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**The City and its Environment:
Competition and/or Co-operation?
(A Hungarian Case Study)**

by

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1 Introduction

1.1 The problems of competitiveness and success

During the East Central European changes starting from 1989 there was a sharp competition among Hungarian settlements as well for winning grants to ease the outcomes of their economic crisis and to get venture capital support, for the attraction of external foreign investors, for the chances of integration into international, local and regional networks and for the chances of their quick economic development.

Competition itself was not an unfamiliar phenomenon for Hungarian settlements, as in the period of state socialism they were also in a strong contest for gaining larger power, more central functions, higher positions in the administrative hierarchy and for winning more infrastructure development funds (*Vági 1982, Enyedi 1997, Rechnitzer 2002*). This competition was intensified by the central government's historically changing development funds, by specific power mechanisms, by the changing division of power between central and local governments, by the rivalry of political and spatial powers, by the public legitimacy of competition situation and last but not least by the fact that each settlement can win development grants only against the others. But today's competition is differing from the competitions of the past: its key mechanisms, rules and instruments are different or partly different, the processes are organised by new principles and competitive advantages are determined by different factors. Although competition (or rather fight in several cases) still exists among settlements for certain government resources, grants, pieces of information for successful tendering and informal lobbying, its basic conditions have fundamentally changed with the change of the central government's functions and with the transformation of the state socialist system into a democratic society. The mechanisms of competition are rather dictated by the rules of the global market, by the major organisations of global economy and by the ideologies of the management of global multinational firms (*Boltanski-Chiapello 1999*).

During the first half of the 1990s Hungarian urban and regional policymakers, development analysts and regional scientists were all seeing the problems of competitiveness exclusively from an economic point of view. They were on the opinion that an increasing adaptation to market trends, the intensification of innovation, the increasing number of business organisations, the creation of new jobs, the establishment of industrial parks, the integration into global economy on the basis of a fully harmonising economic structure and a relevant institutional and social system were the key elements of successful development and closing-up.

In this sense certain social – mainly employment factors – are shaped by the impacts of economic transformation on the relationship of social interests and by the performance and profit-making motivation of high positioned social actors. The expectations for the welfare of spatial and social groups, for granting rights for clean natural environment, for the establishment and an operation of an institutional system of social and political participation, for the establishment of a spatial social (community) relationship system, for inter-settlement and neighbourhood co-operation were rarely formulated or if ever, they were used only in legitimacy context.

Even in the period of state socialism some settlements – industrial or workers' cities – were using various local social explanations such as emphasizing their (labour class minded) character in the competition for government assistance. These legitimacy mechanisms were working weaker and in a different way after the change of regime but a submission of an analysis on the structure of local society and the anticipation of a city's or area's potential economic and social tensions can still – sometimes informally – have some pushing force on decision-makers to allocate certain state grants – e.g. environmental funds – to these cities just to prevent local social conflicts.

During the 1960s and 70s West European countries had broad social and professional consensus on the issue that the criteria of their cities', settlements' villages' success and competitiveness should stand on economic and its adjoined social basis (economic functions with their impacts, the infrastructure improvement impacts of their core position, the quality of services, international economic relations, the number of jobs).

This interpretation of success and competition was supported by the structural system of the capitalist society and by the existing normative systems and ideologies. According to the ideology of classic capitalism – success, primarily a company's success – has not only economic but social benefits as well, through its contribution to public welfare and making people rich (*Boltanski-Chiapello* 1999). Marxist critics also supported this idea. This is verified by the fact that socialist industry and its industrial plants were the ideological symbols of economic and social success, as they were carrying out their local and local society development programmes, such as massive flat construction and the improvement of housing conditions. This created several spatial, social, income and housing disparities such as large differences between the living conditions of the elite management and other classes of society.

The second half of the 1970s brought fundamental changes for the capitalist society. Economic liberalisation, financial transactions – financial deregulation and speculation – resulted significant corporate development, economic and capital concentration and increased the power of multinational firms through the fusion of large companies, corporate concentrations and the gradual expansion of foreign

capital. Changes in the economy and corporate structure, economic centralisation had new spatial impacts and created metropolitan regions, global cities and their affiliated urban networks and network disparities as well.

The decline of welfare states and systems with the adverse social impacts of global economic recession having been generated by the operation mechanism of capitalism itself – rising unemployment, decreasing consumer potentials, sharpening income, educational and spatial disparities, the ecological damages of economic prosperity – which were received with growing discontent by the middle class society manifesting in strikes, urban social and environmentalist movements (Boltanski–Chiapello 1999, Szirmai 1999a).

1.2 Social demands for a new interpretation

The (primarily or exclusively) economy-focused interpretations of urban development and competition between cities and their environment can now be questioned from several aspects:

1) The development chances and competitiveness of urban networks, cities and their environment – having been resulted by the globalisation of world economy – have also been differentiated. Social polarisation and the spatial expansion of social disparities have been increased between core areas and peripheries and within settlements. Even global cities, the ‘shop-windows of capitalism’, as Boltanski remarked (1999), had to face social tensions and the adverse impacts of economy-focused regional and urban development models. The differences in the living standards of the elite top-managers, the qualified expertise of multinational firms, the economic and political decision-makers, the well-educated middle-class families and the disadvantaged, the handicapped and unemployed low classes have now become striking. The news on the deepening of economic recession (for example the changes in the political power structure of world economy) were received by middle-class rows and top executives with increasing worries about losing their job, living places and health (Bellah *et al.* 1996). The concentration of multinational was another fear factor for the corporate management of companies standing on lower positions of urban hierarchy.

