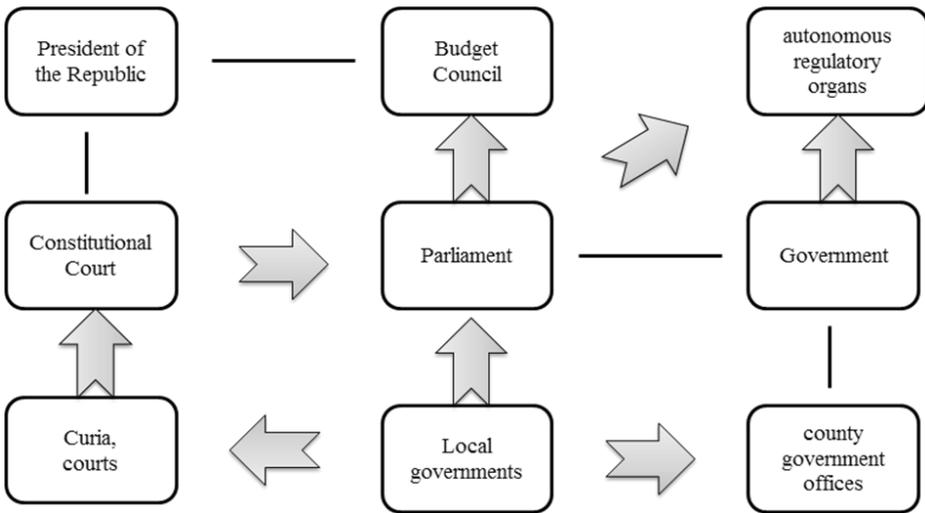
16 Fundamental Law Article 44, Article 36 section (3)-(4).

17 Fundamental Law Article 23.

review not only rules of law, but also the judicial decision (that is the conformity of the judicial interpretation with the Fundamental Law).<sup>18</sup>

Not even the Fundamental Law and the Constitutional Court may always be able to hinder the legislature from reaching whatever — constitutional or unconstitutional — policy it wills, for the separation of the legislative power and the constitution-modifying power is also thin: a simple majority in the Parliament is required to legislate, and two-thirds of the members of parliament may even modify the constitution. One might notice nowadays in Hungary that the governing party factions have a two-thirds majority in Parliament: the executive, the legislative and the constitution-modifying power is in fact intertwined.

**Figure 1**  
Separation of powers: power shifts in the Fundamental Law



## 2.2 NWS benefits and the constitutional framework

In the first section of this paper, we highlighted the following benefits of the NWS paradigm: rediscovery of bureaucracy, recovery of a norm-based approach, rolling back corruption, reducing poverty, widening democracy and empathy seen toward particularism. Although these benefits were primarily formulated as consequences

<sup>18</sup> The Fundamental Law itself prescribes interpretation rules in two separate Articles [Article R), Article 28], the first valid only for the Fundamental Law, the second also for other rules of law, saying: “The provisions of the Fundamental Law shall be interpreted in accordance with their purposes, with the Avowal of National Faith contained therein, and with the achievements of our historical constitution”, and “When interpreting the Fundamental Law or rules of law, it shall be presumed that they serve moral and economical purposes which are in accordance with common sense and the public good”.

of a functioning NWS model, some of these can be formulated, if not as preconditions, at least as values against which elements of the constitutional framework can be measured.

*Rediscovering bureaucracy.* A Weberian trait, the basic “right to hold public office” that was part of the Constitution has been also incorporated to the Fundamental Law. The first sentence of Article XXIII Section (8) states: “Every Hungarian citizen shall have the right to hold public office according their suitability, qualifications and professional competence.”<sup>19</sup> This right has been interpreted and defended several times in the jurisprudence of the Constitutional Court.

A “Neo” component of the constitutional framework, citizen-friendly and service-oriented operation of the public administration (and in fact, the state in general) is indicated in the Avowal of National Faith: “We hold that democracy exists only where the State serves it citizens and administers their affairs in an equitable manner and without abuse or partiality.” The Avowal of National Faith does not have substantive normative power—let alone being a right—however, it serves as a reference point for the interpretation of the articles of the Fundamental Law<sup>20</sup>. Article XXVI in the “Freedom and Responsibility” chapter<sup>21</sup> of the Fundamental Law reinforces the principles of service and neutrality, adding further elements of result orientation and quality: “The State shall strive to make use of the latest technical solutions and the achievements of science to make its functioning efficient, raise the standard of public services, improve the transparency of public affairs, and promote equality of opportunity.”

*Restoration of a norm-based approach.* We defined on the one hand accountability and political liability, on the other hand government action based on constitutional values and the rules of law as the two key values of the NWS concept.

There are shortages in accountability in certain policy areas; there is no political liability in case of the Budget Council, which has budget veto power, as men-

---

19 The second sentence adds: “Public offices that shall not be held by members or officers of political parties shall be specified in an Act.”

20 Fundamental Law Article R) Section (3): “The provisions of the Fundamental Law shall be interpreted in accordance with their purposes, with the Avowal of National Faith contained therein, and with the achievements of our historical constitution”.

21 Note that in spite of the fact that this provision is placed in the chapter for basic rights and responsibilities, it is not phrased as a right but rather as a state aim.

tioned before; and in case of the “Autonomous regulatory organs”, which perform executive and regulative tasks.<sup>22</sup>

The correction of government action—legislation—in certain regulatory areas and in particular ways lacks the proper procedural safeguards. An amendment to the Constitution in late 2010 which was later retained in Article 37 Section (4) of the Fundamental Law essentially excludes constitutional review on fiscal Acts. The provision restricts the Constitutional Court in reviewing Acts on the central budget, on the implementation of the budget, on central taxes, on duties and on contributions, on customs duties, and on the central conditions for local taxes as to their conformity with the Fundamental Law, except a few basic rights: rights to life and human dignity; to the protection of personal data; to freedom of thought; conscience and religion, and the rights related to Hungarian citizenship.<sup>23</sup> These basic rights are usually unrelated and normally tend to be not restricted by the above said acts, whereas the right to property, the right to engage in entrepreneurial activities and equality before the law<sup>24</sup> remain beyond the court’s power of constitutional review.

Based on the principle of rule of law, the early constitutional court developed the concept of “public law invalidity”, one form of which is that Acts and regulations can be annulled if procedural rules regarding their adoption are infringed: “Procedural guarantees follow on from the principles of the constitutional state and legal certainty. [...] Only by following the formalized legal procedure can there be valid law [...]”<sup>25</sup> In the following two decades, even after the entry into force of the Fundamental Law, the Constitutional Court maintained this concept and elaborated its relevant jurisprudence.<sup>26</sup> The reliance on the concept of public law invalidity is crucial from the aspect of ensuring regulation—as an eminent form of government

---

22 It is not specified directly in the Fundamental Law, but delegated to the level of the cardinal laws to stipulate the exact nomination or election method of the head and the decision making bodies of autonomous regulatory organs. In case of the Hungarian Energy and Public Utility Regulatory Authority, its president is appointed by the prime minister for seven years [see the Act XXII of 2013, Article 6 section (1)]. In case of the National Media and Infocommunications Authority, its president is appointed by the President of the Republic on the nomination by the prime minister; the members and the president of its Media Council are elected for nine years by the two-thirds majority of the present members of Parliament. In both cases, the mandates of the decision making officials of the respective organs is about two times longer than the mandate of the Parliament.

23 According to the provision, the restriction shall apply “as long as the level of state debt exceeds half of the Gross Domestic Product”. The Constitutional Court is enabled to annul without restriction Acts governing the said matters if the procedural requirements laid down in the Fundamental Law for the making and publication of such Acts have not been observed.

24 The possibility of the review based on the equality before the law is not clear yet, because although it is not explicitly enumerated in Article 37 Section (4), but has been strongly connected to the right of human dignity in the jurisprudence of the Constitutional Court.

25 Cf. Decision 11/1992. (III. 5.) of the Constitutional Court. For the English transcript see: [http://www.mkab.hu/letoltesek/en\\_0011\\_1992.pdf](http://www.mkab.hu/letoltesek/en_0011_1992.pdf)

26 For a recent summary of the relevant jurisprudence, see: Decision 6/2013. (III. 1.) of the Constitutional Court, paragraphs [70]-[79].

action—is based on the rules of law, thus beginning the enforcement of legality with the state. However, this aim faces a procedural challenge: the Fundamental Law abolished the so-called *actio popularis*, that is the general right under the Constitution to initiate the review of any regulation at the Constitutional Court based on any provision of the Constitution even without the alleged infringement of any actual personal right. Contrary to this, the Fundamental Law only provides the individual the procedure of the constitutional complaint, which—according to the Act on the Constitutional Court—may only be initiated if the petitioner’s right enshrined in the Fundamental Law was violated. The jurisprudence of the Constitutional Court has not yet settled the question whether it is possible to file a constitutional complaint based on the claim that a basic right violated through the public law invalidity of the Act that was applied in the petitioner’s case.

*Rolling back corruption.* As noted before, a merit-based operation of public administration is in positive correlation with the reduction of corruption. The risk of corruption may not only be reduced on the state personnel side, that is by protecting public servants from being involved (motivating them to resist), but also by creating a legal environment in which the other beneficiaries of corruption cannot operate easily. This seems to be particularly important in case of public funds.

As a novelty, Article 39 of the Fundamental Law introduced the requirement of transparency on two sides of public fund and national asset management. Section (1) sets criteria for the receiver side: “Only such organizations may receive subsidies or contractual payments from the central budget that have transparency of ownership structure, organization, and of the activities for which funding is to be used.” Section (2) regulates the giver and/or manager side: “Every organization managing public funds shall publicly account for the management of those funds. Public funds and national assets shall be managed according to the principles of transparency and clean public life. Data relating to public funds and national assets shall be data of public interest.”<sup>27</sup>

*Widening democracy.* There are no explicit normative foundations in the Fundamental Law for consultation-based democracy, the—method, extension and guarantees of the—involvement of the civil sector in the development process of public policy decisions rests on the discretion of the Parliament. As regards direct democracy, the Constitution had already stipulated the representative democracy and direct democracy as the two forms through which the people (as the source of public power) shall exercise their power; and the Constitutional Court’s jurisprudence definitely considered the latter complementary to the representative form. The Fundamental Law made it explicit that the exercise of the power with the tools of direct democracy is exceptional.<sup>28</sup> Compared to the Constitution, now it is harder

---

<sup>27</sup> This provision – through the basic right to access and disseminate data of public interest [Article VI Section (2)] has been enforced by the Constitutional Court in recent jurisprudence.

<sup>28</sup> Fundamental Law Article B) Section (4).

to hold a valid national referendum, for previously it needed the similar vote of twenty-five percent of the voters, whereas now more than fifty percent voter turnout is also required.<sup>29</sup>

*Other aspects.* Further previously suggested benefits of the NWS paradigm — that is, an increase in economic growth and reducing poverty — are primarily not prescriptive values, but (expected) consequence-type characteristics, based on the relationship between the efficient operation of the Weberian public institutions and the ability of the state to advance these aims. Accordingly, their realization could hardly be examined as a theoretical constitutional – rather than empirical — question, so fall outside the normative evaluation of the constitutional framework.

### **3. Assessment**

Hungary has been a centralized, unitary state since the adoption of the Constitution, with unenumerated Parliamentary legislative powers. Nevertheless, there was a further shift in the Hungarian constitutional structure with the entry into force and amendments of the Fundamental Law. The previous, more rights-based approach of the democracy has become a more majoritarian one, transforming the Parliament from a major actor into the dominant actor of the public power arena. The task of limiting the intertwined legislative and executive powers was entrusted to a system of checks and balances, in which the Constitutional Court played the key role under the Constitution. The Fundamental Law has left less competence to the Constitutional Court, accordingly, relying more on regular elections as the limit of political power.

Parallels might be drawn in the theory of the Good Government paradigm and political constitutionalist theory, for both are advocating a strong state, the decision making and social conflict resolution predominantly based on the majoritarian principle, with focus on the role of the democratically elected government (legislative and executive powers). However, on the one hand, given the large number of Cardinal Acts<sup>30</sup>, the autonomous regulatory organs, the long term-appointments of several public officials and the still considerable powers of the Constitutional Court, the legal framework of the Fundamental Law lacks the pure majoritarian principle in the extent that may not be nearly considered as one embodying political constitutionalism. On the other hand, examined from the point of view of the benefits of the NWS model, relevant characteristics of the previous constitutional framework

29 Fundamental Law Article 8 Section (4): “A national referendum shall be valid if more than half of all citizens with voting rights have cast valid votes, and it shall be conclusive if more than half of those voting validly have given the same answer to a question.”

30 According to Article T) Section (4) of the Fundamental Law: “‘Cardinal Act’ shall mean an Act, the adoption or amendment of which requires the votes of two-thirds of the Members of Parliament present.”

were partially upheld, some prospective state aims and guarantees introduced, but setbacks also developed.

Decision 12/2013. (V. 24.) of the Constitutional Court—in which the limitations on its powers is noted in terms of the structure of division of powers, its powers to review the Constitution and new norms amending it would not be extended, without express and explicit authorisation to that effect—has made it clear that the Court must function within the framework of the Fundamental Law, whatever paradigm and values it fits or not.

A substantial challenge for the Constitutional Court—within this framework—might still be formulated as safeguarding the preconditions and normative values of the Good Government paradigm, such as: basic rights and freedoms, especially political rights necessary for democracy; transparency of public funds and national assets; professionalism of public offices, and respect for the rule of law by state organs, eg. in the regulating process.

## References

---

- Barzelay, Michael. 2001. *The New Public Management. Improving Research and Policy Dialogue*. Berkeley, CA: University of California Press.
- Blumenthal, Julia von. 2005. *Governance: eine kritische Zwischenbilanz* (Governance: A critical interim balance). *Zeitschrift für Politikwissenschaft*. Heft 4: 1149–1180.
- Debicki, Marek. 2003. Public Service in a Corporate World—The Dangers of Managerialism as a Tool for Public Administration. In *Delivering Public Services in CEE Countries: Trends and Developments*. Edited by Jane Finlay and Marek Debicki. Bratislava: NISPAcee.
- Drechsler, Wolfgang. 2005a. *The Reemergence of “Weberian” Public Administration after the Fall of New Public Management: The Central and Eastern European Perspective*. [http://www.lib.ttu.ee/pdfs/TTU\\_publikatsioonid\\_2005.pdf](http://www.lib.ttu.ee/pdfs/TTU_publikatsioonid_2005.pdf)
- Drechsler, Wolfgang. 2005b. The Rise and Demise of the New Public Management. *Post-Autistic Economics Review* 33, 14 September. <http://www.paecon.net/PAEReview/issue33/Drechsler33.htm>
- Dunleavy, Patrick, and Christopher Hood. 1994. From Old Public Administration to New Public Management. *Public Money & Management* 14: 9–16.
- Fodor, Gábor G., and István Stumpf. 2007. A “Jó Kormányzás” Két Értelme. *Avagy A Demokratikus Kormányzás Programja És Feltételei* (The Two Meanings of “Good Governance”. Or the Program and Conditions of Democratic Governance). *Nemzeti Érték*/3: 76–95.

