

## THE TRANSFORMATION OF THE HUNGARIAN URBAN NETWORK AFTER 1990

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### The characteristics of urban development during the “socialist” period

The emergence of the present modern urban system (in Hungary) began in the mid 19<sup>th</sup> century. (This does not mean, however, that the developments of earlier eras in the urban network have completely disappeared; they can still be detected in the role, structure and image of various towns.)

In the mid 19<sup>th</sup> century the coincidence of several factors accelerated the establishment of the civil society and the development of towns. (1848: the feudal socio-economic establishment was terminated; 1867: Hungary regained its limited sovereignty within the framework of the Austro-Hungarian Monarchy, and a great wave of modernisation commenced: steamboats and railroads were built, mechanised large-scale industry emerged, etc.)

This phase of town development was rather inhomogeneous, while comprehensive, modern urban development was carried out almost only in the capital. While the population of Budapest grew fivefold, to 880 thousand, between 1848 and 1910, the population of the rest of the towns ‘only’ doubled. As late as in 1910, still only one fifth of the population lived in towns (that is, settlements in town status [or town rank xxx]), and there was an enormous gap between Budapest and the rest of the towns. Nevertheless, the dualist era started the process of Hungary’s catching up with Western Europe; this, however, was halted by the disintegration of the Monarchy and by the re-drawing of Hungary’s borders in the Trianon Peace Treaty after World War I.<sup>1</sup> Even so, urbanisation continued to be encouraged in some aspects, e.g. by the development of large-scale industry within the new borders. By 1941, partly owing to the new borders, the proportion of town-dwellers had risen to 38.1% of the population.

The process of urbanisation was stepped up after World War II, during the decades of the “socialist” era.<sup>2</sup> The year of communist takeover, 1948, was a turning point in ideology. *Hungary’s entire economic development policy was subject to*

(also) *ideological objectives*, burdened throughout with a contradiction difficult to reconcile. This contradiction ensued from the fact that the political system, which claimed social, ideological and economic superiority, was established in the more backward part of Europe, therefore the discrepancy between the declared principles and reality was obviously experienced every day. This “incompliance” bereft the socialist system from its main and almost only *legitimizing argument* and rushed it into forced and overstrained economic development programmes, dominating and eclipsing all other aspects of the society.

This led to the rapid industrialisation of Hungary; during the 1950's, 750 thousand jobs were created in the industry; in 1960 already about 34% of the active population worked there, and by the 70's, this sector had become dominant in the employment structure. At the beginning, industrialisation followed 19<sup>th</sup> century patterns, limited primarily to mining, to the production of raw materials, energy and to the classical lines of heavy industry. Investments, therefore, were concentrated to the already existing industrial centres (the so-called “heavy-industrial axis” and Budapest); the so-called “socialist towns” (Koml6, Ajka, V6rpalota, Oroszl6ny, Kazincbarcika, etc.) were also erected in these areas. The “industrialisation of the provinces” was carried out later, in the sixties, which then *brought about the growth and development of several other towns*.

At the beginning, political power was concentrated in the capital, and later, in the mid 60's, it appeared also in the county seats. From this time on, the central government bodies (the planning office, the ministry of finance, etc.) distributed to the counties their share of the development resources. *Further distribution was partly the task of the counties themselves.*<sup>3</sup> In this “further distribution” the county seats were in a favourable situation; the seventies and the early eighties were marked by the *astonishing growth* of the county seats and by the accumulation of their power. The idea and practice of *settlement planning* was developed to facilitate planned, central control over the development of the settlement network. After a period of temporary waning, this practice was revived again in the late 50's. Its principle documents, the National Concept for the Development of the Settlement Network and the Regional Development Policy were prepared in 1971. The concepts had a double strategic goal: they were to ensure the efficient utilisation of the resources of the economy and to decrease the territorial disparities in the living standards of the population. The most important planning tool of the concept was the classification of settlements. By emphasising the advantages of territorially concentrated economic development and, consequently, the efficient operation of the institution system, this classification provided the ideological and “theoretical” basis for the policy that *settlements (towns) with central functions should enjoy priority in development programmes*. The development of settlements, or what was actually realised of the plans, was limited to the development of towns. The proc-

ess of urbanisation was followed and also supported by a tendency of a great number of settlements to be officially registered as towns. (There were 52 towns in Hungary in 1945, 76 in 1970, and 166 in 1990.)

Before 1990, the *general conditions and characteristics* of the development of towns were the following:

- 1) Although some “market elements” had already appeared in the development of the settlement and town network before 1990 (enterprises’ site location decisions, advantages coming from geographical location, differences in the buying power of the population, the activity of various “regional lobbies”, the practice of “bargaining the plan”, etc.), this area, too, was dominantly still *controlled from “above”*. “Control from above” did not necessarily mean central, government control or interference; it included e.g. the practice that the industrial programmes, site location policies, the financing of settlements and of institutions were orchestrated by the large, state-owned companies. Thus, industrial plants usually did not emerge in the different towns by utilising the gradually accumulated local capital or by springing from its small industry; instead, they were established as the result of single “central” decisions, which from one day to another changed the functions and positions of the related settlements. When assigning new functions to settlements, decision makers did not take into account the settlements’ history and endowments, did not promote the continuation of their organic “development”, and did not facilitate close relationships between the company and the settlement (and its inhabitants); thus, these companies rarely integrated into the economy and community of their host towns or settlements. In turn, the decline, crisis or collapse of a company or industrial sector again drastically changed the conditions of the affected settlement, especially in the case of mono-functional settlements. In the process of urban development the local endowments, resources, ideas and the quality of the local community were given little consideration. Added to this was the marginal amount of the settlements’ own income (that received by the settlement council) and the great significance of the settlements’ administrative classification (county or district seat, town or village) in the development perspectives of the settlements. “Control from above” also contributed to the *increasingly homogeneous* nature of the *town network*, to the widespread use of unified, model-like practices, and to *concentrated* development.
- 2) The processes of *homogenisation* and *concentration* had been the *general trend* of settlement development until the late eighties. Homogenisation was facilitated by the *monopolistic nature* of the control, supply and institution systems of the economy and society, and by the unified and model-like functions and distribution of the centralised institutions.<sup>4</sup> At the same time,

activities forced into centrally determined frames resulted in *concentration* of the activities; examples of this range from the lawyers, forced to work in professional lawyers' teams, to the bakers, who worked uniformly for the relevant county's single baking company. The intense industrialisation of the country boroughs and the development of the urban institutions of industrial towns bereft most Hungarian towns from their particular character. *The institution system in towns was also established in a "standardised" manner, without any respect to their actual needs.*