2) Even in the Hungarian transition process it turned out very soon that the chances of cities, villages and regions for successful competition are very different. International and home market mechanisms, investors and multinational firms have preferences for certain regions, areas and cities in their site selection policies. These preferences are based on certain regional, geographical, infrastructure criteria, local features and on the combination of the elements of economic and social structure, labour force structure, local government policies and the international

and Hungarian relationship system of the social elite groups. Historical-social factors have also great importance because an area's position within the resource and power allocation system of state socialism or the proportion of urban middle-classes and the presence of entrepreneurs with large capital resources may largely influence an area's positions in global and market competition.

3) A series of international trend analyses may verify the theory that economy-focused competition and success policies – with their supporting development strategies – are generating unsolvable social tensions and conflicts of interests. The most successful cities – even global cities for example – due to the concentration and growing interests of global capital resources – are facing extremely deep social and environmental problems, poverty, segregation and a large concentration of environmental pollution (*Sassen 2000*).

4) International researches also verify that the social conflicts of economy-focused competition and success policies are hurting the dynamism of the economy itself. Hungarian case studies on regional and economic transformation processes are showing similar results. The economic transformation of successful cities and regions, such as Budapest, Győr, Székesfehérvár for example, were followed by so intensive social tensions and conflicts that now they are hindering the further development of urban economy and have no roles in sustaining or enhancing the present welfare system.

5) Regional and urban social groups are less ready to approve economy-focused development strategies. Those social groups that have been excluded from the advantages of transformation have the strongest opposition to this policy but even those who can enjoy its benefits are more and more getting aware of the fact that economy-focused urban and regional development mechanisms are not bringing success for them in all areas. They cannot avoid the adverse side effects of urban social life, the damages of environmental pollution for their health, and crime. Economy-focused urban and regional development strategies are arising social conflicts through their negligence of the cultural potentials of urban society and through generating social conflicts in everyday life (*Bellah et al. 1996*).

6) The spread of post-material values in advanced industrial societies, the increasing expectations for the quality of natural environment, for better health and leisure time facilities demand a revision of the earlier concepts of urban and regional development. These demands for change and for creating a balance among economic, social and environmental factors in development plans are actively supported by the international organisations and movements of civil society and by the expansion of relevant ideologies, such as the theory of sustainable (urban) development.

7) Economy-focused competition policy and its ideology – mostly in the early 1990s – were very harmful for the relationship of Central and East European settlements, for the co-operation of cities with their environment, for the interrelation-

ship of regions and different spatial and social actors. It was blocking interregional co-operation and was reviving the – mostly hidden – spatial conflicts of state socialism. It also weakened the possibilities of municipal co-operation that had previously been damaged by the forced top to bottom governmental scheme of state socialism. The legal regulations and the local autonomy initiatives of the Local Government Act of the transition period were also against regional level co-operation. The internal co-operation of local powers was also full of conflicts, global and national-level economic competition, the achieved – economic and political – positions had also some influence on the transformation and features of local and regional power systems.

8) The instruments of urban policy cannot solve the above-mentioned social processes and conflicts of economy-focused regional development policy. These problems are also reducing the efficiency of urban policy. The greatest challenge for Hungarian urban policy is that citizens think local governments should not only create new job opportunities for them but also should improve their living conditions. However, development resources are very low, partly for the government's curtailments, partly for the economic and urban development theories and practice of the past. During the crisis period of the 1990s the creation of new jobs and the attraction of foreign capital and multinational firms were the major objectives of the local governments urban and development policies. To achieve these objectives they granted significant local tax exemptions¹ to economic actors for several years. The scarcity of financial resources partly resulting from this decision is restricting the possibilities of qualitative urban development.

¹ Hungarian local taxation system grants licenses for local governments to exercise their taxation rights individually, to establish their local taxation policy. The 1990 C. Act entitles local (village, urban, capital, district) municipalities to collect local taxes within their authority scope area. The Act nominates private persons, legal entities, economic corporations without legal entity, and private person associations without legal entity as subjects of taxation (those that can be imposed by local tax duties). The Act enables local governments with the right of granting tax exemption. The latest date of the validity of local tax exemptions – assuming that Hungary will join the EU in year 2004 – is year 2008. Within five years following Hungary's EU accession local governments should terminate local tax exemptions. The abolition of tax exemptions guaranteed for a certain period may be suspended for a five-year period but those guaranteed for an unlimited period will have to be instantly terminated.

1.3 The social interpretation of competitiveness and success

The adverse social impacts and conflicts arising from the economy-focused competition and success policy demand a more complex social criteria system of competitiveness and success which besides economic criteria is built on social criteria as well.

In our opinion successful urban and regional development policies and competitiveness, their primary element, can stand on several factors. They are partly associated with the social aspects of economy and partly with the activities of local community and civil society.

We are on the opinion that a successful city or region has prosperous economy, but it should be coupled by a well-operating local and civil society. The social interpretation of success has a complex criteria system, such as economic prosperity, the state of natural environment, the availability of rights for clean natural environment, the provision of good housing and living conditions in compliance with local social and market situation. The establishment and operation of the institutions of social and political participation, the co-operation of civil society, the building of spatial, social (community) interrelations, the co-operation among settlements, cities, villages, neighbourhoods, the exploration and management of social conflicts are all another criteria of the social interpretation of success. To meet these criteria development policies should take the aspects of both economic and social development into account. Competition among settlements will cover not only economic but social areas as well for the welfare of the above-mentioned groups and for easing spatial and social disparities.

The suggested alternative may really seem to be a normative guideline. However there are some cases in West European practice when villages or cities are competing for their citizens' better local image, stronger local identity (this is not excluding cosmopolitan relations and traditions), better community relations, for cutting down the number of the poor and deprived, for finding better solutions for their integration instead of their exclusion.