- Fodor, Gábor G. and István Stumpf. 2008. Neoweberi Állam És Jó Kormányzás (Neo-Weberian State and Good Governance). *Nemzeti Érdek*, 2008/7: 5–23.
- Fodor, Gábor G. and Tamás Kern. 2008. Vázlat (Pontok) Egy Sikeres Társadalmi Kiegyezéshez Magyarországon (Draft points for a successful social reconciliation – in Hungary). *Nemzeti Érdek*, 2008/7: 142–148.
- Gray, Andrew, and William I. Jenkins. 1995. From Old Public Administration to New Public Management. *Public Administration* 73: 75–99.
- Henderson, Jeffrey, David Hulme, Hossein Jalilian, and Richard Phillips. 2003. Bureaucratic Effects: ‘Weberian’ State Structures and Poverty Reduction. CPRC Working Paper 31. [www.chronicpoverty.org/pdfs/31Henderson\\_et\\_al.pdf](http://www.chronicpoverty.org/pdfs/31Henderson_et_al.pdf)
- International Monetary Fund. 1997. *Good Governance: The IMF’s Role*. Washington, D.C.: International Monetary Fund Publication Services. <http://www.imf.org/external/pubs/ft/exrp/govern/govern.pdf>
- Institute for World Economics of the Hungarian Academy of Sciences. 2007. A globális környezet gazdaságon kívüli tényezőinek középtávú előrejelzése. Az állam változó szerepe: társadalmi újraelosztás és növekedésgeneráló fejlesztési beruházások (Mid-term forecast on the non-economical factors of the global environment. The changing role of the state: Social redistribution and growth-generating development investments). VKI vitaanyag, [http://www.vki.hu/kulkapcs/kornyezeti\\_tenyezok.pdf](http://www.vki.hu/kulkapcs/kornyezeti_tenyezok.pdf)
- Jenei, György. 2007. Adalékok a public policy szemlélet értelmezéséhez. *Nemzeti Érdek*/1., pp. 5–27.
- Jenei, György. 2008. Refoms in Public Administration and the Transition to Democratic Rechtstaat. Paper presented to the First NISPAcee\_EGPA Trans-European Dialogue, Tallin.
- Mayntz, Renate. 2005. Governance-Theorie als fortentwickelte Steuerungstheorie. In *Governance-Forschung. Vergewisserung über Stand und Entwicklungslinien*, edited by Gunnar Folke Schuppert. Baden-Baden: 11–20.
- Minogue, Martin, Charles Polidano, and David Hulme, eds. 2000. *Beyond the New Public Management. Changing Ideas and Practices in Governance*. Cheltenham, UK: Edward Elgar.
- Minogue, Martin. 2000. Changing the State: Concepts and Practice in the Reform of the Public Sector. In *Beyond the New Public Management. Changing Ideas and Practices in Governance*, edited by Martin Minogue, Charles Polidano, and David Hulme. Cheltenham, UK: Edward Elgar: 17–38.
- Olsen, Johan P. 2003. Towards a European Administrative Space? *Journal of European Public Policy* 10: 506–531.

- Olsen, Johan P. 2004. Maybe it is Time to Rediscover Bureaucracy. Paper presented to IX Congreso Internacional del CLAD sobre la Reforma del Estado y de la Administración Pública. Madrid, Spain, 2–5 November 2004. [unpan1.un.org/intradoc/groups/public/documents/CLAD/clad0049620.pdf](http://unpan1.un.org/intradoc/groups/public/documents/CLAD/clad0049620.pdf)
- Pierre, Jon, and B. Guy Peters. (2000). *Governance, Politics and the State*. New York: Palgrave.
- Pierre, Jon (2000): *Debating Governance. Authority, Steering, and Democracy*. Oxford, UK: Oxford University Press.
- Pollit, Christopher, and Geert Bouckaert. 2000. *Public Management Reform. A Comparative Analysis*. Oxford, UK: Oxford, University Press.
- Pollit, Christopher, and Geert Bouckaert. 2004. *Public Management Reform. A Comparative Analysis*. (2<sup>nd</sup> edition) Oxford, UK: Oxford University Press.
- Pollit, Christopher. 2008. Synthesis Comments on Propositions. Paper presented to the First NISPACEE-EGPA Trans-European Dialogue, Tallin, 31 January.
- Potuček, Martin. 1999. *Not Only the Market. The Role of the Market, Government, and Civic Sector in the Development of Postcommunist Societies*. Budapest: CEU Press.
- Potuček, Martin, ed. 2004. *The Capacity to Govern in Central and Eastern Europe*. Bratislava: NISPACEE.
- Potuček, Martin. 2008. *The Concept of Neo-Weberian State Confronted by the Multi-Dimensional Concept of Governance*. Draft of the presentation at the First NISPACEE-EGPA Trans-European Dialogue, Tallin. 31 January.
- Randma-Liiv, Tiina. 2008. *New Public Management Versus Neo-Weberian State in Central and Eastern Europe*. Paper presented to the First NISPACEE-EGPA Trans-European Dialogue, Tallin, 31 January.
- Reinert, Erik S. 1999. The Role of the State in Economic Growth. *Journal of Economic Studies* 26(4/5): 268–326.



# Illiberalism in the Making: Orbán-era Governance Reforms in the View of the Administrative Elite<sup>1</sup>

*György Hajnal<sup>2</sup>*

## Abstract

Unorthodoxy is one of the terms frequently used by the FIDESZ-led Hungarian government to describe its approach to policy making and, more generally, to transforming governance. The “strong state” vision underlying their ambition has, since their getting into power in 2010, manifested in a lengthy series of sweeping institutional and policy reforms, and of domestic and international conflicts. The broad ambition of this paper is to move beyond the – so far, more customary – institutional level of analysis and to examine whether, and if yes to what extent and in what sense, this transformative vision of unorthodoxy reached the day-to-day making and management of policies. The research takes a comparative perspective, relying on a questionnaire survey of senior public administration executives in 16 European countries. Quantitative evidence is supplemented by and contrasted with qualitative data gained from key stakeholders of public sector reforms in Hungary.

**Keywords:** Administrative Reform Doctrines, Elite Survey, Hungary, Senior Civil Service

## 1. Background: The Transformation of the State After 2010

There is consensus in public and academic discourse that fundamental changes to Hungary’s government system have taken place since the landslide election victo-

---

1 This chapter draws on research that has received funding from the European Union’s Seventh Framework Programme under grant agreement No. 266887 (Project COCOPS), Socio-economic Sciences & Humanities.

2 Associate Professor, Corvinus University of Budapest and Senior Researcher, Institute for Political Science, Center for Social Sciences of the Hungarian Academy of Sciences, Budapest, Hungary.

ry of Orbán's Center-Right FIDESZ-KDNP<sup>3</sup> formation at the 2010 parliamentary elections. This claim goes largely undisputed among political allies and friends as well as opponents and critics of the government, both in Hungary and abroad. In academia, likewise, there are few if any voices questioning the significant—by their advocates often denoted as 'revolutionary'—scope, scale and consequences of these changes.

FIDESZ's election program contained only very general and vague ideas regarding both the directions and the scope of planned changes to Hungary's governance arrangements. However, work undertaken from the mid-2000s onwards in and around the FIDESZ think-tank *Századvég* pursued the goal of creating the broader doctrinal foundations as well as a set of more specific guidelines for the planned governmental reforms. As a result of this work FIDESZ openly and emphatically committed itself to a concept denoted, variably, as "strong" and 'neo-Weberian' state. This—in comparison to the international mainstream conceptualizations: rather specific and idiosyncratic—vision of neo-Weberianism was characterized by, among others, an unquestioned authority, moral supremacy, and practical control of the state over each and every societal actor – most of all, the market (G. Fodor and Stumpf 2007, 2008; G. Fodor 2009; for a critical reflection, see Hajnal and Pál 2013, Korkut 2012 Chapter 6).

It is impossible and unnecessary to describe, in a sufficiently concise format, the institutional and policy changes having ensued immediately after the inauguration of the new government and characterizing Hungary's governance landscape throughout the entire parliamentary cycle. The most spectacular set of changes are related to the formal (re)design of political institutions and of the—partly informal—ways they operate.

A European Parliament resolution (European Parliament 2013) identified the following institutional and process-related changes as the most crucial ones:

- The adoption of a new Fundamental Law, through a process characterized by a very extensive and haphazard series of constitutional amendments. Nine amendments to the old constitution were adopted within one year—in many cases triggered by day-to-day political needs of the government—and four amendments to the new one. Moreover, no or only minimal public or political consultations (let alone public referenda) about the text of the new Fundamental Law were performed (for a meticulous description and analysis of the process see Wiener 2013);

---

3 FIDESZ: Alliance of Young Democrats, KDNP: Christian-Democratic People's Party. For the sake of convenience will refer to this party formation as FIDESZ (note that the political viability of FIDESZ's sister party, KDNP as a stand-alone party is minimal as their electoral recognition/support is barely detectable in the opinion polls). At the 2010 national elections the party alliance acquired 68% of the mandates in the unicameral legislature.

- Extensive use of cardinal laws with the declared objective of entrenching current governmental policies for several electoral cycles;
- Accelerated legislation relying on individual members' bills (as opposed to Cabinet bills) thereby avoiding administrative as well as societal consultations;
- Weakening checks and balances; for example, successive weakening of the Constitutional Court's powers in response to the Court's negative decisions on government policies, elimination of the mandate of the Parliamentary Commissioner for Data Protection, and so on;
- Administrative measures and procedural modifications threatening the independence of the judiciary.
- A broad-scope reform of the election system strongly favoring the incumbent party;
- Media legislation and the creation of a Media Supervisory Authority capable of constraining freedom of speech and regulating media content in favor of the government;
- Legislation on minority rights (insufficient regulation of hate speech);
- Freedom of religion (the new legislation vesting the state recognition of churches in a qualified majority decision of the Parliament) (European Parliament 2013).

An important element of the 'grand' institutional transformation not emphasized in this list is the practice of nominating prominent party loyalists (former ministers, MPs and senior party cadres) and their close relatives as leading officials and heads of independent institutions. Among such appointees are the President, the State Attorney, and judges of the Constitutional Court, members of the Budget Council, the National Judicial Council and the head of the National Bank. Moreover, the tenure of most these positions has been extended to 9 or even up to 12 years, and their re-election tied to a qualified majority—all this serving the openly formulated goal of entrenching the 'central power position' of FIDESZ for decades, irrespective of future parliamentary election results.

The above list of the government's intervention areas in most cases materialize in legal regulations and thus are relatively easy to grasp. Moreover, they relate to the macro structure of political institutions. At a lower, meso level of administrative structures and practices one may nevertheless highlight numerous additional changes. By their very virtue many of these lower-level changes don't entirely materialize in specific pieces of legislation, and thus can be sufficiently described and understood on the basis of other sources of information only, such as news media reports or key informants' insights. Some prime examples of these changes are as follows (for details see e.g. Ágh 2013; Hajnal & Csengődi, 2014; Hajnal & Kovács, 2013):

- Subnational structures became strongly centralized. The middle/territorial level offices of central agencies have been integrated into the newly created ‘County Government Offices’. These entities are strictly controlled and directed by the government and headed by expressly political appointees (such as MPs of the governing faction). Almost all functions and facilities of elected county self-governments (most importantly, those related to the operation of middle-tier public health, education and social services) were transferred to the new County Government Offices;
- In a next stage of reform elected local self-governments’ scope of duties and competencies (many important functions in the field of operating secondary education and health care facilities) were dramatically reduced by transferring them to the newly created District Government Offices. The new District Government Offices are local arms of (and thus hierarchically subordinated to) the County Government Offices. The scope of the changes are well illustrated by the fact that local governments’ budget shrank, within one year, by approximately 80 percent;
- The new regulation on civil service in the central government (Law LVIII/2010) and its subsequent modifications greatly changed the employment conditions of civil servants. According to the first version of the new law civil servants could be dismissed almost without any justification. That is, the extended labor protection of civil servants which had characterized the previous twenty years of Hungarian civil-service regulations practically ceased. Although this provision was later invalidated by the Constitutional Court, it remained in effect long enough to enable political executives to make profound personnel changes in the civil service to a legally unlimited extent. Even more importantly, the subsequent new regulation (Law CXCIX/2011) continues to assess the rather vague requirements of loyalty as well as ‘conformance with the supervisor’s value standards’ as a requirement for employment for every civil servant, and makes the lack thereof a sufficient ground for dismissal;
- Reliance on control and surveillance instruments against government personnel were broadened and strengthened to an unprecedented degree (possibly even by international standards). For example, active anti-corruption measures (such as approaching officials with fabricated bribe attempts made by undercover agents) were institutionalized in the police and tax services. Moreover, according to a recent piece of legislation, civil servants and their family members can be subject to secret intelligence/surveillance on a preventive basis—that is, even in the absence of any formal accusation or investigation and without permission by the judicial court;
- Consultative, tripartite arrangements which had operated throughout the previous twenty years—such as the National Interest Reconciliation Council (OÉT) and the Economic and Social Council (GSZT) —were eliminated or replaced by

non-functioning, quasi-consultative arrangements. Lower, sectoral-level consultative forums (such as those involving sectoral trade unions) also were eliminated or made otherwise obsolete.

There have been many attempts to grasp and analyze individual elements of the vast terrain of the changes outlined above. However, despite their great importance from both a practical/policy and a theoretical perspective, there have been far fewer attempts at doing so on a paradigmatic, ‘*Gestalt*’ level. Probably not unrelated, there is also a general conceptual disorientation and difficulty in understanding and interpreting these changes.