- 3) The inclination and efforts of what was referred to as the socialist model of society building to achieve more concentration coincided with the *concentration processes which accompanied the actual period of Hungarian urbanisation* (the so-called first urbanisation cycle). These tendencies were also enhanced by the prevailing practices in settlement network planning and settlement development. However, in spite of both the extreme concentration of investments in settlement development and the extensive growth of the economy, urbanisation (the development of towns and the spreading of the urban lifestyle) did not keep pace with the extension of the towns' industrial functions. In spite of the spectacular and rapid development of (a part of) the towns and in spite of the large-scale housing programmes, again concentrated in towns, the country remained in an "*under-urbanised*" state, at least when compared with the size of urban industry and with the volume of central functions. "Under-urbanisation" was the reason underlying the emergence of a massive group of *commuters*. One fifth of the active population, or more than two fifth of the population of villages, became commuters. Their numbers were increased by those who wished to live closer to towns but could not manage to obtain state-owned apartments there; these people, attracted by lower construction costs, easier access to extra income, and by the appeal of country life, settled down in nearby villages. These processes had multiple impacts on the settlement network; commuting formed the whole country into a single residential area, while real conurbation only emerged around few towns, most prominently around Budapest. Large-scale commuting left residential areas and emerging conurbations vulnerable to their main employment providers. (This fact had rather serious impacts after the crisis of the raw materials and heavy industry began in the mid eighties.)
- 4) The concentration of the economy and of the institution system, that is, the concentration of "power," also involved the strengthening of hierarchy relations. The fact that county seats became the centres of power; also the increased number of institutions in the county and district seats; the creation of districts in rural areas;<sup>5</sup> the lack of settlement autonomy and the encouragement of settlement network development all contributed to the emergence of

a *chain of hierarchy* in the society. This hierarchy was highly structured from top to bottom, from Budapest down to the associated villages,<sup>6</sup> and heavily influenced the everyday life, living conditions, general opportunities, etc. of the population. This hierarchy influenced and controlled the processes of migration and demography, the stratification of the local communities, the quality of general supply, etc. The desire to advance in the social and occupational hierarchy sooner or later required a similar “step forward” in the hierarchy of settlements, leading to migration. *Territorial disparities emerged primarily along the settlement hierarchy* and only secondarily among the regions. The employment structure, the decreased disparities in the industrial, agrarian and residential functions of the settlements and the emergence of hierarchy, which created substantial disparities, resulted in a practice where *the aspects of hierarchy dominated the classification of settlements into settlement types*. This applied also to the classification categories of the National Regional Development Concept.

### The conditions of the transformation of the urban network after 1990

In Hungary, the “socialist” economy went into deep crisis in the mid 1980’s; in order to invigorate the economy, the political government tolerated more and more “market economy elements” (including the emergence of larger private enterprises, the privatisation of state-owned companies, the fact that of foreign capital was allowed to enter, etc.). By the end of the decade, the government had lost so much of its public support that, during multi-party elections in the spring of 1990, it gave way to parliamentary democracy and to a freely elected government, which started to deconstruct the “socialist” structures. Naturally, this had a strong impact on the *conditions* of settlement development.

Changes in these conditions were effected partly by the deconstruction of the structures established during the “socialist” era, and partly by the establishment of a market economy.

- 1) The crisis of the “socialist economy”, involving the significant decrease of its output, already appeared before 1990, and the process was only accelerated by the events in that year (the emerging requirements of the market economy, the collapse of the COMECON market, etc.). At the beginning, and especially between 1990 and 1995, the political and social changes took place in the context of a severe economic recession; neither did the expansion that commenced after 1996 rebuild the “old” economic structure. Be-

tween 1988 and 1993, the number of industrial jobs decreased with 540 thousand (38%), while total employment decreased with 1.1 million jobs. Severe drops in output were not only experienced in mining (where by 1993 production was down to 57.6% of that in 1985) and metallurgy (where production went down to 53.3% between 1985 and 1993), but also in the clothes industry, which had marketed its products on the COMECOM market (production went down to 45.2% between 1985 to 1993), and in food processing. Declining production brought about the closure of a range of mines and industrial plants, especially in Borsod-Abaúj-Zemplén county (where coal-mines were closed down and the metallurgic complex of Ózd was wound up, etc.), and in *Nógrád* and *Komárom-Esztergom* counties. Consequently, large crisis areas emerged, which did not only include mining and industrial settlements but also their commuter areas. Large, continuous crisis areas emerged in *Northeast Hungary* along the *Ózd–Miskolc* axis, in *Szabolcs-Szatmár-Bereg* county and in *Nógrád* county, and in several mining areas of the *Transdanubian Range*. The “spectacular” decline of production brought about soaring unemployment also in towns.

Apart from a few towns, employment in mining and industry dropped so heavily that it completely changed the functional structures of towns, their types and positions in the settlement structure, the lifestyle of their inhabitants, etc. (A typical example of this process is *Ózd*, the characteristic product of capitalist and socialist industrialisation. Here, the number of industrial jobs dropped from 18 thousand to 3.5 thousand; 10 thousand of its inhabitants left the town, and the number of industrial workers per 1000 employees dropped to 89, to so low a figure that this settlement, with a population of 40 thousand, cannot be considered as an industrial town any longer; nor as anything else yet.) The weight of industrial employment in the total population dropped to one third in *Oroszlány* and *Komló*, and to less than fifty percent in *Várpalota* and *Martfű* (*Table 1*). The fact that in 15 years, between 1982 and 1997, the number of industrial workers out of 1000 town-dwellers went down from 200 to 70, and the fact that this decrease was rather differentiated, brought about the restructuring and re-differentiation of the town network.