For creating an adequate social interpretation of competition and success a social consensus and a common opinion of the social actors are needed. So far the interpretations of competition and success were defined primarily by economic and political actors or by development and planning experts who on the one hand were aware of the demands of globalisation and its mechanisms, on the other hand their relevant interventions with economy-focused interpretation based their political and economic career and through their high social position could remain intact from the adverse impacts of transformation. The opinion of a broad spectrum of social groups has been excluded from the definition of the basic criteria of success and competitiveness. This is partly explained by the incomplete operation of the civil democratic system, the inefficiency and power dependencies of civil society

and partly by the fact that during the change of regime Central and Eastern Europe the social elite – including professionals and the media – did not have such ideas, competition and success policies that had complex economic and social criteria.

Several policies of competition and success can be built on social consensus. In this paper, on the basis of our empirical urban and regional researches and polling various social actors on success and competition, we are going to reveal some interrelations between economic and social aspects, urban and regional development and to introduce a different competition and success policy from the earlier economy-focused strategies.

1.4 The competitiveness of the new cities³

In the early 1990s it seemed that the historical past of the new cities would make their economic transformation progress slower than the traditional ones. The mechanisms of the redistribution-based urban development model of state socialism were stronger in new cities than in other settlements. Within the redistributing settlement management system the spatial location of population was much under the control of the central government. Thus, local powers had no or only limited chances to manage the issues of urban development and policy on their own. The absence of independent local policy, the missing autonomy of local society organisations and social initiatives further worsened this situation. The dominance of the state and the dependency of local powers were stronger in the new cities than other places. During the transition period the declining power of the state at first gave new hopes to the establishment of the autonomy of local government and an independent urban development policy but later on produced quite uncertain results.

³ The term “new cities” is referred in the literature of Hungarian and East Central European urban research to cities having been built by force, through central directives based on the basis of modern urban doctrines during the 1950s, the period of socialist industrial development, without a relevant social and historical background.

Their common features are as follows: the aspects of classical urban development were neglected during their establishment, they were mostly built at the proximity of small settlements for operating as heavy industrial centres. The planning strategies of new cities were also the products of the socialist urbanisation model, of centralised redistribution economy, infrastructure and housing supply. They were the major end results of the economic, industrial development objectives and political power interests of state socialism. In the early 1950s communist powers and party activists decided to launch forced industrialisation projects. The disintegration of “bourgeois cities” and the building of large cities for the rising workers’ class of socialism was a very important objective of that time. New city programmes had ideological importance as well. The new settlements were designed to serve as prototypes for the socialist regime, lifestyle and community spirit (Szirmai 1996).

The positions of civil and middle-class society were rather weak in new cities. The formation of new independent groups and associations also seemed to slow down. The new cities and their environment faced increasing social differences and heavy unemployment problems. The complex economic, social, political and ecological crisis phenomena of state socialism were still strong. Local industrial plants having key role in these cities' economy seemed to be unable for restructuring. The damages of industrial pollution with their serious impacts on natural environment were also threatening public health.

However, researches on the East and Central European transformation of the 1990s have verified that several new industrial cities were economically prospering (*Hamoun-Jakowiecki et al. 1999*). The experiences of the new urban development trends of Central and Eastern Europe prove that "the success of the new cities" had been resulted from several strategies. Although success does not depend on a single strategy but one of them based on the state's increased influence and control over local economy has proved to be successful. In this case several forms of state assistance were added to the success factors of new cities; the dynamic corporate management policy of large firms with their professional and innovation oriented labour force structure being able to reduce the overall crisis of local economy. Within this model local government and local economy depend very strongly on the central state's economic and regional policy oriented decisions.

In another strategy, the assistance of the state is weaker and local autonomy is stronger but this will increase the dependency of local actors from the market at the same time. In this case their dependency from the state is weaker but new dependencies will arise from several sides. Beyond the still existing forms of state intervention the influences of international capital and globalisation are felt at an increased level.

Both strategies implied some negative impacts as crisis management, the stabilisation of urban economy and the securing of an optimal competition position were the main objectives of the early 1990s. But – in accordance with the economy-focused interpretations of competition policy of that time – social aspects offering long-term perspectives were neglected for the sake of short-term success. A consensus was formed on urban development strategies in these cities too. The social groups, the elite, the workers (and their families) having got their job opportunities as a result of economic restructuring had to live with this situation for a long time because they were partly forced to do that by the objective and pressurizing circumstances, and partly were convinced by the views and dominating rhetoric speeches of professional experts and the media. However at the end of the 1990s the demands for social evolutions, the motivations for economic and social success and for the new criteria of competitiveness were sweeping through the Hungarian new cities as well.

2 The objectives and hypothesis of the empirical research

The exploration of the real processes of regional and urban development in industrial cities and their environment in Hungary's regions of diverse economic development was the primary objective of our research. The research was primarily targeted at the exploration of relations between cities and their environment and those sociological factors, interests and social conflicts that have major role in the establishment of co-operation. The research was also exploring the attitude of economic and social actors towards urban development and competition policies.

The empirical research started from the hypothesis that those cities can have competitive advantages in European integration and urban development that

1) have tackled their complex economic and social crisis problems and have gone or are going through economic restructuring;

2) have regional advantages and have established strong relations and partnerships with their environment in economic, social and environmental issues and as a result have turned into the economic and social centre of their surrounding neighbourhood (region). They are extending and distributing the positive effects of competition "on the basis of equity and fairness";

3) have potentials for the assessment, prevention and management of social, economic, ecological, spatial, microregional and regional conflicts.

Tatabánya and its environment with the cities of Tata and Oroszlány, in Central Transdanubia, a region with better indicators than the national average, was the first sample area of our research. Miskolc and its environment in North Hungary, a region with lower indicators than the national average, was the second sample area (*Figure 1*).