However, the attention paid to, and the (published) results regarding the corresponding transformation of the very administrative principles and practices characterizing the rapidly changing institutions is even much smaller. Almost four years after the introduction of the first major changes to the politico-administrative machinery—such as the radical redesign of the civil service system (cf. Hajnal & Csengődi, 2014) —systematic and evidence-based attempts at doing so on a systemic level are still severely lacking.

The purpose of this paper is to explore this, so far largely hidden, administrative aspect of the ‘revolution of the ballot boxes’. In particular, I wish scrutinize, in the light of multiple sources of empirical evidence, the nature and the consequences of the reforms made to the machinery of Hungarian government. The functional scope of the investigation is limited to national level central governmental structures.

In the following sections I first briefly contextualize the study by locating it in the broader array of studies dealing with Hungary’s post-2010 development, formulate the specific research questions of the study, and outline the data and the method used to answer them. In Section 3 I present the main empirical findings of the study based on a statistical analysis of survey data from 16 European countries. Section 4 contrasts senior executives’ views with qualitative data stemming from semistructured interviews with key external stakeholders (leading officials of trade unions and consulting companies involved in public administration affairs). Finally, Section 6 draws some tentative, synthesizing conclusions.

## **2. Conceptual Background and Research Questions**

---

### **2.1 Review of the literature**

Most of the existing scholarship regarding Central and Eastern European (CEE) problems of governance can be clustered into two groups. The first stream of scholarship may be denoted as (CEE) ‘area studies’ and the latter as ‘Europeanization research’. The former focuses on identifying the dysfunctions of CEE governance and their causes (e.g. Greskovits, 1998; Nunberg, 1999; Hajnal, 2006 and 2010). In

contrast, the literature on ‘Europeanization’ focuses on domestic change triggered by (the prospects of) EU membership (Börzel et al., 2012; Dimitrova, 2010), and problems of governmental/administrative capacity needed to cope with the challenges emanating from that (Dimitrova & Toshkov, 2009; Zubek, 2010). In addition to formal implementation (legal transposition) actual implementation is also a vast and largely unexplored source of compliance problems (Falkner & Treib, 2008).

There is another, important dimension cutting through the above dichotomy. At one extreme of this dimension one may locate a group who tend to see CEE and Western (European) development as primarily convergent, and CEE institutions and policies as increasingly stable, consolidating and effective. The other extreme of this dimension sees CEE and (Western) European development as primarily divergent or non-convergent at best. These works emphasize the idiosyncratic, specific – distorted and dysfunctional – features of CEE governance systems.

The first cluster of contributions, dating back more or less to the early 2000s, is well exemplified by Zubek and Goetz’s work (2010a), which gives a very good overview. In their introductory contribution to the April 2010 Special Issue of the *Journal of Public Policy*, Zubek and Goetz (2010b) summarize this perspective as follows: “in the last decade or so, state institutions in ECE [East Central Europe] have increasingly stabilized, *in particular at the constitutional level* [emphasis mine – G. H.] — [There is a] remarkable persistence of the institutional choices made at the beginning of the democratic transition” (ibid. p.3). According to this view not only constitutional institutions but executive structures and modes of operation converge too (ibid. p 7). It is a strange sarcasm of history that a few weeks after the appearance of this article a series of radical constitutional amendments—outlined above—started in Hungary.

With the advantage of hindsight one may say that the second cluster of literature, which emphasizes (possible) trends pointing towards a direction markedly opposed to liberal democratic values and institutional frameworks, seems to be timely. Such concerns about an ‘illiberal turn’ mostly started to appear as late as the second half of the 2000’s (e.g. Rupnik 2007). Initially Poland (the Kaczynski brothers) and Slovakia (Robert Fico) triggered such concerns most emphatically. Prime Minister Orbán’s rise to power after the 2010 elections and the sweeping changes put through by his government (and briefly described in the previous section) gave additional weight to fears of a ‘backsliding democracy’, and new impetus to efforts at grasping, describing and understanding the phenomenon. (Note that divergence from or rejection of the Western European politico-administrative development model and convergence towards alternative models in the East is a frequent element of governmental rhetoric in Hungary and in some other CEE countries as well. In a public speech held after the electoral victories in both the national and European Parliament elections Prime Minister Orbán advocated replacing the mainstream

model of the Western, liberal democratic state by creating a new type of ‘illiberal democracy’ (see Orbán, 2014).

However divergence may be understood, related concerns grew substantially after the unfolding of the Orbán-era ‘revolution’ in 2010 (see e.g. Rupnik 2012, Scheppele 2013). These analyses, for the most part, focus on how the above tendencies—in particular, such elements as the elimination of checks and balances and of protections for fundamental rights and core liberal democratic values—appear and enter into effect in the process of Hungarian and CEE institutional transformations and political practices. These analyses often highlight the swing-of-the-pendulum nature of the changes: namely, that excessive centralization of power and the elimination of its balances as well as the rejection of external constraints (such as those of the EU and IMF) should be seen in the context of the excessive ‘paralysis’ and ‘impotence’ of government characterizing the previous epoch of CEE post-transition history—that came as a result of excess power for such institutional and external checks and balances (Hajnal, 2010; Sárközy, 2012 and 2013; Smilov & Krastev, 2008).

Most scholarly attempts in the Hungarian language at describing and understanding the post-2010 structures retained the above, macro level perspective and focused on such issues as (changing) constitutional foundations, political institutions, legal order, and the system of checks and balances. One of the most ambitious endeavors to date is Magyar (2013) and his collaborators’ work, *Hungarian Polyp: The Post-Communist Mafia State*. The volume—mostly authored by social scientists who were in important government positions in the previous, Socialist-Liberal era—builds on a conceptualization of the post-2010 arrangements that can be described as a novel mode of institutionalizing the ‘joint concentration of power and personal wealth’ of a very small array of top FIDESZ personalities and ‘their vassals’ (Magyar, 2013, p. 414).

With a synthesizing ambition one may sum up available results by differentiating between relatively consensual issues and claims on the one hand, and (sharply) disputed ones, on the other. As regards points of relative consensus both critics (such as Kornai, 2012; Sárközy, 2012 and 2013) and advocates (e.g. Gallai & Molnár, 2012; see also Gellén, 2013) of the administrative policy of the second Orbán government seem to agree in a number of respects as follows:

- An important change has taken place since the beginning of the 2010–2014 government cycle;
- This change is characterized by, among other things, strong centralization of bureaucratic control over central government, over de-concentrated (territorial) central government and over (elected territorial and local) self-governments alike. Such bureaucratic control includes both stricter regulatory frameworks—more red tape—and a radical concentration of discretionary decision-making powers in the highest echelons of the politico-administrative machinery;

- The markedly political nature of government is strongly enhanced throughout the entire domain of public administration (cf. the creation of the expressly political figure of County Government Commissioner heading the newly created County Government Offices integrating almost all territorial agencies; see Hajnal & Kovács, 2013a; see also Hajnal & Csengődi, 2014);
- An important motive of these changes—apart from other, possible motifs—is the intention to increase the effectiveness and efficiency of government policies.

## **2.2 Research questions, data and method**

---

My overall, guiding research questions are the following:

- RQ(1): In what respects do the key features and perceptions of Hungarian senior central government executives differ from the ones characterizing Europe? In particular:
- RQ(1a): Do Hungarian governmental reforms differ from the broader European patterns in terms of their process and content? And if so, in what ways?
- RQ(1b): Do Hungarian governmental reforms differ from the broader European patterns in terms of their results and outcomes? And if so, in what ways?
- RQ(2): How do external key stakeholders/key informants perceive the reforms? In particular to what extent do their perceptions agree or disagree with those of the administrative elite?

RQ(1) is answered on the basis of a questionnaire survey that took place in 2012 and 2013 as part of a large European comparative questionnaire survey implemented in the framework of the COCOPS research project. The response set contains data from 16 countries: Austria, Denmark, Estonia, France, Germany, Hungary, Ireland, Italy, Lithuania, Norway, Portugal, Serbia, Spain, Sweden, The Netherlands and the UK. The target populations were comparable sets of top level civil servants working in central government, and certain territorial offices of the health and the employment sector. The analyzed data is a subset of the total data set. In order to improve cross-country comparability subnational level agencies were filtered out. The resulting data set contains 5999 observations in total, and 250 for Hungary. The number of observations per country is in the 147 to 880 range. Data include, with some exception noted here, only respondents from central government ministries and central government agencies, at the first two hierarchical levels, and—in order to ensure similar sample sizes—also at third levels in the case of some countries. Additionally, in the case of Germany and Spain, given their rather low share/size of central government, we have also included ministries on state level (Germany), and ministries on regional level (Spain). (For full documentation of the survey see Hammerschmid et al., 2013.)

The Hungarian part of the online survey was conducted in June 2012. The total response set contains 351 responses, constituting a response rate of about 30 percent. The survey was not based on a sample, but extended to the entirety of the target population (senior managers in general government, with a larger emphasis on the health and employment sectors). The subset used for the purpose of the current analyses (the so-called harmonized data set) contains 250 observations (omitting the lower/subnational government offices).

Survey data were analyzed using IBM SPSS 20.0 statistical software package. Some further details of the data management and statistical procedures employed will be explained in the respective sections presenting the findings.

RQ(2) is examined on the basis of qualitative semi-structured interview data. The interviews were conducted within the framework of the COCOPS project. Semi-structured interviews were administered to heads of the largest public sector trade unions and public sector management consulting companies (or public sector divisions). Altogether five such interviews were conducted, each lasting between one and two hours; they were documented in a detailed (mostly non-verbatim) summary of about 2500 to 3000 words per interview. Interview data were coded and analyzed using MAXQDA qualitative data analysis software package. At some points qualitative analyses were supplemented with computer simulations developed and run in Microsoft Visual Basic.

### **3. Survey Findings**

---

#### **3.1 Reform process**

Respondents were asked to evaluate the reform process along 11 dimensions. The following table summarizes the responses. In addition to providing mean assessments the analysis puts a particular emphasis on identifying the ways in which Hungary is, in a European perspective, different in some way. Being different is operationalized as the simultaneous fulfillment of the following two criteria:

- a) Hungary's mean assessment is significantly different from the European mean, and;
- b) Hungary is, in the given dimension, located among the three most extreme countries on either the low or on the high end of the spectrum. (As can be seen from the data this latter condition is, in the present instance, more stringent as all cases satisfying the second criterion also satisfy the first.)

**Table 1**

Senior executives' mean assessments of reform process features (*Hungary vs. all other countries*)

Features of the reform process	Mean assessments (1 to 10)*		Ranking (... after:) <sup>†</sup>
	Not Hungary	Hungary	
q18_1 Top down/Bottom up	3,75 <sub>a</sub>	2,84 <sub>b</sub>	↓3 (FR, IE)
q18_2 Consistent/Inconsistent	5,66 <sub>a</sub>	5,42 <sub>a</sub>	–
q18_3 Comprehensive/Partial	5,91 <sub>a</sub>	5,12 <sub>b</sub>	↓2 (DK)
q18_4 By politicians/By senior execs	4,73 <sub>a</sub>	4,10 <sub>b</sub>	
q18_5 Crisis and incident driven/Planned	4,76 <sub>a</sub>	5,40 <sub>b</sub>	↑2 (NO)
q18_6 Substantive/Symbolic	5,23 <sub>a</sub>	4,64 <sub>b</sub>	
q18_7 Contested/Supported by unions	4,56 <sub>a</sub>	4,59 <sub>a</sub>	–
q18_8 Cost-cutting/Service improvement	4,15 <sub>a</sub>	3,72 <sub>b</sub>	–
q18_9 No/High public involvement	4,18 <sub>a</sub>	5,41 <sub>b</sub>	↑2 (NO)
q18_10 Unsuccessful/Successful	5,36 <sub>a</sub>	5,62 <sub>a</sub>	–
q18_11 Too much/Not enough	5,39 <sub>a</sub>	4,81 <sub>b</sub>	–

Note: Values in the same row not sharing the same subscript are significantly different at  $p < .05$  in the two-sided test of equality for column means.

\* The value of 1 constitutes the end of the continuum corresponding to the former element of the dichotomy indicated in the variable label while the value of 10 corresponds to the latter element of the dichotomy.

† Top vs. bottom position indicated by ↑/↓, respectively. Only indicated if mean value for Hungary is among the first (or last) three values in the 16-country data set

It seems that Hungary does differ in terms of the reform process: 4 out of 11 dimensions satisfy the (relatively strict) criteria established above. The emerging picture is, for the most part, unequivocal:

(RQ1a): Reforms in Hungary—as perceived by the administrative elite—are, in comparison to Europe, distinguished in that they are based more on a consistent logic and are planned, decided and implemented in strictly top-down manner ('top' referring to the political leadership as opposed to the administrative elite). In particular, the politically driven nature of reforms stands very close to constituting an extremity, Hungary scoring the fourth in the rank order.

It is only the allegedly large extent of public involvement which poses some puzzle in this line of interpretation. Considering however that (i) the questionnaire

item in fact asked respondents whether the reforms enjoyed a large or a small extent of publicity and that (ii) there was a significant emphasis, throughout the reform, on public relations<sup>4</sup>, this finding actually further confirms the politically driven nature of the reform.

Certain dimensions are less relevant or even irrelevant for Hungary. This is the case in particular with the role and influence of trade unions, which has been radically reduced by government policy. This trend—the existence of which is strongly supported by the semi-structured interviews with union leaders analyzed in the next section—rendered union support or the lack thereof irrelevant.

### 3.2 Outcomes of the reforms

In the following I will focus on a set of questionnaire items on the outcomes of administrative reforms and asking the respondents to compare, in a number of respects related to the outcomes of the transformations, the current situation with the one having characterized the field five years earlier. This time perspective is especially apt for my current purposes of detecting some sort of a paradigmatic change because 2007 is the last year in which public administration in Hungary existed in its pre-crisis form.

Firstly, respondents were asked to assess ‘how things have developed when it comes to the way public administration runs’ in their country (Q16), on a scale from 1 (worse) to 10 (better)<sup>5</sup>. The following figure shows mean assessments by country, sorted in an ascending order of mean assessment. Mean assessments vary between 4.59 (Spain) and 7.12 (Denmark), the lowest ranking five countries being below the 5.5 midpoint (that is, neutral) value of the scale. As can be seen Hungary is in the middle of the league with a value of 5.64, which is slightly above the threshold value between ‘worse’ and ‘better’, and somewhat more below the overall mean value of 5.75.