- 2) *The reduction of industrial employment in towns and the general demographic conditions of Hungary give rise to entirely new and, in the case of towns, unusual demographic tendencies.* The development of our town network takes place in a country with decreasing population. (In 1998 the population of Hungary decreased with 44 thousand; this trend is forecasted to continue during the first third of the 21<sup>st</sup> century.) In all regions and counties

Table 1

*Changing industrial role of some towns, 1982–1997*

Town	Number of industrial jobs, 1982	Number of industrial jobs per 1000 inhabitants, 1982	Number of industrial jobs, 1997	Number of industrial jobs per 1000 inhabitants, 1997
1. Ózd	17,782	367	3,698	89
2. Oroszlány	7,792	369	2,458	118
3. Komló	10,394	337	3,094	111
4. Várpalota	11,425	399	4,409	167
5. Martfű	5,159	749	2,584	350
6. Kazincbarcika	12,961	333	6,328	184
7. Sopron	13,986	254	5,256	98
8. Nyírbátor	3,211	232	1,245	94
9. Balassagyarmat	9,409	314	5,532	185
10. Hódmezővásárhely	11,129	205	5,277	107
11. Ajka	10,956	358	6,951	212
12. Tatabánya	18,959	245	5,360	74
13. Miskolc	50,552	239	16,502	93
14. Nagykanizsa	15,200	278	8,405	160

Source: Data from Regional Statistics Yearbook. 1982, 1998.

of Hungary there was a *natural decrease in population* after 1990. *The population of towns, however, decreased more rapidly after 1990 than that of the whole country*: in 1998 the total population of towns was only 95.7% of the 1990 figure. This means that our towns have a negative migration balance: this loss of town-dwellers in 1998 totalled some 17 thousand over Hungary. The population of certain towns and cities is decreasing drastically; Budapest, for instance, lost 8.8% of its population, about 180 thousand inhabitants. There was a similarly “spectacular” drop in the population of Miskolc (11.6% since 1990). The population of the towns in the conurbation belt of Budapest, however, is steadily growing (the growth in Szentendre is 14.9%, in Szigetszentmiklós 13.7% and in Érd 15.6%), indicating a new cycle of urbanisation.

- 3) *The regional frameworks of town development* have changed partly because of the deconstruction of the “old structures”. This process has not ended yet; therefore, the *spatial structure of Hungary is still in shaping*, having changed very rapidly during the past few years. The fundamental tendency of this change is that the eastern regions of the country have been devaluated (for

reasons including the agrarian crisis, which prevails to this day, primarily affecting the Great Plain region; the decline of the industries working for the COMECON market (the canned food and the textile industries, etc.); the redundancy of the commuters from this area; and the devaluation of the main transportation routes towards the COMECON markets); the western regions have obtained more favourable positions, especially along the Budapest–Győr–country border transportation axis; while Budapest and its surroundings have retained their advantageous positions.

- 4) Formerly, there was strong differentiation along the *settlement hierarchy* in all aspects including the structure and demographic conditions of the society, the local labour markets, the living conditions, the availability of basic supply, etc. This yielded a mosaic-like spatial structure. Today there is a reverse tendency: the favourable and unfavourable phenomena (the re-evaluation of the geographical location, the emergence of crisis areas, etc.) emerge on a *territorial, regional level*; it is the differences among the regions which become dominant, while *disparities among the settlements have been reduced*. The mosaic-like nature of the spatial structure is fading, and the opportunities of settlements are more and more strictly determined by their geographical and regional location.

By the same token, the *order of importance of the factors that differentiate* among the settlements and regions *is also changing*. Previously, the most important differentiating factor was the position in the settlement hierarchy, and, closely connected to this, the infrastructural conditions of the settlement and the availability of institutions; in the context of full employment the effects of the labour market were of less significance. Today, however, the prospects of an area (chances and risks for enterprises, labour market conditions, investors' assessments of opportunities, etc.) are determined primarily by the *income opportunities*.

Naturally, the state of the settlement network is increasingly influenced by the emergence and establishment of the "new" structures of the market economy and of multi-party democracy:

- 1) After 1990, the *political, legal and ownership conditions of the market economy* have been gradually established. Settlements, including towns, *found themselves competing on a "market" of settlements*. Although central influence on the settlements has not ceased to be exerted (a very high proportion of the operational and development resources of the local governments is channelled to the settlements through the central budget, while the proportion of their own income is rather low in almost all settlements, except for a few with special conditions), several measures have *increased the autonomy*



*of towns* (property assigned to local governments, income generated by this property, strengthened function of local governments, privatisation, etc). Economic decisions, as well as in certain cases the decisions on the location of certain municipal institutions are *motivated by the forces and rules of market competition*, which the state (the government, the administration, the regional development organs, etc.) can only influence with indirect tools. The activity of the local economy and, in part, that of the local institution system is determined by the endowments of each town (their geographical location, their transportation conditions, the state of their environment, the availability of infrastructure, their labour market conditions, the buying power and needs of their inhabitants, the management competence of their municipal leadership, etc.).

- 2) In Hungary after 1990, foreign capital played a significant role in regional and settlement development; between 1990 and 1999, Hungary's per capita foreign investment figure was the highest among the transition states: 1970 USD per capita (the respective figures were 1029 USD in the Czech Republic, 800 USD in Slovenia, and 706 USD in Poland). The primary target area of foreign investment was *Budapest and its conurbation* (65% of all investment was realised here), and *North Transdanubia* (with 15% of all investment).
- 3) The activity of the market-based economy and its site location decisions may lead to the emergence of new disparities. Economic development today has no "social" motivation. The regional restructuring of the economy has already started. Most economic organisations are concentrated in the areas with more favourable endowments (Budapest, its surroundings, North-West Transdanubia, the Lake Balaton area, etc.). *The regional structure of Hungary is being transformed.*
- 4) The multiplied number of economic and social actors (in the 1990's the total number of economic organisations and private entrepreneurs reached 800 thousand!), the reduced role of central redistribution, and legislation introduced after 1990 as a response to previous centralising efforts all work against the processes of deconcentration. This is also reflected in the changes that have been introduced in public administration.