Several methods were applied in the empirical research. Besides the analysis of several national, regional and local newspaper and journal articles we also re-evaluated the results of earlier researches and microregional public opinion polls and processed the microregional statistical data of economic, social and structural changes. We used the time series data of the Central Statistical Office covering a 12-year period between 1989–2000. We prepared structured interviews with the social, economic, political and civil actors (a total of 70 interviews have been made in the two sample areas). The results were categorised by research concepts and research areas.

Figure 1

Location of the sample areas in Hungary



Source: Edited by Ákos Szépvölgyi, West Hungarian Research Institute, CRS HAS.

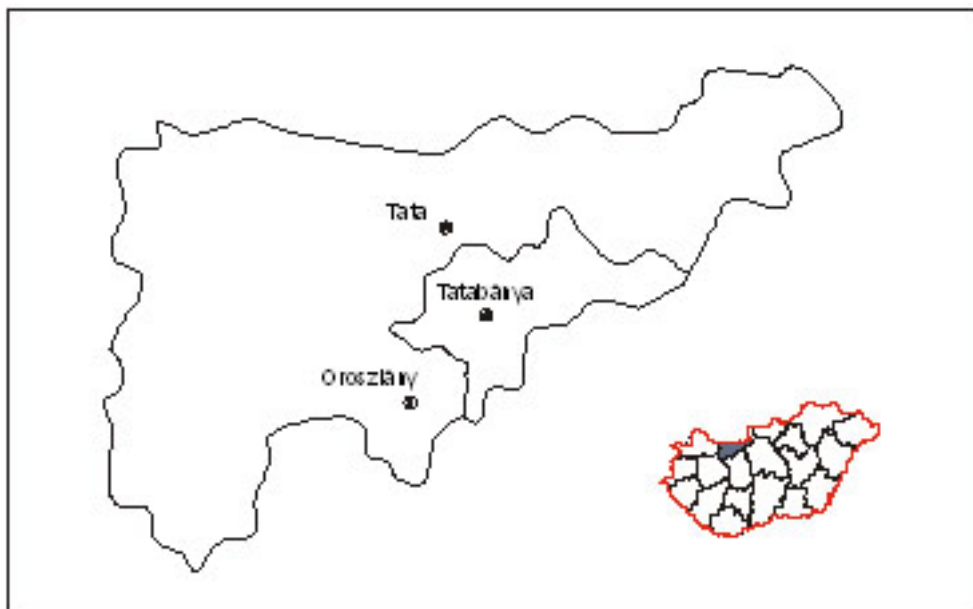
3 The major social and economic features of the micro regions and cities in our sample areas

3.1 A short description of Tatabánya and its environment

Tatabánya, Tata, Oroszlány and their environment are situated in the central and southern parts of Komárom-Esztergom County, at a distance of 50–70 kilometres on the Vienna–Budapest innovation axis (*Figure 2*). They are taking up a territory of 500 sq. kilometres on the high plain surface of Által brook Valley, a place located at the meeting of the hills of Transdanubia. From the county's 8 total cities these three have almost 40% of the county's total population (Tatabánya – 72 000, Tata – 23 000, Oroszlány – 21 000).

Figure 2

Location of Tatabánya and its subregion in Komárom-Esztergom County



Source: Edited by Ákos Szépvölgyi, West Hungarian Research Institute, CRS HAS.

Due to the abundance of natural resources the county's industrial development started very early. Tatabánya and Oroszlány have rich brown coal, sand, bauxite, betonite, industrial limestone resources, while the environment of Tata is built on very thick (kaolin) clay layer. Clean natural underground waters, warm thermal springs and the abundance of other natural resources (large forests, good quality soils and the Lake of Tata) attracted a large number of people to settle down here and a series of industrial plants. The opening of coal mines (Tatabánya 1896, Oroszlány 1938) and power stations (Tatabánya 1898 and 1939, Oroszlány 1963) created a boom for local industrial development at the end of the 19th century. At a later time briquette and carbide production also started and machine industry was also rapidly growing. The large-scale development of local heavy industry started with the discovery of bauxite in the middle of the 20th century. Heavy industry in Tatabánya was consisting of coal mining, briquette production, energy and heat generation, cement manufacturing, construction and machine industry, precision engineering, aluminium production and electronics. In Tata the major branches of industry are brick and tile production, leather, meat and textile industries while in Oroszlány coal mining, energy production, leather and shoe industries and preci-

sion engineering are the most typical economic activities. Intensive industrialization was on the one hand the source of local socio-economic development (Tatabánya for example was turned into a city through the fusion of its earlier residential districts in 1947, Oroszlány and Tata were promoted to cities in 1954) but on the other hand it generated several social conflicts since the 1960s.

The concentration of industrial plants resulted in an intensive immigration and significant population growth, which lasted until the early 1980s. Although as a result of a natural fall in population – the county’s population is decreasing (the growth of urban population is resulted from the promotion of new cities between 1980–2000). But with the change of regime migration turned into an opposite direction: large masses of people were moving out from cities into rural areas, increasing with this rural population and decreasing the number of city dwellers at the same time (*Table 1*).

Table 1

The demographical indices of Tatabánya, Tata, Oroszlány and Komárom-Esztergom County 1980, 2000

	Population		Change of population (%)	Natural increase of population (heads)		Migration difference (heads)	
	1980	2000		1980	2000	1980	2000
Tatabánya	75,900	71,700	94.5	325	-295	60	-300
Tata	24,100	23,400	97.2	120	-70	500	-50
Oroszlány	20,600	20,700	100.1	165	-5	30	120
...							
County	319,800	311,700	97.5	1185	-1030	-400	1020
Cities	171,100	191,700	112.0	800	-560	800	-80
Villages	148,700	120,000	80.7	385	-470	-1200	1100

Source: Central Statistical Office, Tatabánya, 2001.