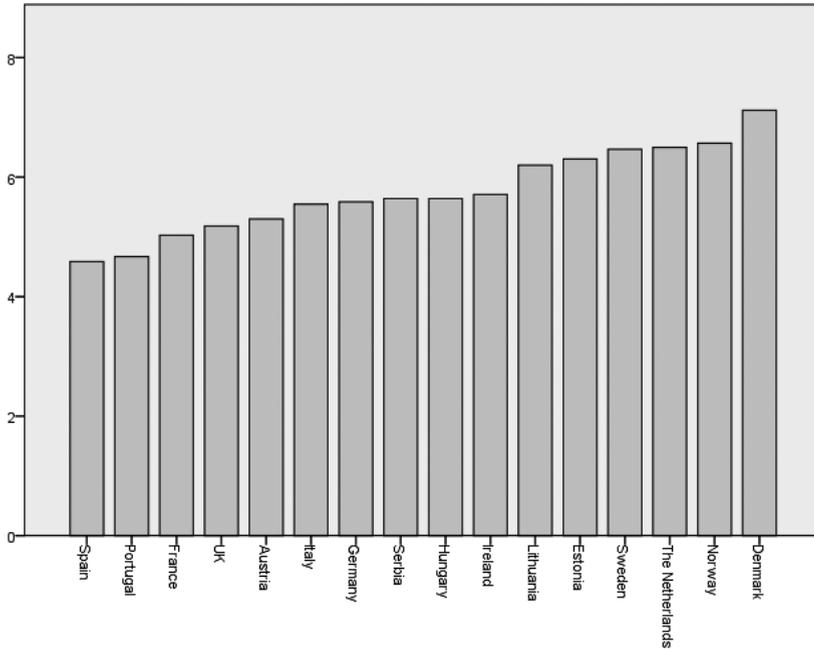
---

4 Indicative of the unusually strong emphasis on ‘selling’ the reforms to the citizenry is that for the first time a comprehensive policy blueprint called the Magyary Plan was published (in two consecutive versions) and then forcefully publicized by the government (Government of Hungary 2011, 2012).

5 In order to check whether using country as a relevant unit of analysis is justified I performed a one-way ANOVA with Q16 as dependent variable and country as a fixed factor. The effect of the country factor was significant at the  $p < 0.0005$  level, the model however producing an adjusted  $R^2$  of 0.073 only.

**Figure 1**

Mean assessments of 'how things have developed when it comes to the way public administration runs' in different countries (1-worse ... 10-better)



Given (i) the high ambitions, (ii) the (legislative and political) resources available for governmental reforms and (iii) the possibility of positive bias present in the data outlined in the methods section Hungary's position seems surprisingly modest. (Hungary's 5.64 mean assessment doesn't differ to a statistically significant extent from the midpoint value 5.5; the significance of the one sample t-test is  $p=0.38$ .)

There are, of course, many—possibly quite heterogeneous or even contradictory—component parts of the above overall judgment. In order to explore them respondents were asked to compare the current situation with the one characteristic to the situation five years earlier from fifteen different aspects (variables). These represent the key (sub)dimensions of reforms' possible outcomes. As previously, Hungary's extreme vs. central position along the different dimensions is judged on the basis of:

- a) Whether the difference between Hungary's vs. all other countries' mean values is statistically significant (independent samples t-test), and in the case of such statistical significance;

b) Whether Hungary is located among the highest or lowest ranking three countries (that is, countries exhibiting the most extreme values) of the given dimension.

These constitute rather conservative (strict) criteria of extremity (there are arguments that the fulfillment of any one of these two criteria is a sufficient precondition of extremity). The key findings are presented in the following table.

**Table 2**

Senior executives' mean assessments of reform outcomes (*improvement vs. deterioration compared to five years ago; Hungary vs. all other countries*)

	Mean assessments (1 to 7) compared to 5 years ago*		Ranking (... after:) <sup>†</sup>
	Not Hungary	Hungary	
q19_1 Cost and efficiency	4,66 <sub>a</sub>	4,58 <sub>a</sub>	
q19_2 Service quality	4,76 <sub>a</sub>	4,59 <sub>a</sub>	
q19_3 Innovation	4,61 <sub>a</sub>	4,27 <sub>b</sub>	↓2 (SP)
q19_4 Policy effectiveness	4,20 <sub>a</sub>	4,46 <sub>b</sub>	–
q19_5 Policy coherence and coordination	3,98 <sub>a</sub>	4,33 <sub>b</sub>	–
q19_6 External transparency and openness	4,59 <sub>a</sub>	4,49 <sub>a</sub>	–
q19_7 Citizen participation and involvement	3,93 <sub>a</sub>	3,88 <sub>a</sub>	–
q19_8 Social cohesion	3,64 <sub>a</sub>	3,89 <sub>b</sub>	↑3 (NO, EST)
q19_9 Reduction of internal bureaucracy	3,94 <sub>a</sub>	4,05 <sub>a</sub>	–
q19_10 Ethical behavior among public officials	4,51 <sub>a</sub>	4,89 <sub>b</sub>	↑2 (LIT)
q19_11 Equal access to services	4,44 <sub>a</sub>	4,75 <sub>b</sub>	↑3 (LIT, EST)
q19_12 Fair treatment of citizens	4,61 <sub>a</sub>	4,97 <sub>b</sub>	↑2 (LIT)
q19_13 Staff motivation and attitudes towards work	3,89 <sub>a</sub>	4,14 <sub>b</sub>	–
q19_14 Attractiveness of public sector as employer	3,91 <sub>a</sub>	3,46 <sub>b</sub>	–
q19_15 Citizen trust in government	3,60 <sub>a</sub>	3,86 <sub>b</sub>	–

Values in the same row not sharing the same subscript are significantly different at  $p < ,05$  in the two-sided test of equality for column means.

\* 1: 'Deteriorated significantly' ... 7: 'Improved significantly'

† Top vs. bottom position indicated by ↑/↓, respectively. Only indicated if mean value for Hungary is among the first (or last) three values in the 16-country data set

Before delving into the findings related to the research questions three remarks seem to be in order. Firstly, respondents seem relatively pessimistic in judging the particular outcomes of reforms: the overall mean (for all countries and dimensions) is 4,22, slightly above the neutral midpoint of the scale. This is similar in Hungary where the same figure is 4,31. Secondly, Hungary doesn't stand out in any spectacular way from the field: in 9 out of the 15 dimensions is (usually slightly) over the other countries' mean while in the remaining 6 dimensions are below that. Thirdly, one should explicitly appreciate the complex nature of the questions and the data involving simultaneous intertemporal and geographical comparisons:

- On the one hand, the above table presents data on both (temporal) change and (cross-country) difference. For example, Cost and efficiency allegedly improved both in Hungary and elsewhere – this is a non-zero absolute change. But the extent of change is roughly the same in Hungary and elsewhere – thus the relative difference is zero;
- The other side of the same coin is, secondly, that a positive geographical deviation may mean at the same time a worsening trend compared to five years earlier. This is the case e.g. with Social cohesion, where Hungary's mean assessment is definitely in the 'worse' part of the scale but at the same time still being in the top three of the European league.

Now let's turn to the question of where and how Hungary's position changed most significantly. Looking for negative outliers among the sub-dimensions we may conclude that large negative difference between Hungary's and other countries' record card exist only with respect to the innovative nature of central government bureaucracy (although note that in addition to innovation cost and efficiency of operations and the quality of public services are weak aspects of the Hungarian reform, in both respects ranking the fourth lowest).

Positive deviations from the overall European trends are more numerous. Most predominantly, the morality within bureaucracy as well as between the bureaucracy and the citizens improved in respondents' view significantly. In addition, equal access figures in the upper range of the scale too. It is probable that the strengthening of this dimension can be attributed foremost to the government's flagship administrative reform project, the so-called 'Government Windows' consisting of a tight and uniform system of service one-stop-shops covering the entire territory of the country and most of the administrative affairs citizens are likely to encounter (for more details on this reform component see: Hajnal & Kovács 2013, 2014).

Possibly the most obvious interpretation of the above list of the most significant differences in change is something like the emergence of real bureaucracy. The emergent system represents a movement towards a somewhat rigid, conservative and costly, but at the same time morally good, respectable machine. Note that 'significant' change here means not simply (statistically) significant compared to the

previous state of five years before. In addition, it also involves the assertion that the given change runs counter to the mainstream European trend—either in the positive or in the negative direction. (For example, Hungary’s mean value for innovativeness is on the ‘improved’ side of the continuum; however in other countries it improved much more. Therefore Hungary is, at least in relative terms, a laggard in this area.)

Looking at the above data on Hungary only and comparing mean assessments with the midpoint value of the scale (4.0) it is highly remarkable that respondents deem the 2012 state of affairs worse than the one characterizing the much criticized Gyurcsány era along 4 out of 15 dimensions. In addition, in two more dimensions (staff motivation and attitudes and reduction of internal bureaucracy) the mean assessment is only insignificantly above the 4.0 level, using one-sample t-tests. It is mostly the above-mentioned moral aspects in which the state of affairs in 2012 is clearly and significantly superior to the earlier situation.

(RQ1b): Regarding the specificity of Hungarian governmental reforms in a European comparative perspective in terms of their results and outcomes, findings from the above survey may be summarized as follows: Firstly, overall perceptions seem to be pessimistic both in Hungary and elsewhere, at least if examined in absolute terms (compared to the neutral midpoint of the scale). This is somewhat surprising, at least in the Hungarian context characterized by the presence of a presumably strong positive bias in reported perceptions. Secondly, the relative change having occurred to Hungary may be interpreted, in the view of perceptual data, as a movement towards a Weberian bureaucracy that is more respectable, morally good—more trustworthy and fair—and calculable but at the same time rigid and lack innovation. This may be regarded as the main deviating trend in a European comparative perspective.

#### **4. Triangulating Findings on Reform Outcomes: External Stakeholders’ Views**

---

In order to constrain (at least some of) the presumably strong positive biases characterizing administrative elite perceptions in the following I will contrast the above findings with semi-structured interview data. In one part of the semi-structured interviews respondents—top officials of trade unions and consulting firms focusing on the public sector—were given a list of the fifteen items constituting the key outcomes of administrative reforms (contained in senior executives’ questionnaire survey too), and were asked:

- a) To select (in rank order) the top three items that, in their view, improved the most over the past five years;
- b) To justify, explain and illustrate their choice in response to a series of questions for clarification; and then;

- c) To do the same with regards to the three items that deteriorated the most over the preceding five years.

Detailed responses to Items (a) and (b) are provided in Annex I;<sup>6</sup> responses to Item (c) are available from the author on request.

Respondents come from diverse settings: large consulting companies and public sector unions. Their opinion may either corroborate or disapprove administrative leaders' perceptions. In any instance, however, one should first and foremost examine the internal consistency of these views. That is, to see whether there is reasonable agreement among them, or if such an agreement does not exist whether there are characteristic dividing lines between them (one set of respondents seeing things with a high within-group similarity but in a way markedly different from the other group). It is only after these analyses that the views of external stakeholders as such could be contrasted with the earlier quantitative findings.

In order to enable this I calculated certain features of hypothetical, evenly distributed random responses using probability calculus and computer simulations<sup>7</sup>, and compared the consistency (inter-rater reliability) of this hypothetical data to that of actual data. The following measures were used to examine the (in)consistency of interview data:

- (a) How many items (response categories) are chosen by a convincing majority (at least 4 of the 5) of the respondents as the 'most deteriorated' and 'most improved', respectively?
- (b) Altogether how many items were selected as either the three uppermost or the three lowest?
- (c) Are there items that appear in both the 'most deteriorated' and the 'most improved' category and, if yes, how many?
- (d) Are there characteristic divides in the responses?

*Ad (a):*

In the case of random responses, about 1 out of 10 response categories would be chosen by four or five respondents. However, in the actual data set there is not a single category that was chosen by more than one respondent. More to that, there are only two categories—Attractiveness of the public sector as an employer (as improvement) and Social cohesion (as deterioration)—which were selected by three respondents.

---

6 Annex I is located after the References section of the current chapter (ed.).

7 The computer simulation was developed and run in Microsoft Access/Visual Basic. The code was written by the author.

*Ad (b):*

In this regard agreement among the ‘improved’ items is substantially larger than would be in the case of random data. In the ‘improved’ category we found altogether 8 items. This extent of agreement (that is, an  $n=8$  or smaller response set size) would, in the case of random data, be achieved in only about 5 % of the cases. In the case of the ‘deteriorated’ category, however, we find altogether 10 items selected by at least one of the respondents. This  $n=10$  size response set signifies a much smaller extent of agreement. In the case of random responses this would be achieved in about 53 % of the cases, and transcended in about 22 % of the cases even by choices made with ‘blind eyes’.

*Ad (c) and (d):*

The—relatively large—extent to which the same items appear in both the ‘improved’ and the ‘deteriorated’ groups shows a significant amount of disagreement. Two items (Attractiveness of the public sector as an employer and Policy coherence and coordination) occur in both the ‘improved’ and the ‘deteriorated’ groups at least two times; and another two items (Cost and efficiency and Cutting red tape) occur in both groups at least once. Importantly, the dividing line among respondents is not along the ‘unions vs. consultancies’ line; indeed, there is no fixed line of division.

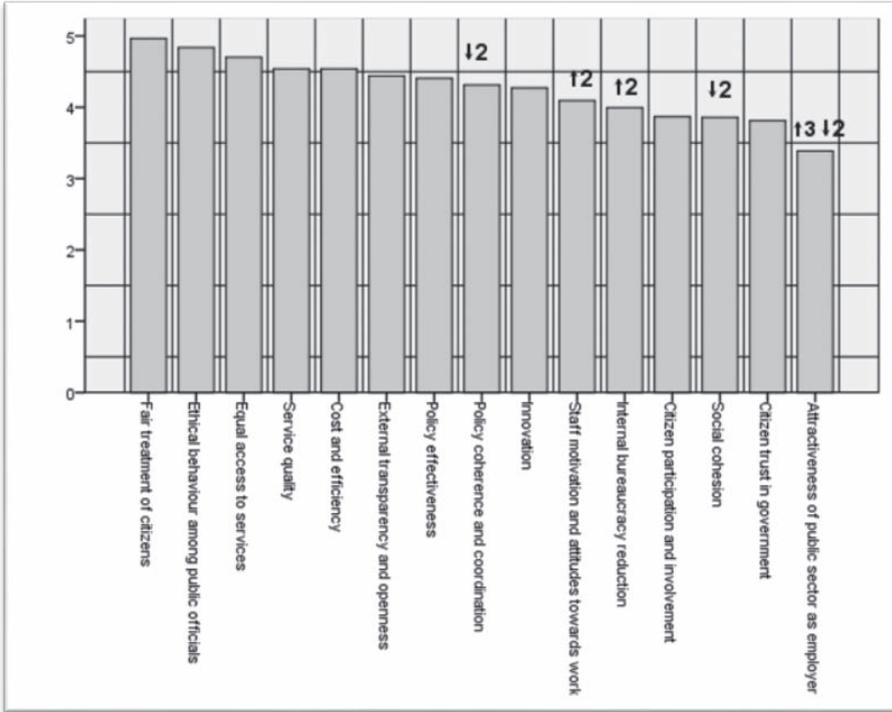
Turning now to the substantive features of the data the next figure contrasts key informants’ views with the findings based on survey data.