The 1990 act on local governments changed the administrative conditions of settlement development. Advantages and disadvantages arising from legal status have become less remarkable. The local government act does not make significant distinctions between towns and other settlements, nor is there a difference between their financing schemes. This fact has "liberalised" the practice of obtaining town status; the number of settlements in town status is growing rapidly.

The *radical decrease of the role of the traditionally strong county level* has also effected an entirely new situation. The counties ceased to function as administrative units with power, distributing financial resources and controlling regional development. At the same time, the institution system is still organised exclusively on the territorial basis of the counties, often inappropriately; the operation of museums, for instance, the public archives, the official institutions of tourism, public health care, jurisdiction, the public library network, labour institutions, the collection of census data, etc., are all organised on the basis of counties. Thus, county seats still play a prominent role in the organisation of the society and in the hierarchy of settlements, although this role is more strongly “challenged” by their competitors than before. All this facilitates “free competition” in the development of the town network.

A new element in the system of Hungarian public administration (and regional development) is the *region* (and the regional seat), comprising the territory of several (an average of three) counties.

While in the former, council-based, regime the central administration and the counties distributed the financial resources to the local councils on a subjective basis, today local governments receive central normative funding. Local governments receive their allowances partly on the basis of per capita quotas, and partly on the basis of public tasks they are to perform (number of pre-school places maintained, number of pupils educated, number of those receiving social benefit, etc.), irrespective of their legal status (that is, town or village). The local governments are entitled to levy taxes, but this possibility is very limited because of the high rate of central taxes. *Thus, two thirds of all local government spending comes from the central budget.*

- 5) “Freedom” in settlement development was enhanced by the fact that with the change of regime all previous regional and settlement development programmes were nullified, and planning, as a tool for economic control, was completely exiled from Hungarian economic policy. Between 1990 and 1996, on the basis of ad hoc decisions, *areas in unfavourable conditions* (small villages, border areas) and *crisis areas* were given central support. The Regional Development Fund was established to carry out this task. The Fund, however, could not meet the new challenges of regional development, neither in the amount of resources it disposed of, nor in its system of goals and distribution. It seems that the 1996 act on regional development and regional planning and the Regional Development Concept has had little effect on regional processes. Instead, mainly improvised and propagandistic measures have been and are initiated to control these processes; it seems at times that governments and top policy-makers are hardly concerned with the issue at all.

- 6) Further changes in the conditions of settlement development are those that have taken place in the *social and demographic structure* of Hungary's population. Most prominent of these are *increased differentiation in wealth* and the *radical decline of the economic activity*. The standard deviation of incomes doubled during the 1990's; the difference between the top and bottom 10 percent of the population in 1999 was sevenfold. Increased differentiation in wealth naturally involves growing disparities among settlements and parts of settlements; this process facilitates the differentiation of suburbs and the emergence of slums in certain towns and disadvantaged settlements. The decrease in the economic activity rate is due partly to the aging population, partly to wide-spread unemployment (11.9% in 1993 and 7.8% in 1998), to longer average time spent in education, and partly to changed employment and working habits (many people work in family enterprises without being registered as employees).

### The consequences of changing conditions – changes in the town network

#### *Urbanisation – settlements acquiring town status*

Since the mid 1980's the *number of towns* in Hungary has increased rapidly: in 1984 Hungary had 109 settlements in town status, 206 in 1999 and 252 in 2001 (Table 2). Until the end of the 1980's, more settlements in Hungary performed urban functions than were actually in town status. It was in the mid 80's that the value and advantages of town status started to diminish. Before that time, per capita budget allowances for towns surpassed those for villages manifold; industrial development programmes and state-run housing projects were carried out almost exclusively in towns. In the mid 80's these advantages were reduced (in part because state-run housing projects almost entirely stopped also in towns, and because councils came to include normative elements in their practice of distribution of financial resources, etc.), and, parallel to this, the number of settlements acquiring town status increased: in 1989 as many as 41 settlements obtained registration as towns. Thus, by the early 1990's, the circle of settlements in town status more or less coincided with those which actually performed urban functions: in 1995, 194 settlements were registered as towns, while a survey carried out not much later listed 190 settlements as performing urban functions. Since settlements have continued to obtain town status ever since, Hungary today has a number of settlements registered as towns but performing no or hardly any urban *functions*.

Table 2

*Number of towns in Hungary, 1945–2001*

Year	Number of towns
1945*	52
1960	63
1970	76
1982	96
1984	109
1988	125
1990	166
1993	184
1995	194
1998	118
1999	206
2000 (1 <sup>st</sup> January)	222
2000 (31 <sup>st</sup> December)	237
2001	252

\* Besides these, several other settlements were in town status in 1945, which were later integrated into Great Budapest

The 1990 act on local governments, in order to curb previous malpractices about obtaining town status (artificially increased population, joining villages to towns, forced development campaigns at the expense of rural areas, etc.) and also to meet the trends of democracy, gave the settlements wide-scale autonomy, thus allowing for many of them to obtain town status. The effective law on local governments only contains a single sentence defining the conditions for settlements to become towns: “A settlement may initiate the procedure to become a town if its level of development and its regional role justifies its town status.” Town status today involves no advantages other than prestige. At the same time, in spite of the emergence of “new” factors of urbanisation, hardly any settlements developed into functional towns during the 1990’s; except some settlements in Budapest’s conurbation that have acquired a number of urban functions. The “new” factors of urban development have only appeared remarkably in a small portion of the existing towns; therefore, the bulk of the town network was not much affected. Today 64% of Hungary’s population, or 6 million and 420 thousand people live in settlements in town status.