Population changes were accelerated by the economic transformation following the change of regime. The region’s earlier industrial structure collapsed very quickly. Mining, metallurgy and other energy-intensive sectors (such as cement production, building material industry) completely broke down and almost 20 thousand jobs were terminated bringing heavy unemployment problems for Tatabánya and its environment. (Through the socialist “full employment” system was also a kind of hidden unemployment behind the walls). The aluminium factory was shut down in Tatabánya (its outdated equipment and high energy consumption

made it unprofitable even in the 1980s). The closing of cement factory, the brick factory in Tata and a significant reduction of production and staff in the telecommunication equipment factory, food industry and wool-spinning factory in Tatabánya were the next steps in crisis management. Some Budapest-centred plants employing women were also shut down (service co-operatives, repair service companies, component manufacturing plants etc.). At the end of year 1993 more than 12 thousand people were jobless in the Tatabánya micro region. The county seat alone had more than 6 thousand jobless residents (*Bencsik* 2000). Unemployment was the highest in Tata 10%, in Tatabánya 9.7% and in Oroszlány 8.2%. The surrounding settlements produced generally half-two-thirds of these values (an average of 5–8% the highest rate 16.7% was registered in Vértestolna, the lowest 4.9% in Vértesomló).

In Tatabánya the economic crisis lasted until the mid-1990s. Local economic development policy was based on the attraction of multinational firms and on the involvement of their venture capital into the economy to facilitate the restructuring of the area's industrial structure. The number of foreign-interested firms is 400 in the area with a capital asset value of 100 million Euro. 80 per cent of this sum is concentrated in Tatabánya. Another 0.5 billion HUF of new foreign venture capital has arrived in the city for building new factories, machines, assembly lines. All these reduced unemployment to half of the earlier 1993 rates (4% in Tatabánya micro region, 5% in Tata micro region, 6% in Oroszlány micro region). Car component manufacturing, electronic industry and the production of chemical industry and environment protection equipment turned into the main profiles of the economy of Tatabánya. About 40 enterprises are operating in the city's industrial park offering 6000 job opportunities (*Baráth–Molnár–Szépvölgyi* 2001).

In Tata the manufacturing of cooling equipment became dominating (such as Güntner-Tata, Helkama-Forste, Mirelta). The building-ceramics industry, the traditional but continuously developing sector of building material industry, also revived. The city and its environment are still in a shortage of industrial investors. The current investment projects are targeted at the development of the city's tertiary sectors of tourism and commerce. In Tata, the traditionally tourism-oriented city, the elite is interested in preserving the continuity of the bourgeois-aristocratic traditions and values. They are aware that that macroeconomic development alternatives and perspectives of the city being on the periphery of modernisation cannot support the hopes of the intelligence for the conservation of these value attitudes. For this reason they are not supporting the city's multinational-firm oriented development policy and making violent attacks against the ideas of modernisation interested groups. They are also opposing the programmes of 'developers' being ready to sacrifice the city's traditional image for change. They are interested in preserving the city's old traditions, in the development of the city's traditional values of spa and cultural tourism. However the 'modernisation party' is holding stronger

political positions now and they are using this political power for creating a double-sided situation. On the one hand they are moving the old, derelict industrial plants – brick factory, assembly lines – out of the city centre, on the other hand – following the example of Tatabánya – they are building an industrial park to compensate the loss of industrial jobs. This group would much more be interested in the involvement of the capital of external financial partners, but all the goods that were ‘on sale’ have already been sold, thus nobody can bring ‘economic salvation’ for the city by increasing the low financial resources of local public institutions. The ‘city of schools and pensioners’ image, the weakening of the earlier regional functions, the ill-traditions of subordination of local municipalities to county governance, all these continuing for several decades worked against bringing through local projects successfully. In other words, “the city has its own development speed’ but large-scale economic (industrial) development strategies do not fit into its strategy and neither offer an easy way to go out of the crisis. This strategy is rather offering a slow progress ‘in the shadow behind the city of Tatabánya’ through the ‘micro-industrialisation’ of local economy. It also very rarely occurs that development programmes meet the interests of industrial, military and modernisation oriented urban lobby groups.

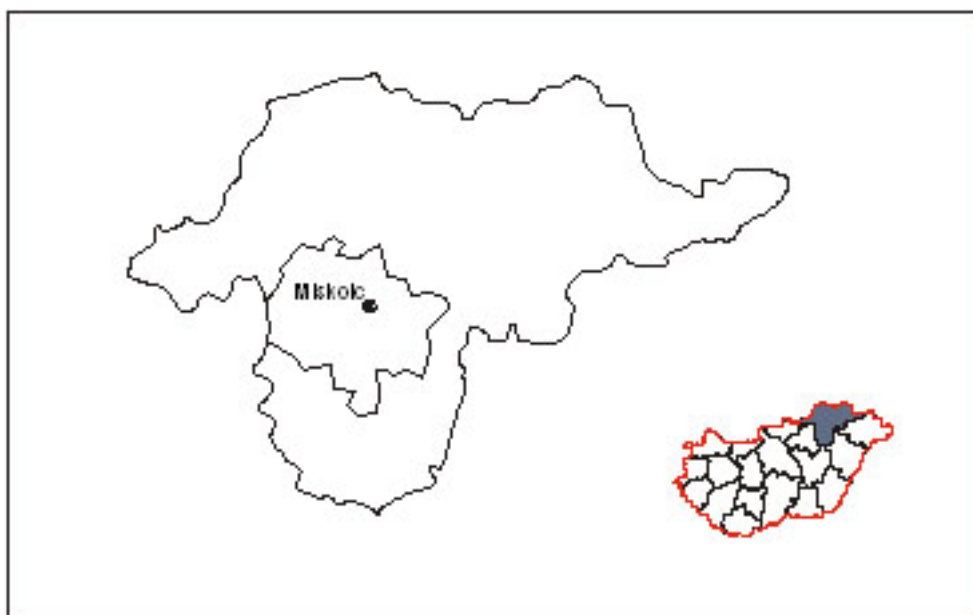
Oroszlány would need a few more years to modernise its economy. Due to the ambiguity of the objectives of the national energy policy the threat of shutting down the city’s power plant was maintained for several years. The closing down of power station alone would have raised the city’s unemployment to 40% as almost half of the city’s active wage earners are employed in the power plant – mine joint corporation. Today this threat has gone with the launch of retrofit programme in 2002. This programme provides flue gas desulphurisation filters to reduce the emission of power plant to comply with the European and Kyoto standards. The programme is extending the lifetime of corporation by 10–15 years in this way. The rapid development of the city’s industrial park and the stabilisation of the local budget resulted in fundamental changes regarding the city’s industrial structure. Textile industry and component manufacturing have leading role in the city’s economy through the activities of multinational firms in the industrial park (Kolo-man-Handler, Bau Wear-Text, Bebush Hungaria, GMD Hungary, Frimo, Weslin). The total volume of investments was 120 million Euro and by 2004 the number of jobs in the industrial park may rise to 2 thousand from the present 750. Experts say at least 300–350 jobs should be created in the city annually to get through the city’s structural crisis within a ten-year period. Agricultural food processing is the most typical branch of economy in the vicinity of Oroszlány, which in the majority of cases is completed with textile industry and component manufacturing (*Oroszlány város ... 2000*).