The bar chart (Figure 2) shows senior public administration executives’ perceptions of reform outcomes in descending order (the data are identical with those presented in Section 3). The bold labels (numbers with arrows) carry the new pieces of information resulting from the qualitative data:

- The numbers refer to the number of respondents selecting the given item, and;
- The arrows show whether they located it in the top (‘improved’) or the bottom (‘deteriorated’) group. In order to reduce the noise in the data and help interpretation only items selected by more than one respondent are included.

For example, ‘policy coherence and coordination’ is, according to senior civil servants’ views, exactly in the middle of the distribution, 7 items having more advantageous assessment while another 7 being judged more negatively. In contrast to this, two out of the five external key informants judged this dimension as one of the most deteriorated. The case of ‘Attractiveness of the public sector’ is even more controversial: according to senior executives this is by far the most disadvantageous aspect of recent reforms. However, three of the external stakeholders rank this aspect in the ‘improved’ while the other two in the ‘deteriorated’ category.

**Figure 2**  
 Contrasting senior executives' and key external stakeholders' views  
 on reform outcomes



In sum, the two sources of information run counter one another to a significant extent:

- Policy coherence and coordination is, according to civil servants, right in the middle of the rank order. Key external stakeholders see however a major deterioration here;
- In civil servants' opinion internal bureaucracy reduction and staff motivation are both in the bottom 40 % of the distribution; at least two of the interviewed consultants and union leaders however place them in the 'top-three improvements' category;
- The attractiveness of the public sector as an employer is, as we have seen earlier, subject to great controversy even among key informants. This controversy is definitely exacerbated if we add senior executives' views on this to the picture as their opinion in this regard is by far the most negative (54% claiming it 'worse', this assessment being statistically highly significantly worse than the next worst feature, citizen trust). While two of the five key informants agree with this dev-

astating judgment the three others locate themselves on the opposite end of the spectrum. Note however that in other parts of the interviews two of these three respondents qualify their claim by noting that it refers to ‘only a specific segment’ or that it is ‘not [their] personal opinion.’

When searching for coinciding or similar elements social cohesion shows the greatest agreement as an important venue of deterioration.

One more feature of interview data deserves attention: namely, several respondents indicated—at several points of the interview—their overall discontent with the outcomes of the reforms. This is not reflected in the responses contained above as the question does not allow for absolute claims regarding improvement or deterioration. However, two respondents commented that ‘no noticeable improvement occurred’ in any respects (R5) or improvements, even if present, were overwhelmingly or entirely insignificant. One respondent claimed that improvements were ‘modest’ and only one of them saw significant positive outcomes. On the other hand, deterioration is usually seen as significant or even ‘tragic’. The only respondent claiming incremental deterioration qualifies his/her statement with the addition that ‘this had already been very poor’ even previously.

## **5. Summary and Conclusions**

---

A key feature of the perceptual data presented so far is their lack of consensus and their complex nature. There seems to be no cut-and-dried, straightforward way of interpreting and evaluating the changes that have taken place in the ‘black box’ of administration during the 2010–2014 governmental cycle. Certainly they seem to be significant; but both their substance and their outcomes are debatable and subject to multiple interpretations.

Research Question (1a) sought to characterize the process of transforming government apparatus as perceived by the administrative elite. According to the findings presented Hungary is, in comparison to Europe overall, distinguished in that the changes are perceived as based on a markedly more consistent logic and as planned, decided and implemented in a strictly top-down manner (‘top’ referring to the political leadership as opposed to the administrative elite).

In terms of their results (RQ2b) these reforms have proven only modestly successful at best, even as perceived by the senior executives who may well be supposed to have, in comparison to other, more neutral opinion holders, a more rosy picture as well as a tendency to overstate existing results and understate problems. External stakeholders—key informants such as public sector union leaders and leading consultants of the field—perceive the outcomes even more negatively or in some cases as an outright failure. At the same time, however, their views are highly contradic-

tory and inconsistent as well, which signifies the inherent difficulty and subjective nature of forming such a judgment.

When trying to identify the difference in the direction Hungary moves as compared to the rest of Europe it seems—strictly on the basis of senior executives’ perceptions—that a movement towards a Weberian bureaucracy is underway. This is seen as being more respectable, morally good (more trustworthy and fair) and calculable than the previous era, but at the same time it is perceived as rigid and lacking innovation. This (self-)image in many respects strongly coincides with the doctrinal foundations and claimed objectives of the government’s administrative reform, which is based on a specific interpretation/contextualization of the Neo-Weberian State model.

## References

- Ágh, Attila. 2013. *Progress Report on the New Member States: Twenty Years of Social and Political Developments*. Together for Europe Series No. 17.
- Börzel, Tanja A., Tobias Hofmann, and Diana Panke. 2012. Caving in or Sitting it Out? Longitudinal Patterns of Non-Compliance in the European Union: *Journal of European Public Policy* 19(4): 454–471.
- Dimitrova, Antonova. 2010. The New Member States of the EU in the Aftermath of Enlargement: Do New European Rules Remain Empty Shell? *Journal of European Public Policy* 17(1) January:137–148.
- Dimitrova, Antonova and Dimiter Toshkov. 2007. The Dynamics of Domestic Coordination of EU Policy in the New Member States: Impossible to Lock in? *West European Politics* 30(5): 961–986.
- European Parliament. 2013. *Situation Of Fundamental Rights: Standards And Practices In Hungary* Strasbourg: European Parliament.
- Falkner, Gerda and Oliver Treib. 2008. Three Worlds of Compliance or Four? The EU-15 Compared to New Member States. *Journal of Common Market Studies* 46(2): 293–313.
- Fodor, Gábor G. and István Stumpf. 2008. Neoweberi Állam És Jó Kormányzás [Neo-Weberian State and Good Governance]. *Nemzeti Érdek* 7: 5–26
- Fodor, Gábor G. and István Stumpf. 2007. A “Jó Kormányzás” Két Értelme Avagy A Demokratikus Kormányzás Programja És Feltételei [The Two Meanings of “Good Governance” and the Program and Conditions of Democratic Governance]. *Századvég Műhelytanulmányok* 6: 2–33
- Gallai, Sándor and Balázs Molnár. 2012. Átalakítás Alatt Zavartalanul? A Második Orbán-Kormány Szerkezete [Under Transformation: The Structure of the Second Orbán Government], In *Van Irány? Trendek A Magyar Politikában*

- [Is There a Direction? Trends in Hungarian Politics]: 184–213. Edited by Zsolt Boda and András Körösi. Budapest: Új Mandátum.
- Gellén, Márton. 2013. *Állam És Közigazgatás Új Szerepben. Közigazgatási Reformok És Az Államszerep Változásai* [The Changing Role of the State and the Public Administration]. Budapest: National University of Public Service.
- Government of Hungary. 2011. *Magyary Zoltán Közigazgatásfejlesztési Program 2011* [Magyary Zoltan Public Administration Development Programme 2011]. <http://magyaryprogram.kormany.hu/admin/download/8/34/40000/Magyary-Kozigazgatas-fejlesztési-Program.pdf> (last accessed 13 March 2014)
- Government of Hungary. 2012. *Magyary Zoltan Public Administration Development Programme 12.0*, <http://magyaryprogram.kormany.hu/magyary-zoltan-public-administration-development-programme-12-0> (last accessed 13 March 2014)
- Greskovits, Béla. 1998. *The Political Economy of Protest and Patience: East European and Latin American Transformations Compared*. Budapest: CEU Press.
- Hajnal, György and Sándor Csengődi. 2014. When Crisis Hits Superman: Change and Stability of Political Control and Politicization in Hungary. *Administrative Culture* 15(1): 39–57.
- Hajnal, György and Gábor Pál. 2013. Some Reflections on the Hungarian Discourse on (Good) Governance, *Iustum Aequum Salutare* 9(2): 92–106.
- Hajnal, György and Éva Kovács. 2013. Analyzing the Motives of Reforming Central Government Coordination in Hungary: A Case Study of One-Stop-Government Reforms. Paper presented at International Research Society for Public Management (IRSPM), XVII. Annual Conference, Prague, Czech Republic, 10–12 April 2013.
- Hajnal, György and Éva Kovács. 2013a. Coordination at the Middle: Reforms of the County Level State Administration in Hungary (1990–2012). Paper presented at European Group of Public Administration (EGPA), Annual Conference, Edinburgh, UK, 11–13 September 2013.
- Hajnal, György. 2010. Failing Policies or Failing Politicians? Policy Failures in Hungary. *World Political Science Review* 6(1): n.p. (Article 13).
- Hajnal, György. 2006. Bureaucratic Incapacity in Transition Democracies: A Case Study of Decision Behaviour in Hungarian Central Government Organisations, In *Democratic Governance in the Central and Eastern European Countries: Challenges and Responses for the XXI Century*. Edited by Allan Rosenbaum and Juraj Nemec: 151–172. Bratislava: NISPAcee.

- Korkut, Umut. 2012. *Liberalization Challenges in Hungary. Elitism, Progressivism, and Populism*. Basingstoke: Palgrave.
- Kornai, János. 2012. Centralization and Market Economy in Hungary, CeSifo Forum 13(1): 47–59.
- Magyar, Bálint, ed. 2013. *Magyar Polip. A Posztkommunista Maffiaállam* [Hungarian Polyp. The Post-Communist Mafia State], Budapest: Noran Libro.
- Nunberg, Barbara. 1999. Administrative Change In Central And Eastern Europe: Emerging Country Experience. In *The state after communism. Administrative transitions in Central and Eastern Europe: 237–272*. Barbara Nunberg, editor. Washington, D.C.: World Bank.
- Orbán, Viktor. 2014. A public speech held at Tusványos on 26 July 2014; <http://www.fidesz.hu/hirek/2014-07-26/egy-munkaalapu-allam-korszaka-kovetkezik/> (last accessed 02 October 2014); for an English language summary see e.g. <http://www.ft.com/cms/s/0/0574f7f2-17f3-11e4-b842-00144feabdc0.html#axzz3ExyGRtE> (last accessed 02 October 2014).
- Rupnik, Jacques. 2012. How Things Went Wrong. *Journal of Democracy* 23(3): 132–137.
- Rupnik, Jacques. 2007. From Democracy Fatigue to Populist Backlash. *Journal of Democracy* 18(4): 17–25.
- Sárközy, Tamás. 2013. A “Vezérdemokrácia” Kormányzásának Jellemzői [Characteristics of the Governance of a “Leader Democracy”], *Mozgó Világ* 39(9): 19–39.
- Sárközy, Tamás. 2012. *Magyarország Kormányzása 1978–2012*. [The Governing of Hungary, 1978–2012], Budapest: Park Kiadó.
- Scheppele, Kim Lane. 2013. The Rule of Law and the Frankenstate: Why Governance Checklists Do Not Work. *Governance* 26(4): 559–562.
- Wiener, György. 2013. A Passzív Forradalom Államának Kialakulása [The Creation of a State of Passive Revolution], In *Forradalom Volt? Tanulmánykötet A Második Orbán-Kormány Harmadik Évéről* [Was it a Revolution? Studies on the Third Year of the Second Orbán Cabinet]: 123–174. Edited by Péter Szeredi. Budapest: József Attila Alapítvány.
- Zubek, Radoslaw. 2010. Core Executives and Coordination of EU Law Transposition: Evidence From New Member States. *Public Administration* 89(2): 433–450.
- Zubek, Radoslaw and Klaus H. Goetz. 2010. Performing to Type? How State Institutions Matter in East Central Europe, *Journal of Public Policy* 30(1): 1–22.

**Annex I:**

**Qualitative Responses—Outcomes of Public Administrative Reforms in External Stakeholders’ Perceptions<sup>8</sup>**

**Table 3**

External stakeholders’ views on reform outcomes (top 3 items improved vs. deteriorated the most, compared to 5 years ago)

<b>Features that improved the most</b>	
R1	#1: Policy coherence and coordination; #2: equal access; #3: Cost and efficiency.
R2	#1: Quality of services; #2: Cost and efficiency; #3: policy coherence (within policy fields; between policy fields in hasn’t improved).
R3	#1: The biggest improvement is with regards to cutting red tape. This is not my personal option though – others, better informed peers say so. #2: attractiveness as an employer; #3: staff motivation.
R4	#1: Motivation. #2: Attractiveness of the public sector.
R5	None of them have improved – but if we go down the rank order [looking for dimensions having deteriorated the least] I would say #1. Attractiveness of the public sector as employer, #2: quality of public services, and #3: reducing bureaucracy and cutting red tape.
Most frequent elements (chosen more than once):	Attractiveness of the public sector as an employer (n=3), cutting red tape (n=2), staff motivation (n=2), quality of services (n=2), policy coherence and coordination (n=2/partly)
Size of response set (number of items chosen at least once)*:	8 items

8 The table summarizes the responses interviewees gave to these questions. In order to protect anonymity respondents are identified with Arabic numbers, from R1 to R5. R1 and R3 are top officials of the two trade unions with the largest membership and influence in the public sector, while R2, R4 and R5 are top officials of the public sector branches of the consultancies having the largest role in consulting central government on administrative and policy issues.