## The town hierarchy

The role of a given town in the settlement network is most directly suggested by its *position in the settlement hierarchy*. The hierarchic level on which the town is placed depends on *the quantity and diversity of the basic urban functions* it performs. Basic urban functions include those institutions and activities of the service sector in the wide sense (e.g. education, cultural institutions, health care, commerce, administration, judiciary, financial and insurance services, etc.) which meet special (as opposed to everyday) needs. Thus, urban functions do not include, for instance, the service provided by general practitioners; however, specialised clinics, hospitals, care centres, and the management of health care services are considered as such; by the same token, secondary and tertiary education are urban functions, while primary education is not.

To describe Hungary's present town hierarchy, we took stock of exactly one hundred urban institutions and examined whether or not they are available in a given town. (In our survey we did not include institutions and functions of national scope, because the position of Budapest is so obvious at the top of the hierarchy that we considered that unnecessary to deal with.) We classified the one hundred indicators into *hierarchic levels* according to the frequency of their occurrence. We defined the number of such hierarchic levels partly on the basis of the results of our previous surveys and partly on the basis of empirical data.

We considered six levels:

- 1) Institutions in the capital (institutions of national scope)
- 2) Institutions of regional centres (institutions with scope over several counties)
- 3) Institutions of county seats
- 4) Institutions of medium towns
- 5) Institutions of small towns
- 6) Institutions of "minute towns"

Having designed this framework, we investigated to what extent each settlement shared the indicators of each level of hierarchy. Thus, we detected 122 settlements with a wide range of urban functions and an array of accompanying urban features (traditions, sizable population, the general urban image, economic basis, etc.), and further 80 settlements, which perform more or less urban functions (*Table 3*).

Within this paper we do not have the opportunity to give a detailed analysis of the results; instead, we describe the changes over the 1990's (we prepared the same type of hierarchy analysis for the years 1910, 1965 and 1995). The comparison of the results of these surveys indicates that the number of towns, in the functional sense, is strikingly stable, especially if we only consider the settlements with

Table 3

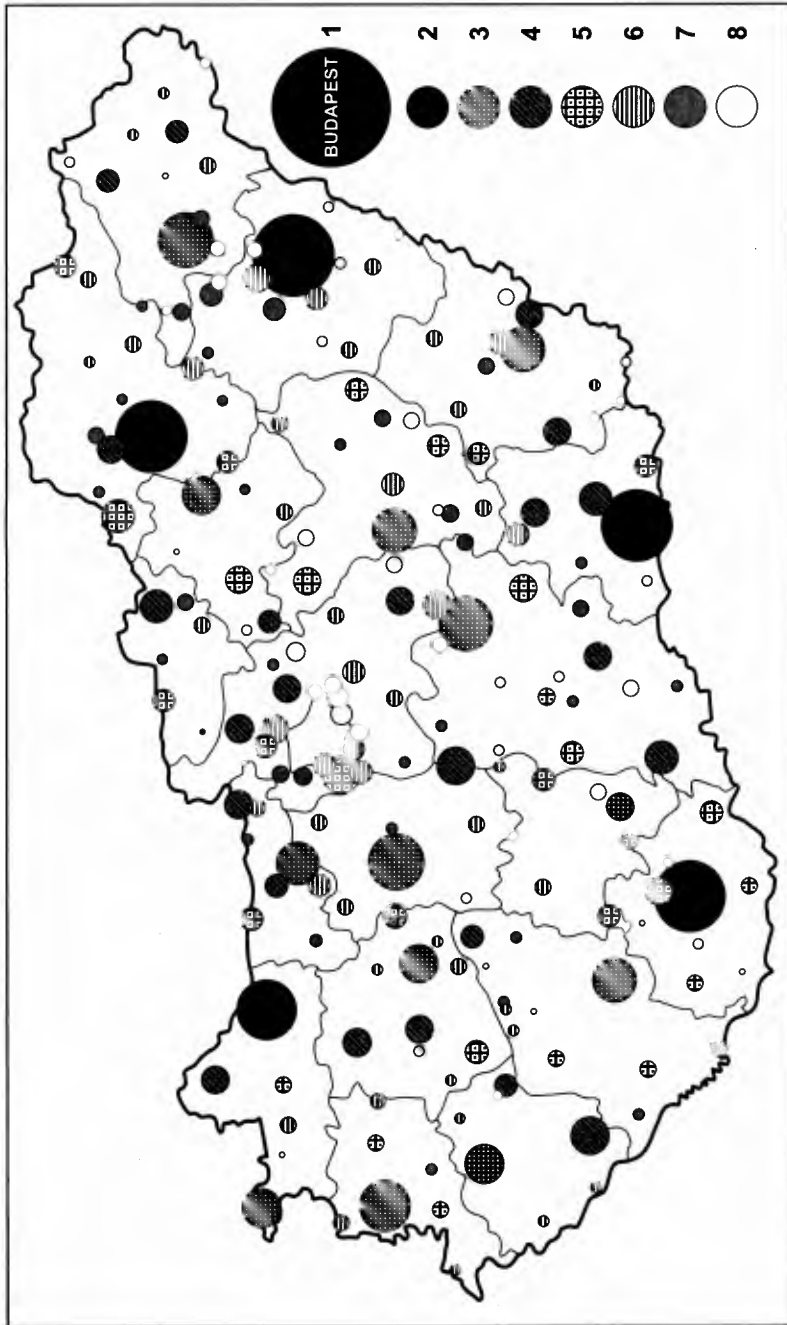
*The number of settlements on the different levels of the hierarchy, 2000*

Level of hierarchy	Number of towns		
I. <i>Capital</i>	1		
II. <i>Regional centres</i>	5		
Among these performing complete functions:		4	
performing incomplete functions:		1	
III. <i>County centres</i>	13		
Among these performing complete functions:		6	
performing incomplete functions:		7	
IV. <i>Medium towns</i>	25		
Among these performing complete functions:		12	
performing incomplete functions:		13	
V. <i>Small towns</i>	78		
Among these performing complete functions:		29	
performing incomplete functions:		49	
VI. <i>Smaller settlements with urban functions</i>	79 (88?)		
Among these performing complete functions:		36	
performing incomplete functions:		43	(52)
<i>Total</i>	<i>201</i>	<i>201</i>	<i>(210)</i>

clearly urban functions (i.e. from the small-town level upwards). In 1910 there were 124 “real” towns within what came to be the present borders of Hungary, while today we have 121. Although there have been replacements in the “stock”, yet neither the industrialisation of the socialist period, nor the ten years that have passed since 1990 have increased the number of settlements with urban functions (*Figure 1*).