3.2 A short description of Miskolc and its environment

Miskolc and its environment are situated in the western part of Borsod-Abaúj-Zemplén County in the narrow valley of valley of river Sajó at the foot of Bükk hills (*Figure 3*).

Figure 3

Location of Miskolc and its subregion in Borsod-Abaúj-Zemplén County



Source: Edited by Ákos Szépvölgyi, West Hungarian Research Institute, CRS HAS.

The country's settlement system comprises Miskolc, the county seat, 16 other cities and 342 villages. The Miskolc agglomeration has another centre – Kazincbarcika – and ten villages in the outer agglomeration ring. The Ózd agglomeration area with Ózd, the centre, and eight other settlements are also parts of the Miskolc agglomeration. The area's transport geographical location is unfavourable as the nearest motorway – at present – is about 60 kilometres away from Miskolc and its environment (with the completion of the missing parts of the Trans-European Network the motorway will get closer to the city and will be accessible at Nyékládháza at a distance of 15 kilometres from Miskolc. The main road along the Slovak border connecting Nyékládháza and Torniosnémeti will go through Miskolc even after its transformation into a speedway). The low capacity of the city's entry road is

the main reason of the city's public road accessibility problems. Miskolc has good railway connections. During the 1990s the area had low attractive force on foreign venture capital. However, during the past ten years local institutions generated significant economic development in the city and its environment.

The economic development of the city and its environment is based on local iron ore having been discovered in the second third of the 1700s (Upponyi Mountains), on the woods of Bükk mountains and on the water supply of Garadna brook. The nearby forge mills were the predecessors of the Diósgyőr Iron Works having been opened in 1868. The transportation of raw materials was made possible by the railroad system having been completed by 1859. The local brown coal (Sajóháza 1786, Diósgyőr 1830) the extremely rich geological resources (earth silicon, zeolite, calcium sulphate, anhydrite, perlite, kaolin, rhyolite, tufa etc.) the existing manufacturing local traditions and trained workforce are very important factors of the area's economic development.

At the turn of the 19th and 20th centuries several processing and industrial plants were built in and around the city⁴ and the local infrastructure also significantly improved. This largely contributed to the development of industrial culture and to the growth of population before the years of World War I. The change of borders resulting from the Trianon Peace Treaty increased the socio-economic, commercial, financial, cultural, organisational roles of Miskolc. The economic prosperity of the Second World War gave another impulse to the city's socio-economic development. The losses and the aftermath of the War reduced the number of local residents to 109 thousand by 1945 but due to the high natural increase of population, industry generated immigration and the changes of administrative borders this number almost doubled by 1980 reaching the value of 213 thousand.

Since 1980 the number of population has fallen off by 40 thousand, this is an annual average of 2000. Today the city has a bit more than 170 thousand residents (the migration balance between 1990–2000 shows an annual deficit of 2300–500).

The county's declining industrial activities are clearly illustrated by diminishing industrial job opportunities. While in 1985 there were 140 thousand industrial jobs here but by 2000 this value dropped to 53 thousand. The late 1970s were the top years with a value of 150 thousand jobs. During the past ten years of restructuring chemical and light industries became the leading economic sectors and this structure seems to be maintained for a long-term period. In year 2000 the gross value of industrial production was 633 billion HUF in Komárom-Esztergom County (of

⁴ Such as: gas works (1882), telephone exchange (1885), soap factory (1892), stone dish and clay factory (1894), the start of tram traffic (1897), agricultural machine factory, locksmith's ware plant (1905), cement and concrete factory (1906), knitting and weaving mill (1911), brick factory (1912), ironware and machine factory (1912, 1929), steel wire and wirework factory (1912), food-canning factory (1923) etc.

them 67% was attained through export) while the far bigger and far more populated Borsod-Abaúj-Zemplén County produced only 649 billion HUF (with an export rate of 48%). By the GDP per capita indicator and the 80–85% of the Hungarian economic development average Borsod-Abaúj-Zemplén is the last among Hungarian counties. Heavy industry has good traditions in the county but it is too concentrated and too much involved in structural problems⁵. Finished industrial products generally have low procession content, they are very sensitive to business trend changes and the efficiency of their manufacturing process is also low (*Borsod-Abaúj-Zemplén megye...* 1998).