Table 3– continuation

Features that deteriorated the most	
R1	#1: Bureaucracy/red tape; #2: attractiveness of the public sector; #3: social cohesion.
R2	#1: attractiveness of the PS as an employer; #2: innovation, #3: social cohesion.
R3	#1: Social cohesion, #2: social participation, #3: quality of public services. Plus there is a fourth one: equal access.
R4	#1: policy effectiveness. #2: Transparency. #3: Policy coherence
R5	#1: Transparency, #2: Coherence and coordination of policies, #3: economy and efficiency.
Most frequent elements (chosen more than once):	Social cohesion (n=3), Attractiveness of the public sector as an employer (n=2), coordination and coherence of policies (n=2), quality of services (n=2), transparency (n=2)
Size of response set (number of items chosen at least once)*:	10 items
Features present in both the 'deteriorated' and the 'improved' groups (number of occurrences)	Attractiveness of the public sector as an employer (2 to 3), policy coherence and coordination (2), cost and efficiency (1 to 2), cutting red tape (1 to 2)

\*Note: A simple measure of agreement vs. disagreement among key informants is the size of the response set (that is, number of items that have been selected at least once by any one of the respondents; the smaller the response set, the higher the agreement).

# Critical Notes on Four Major Theories of Public Administration as they Appear in Central and Eastern Europe

---

*György Gajduschek*<sup>1</sup>

## Abstract

The paper provides a brief, critical, argumentative overview of the four major theories of public administration as they have appeared in the past few decades in Central and Eastern Europe (CEE). Bureaucracy is discussed in greater detail. It builds on the generally accepted view that it was the communist regime with its politicized personnel policy that prevented the formation of a full-fledged bureaucracy, and argues that there are other, long-term impediments in the region as well. New Public Management (NPM), advocating minimal government, was in its prime just as CEE was beginning its transition away from the communist regime based on the idea of an omnipotent government. The gap between these two ideals (the latter presenting the reality in 1990 as well) was perhaps too large to bridge. NPM in this regard exacerbated rather than eased the difficulties. Good Governance and the Neo-Weberian State are widely discussed among researchers of the region. However, one can hardly identify such solutions in practice in CEE.

**Keywords:** Bureaucracy, Central and Eastern Europe, Good Governance, Neo-Weberian State, New Public Management

## 1. Introduction

---

The title of this book explicitly refers to at least two major contemporary paradigms—if we may call these paradigms—namely (Good) Governance and the Neo-Weberian State. At the same time, it implicitly refers also to the classical public administration paradigm that, so far, has been captured best by Max Weber's bureaucratic theory. And what is in between? That is New Public Management

---

<sup>1</sup> Associate Professor, Corvinus University, Budapest and senior researcher, Social Sciences Research Center, Hungarian Academy of Sciences.

(NPM), a paradigm, or rather the zeitgeist between the early 1980s and the Great Depression II of 2008.

In brief, our book title—which refers to the main theme of the 22<sup>nd</sup> Conference of NISPAcee—suggests not less than an overview of all major contemporary administrative models, specifically from a Central East-European perspective. The title suggests discussion of issues such as the feasibility of these approaches for CEE countries and their expected or, in the case of NPM or Weberianism, already experienced results.

This short concluding chapter examines all four approaches. Bureaucracy is discussed in somewhat more detail. First it provides an outline of the reconstructed Weberian model and reviews some sources on the flawed nature of bureaucracies in Central and Easter Europe (CEE), referring to the shorter-run (that is the decades of communism) and the longer-run historical sources of these defective administrative arrangements. A brief section considers the transition of the early nineties. The next three sections provide an overview of New Public Management, Good Governance, and Neo-Weberian State as they have occurred in the CEE region.

## **2. Weberian Bureaucracy**

---

Weber describes bureaucracy in general historical context as a crucial part, or manifestation of the process of rationalization (Weber, 1958, Foreword). He describes bureaucratic organizations at two points in his seminal work (Weber, 1978):

- In Volume I, chapter three, he briefly sums up the characteristic features of bureaucratic organization and the specific position of bureaucrat under the title: “Legal Authority With a Bureaucratic Administrative Staff”;
- In Volume II, chapter nine, under the title “Bureaucracy”, Weber goes to greater detail in analyzing the individual features of bureaucracy, and shows how the modern form of bureaucracy differs from historically earlier forms of administrative organizations.

Four attributes seem to dominate the studies of authors who later interpreted Weber’s theory:

1. Specialization and/or division of labor;
2. Expertise (well-trained personnel with significant job experience);
3. Rules, which define structures, procedures, employment and individual responsibilities, and,
4. Hierarchy.

It is generally accepted that specialization and division of labor directly lead to increased productivity. Expertise—knowledge of how to deal adequately with issues at hand—has a similar effect. Rules may describe and enforce the “one best

way” of handling cases; thus, they may also greatly contribute to increased efficiency. Hierarchy in this context is only a reaction to division of labor, which requires co-ordination in the organization. Above their primary function in directly increasing efficiency, rules may also serve as a tool of co-ordination (Khandalla, 1997). The position of the bureaucrat is basically a description of the merit-based civil service system.

Weber’s theory in the Anglo-Saxon World was interpreted as a theory of the most efficient organizational form. However, it can be argued that most if not all bureaucratic features serve another crucial outcome: reduction of uncertainty. Whereas various doubts have been raised in organization studies, economics and NPM about the efficiency of bureaucratic arrangement, its superiority to assure predictability and certainty has not been seriously questioned (Gajduscsek, 2003; Roman, 2014).<sup>2</sup> One may argue that this is exactly the reason why bureaucracies seem to be so appropriate for some, even if not for all administrative functions—and most of all, for applying laws (Radford, 1988).

## 2.1 CEE bureaucracy—the communist heritage

Was public administration organized in a bureaucratic way in the communist countries? According to the majority of researchers, certainly not. Most importantly, administrative staff were selected, promoted or even laid-off on political basis, rather than on merit. This observation was made in the post-transition scholarly literature (Verheijen, 1999, p. 4; Nunberg, 1999) and appeared in the critique and expectations of the European Union in the accession process (Meyer-Sahling, 2009a).<sup>3</sup> Another often-mentioned critique is the lack of capacity for assisting policy decisions (Goetz-Wollmann, 2001). This weakness, like others such as fragmentation and the inability to act in a coordinated way (Verheijen, 1999, pp. 2–3; Nunberg 1999, pp. 238–240; Meyer-Sahling, 2009) stem from the ‘division of powers’ between the administration and the party structures, most of all the central party apparatus. In this arrangement the administration was responsible solely for accurately implementing the ‘policies’ formulated by the Communist Party’s Central Committee in the form of orders or in better cases as public laws. This fact may still be present in the ultimately law-enforcement oriented style (instead of service style) of administrative activities, as well as the preponderance of politics and the weakness of (administrative) expertise in policy making.

---

2 One must keep in mind that the state bureaucracies were originally ‘designed’ most of all to execute laws, and the ultimate value of law in a civil law system is certainty (Merryman & Pérez-Perdomo, 2007).

3 Meyer-Sahling (2009), as an excellent expert of the region, warns that drawing a general picture of communist legacies may lead to oversimplification. Indeed, for instance in Hungary, the principle of political loyalty gradually gave way to expertise, followed by a gradual, but in few decades radical, change in the composition of civil service. The transition, in fact, led to a measurable drop in professional capacity (Gajduscsek, 2007).

## 2.2 CEE bureaucracy—from a longer historical perspective

Kulcsár (2001) analyses the problem of deviant bureaucracies in the wider context of modernization and semi-periphery position.<sup>4</sup> He relies on these two streams of thought as a starting point to describe the CEE region. In this view, socialism is not so much a cause of a specific governmental-administrative arrangement (i.e. deviant bureaucracy) but both of these are consequences of a larger phenomenon: semi-peripheral status and its consequences, among others a continuous striving to reach the center and a permanent inability to succeed.

The special circumstances are the major causes of anomalous bureaucracy. Among the causes are the highly limited resources available for government, which are in sharp contrast to the relatively high and highly diverse expectations of the society.<sup>5</sup> The general culture and value system comprise another set of causes. We emphasize two major streams of deviancies by interpreting and perhaps elaborating on Kulcsár's thought here.

First, tasks and objectives set up for the administration are clearly impossible to carry out. Most of all, these tasks are overly ambitious as they are intended to bridge the enormous gap between people's and/or political leaders' expectations on one hand, and available resources on the other. Kulcsár refers to the permanent 'shortage' (Kornai, 1980) of resources and to the lower level of economic performance (i.e. GDP). In this arrangement laws—otherwise considered as the major (or sole) policy instrument—are ineffective (Kulcsár, 2001, pp. 943, 950):

*The Western model necessarily leads to dysfunctional results because it does not suit these transitory societies, where the promulgated legal norms frequently hardly mean more than pious wishes...;*<sup>6</sup>

*As the violation of legal norms also becomes a practically general feature, the administrator has a chance to identify the violation of law discretionally, more precisely for calling the 'chosen' viola-*

4 Kulcsár (2001) uses these two theories as strongly interrelated, whereas in the literature these concepts are discussed surprisingly independently from one another. For modernization, see publications of Fred Riggs from the 1960s–1970s (see an overview of Development administration in Riggs, 1971; a more updated approach in Heady, 2001). On the problem of semi-periphery, much has been written since Wallerstein (1974) published his seminal work on the center-periphery divide, its causes and consequences. From the point of view of CEE, Sztompka (1993), from the early years of transition, seems to be especially revealing.

5 High, as expectations are influenced by Western ideals, and diverse due to the prismatic society (Riggs & MacKean, 1964).

6 This statement echoes in the contemporary literature on compliance of CEE states with EU laws (e.g. Falkner-Trieb, 2008; Sedelmeier, 2011).

*tor to account, usually not because of the concrete violation of law, but by referring to it.*<sup>7</sup>

This in turn increases the power element of administration as administrators are not so much subordinated to the rule but generate the rules themselves: "... calculable legality is pushed behind the discretion of the official..." which in turn reinforces "... the traditional attitude that administration is an exercise of privilege rather than a matter of skill and training" (Kulcsár, 2001: 945–946). This suppressive attitude is exacerbated by the fact that the government, manifested typically in its administrators, is the key actor of development (i.e. approaching the 'West'). This view is expressed in and reinforced by the communist ideology.

Another stream of argument refers to the specific culture and attitude of the population in these countries. This attitude accepts the suppressive character of government as it has been a historical experience. In most countries "foreign-alien" powers provided government (e.g. the Habsburgs for Hungary, and the Hungarians for a large part of the present Slovakia, Romania and Serbia; before that, Turks in most of these countries). Alienation and the lack of trust is a long-standing historical tradition, still present in these countries, as can well be seen from European Social Survey data (Giczy-Sik, 2009). This attitude accepts the unfair, oppressive behavior of government bureaucracy but continuously searches for "personal treatment", bending of laws, and favoritism, and is open to corruption if necessary (Sajó, 1985; Kurkchivan, 2011).

The author's main statements in brief: the administration of the pre-1990 period could not be a Weberian bureaucracy due to (a) political reasons related to the socialist-communist regime and (b) cultural-historical reasons that are far more overarching in terms of time, territory and rationale than the historically short impact of the communist regime.

### **3. The Challenge of Transition**

Major, some would argue unprecedented changes took place in a short period of time in the region with the collapse of communist regimes. Claus Offe's (1997, p. 34) term, the "triple transition" is frequently quoted in this regard, though the meaning of this term has somewhat changed from the original. These days it typically refers to the change of economic system from planned economy and the dominance of state ownership to a competitive market characterized by private ownership; from a dictatorship to a democratic political system, which was in several cases accompanied by the establishment (or reestablishment) of an independent state, setting up new government structures.

---

<sup>7</sup> In other words, the law does not ensure predictability; on the contrary, the law is used as means, as a reference to 'legitimize' literally arbitrary decisions of the administration.

In fact each of the three elements has a direct impact on the executive arrangement and the functioning of administration. As Bouckaert (2009, pp. 96, 101) notes:

*Within the CEE countries, it seems that changes have been drastic indeed, including in public systems. Politics, policies and administrations were to change accordingly...*

*Reforming the public sector sometimes was indispensable and impossible at the same time, and therefore highly problematic. Importing NPM techniques that needed to improve Weberian bureaucracies when these were not present and simultaneously building classical checks and balances was a tough reality. Reforming in such a case sometimes was organising dysfunctions.*

The new political-constitutional arrangement meant, among several other things, that the “Lord”, the political top of the executive, has not been as stable and to a great extent certain and predictable as it had been before. Elections resulted in—to use Meyer-Sahling’s (2009a, p. 84) phrase—“frequent, wholesale government changes”—that is changes between opposite sides of a highly polarized ideological spectrum, typically denying mostly everything the previous government has done, not to mention laying off most of the senior civil servants serving the previous Cabinet. In brief, the political environment may provide orders but certainly not clear and stable guidance to the administration.

The relationship of the administration and the society, or individual citizens (clients) has changed just as much as the administration-politics connection. The rule of law undermined most of the methods and techniques used, and arrangements relied on by the administration earlier. When, under communist rule, the whole society was organized in a hierarchical—one may say, somewhat bureaucratic—array, the administration could issue directives to almost anyone, from (state owned) company CEOs, to cooperatives, associations or unions and even to individual citizens. Even if those orders were not based explicitly on laws, they were followed for fear of—official or unofficial—reprisals. The administration could collect and store information practically on anything as the idea of privacy is alien to a communist ideology.

The rule of law changed this situation practically within a day or so, as the new constitutional rules were adopted. Methods that were practiced as routines became useless (treated even as severe misconduct) and there were no others at hand. Laws may be changed in a civil law system from one day to the next, but a large organization, its practices, as we all know from organization studies, is much more difficult

to change and that takes a lot of time.<sup>8</sup> In brief, within a period of one or two years the administration faced a large set of challenges, which in other countries occurred and were gradually solved over a century or more. Naturally the administration could not cope with these challenges.<sup>9</sup>

The transformation of the economy just increased the burden and confusion. The following table is based on the International Monetary Fund (IMF) website on “General government total expenditure” data.<sup>10</sup> Data are presented in three groups with group averages.