Neither has the position of Budapest changed significantly in the town hierarchy. As early as in the mid 19<sup>th</sup> century, in the period of the unfolding of the civil society, the capital stood far out from among the rest of the towns; in certain high level activities (e.g. in banking services, in higher education) it had 30% to 60% share in the country. At the beginning of the “socialist” era, more than half of Hungary’s manufacturing industry was concentrated in Budapest; later, the great majority of the institutions of the economic and public administration, and those of cultural life were to be found in Budapest. Many attributed this “over-development” to an erratic settlement policy. Yet, after 1990 Budapest further increased its weight in certain fields (foreign investment, banking activities, business services, etc.); it is

Figure 1  
*Hierarchical division of town in Hungary*



Key: 1 – Capital; 2 – Regional centre; 3 – County centre; 4 – Medium-sized town; 5 – Small towns performing complete function; 6 – Small towns performing incomplete functions; 7 – Minute towns performing complete functions; 8 – Minute towns performing incomplete functions.

Designed by author.

to be noted, though, that since the 1998 elections the government has been rather ungenerous to the capital. It is difficult, however, to counteract “natural” processes with political tools: Budapest today is the “bridgehead” of modernisation and of international contacts, the only real international town in Hungary.

Of course, this does not apply to regional and lower level functions; on these levels there is an alternative to site location in Budapest; the question is to what extent our settlement policy has promoted site location in the provinces and whether or not those institutions that could freely choose their sites or headquarters considered this possibility. This hierarchic distribution of urban roles and functions warn us of how *flawed* that settlement policy is which takes a *general* stand in the issue of the capital’s development, and claims, for instance, that Budapest is overdeveloped. It is to be noted that the arrival, settlement and growth of institutions of international scope is a national interest that should be promoted. (The fact that in the early 1990’s foreign capital paid special attention to Hungary and settled here in an outstanding proportion helped Hungary become one of the most “prominent” countries in the modernisation process of the East and Central European countries.) The settlement of international functions in Hungary depends on many factors, including the state of the environment, urban traffic conditions, the cultural atmosphere, cultural and artistic events and their quality, the availability of high level services, etc. A policy that hinders the development of reception potentials is not only harmful to Budapest but also to the whole country. Neither does the decentralisation of institutions of national scope seem appropriate. On the other hand, it seems that Budapest also has an outstanding share in *regional roles*: 77% of the doctors of the Hungarian Academy of Sciences and 56.9% of all qualified researchers work in the capital, and 56.5% of all arriving foreign capital was registered here. Two fifths of all third level students of Hungary study in Budapest. When attempting to reduce the dominance (?) of Budapest, the only feasible way seems to be to strengthen the provinces’ weight in the regional functions and institutions. When considering the relation between Budapest and the regional centres it has to be noted that no more than 1 to 2.1 million people live in any given large provincial town and in its gravity zone, which, as suggested by international experience, is not enough for a real big city to emerge. On the other hand, nearly 5 million people live in the regional gravity zone of Budapest, that is, from where Budapest is more expedient and convenient to access than any other regional centre.

Neither has there been any change in the fact that a hierarchic level is actually missing from between Budapest and our “regional centres,” the level of the “real” large towns. Compared to the capital’s population of 1.8 million, the average population of the regional centres is below 180 thousand, only one tenth of that of Budapest. The missing level “below” Budapest is also proved by international comparative studies. According to a survey on the hierarchy of the large towns and



cities of East and Central Europe, Budapest belongs to the top circle of cities in the region, together with Warsaw, Prague, Kiev, Saint Petersburg, etc. On the second level, however, we do not find any Hungarian towns (this circle includes Bratislava, Brno, Krakow, Riga, Ljubljana, etc.); our regional centres belong to the third and fourth level.<sup>7</sup>

The circle of regional centres has been unchanged for a long time. Four towns comply fully with this role: *Szeged, Debrecen, Pécs and Miskolc*. The position of *Győr* has somewhat changed. Over the past few years it has become the most important provincial commercial, entrepreneurial and banking centre, has experienced a boom in tourism, in the business service sector, etc. (e.g. Győr has the largest number of banks and financial organisations of all provincial towns). With these functions Győr has caught up with the other regional centres; at the same time there is growing discrepancy between its position in the business hierarchy and its position in the hierarchy of public and local institutions. This is also a pronounced sign of the restructuring of the town hierarchy, indicating the possibility that centres of business and tourism may, in certain cases, separate from administrative centres. *Sopron*, with no *county seat functions* but in an excellent geographical location (a couple of kilometres from the border with Austria, near Vienna, along one branch of the Budapest–Vienna transportation corridor), also became a county centre during the past decade. Sopron, like Győr, experiences the rapid growth of market-based institutions. Urban functions have also developed rapidly in the more *populous settlements around Budapest*, especially in services based on private capital, and in the *resort towns*, primarily in the Lake Balaton area.