Miskolc has an enormous hegemony in the field of economic services (transportation, storage, postal, telecommunication services), wood processing, paper and printing industries (>90–95%), real estate business and trade-repair industries (approx. 90 and 80%) over the county's economy. Among industrial activities hardware, metal processing industries, electricity, gas, steam and water service industries are the most dominant in the city. One third of industrial products are sold within the local industrial sector, this is one-fifth of the value of county's total industrial product sales. Hardware and semi-finished products manufactured by the successors of the biggest state plants are amounting up to one quarter of the city's commercial export. The low demand for the city's industrial products on international markets and the city's only 10% representation in the county's total export are clear signs of structural problems. Several thousand jobs were terminated at the city's iron and steelworks, at the machine factory, at the local mines and at the wireworks plant. The glass factory and several other small-scale state companies were permanently shut down. Complete industrial sectors disappeared or got into a deep crisis during the economic restructuring period (mining and metallurgy were terminated, heavy chemical industry has undergone a complex transformation process).

All these produced higher unemployment in Miskolc and its environment than in Transdanubia or in Tatabánya and its environment. The unemployment average of Borsod-Abaúj-Zemplén County was the highest (15.3%) in 1977. In year 2000 this value was 11.7% while the national average was 6.4%. The unemployment indicator of Miskolc is still high 12% equalling up to 20 thousand jobless people.

The years coming after the change of regime brought positive changes for the economic structure of Miskolc and environment as well. The one-sided dull structure of the economy of the previous period was coloured by the emergence of new industries. Although this drastically reduced the volume of unproductive capacities,

⁵ The majority of the fixed asset value of the county's industry and more than two-thirds of the county's industrial jobs are concentrated in the Sajó Valley. At the same time only half of the county's total population are living there. Thus, the county has large areas having been left without industrial job opportunities.

equipment and jobs it was not followed by the construction or implantation of new jobs, new factories, new enterprises. For this reason creating new jobs in the city and its environment is one of the major tasks of the future.

Foreign venture capital came to the city mainly for purchasing property or capital share. For all that the number and importance of foreign oriented businesses is continuously growing but the speed of their growth is far below the speed experienced in other parts of Hungary. The shortage of capital is well illustrated by the fact that the volume of registered capital assets per company is only a little bit higher (53–54%) than the national average, while the amount of foreign capital per company is lower (45%) than the national average.

4 Microregional economic development strategies

Hungarian researches claim that economic transition takes place differently in every region and settlement. This is partly caused by the economic and social differences having accumulated in the past and the transition process, partly by the different features of the evolution of market economy.

Economic transition has common trends as well, that are derived from two major economic development strategies. In the first strategy local institutions including local governments are doing their best to involve external – mainly foreign – capital resources into local economy. In the second strategy local organisations facilitate economic restructuring through different forms of indirect or direct state assistance (*Keune 2001*).

In the case of our two sample areas a mixture of the two economic development strategies are applied. In the regionally more advanced Tatabánya micro region the central government's assistance was less dominant, while the role of market trends and external – mainly foreign – investors was stronger. At the same time in Oroszlány – a less developed city of the West Hungarian region – the privatisation problems of the transformation of the state socialist industrial structure badly need the active intervention of the state. In the economically less developed Miskolc region the intervention of the state – in several cases through the pressure of local society – is much more applied, as the involvement of foreign capital resources has smaller role in economic restructuring. The mixed application of the two economic development strategies is seen both in cities and their environment: in cities the effects of foreign capital investments are generally stronger than in rural areas, where the dominance of the state development policy is originating from the central government's rural development programmes.

The application of different economic development strategies depends on several factors: determinations, value preferences and problem management methods. By determinations we mean the choice alternatives of settlements and regions on their economic development strategies are determined by their historical background, infrastructure, by the presence of home and regional capital investors, by their geographical position and the market value of their local labour force. The role of institutional and social interests is extremely important here.

After the change of regime the creation of new job opportunities was the most important for groups standing on lower levels of social hierarchy. The impacts of global economy, the immigration of multinational firms were quick solutions for the problem of unemployment. The social and consuming demands of middle-class families were fulfilled by their rising incomes and by the widening range of products. Both the old and the new elite groups were interested in foreign capital-based economic development that will fulfil their expectations for acquiring high professional competence, everyday culture (knowledge of languages) and high lifestyle.

Due to the changed role of the state the new local institutions and local governments having been formed through the decentralisation of regional development had similar interests: when facing shortages of foreign capital resources, slow progress in building a bourgeois society, low financial resources, they quickly grabbed the opportunities that global markets offered them: getting relatively independent from the state, and achieving some freedom and autonomy. All these urged for making a consensus on the approval of globalisation and foreign-capital oriented economic development strategies.

At the same time more and more people are opposing this strategy and their opinions are supported by a series of scientific arguments pointing out the negative impacts and conflicts foreign capital investments create. A part of oppositions and arguments is standing on economic basis. The objections against foreign capital oriented economic development strategies are based on research results claiming that foreign-oriented large firms integrate neither local nor regional economy (or if so they integrate only a small segment). They are not increasing an area's labour market, just using cheap and untrained workforce only. They can do it because of the weakness of civil society and trade unions (*Keune-Nemes Nagy 2001*).

Another group of oppositions is targeted at the unfavourable social impacts and social conflicts this economic development strategy is bringing about. They argue that disparities and the social and environmental problems that globalisation creates are hindering even the development of the economy itself.

The concurrence of different economic development strategies is partly hindering and partly supporting the formulation of spatial economic relations and the co-operation of economic actors. State and global influences create a various level and intensity of external orientations and interest dependencies. At the same they are creating possibilities for regional economic actors for balancing out the impacts of

different external forces. They can increase their power and represent their interests through their global and regional co-operation system against the power of state while through the intensification of their interrelations with state and regional actors they can increase their power and influence against the powers of the global world.