**Table 1**  
General Government Total Expenditure as Percent of GDP,  
Grouped by Country Type by the Author

<b>CEE countries</b>	<b>%</b>	<b>West-European countries</b>	<b>%</b>	<b>“NPM countries”</b>	<b>%</b>
Bulgaria	38,1	Austria	51,9	Australia	34,7
Hungary	49,1	Finland	47,0	New Zealand	34,9
Lithuania	36,0	France	51,1	United Kingdom	34,0
Poland	41,1	Germany	45,1	United States	NA
Romania	35,0	Greece	46,7		
Slovak Republic	52,1	Ireland	30,6		
Slovenia	40,8	Italy	49,0		
Latvia	37,0	Netherlands	41,6		
Estonia	36,1	Portugal	41,6		
<b>Group average</b>	<b>39,8</b>	<b>Group average</b>	<b>45,0</b>	<b>Group average</b>	<b>34,5</b>

8 The statute on the protection of personal data adopted in 1992 in Hungary, designed by legal scholars, was considered more stringent in defending privacy than those of such well-established democracies as the US or UK. Government databases could not be used for most administrative activities that they previously served. This one decision jeopardized whole sectors of government for over a decade. E.g. the tax authority could not trace if one officially earning the minimum wage has luxury cars and several luxurious real estates (though official registries exist on these properties at other government offices). Similarly, real estates may be sold with forged documents as the real estate registry offices could not inform the owners as they were denied access to address-registry available at another agency.

9 According to statistics of Hungarian Tax Authority, 1448 tax fraud cases initiated by the authority were pending at courts in 1992, 3853 in 1995 and 23861 in 1998. It is not the number of tax frauds (which, throughout this period, might have been well over a million annually) but the capacity of the Authority has increased, as it gradually learnt more effective inspection methods in the changed legal environment (Semjén et al., 2001: 105).

10 <http://www.imf.org/external/pubs/ft/weo/2014/02/weodata/weoselgr.aspx> No data on any CEE country are available before 1995. By 2000 most countries of the region appear in the database. It is worth mentioning that most countries of the former Soviet Union are characterized by even lower government spending: Ukraine is exceptionally high with its 49,0%; Russia 38,0%; Kyrgyzstan 36,4%; Georgia 33%; Kazakhstan 22,5%.

Looking at these data one should have in mind that the planned economy is based on the collective that is government ownership of “means of production”; even apartments were owned by the government; almost everyone received her salary from the government as companies were state-owned and private employment was exceptional.<sup>11</sup> To put it somewhat sharply, the baseline for the data in the table for CEE countries would have been close to 100 % about a decade earlier. Within a decade, government presence in the society had dropped to a level that in some countries falls below that of leading NPM countries. The enormous changes are highlighted by the EBRD (1994, p. 12): “In 1993, the private share of output rose in the countries of Eastern Europe by 10–40 percentage points”. In other words, in most transition countries more assets were privatized in 1993, one year, than presumably in most leading NPM countries in two decades. Probably never in history, including revolutions, has such large-scale privatization and such large-scale change in government size, functions and methods taken place in such a short period of time.

Administrative consequences of this enormous change are easy to identify. A large number of administrative instruments based on government ownership (e.g. an owner may give orders to chiefs executives) has disappeared. The majority of administrative techniques the new economy required (from controlling financial activities and securities to consumer right protection and tax collection) had no antecedent in the previous system, and there were no well trained personnel to carry out these activities. There were no appropriate personnel to carry out the large-scale privatization and there was no effective, let alone accountable and transparent control mechanism that could have assured that the process would take place in an uncorrupted manner. Most countries sold their assets in bulk, roughly the same time, enormously increasing the supply. Meanwhile—due to the lack of time to generate capital—there was no endogenous demand. Due to these facts, most government owned, that is by this time, national assets were sold well below their real value.<sup>12</sup> (This is most evident in the case of natural resources like oil and gas fields in post-Soviet countries.) This trajectory may have inevitably led to the spread of mafia-capitalism (the term was used first by Várese, 1994).

In brief, the transition meant the reduction of the state, most of all in terms of size of controlled areas as well as the means of control. The role of government was to be reduced largely in economy as well as in citizens’ everyday life. This was

---

11 According to 1980 census data there were 138 thousand persons, about 2,7% of total employment, employed in the private sector in Hungary, perhaps the most liberal regime in the Soviet bloc. [http://konyvtar.ksh.hu/neda/a111126.htm?v=pdf&a=pdfdata&id=KSH\\_Nepszam\\_lalas\\_1980\\_22\\_01&pg=0&lang=hun#pg=10&zoom=f&l=s](http://konyvtar.ksh.hu/neda/a111126.htm?v=pdf&a=pdfdata&id=KSH_Nepszam_lalas_1980_22_01&pg=0&lang=hun#pg=10&zoom=f&l=s)

12 Stiglitz (2003) provides an excellent analysis of this process and its depressing consequences, referring also the crucial role of neo-liberal, pro-free-market ideology and its belligerent spreading by such international organizations as IMF Van der Berg et al. (2002) provide an intelligent comparative and critical assessment regarding the transition of public administration in this regard.

a natural and in itself shocking change to be managed or—more realistically—to undergo and endure.

#### 4. The NPM in CEE: Deepening the Crisis

---

The above described (crisis) situation was largely aggravated by New Public Management (NPM). The two hit transition countries jointly. NPM worsened the situation by moving the target much further away, thus making the incredibly wide canyon to bridge much wider. The goal was no longer, say, a Scandinavian-style, active welfare state, with roughly 50 percent of GDP going to government spending (state-run services, a wide range of public companies), but a country like the US. In the author's view, this may have been a root problem with NPM in the region.

Among other stumbling blocks have been the danger of applying the “let managers manage” principle in the given cultural and institutional context, which lacks clear accountability arrangements and transparency, and the involvement of freshly established, weakly (if at all) capitalized, and thus completely unreliable market players in providing public services.

Local and foreign analysts called attention to the dangers of NPM in this highly different environment as early as the mid-nineties (e.g. Verheijen-Dimitrova 1996; Hesse 1998). Their voice, however, was lost in the storm of NPM, highly amplified by such international organizations as the above-mentioned IMF, and World Bank (WB) or The Organisation for Economic Co-operation and Development (OECD) making their financial assistance dependent on applying NPM measures to an extent not applied in most Western countries<sup>13</sup>, certainly not in such a short period of time.

At first glance the evaluation of NPM in the region has been somewhat contradictory. Some, like Goetz (2001, p. 1035) argue that the core of NPM, that is, in his interpretation of its managerial (as opposed to legal) approach, could not become deeply rooted in the Eastern soil, so hardly had a major impact. Others—like Verheijen-Dimitrova (1996) and van der Berg et al. (2002)—warn about the negative impact of NPM in the region. Again others like Drechsler (e.g. 2005, pp. 101–103) taking a rather theoretical perspective and providing an extensive overview of the relevant critical literature, strongly criticize NPM in general as well as specifically in the region. There are a surprisingly small number of studies attempting to empirically assess the impact of NPM in the region.<sup>14</sup>

---

13 Especially not in Continental European countries like France and Germany that has been traditionally provided model of PA for most countries of the region. (Pollitt-Bouckaert 2011: 117)

14 E.g. Liebert et al. (2013), while refer to the role of NPM and generally Western theories on administration in the region, they hardly provide any type of ‘outcome’ indicator as an impact of these. An exception are Nemeč et al. (2005) who attempt to systematically measure the – as it turns out, rather negative – outcome of contracting out at local level.

Some argue, somewhat surprisingly, that foreign ‘advice’ addressed rather the reinstatement of classical Weberian bureaucracy.<sup>15</sup> Most authors, however, agree that foreign pressure was directed towards neo-liberal values, promoting NPM in the field of government, especially throughout the first and crucial decade of transition.

## 5. Good Governance (GG)

---

The roots of Good Governance are somewhat difficult to trace. One root is certainly that of the large stream of Governance literature (e.g. Kooiman 1993, Klijn 1996, Pierre 2000, Salamon 2002, Sorensen-Torring 2007, Bevir-Richards 2009, Poulsen 2009, Bevir 2011). This literature, however, is purely descriptive. It attempts to conceptualize a situation in which the government is not in a position to direct and manage society alone, but networks (policy communities) are formed, more or less spontaneously, around policy issues from various types of stakeholders possessing various resources. Another stream draws on the idea of the Neo-Weberian State (Pollitt-Bouckaert 2004, 2011; see below) as a term to describe how Continental European countries interpreted and adopted NPM. A third source is “Good Governance”, a buzzword advocated by major international organizations as the appropriate way to organize government—in the Non-Western World. The concept appeared first in the vocabulary of United Nations’ development activities (see: UN ESCAP) and in WB documents in 1992, and in IMF documents in 1996. However, for several years, only the UN documents emphasized the importance of participation, consultation, transparency and the rule of law as equally or more important than administrative and service efficiency. In the case of the WB and especially the IMF it appeared as a somewhat modified version of NPM with the above-mentioned elements working rather as a democratic façade covering the harsh pro-market approach.

Only the third stream can be interpreted as a normative approach; that is well expressed with the addition of “good” to the term. Though the roots are different, by now there is relative agreement on the basic features of this approach. Polonca Kovač in the introduction of this volume sums up the major principles—presumably in order of importance—as follows: Participation, transparency, legal certainty, responsiveness, accountability, and efficiency.

So far too little time has passed to evaluate the impact of this approach. In fact, only a few reform attempts have been made in the region that reflect the Good Governance model. NISPACEE recently published a book on the state and prospects of Good Governance in the CEE region. (Kovač, 2014) The book is an excellent

---

15 Meyer-Sahling (2009a), for instance, seems to present this view, presumably as in the field of civil service the dominant explicit exogenous expectation was indeed in favor of a merit based system.

selection of young academics' papers from V4 countries. However, most phenomena addressed in the studies refer to NPM rather than the GG approach. Those that address GG do so typically in comparison to NPM (e.g. PA curricula content, or management techniques of mayors). One may identify perhaps two out of the eleven contributions dealing specifically with Good Governance (Cieciora 2014, Kiss 2014)—the first referring to the practices of a Polish city, the second of Slovak municipal housing (trying to manage a 'wicked problem' caused by the sale of practically all—previously municipality-owned—apartments in the nineties, following NPM approach).

Indeed, it seems that Good Governance techniques occur rather sporadically in CEE in public administration (in practice), even if the approach is widely discussed—following the international mainstream—in Public Administration (theory). In fact, the political transformation of several countries of the region suggests a somewhat different direction of change than toward transparency, openness, citizen involvement, cooperation with civil society, deliberative decision-making, and so on.<sup>16</sup> What has been going on in countries of the former Soviet Union and even in some CEE countries may be more reminiscent of the pre-Weberian (or even the Prussian) system of administration than of anything related to network governance.

Just as there have not been many empirical studies, especially not in a positivist sense (measuring outcomes quantitatively) on the impact of NPM in the region, there are literally none on the impact of Good Governance. There may be skepticism about the potential success of this approach.<sup>17</sup> First, civil society, as hundreds of policy and research papers emphasize, is weak in the region. Large, typically underprivileged social groups are not organized to promote their interests and thus those interests cannot be effectively presented in a deliberative process.<sup>18</sup> In other words, networks may provide a quite unbalanced (unfair) presentation of society's needs, wishes and interests. In Hungary, for instance, the only civil organizations that seem to be relatively strong and well organized are either part of a larger, international network (actually functioning as semi-independent subsidiaries of the larger network, like Greenpeace, Transparency International), or they are fake-civil organizations which in fact are extensions of political parties or large economic

---

16 This despite the fact that some government documents and declarations do refer in their terminology to Good Governance, or, in Hungary, Good Government. (The perceived difference is described and emphasized in Stumpf's paper in this volume.)

17 From the above mentioned two papers (Cieciora) was rather optimistic, based mostly on impressions on a new initiation (2014: 94). The other (Kiss 2014) draws a rather pessimistic conclusion based on a study of much wider scope.

18 Bouckaert (2009: 97) notes that governance-type modernization "in some cases requires civil society to be (re)built".

interest groups.<sup>19</sup> During the past few years some governments (like the Russian or the Hungarian) systematically harass the few existing real civic organizations. Another important prerequisite of a successful GG approach is the consensus-oriented culture of societies. Countries that seem to successfully follow this approach, like Scandinavian countries, may be characterized as consent-oriented cultures looking for mutually satisfying agreements. Despite lack of clear empirical evidence, we still cannot consider countries of the CEE region to share this cultural trait.

Kovač in the introduction to this volume lists the major deficiencies of (or impediments to) Good Governance: it requires mature societal subsystems in terms of solidarity and search for common good; it may favor the more active, that is more powerful, better organized stakeholders, and it may undermine democratic control due to delegation of power and functional interest representation. Taking all these into account, though perhaps not in line with Kovač's opinion, this author has serious doubt about the feasibility and, on the other hand, expediency of the GG approach in the short run in the region.

## 6. The Neo-Weberian State

---

Neo-Weberian State (NWS) may be the fourth term whose content should be briefly analyzed in a CEE context. As much as it can be traced back, the term first appeared in the second edition of the seminal work of Pollitt & Bouckaert in 2004 (p. 100) and was further elaborated in the third edition of the book (Pollitt & Bouckaert, 2011, pp. 118–119). In both versions NWS seems to be an alternative reform trajectory followed mainly by Continental European countries not subscribing to the hardcore NPM ideology and practice. The new (2011, 3<sup>rd</sup> ed.) interpretation of NWS is somewhat more specific, seemingly leaving out governance arrangement from this concept. It seems to be a variant somewhere between Weber and NPM, embracing mostly the managerial (as opposed to the market competition) elements of NPM.

NWS gained interest among scholars of government; however, much less has been said about it so far, in contrast to NPM. A simple search on Google Scholar yields 3,400 hits on 'Neo-Weberian State', compared to 659,000 on 'New Public Management' in the 2004–2013 period. However, if we stick to this rather primitive

---

19 Civil Összefogás Fórum (Joint Civic Movement) is perhaps the largest and best organized civic organization and is able to organize large street protest and raise large amounts of money. It is in fact an organization of the ruling party. Its street protests are to support the government, and it "raised" USD one million "within two weeks" (an unprecedented feat in Hungary) for a campaign against opposition parties during the election period. Similar "civic organizations" are well-known also in Russia. Business interests also sometimes "generate" civic organizations. Meanwhile – according to OECD statistics: (Trade Union Density: [http://stats.oecd.org/Index.aspx?DataSetCode=UN\\_DEN](http://stats.oecd.org/Index.aspx?DataSetCode=UN_DEN); Downloaded: 25-01-2015)—unionization is 10.7% in Hungary and levels are similar in other CEE countries. The validity even of these statistics is questionable. In a representative, professional anonymous survey of the 18+ year old population, ordered by the author in 2013, only 0.9% admitted that they were union members.

method and look for articles containing the terms ‘NWS’ and ‘Central and Eastern Europe’ together we find that 42 % (!) of the papers addressing NWS refer in some way to the region as well. The same is true in only 2.6 % of cases mentioning NPM.