Another development in the last decade is that the process of “regular” *suburbanisation* has gained speed; the frantic-paced process of conurbation was also witnessed during the years of socialism, but at that time it was those who left agrarian areas in favour of towns and industrial areas who inflated the population of the outskirts and surroundings of towns, giving the forming conurbation a rural character. Today, however, the dominant trend has become moving out of the city, primarily to the outskirts, which provide comfortable and pleasant living conditions. A new type of living space has emerged in the form of residential quarters, running “their own” institutions, often operating a security service (fenced area, guards, lift gates, etc.). This process of suburbanisation causes the rapid reduction of the population of Budapest.

## The competitiveness of towns

During the formation of “new” structures, the competitiveness of towns gained particular importance. When determining a town’s “competitiveness”, we considered the following aspects:

- The intellectual capital of the town
- The competitiveness of its economy
- Its regional position
- Its positions in “networks”
- The income conditions and the quality of living it offers
- The “general development level” of the town’s infrastructure
- The dynamism of its development

By quantifying these aspects we constructed a complex indicator to determine the competitiveness of each town.

Our “system of indicators” is *highly coherent*: there is close correlation among the rankings in the different “sectors”, even though we did not make efforts to correlate them. Only the indicator of “dynamism” deviates from the rest of the indicators. This indicates the probability that the pace of a town’s growth is scarcely related to its success in the competition of towns. (While Budapest has outstanding indicators in competitiveness, several of its indicators of dynamism are negative.) *The individual factors of competitiveness are closely related with each other*; it is never the case, for instance, that a town with considerable intellectual capital would be completely unsuccessful in the development of its economy or infrastructure. This fact indicates that the *development of the economy can also be achieved through indirect measures*. This is especially remarkable, for instance, when coping with the crisis situation of a predominantly industrial town: the “recovery” of lost industry is not necessarily the best way to revive its economy.

The competitiveness of a town is closely related to its position in the town hierarchy. The “gravity” of certain medium and large towns may counterbalance their unfavourable regional positions; Nyíregyháza, for instance, outperforms Zalaegerszeg and Kaposvár in competitiveness. Neither does the west-east slope necessarily appear in the competitiveness of small towns on the same level of the settlement hierarchy; several Transdanubian small towns are placed rather low in the competitive ranking. On the top of the two hierarchies, the settlement hierarchy and competitive ranking, the correlation is +0.71.

The position in the settlement hierarchy and the ranking in competitiveness are strongly correlated on the upper levels, and more loosely on the medium and lower levels. This, on one hand, proves the marked role of the settlement hierarchy model in the process of modernisation; on the other hand, it is to be noted that the “new

elements” have mainly penetrated the higher circles of the town hierarchy. At the top of the hierarchy all other factors make only secondary impact, in spite of the fact that while Győr boasts the best competitive results it is preceded in the town hierarchy by the four other regional centres. In spite of their less favourable regional location, however, Pécs, Szeged and Debrecen perform at about the same level (their intellectual capital surpasses, their economic development lags behind that of Győr). At the lower levels, the role of the town hierarchy is less significant; here competitiveness is determined by the town’s regional location, by special individual factors, and by the location of one or two significant business organisations in the town. On the other hand, a large number of settlements in town status form a static mass where competition and competitiveness are almost non-existent.

Another consequence of the fact that such fundamental role is played by the town hierarchy is that several elements of the town network have “survived” and live on; these elements appear in the competition of towns, which shows that the hierarchy is a very solid structure, which may reflect “events” that took place centuries ago.

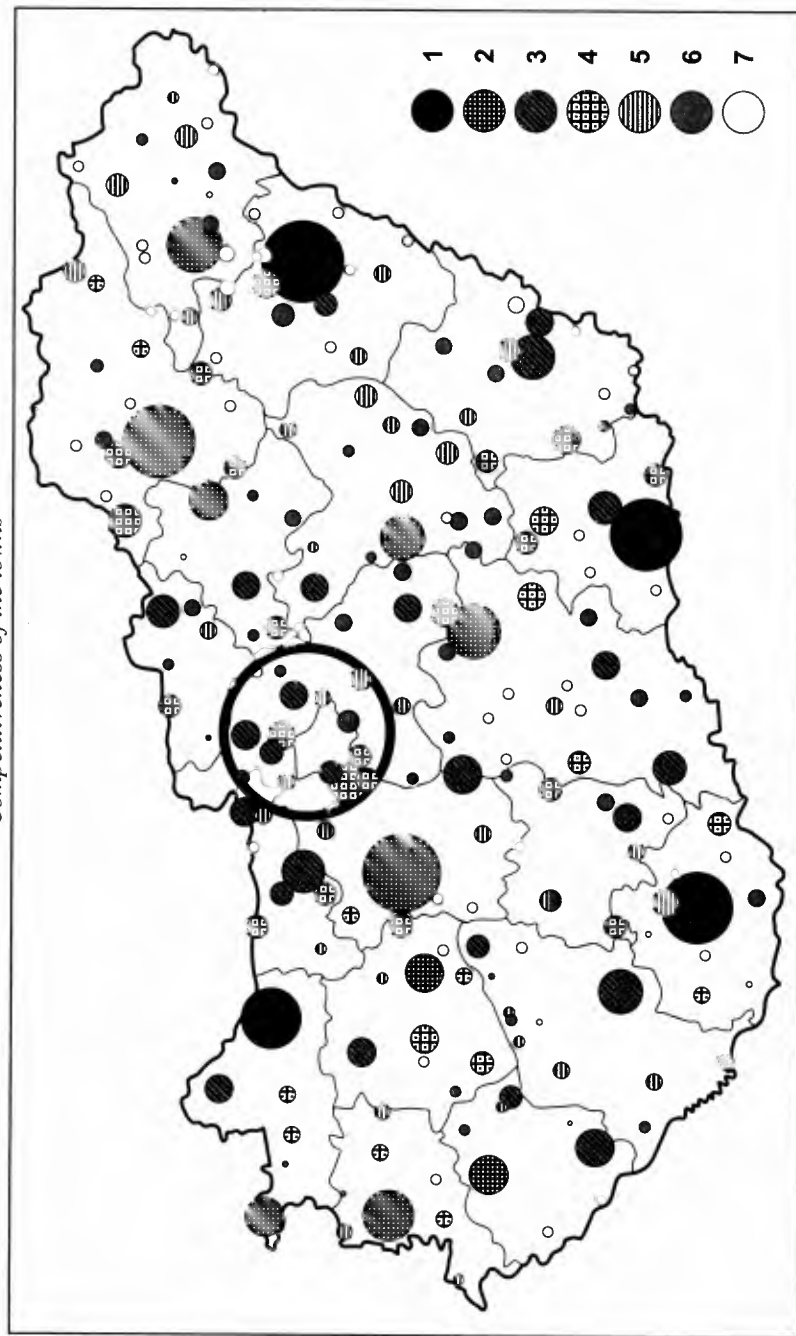
This “hierarchical distribution” of competitive performances makes *Budapest stand far out among the other towns*, representing a separate category. Instead of providing long lists of data to prove this, it is probably enough to point out that more than half of the 20 billion USD worth of all foreign capital that has entered Hungary since the change of the regime targeted Budapest and that 88% to 94% of all international financial transactions in Hungary is handled in the capital. Today we witness the mysterious repetition of the processes that took place in the second half of the 19<sup>th</sup> century, at the early stages of civil urban development: also then Budapest was the bridgehead of modernisation, of economic development, and of the arrival of foreign capital; the phenomenon that the new processes appear in a limited number of poles, is a rather general regularity of regional development.

A few remarks are to be made about the final ranking of towns in the town competition survey (the competitive typology of towns is presented in *Figure 2*).

- The final scores can be evaluated on the basis of two aspects: on one hand by looking at how many necessary competitive conditions a given town has; on the other, we may consider its competitiveness and performance compared to its role in the settlement hierarchy (Kaposvár, for instance, performed well compared to all other towns, but compared to its population, county seat status, and rank in the hierarchy, its score is poor: it is preceded by several towns not even in county seat status: Gyöngyös, Esztergom, Mosonmagyaróvár, Gödöllő, etc.)
- The first three competitive groups, including 39 settlements and Budapest, can be considered as those in which the multiple conditions for success definitely exist.

Figure 2

*Competitiveness of the towns*



Level of competitiveness: 1 – Very high; 2 – High; 3 – Appropriate; 4 – High medium; 5 – Low medium; 6 – Unfavourable; 7 – Very unfavourable.

Designed by the author.

From among them Győr, Pécs, Szeged and Debrecen stand out. The performance of Győr may be surprising to those who did not follow the developments of the past decade. Although the town has not been able to catch up with the other four large regional centres in the town hierarchy, nor does its intellectual capital come near to theirs (Győr does not have a university, higher education is one-sided, the research network is poor, which causes a lack in highly qualified personnel), through its excellent location, developed infrastructure, industrial traditions, emerging business services and high industrial technology Győr has become the most competitive town in Hungary. (Its position in the town hierarchy is very similar: on the basis of market-driven elements (financial institutions, business services, commerce, etc.) it belongs to a higher level than when its centrally assigned functions are considered.) Although the regional location of Pécs, Szeged, and, especially, of Debrecen is unfavourable, through their intellectual capital they continue to form a well distinguishable, competitive group. Their intellectual capital is still growing, and they even have the chance to increase their weight in this field at the expense of the capital.

The second level comprises 10 towns, all of which, except *Sopron*, are county seats (a few county seats, however, Tatabánya, Szekszárd, Békéscsaba, Kaposvár and Salgótarján, are not included in this group). The outstanding score of Sopron is not surprising: its location in the Budapest–Vienna axis is excellent, it is one of the most important gates of Hungary, the gravity of its services even reaches inside Austria, it has a beautiful countryside and townscape, it is a university town, its civil and cultural organisations has a long tradition, etc. And even if Sopron cannot be expected to move even further in the competitive ranking, it can still gain further positions through its special high-value services (like the already existing private dental care centre). Miskolc, in spite its forced development during the socialist era and the consequent restructuring of its whole economy, still shows the signs of crisis. Its competitiveness is for the most part the heritage of previous decades, and its surroundings are the most disadvantaged region of Hungary. It is rapidly losing its population. Also in Miskolc, economic revival could probably be achieved through means other than the recovery of its lost industry. In this group some county seats of the Great Plain performed quite well (e.g. Kecskemét and Nyíregyháza).

### Notes

- <sup>1</sup> The peace treaties signed in and around Paris after World War I (that concerning Hungary was signed in the Trianon Palace) caused the disintegration of the Austro–Hungarian Monarchy; Hungary lost 71.5% of its territory and 63.6% of its population to the newly formed states of Czechoslovakia, Yugoslavia, Romania, Poland and Austria.
- <sup>2</sup> In Hungary the socialist era began in 1948; this year was often referred to as the “year of the takeover”.

- <sup>3</sup> The total surface area of Hungary is 93 thousand square kilometres, which is divided to 19 administrative counties and Budapest. The average surface of the counties (excluding Budapest) is 4870 km<sup>2</sup>; their average population is 420 thousand.
- <sup>4</sup> Financial services in Hungary, for instance, were for decades provided by two institutions: the Hungarian National Bank (Magyar Nemzeti Bank), performing the tasks of the central bank and financing the actors of the economy; and the National Savings Bank (Országos Takarékpénztár), providing financial services to citizens, with unified branches in every county and town performing the same activity and having the same scope of authority everywhere. Under these circumstances the emergence of e.g. a regional financial centre was inconceivable. All segments of the “state-run society”, from health care through public education, museums, local media to funeral services, were operated on the same principles.
- <sup>5</sup> In areas of tiny and small villages, where the population of a settlement was below one thousand, basic institutions (primary school, council, post office), the cooperative headquarters, etc. were operated in one larger nearby settlement, leaving these small settlements without primary institutions.
- <sup>6</sup> Those villages in the areas described under Note 5 which did *not* have their own administrative or other institutions (councils).
- <sup>7</sup> Grimm 1994.

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