Pollitt & Bouckaert (2011, p. 120) call attention to the fact that “*the precision of the NWS model—or the NPM for that matter—must not be exaggerated*”. Indeed reading the double list of “Weberian” and “Neo” features seems to be a useful theoretical frame for identifying the characters of existing administrative systems of Europe. However, as a vision inducing PA reform in practice it seems feeble and vague. This may be the reason that in several countries of the region, such as in Hungary, NWS has become a central tenet of government ideology requiring a “strong state”, centralization, and extensive regulation as opposed to autonomy and liberal arrangements.<sup>20</sup>

In other words, while NPM seemed to function relatively well both as a descriptive theory of existing endeavors/trajectories as well as a prescriptive-normative scheme to set up general objectives (like less state, more business and competition) and methods to reach them (such as contracting out, voucher system, PPP, and so on), NWS does not seem to work well in the latter regard. Even such excellent proponents as Drechsler (e.g. 2005) fail to provide us with much practical advice on how NWS would be implemented in practice. While GG does not really occur in practice in CEE, it is difficult even to imagine in theory how NWS would appear in practice.

## 7. Conclusions

This paper has provided a critical, perhaps even skeptical overview of major models for public administration as they have occurred in the post-communist countries, especially in the CEE region. Deficiencies or ambiguities regarding functioning of these models among the particular circumstances of the region were addressed.

There has always been a major tension in the CEE region between the somewhat Eastern realities and ‘Western’ aspirations; a tension expressed in the term modernization and the very idea of “central” (Mitteleuropa; i.e. between East and West) as described well by Jenő Szűcs (1985). This paradoxical situation occurred in a radical way in the transition that was conceived by most people in the CEE region as a return to the West.

Most methods enlisted in this paper have no roots in CEE; they may be alien to the region’s social-cultural reality, and do not fit properly to the constitutional-

---

<sup>20</sup> See various publications of G. Fodor (in English, 2009), the leading expert of the Hungarian government financed think tank (Századvég). An overview of this ideology is provided by Buzogány & Korkut, 2013 and by Hajnal & Csengődi, 2014.

Pollitt-Bouckaert in the third edition (2011, p. 119) also refer to the interest of CEE scholars in the concept and warn about potential misinterpretation.

legal system or to the structure and way of functioning of the government. This, in turn, inevitably leads to anomalies (Bouckaert, 2009, p. 101). Such anomalies might be mitigated if the gap between the ideal and the reality were reduced. The Anglo-Saxon models and the NPM that is so closely related to this administrative practice seemingly are not approaching this goal. Unfortunately, due to several factors (some, though far from all of which were mentioned in this paper), the transition period was dominated exactly by this Anglo-Saxon model (and typically not the Westminster one).

Turning away from Anglo-Saxon and returning to Continental European administrative models as patterns to be followed that have been traditionally considered as ideals may be a kind of solution to the above-mentioned problems, as these models (French, German and Scandinavian) are closer to CEE reality and following them fits better to national tradition and administrative identity.

The major question beneath the surface may be, how can exogenous and endogenous factors be combined in this region to improve, develop and consolidate government functioning? Probably it is not an exaggeration to state that the papers in this book, besides their specific topics, address this wider challenge as well.

## References

---

- Berger, Peter L., and Thomas Luckmann. 1991. *The Social Construction of Reality: A Treatise in the Sociology of Knowledge* (No. 10). London: Penguin UK.
- van den Berg, F., G. Jenei, and Lance T. Leloup, eds. 2002. *East-West Co-Operation in Public Sector Reform. Cases and Results in Central and Eastern Europe*, Amsterdam: IOS Press.
- Bevir, Mark, ed. 2011. *Handbook of Governance*. Los Angeles: Sage.
- Bevir, Mark, and David Richards. 2009. Decentering Policy Networks: A Theoretical Agenda. *Public Administration* 87(1): 3–14
- Bouckaert, G. 2009. Public Sector Reform in Central and Eastern Europe, *Hal-duskultuur* 10: 94–104.
- Buzogány, A., and U. Korkut. 2013. Administrative Reform and Regional Development Discourses in Hungary. *Europeanisation Going NUTS? Europe-Asia Studies* 65(8): 1555–1577.
- Cieciora, M. 2014. Participatory Policies of Local Authorities: The Example of the Municipality of Lublin City (Poland) In *Reflections on Good Governance in Visegrad and Beyond*. Edited by Polonca Kovač. Bratislava: NISPAcee, pp.91–96.

- DiMaggio, J., and W. W. Powell. 1983. The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. *American Sociological Review* 48: 147–160
- DiMaggio, P. J., and W. W. Powell, eds. 2012. *The New Institutionalism in Organizational Analysis*. Chicago, IL: University of Chicago Press.
- Drechsler, W. 2005. The Re-Emergence of “Weberian” Public Administration after the Fall of New Public Management: The Central and Eastern European Perspective. *Administrative Culture* 06: 94–108.
- Drechsler, Wolfgang. 2005a. The Rise and Demise of the New Public Management. *Post-Autistic Economics Review* 33(14): 17–28.
- EBRD (European Bank for Reconstruction and Development). 1994. *Transition Report 1994 October*. London: EBRD.
- Falkner, Gerda, and Oliver Treib. 2008. Three Worlds of Compliance or Four? The EU-15 Compared to New Member States. *Journal of Common Market Studies* 46(2): 293–313.
- Fodor, G. Gábor. 2009. The ‘Strong State’ Paradigm: Good Government and the State in Central and Eastern Europe—Why Do We Need a Stronger State? In *Reforming Europe*. Edited by Constanmtive Arvanitopoulos. Berlin: Springer, pp. 153–172.
- Gajdusчек, György 2007. Socialist and Post-Socialist Civil Service in Hungary. In *The transformation of the Hungarian Legal Order 1985–2005 : Transition to the Rule of Law and Accession to the European Union*. Edited by Jakab András, Péter Takács, and F. Tatham Allan. Alphen van den Rijn: Walters Kluwer pp. 123–126.
- Gajdusчек, György 2003. Bureaucracy: Is it efficient? Is it not? Is that the Question? *Administration and Society* 34(6): 700–722.
- Giczi, J. and E. Sik. 2009. *Trust and Social Capital in Contemporary Europe*. Budapest: Táarki (European Social Report): 63–81.
- Goetz, Klaus H. 2001. Making Sense of Post-Communist Central Administration: Modernization, Europeanization or Latinization? *Journal of European Public Policy* 8(6): 1032–1051.
- Goetz, Klaus H. and H. Wollmann. 2001. Governmentalizing Central Executives in Post-Communist Europe: A Four-Country Comparison. *Journal of European Public Policy*, 8(6): 864–887.
- Hajnal, G. and S. Csengödi. 2014. When Crisis Hits Superman: Change and Stability of Political Control and Politicization in Hungary. *Administrative Culture* 15(1): 39–57.

- Heady, Ferrel 2001. *Public Administration. A Comparative Perspective*. 6<sup>th</sup> ed. New York, NY: Marcel Dekker
- Hesse, Joachim J. 1998. Rebuilding the State: Administrative Reform in Central and Eastern Europe. In *Preparing Public Administration for the European Administrative Space*. Edited by SIGMA. Paris: SIGMA Paper No. 23, pp. 168–179.
- Horváth, Tamás M. 2007. ‘Humpty Dumpty’: Problems of Globalization Issues Illustrated by Local Self-Government Development. *International Journal of Public Administration in Central and Eastern Europe* 2007(2): 2–19.
- Khandwalla, P. N. 1977. *The Design of Organizations* (Vol. 260). New York: Harcourt Brace Jovanovich.
- Kiss, Igor 2014. Governance and Social Housing in Slovakia: Can Good Governance Be Bad Practice? In *Reflections on Good Governance in Visegrad and Beyond*. Edited by Polonca Kovač. Bratislava: NISPAcee, pp. 63–74.
- Klijn, Erik-Hans. 1996. Analyzing and Managing Policy Processes in Complex Networks. *Administration & Society* 28(1), May 1996: 90–119.
- Kooiman, Jan. 1993. Social-Political Governance: Introduction. In *Modern Governance. New Government-Society Interactions*. Edited by Jan Kooiman. London: Sage, pp. 1–8.
- Kornai, Janos. 1980. *Economics of Shortage: Volumes A and B*. Amsterdam: North Holland,
- Kovač, Polonca, ed. 2014. *Reflections on Good Governance in Visegrad and Beyond*, Bratislava: NISPAcee.
- Kulcsár, Kálmán. 2001. Deviant Bureaucracies. Public Administration in Eastern Europe and in the Developing Countries, In *Handbook of Comparative and Development Public Administration*. Edited by Ali Farazmand. New York, NY: Marcel Dekker
- Kurkchiyan, Marina. 2011. Perceptions of Law and Social Order: A Cross-National Comparison of Collective Legal Consciousness. *Wisconsin International Law Journal* 29: 366–392.
- Liebert, S., S. E. Condrey, and D. Goncharov, eds. 2013. *Public Administration in Post-Communist Countries: Former Soviet Union, Central and Eastern Europe, and Mongolia* (Vol. 169). Boca Raton, FL: CRC Press.
- Merryman, J. H., and R. Pérez-Perdomo. 2007. *The Civil Law Tradition: An Introduction to the Legal Systems of Europe and Latin America*. Stanford University Press.
- Meyer-Sahling, J. H. 2009. Varieties of Legacies: A Critical Review of Legacy Explanations of Public Administration Reform in East Central Europe. *International Review of Administrative Sciences* 75(3): 509–528.

- Meyer-Sahling, Jan-Hinrik 2009a. *Sustainability of civil service reforms in Central and Eastern Europe five years after EU accession*. No. 44. OECD Publishing, 2009.
- Nemec, J., B. Merickova, and L. Vitek. 2005. Contracting-Out at Local Government Level: Theory and Selected Evidence From the Czech and Slovak Republics. *Public Management Review* 7(4): 637–647.
- Nunberg, Barbara. 1999. *The State After Communism. Administrative Transitions in Central and Eastern Europe*. Washington D.C.: World Bank Regional and Sectoral Studies.
- Offe, C. 1997. *Varieties of Transition: The East European And East German Experience*. Cambridge, MA: MIT Press.
- Pierre, Jon, ed. 2000. *Debating Governance*. Oxford: Oxford University Press.
- Pollitt, C., and G. Bouckaert. 2011. *Public Management Reform. A Comparative Analysis: New Public Management, Governance and the Neo-Weberian State*. Oxford: Oxford University Press.
- Pollitt, C., and G. Bouckaert. 2004. *Public Management Reform. A Comparative Analysis* Oxford: Oxford University Press.
- Poulsen, Brigitte. 2009: Competing Traditions of Governance and Dilemmas of Administrative Accountability: The Case of Denmark. *Public Administration* 87(1): 117–131.
- Radford, K. J. 1988. *Strategic and Tactical Decisions*. Berlin: Springer-Verlag.
- Riggs, Fred W., ed. 1971. *Frontiers of Development Administration*, Durnham, NC: Duke University Press.
- Riggs, Fred. W., and D. D. MacKean. 1964. *Administration in Developing Countries: The Theory of Prismatic Society*. Boston: Houghton Mifflin.
- Roman, A. V. 2014. Counterbalancing Perspectives on the Current Administrative Telos of American Bureaucracies. *Administration & Society* 46 (7): 825–852.
- Sajó, Andás. 1985. Compliance with the Law: Some Conceptual Problems. ARSP: *Archiv für Rechts-und Sozialphilosophie/Archives for Philosophy of Law and Social Philosophy*: 183–198.
- Salamon, Lester M., ed. 2002. *The Tools of Government. A Guide to the New Governance*. Oxford: Oxford University Press.
- Sedelmeier, Ulrich 2011. Europeanisation in New Member and Candidate States. *Living Reviews in European Govovernance* 6(1): n. p. <http://www.livingreviews.org/lreg-2011-1>

- Semjén A., Z. Szántó, and I. J. Tóth. 2001. Adócsalás és adóigazgatás. [Tax administration and tax fraud] Budapest: TÁRKI. <http://www.tarki.hu/adatbank-h/kutjel/pdf/a578.pdf>
- Sorensen, Eva, and Jacob Torfing. 2007. *Theories of Democratic Network Governance*. New York: Palgrave Macmillan.
- Stiglitz, Joseph. E. 2003. *Globalization and its Discontents*. New York: W. W. Norton & Company.
- Sztompka, Piotr. 1993. Civilizational Incompetence: The Trap of Post-Communist Societies. *Zeitschrift für Soziologie* 22(2): 85–95.
- Szűcs Jenő 1985. Les trois Europes [The Three Europes] Paris: L'Harmattan]Varese, F. 1994. Is Sicily the Future of Russia? Private Protection and the Rise of the Russian Mafia. *European Journal of Sociology* 35(02): 224–258.
- Verheijen, Tony 1999. *Civil Service systems in Central and Eastern Europe*. Chaltenham, UK: Edward Elgar.
- Verheijen, Tony and Antonova Dimitrova. 1996. Private Interest and Public Administration: The Central and East European Experience. *International Review of Administrative Sciences* 62(2).
- Wallerstein, Immanuel. 1974. *The Modern World-System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*. Waltham, MA: Academic Press.
- Weber, Max. 1958. *The Protestant Ethic and the Spirit of Capitalism*. Translated by Talcott Parsons. New York: Charles Scribner & Sons.
- Weber, Max. 1978. *Economy and Society* Berkeley: University of California Press
- UN ESCAP. *What Is Good Governance?* <http://www.unescap.org/sites/default/files/good-governance.pdf>



Systemic social changes require new governance modes to cope with the most complex issues and crises emerging today in Central and Eastern Europe (CEE) and beyond. This special book on contemporary Neo-Weberian and Good Governance driven models is one of many initiatives launched by NISPAcee to provide scientific support to CEE countries in their search for the most efficient governance approaches. Contributing authors from CEE and other European countries explore current theoretical paradigms and administrative practices in individual countries and the region with certain characteristics to be taken into account. Together we further explore basic field concepts and offer policymakers in CEE additional resources to develop democratic and efficient policy, using so-called Good Governance as an umbrella doctrine, incorporating Weberian and New Public Management legacies and future perspectives.



**ISBN 978-80-89013-75-3**