5 The different phases of microregional development

Globalisation, the European regional integration, the impacts of the rise of bourgeois society are taking place at different stages of regional, urban and rural development. Empirical researches refer to the first one as *crisis management transformation phase* while the second one is defined as *recovery transformation phase*.

The differences between the two phases of our sample areas go back to the major features and key mechanisms of their socio-economic transformation. The co-operation between urban and rural areas, the partnership of social actors and the attitudes towards co-operation are also key aspects. The economic and social aspects of the major development concepts the representation and realisation of social interests with the share of social and economic aspects are another points of consideration. And finally, the actors' interpretation of competitiveness and success are very important when marking the border between the different phases of regional development. Although the two development stages of our sample areas are independent from each other, they have elements in common that are not bound to a certain time or period.

5.1 The features of crisis management transformation

Crisis management transformation is the period of economic restructuring, including the establishment of relevant regional development and political institutional system, the new phenomena originating from the domination of global economy, and the building of new connections between global and local economy.

In Tatabánya the restructuring of local economy started at this stage. Local economy turned into diversified, the city's earlier monofunctional (heavy industrial) profile was changed. The city's regional, local geographical features, its advantageous position on the Vienna-Budapest axis, the facilities of the M1 motorway offered innovative intervention possibilities in the field of urban development and planning. The city's connections with global economy also provided chances for the diversification of the earlier monofunctional, heavy industry dominated

economic structure. Foreign capital investments and the emerging new SMEs created a new corporate and enterprise structure to replace the earlier state company system and for easing the area's dependencies from the state.

As Miskolc has economic dominance over Borsod-Abaúj-Zemplén County, the city is trying to follow a metropolitan development model of a rigid economic structure in a relatively disadvantageous transport and geographic situation.

The most dominant features of this phase are as follows: changes in the centralisation of public finance, increasing state curtailments⁶ cutting down local tax revenues to be spent locally, in this way increasing the dependency of municipalities from the state. The dependency from market trends, global economy, foreign investors and multinational firms is also growing at this stage. But in Miskolc there are only 'hopes' for the coming of market-generated economic development.

Following the interventions of urban policy the management of the complex economic, social, political and environmental crisis started. The cities – especially Tatabánya – have successfully solved the majority of economic crisis issues having been accumulated during the past state socialist system. The environmental and social threats (such as environmental pollution, unemployment) have been eased at such places where the demands of economic transformation, mainly the interests of foreign capital oriented strategies had required it.

Crisis management transformation is characterised by the dominance of actors representing globalisation interests and by the defencelessness of regional actors.

Economic crisis management and the restructuring of urban economies resulted in the growth of regional and economic disparities. The speed of the integration to global economic trends is fast in case of Tatabánya but slower in Oroszlány and Miskolc. Due to the backwardness having been originated to the conception change and state socialism Tata is lagging behind these three cities and has an economic strategy focusing partly on the development of tourism, partly on the development of industry.

At this phase mostly core settlements such as Tatabánya, Miskolc, Oroszlány and Tata are affected by the influences of globalisation. The development of the

⁶ The increase of state curtailments is derived from the diminishing share of personal income revenues that can be spent locally. Starting from the value of 50% they were gradually cut down to a value of 5% by 2002 (interim values are 1992: 50%, 1993: 30%, 1996: 25%, 1997: 22%, 1998: 20%, 1999: 15%, 2000: 5%) during a ten-year period. They are also resulted from the decrease of relative and absolute (such as the state's contribution to settlement operation costs: 1993: 3,950 HUF per head, 1998: 1,200 HUF per head) from lowering the value of some elements of government grants and subventions, from the cutting down of general state support provided to the operation of villages, the low funding of additional grants for underdeveloped settlements, of housing management, of holiday resort functions, of social security costs and of child and youth care benefits). All these changes have significantly reduced the local revenues of settlements.

environment of these cities follows the economic and social pattern of core cities and also harmonises with the transformation mechanism of core areas.

The spatial relations of these cities were a bit contradictory in the past. The relationship of industrial cities with their environment was hierarchical for a long time. Mine cities – such as Tatabánya and Oroszlány – and Miskolc the industrial city enjoyed priorities in infrastructure development (although their importance within the central re-distributive mechanism was lower in the 1970–1970s than in the 1950s). At the beginning of the change of regime suburban municipalities were interested in separation and in the increase of their autonomy. The legal and economic background for meeting these demands had been created by the new local government act.

During the transition period the economy of villages in the environment of our sample cities was also prospering and this created new economic and social functions for these villages themselves. In the crisis period of the 1990s these villages provided jobs for the unemployed citizens. After the process of urban de-industrialisation many citizens moved out to the surrounding villages where life was cheaper or could find some job opportunities.

Urban agglomerations, with their better natural environment or suburban housing facilities attracted middle-class and high-class families to move out of city centres. The changing functions and the new social structure of urban agglomerations settlements transformed the relationship between core cities and their environment.

Our research started from the general hypothesis that regional co-operation is one of the most essential criteria of competitiveness and long-term success. Our results indicate that during the period of deep crisis, at the beginning of the crisis management period the city and its environment do not co-operate, they are functioning independently from each other. After the deep crisis period has gone the more intensive development of core cities than their periphery arises several municipal and social conflicts. Meanwhile the core cities do build a basic co-operation system with their environment. Later on, in the next phase of recovery transformation a more intensive system of spatial relations will be established between them.

The crisis management period was concentrating on the social aspects and interests of economic and regional development strategies. Other social aspects and interests have no or very limited chances to be taken into account. In the crisis management period development concepts do not represent a broad range of social interests and the chances of building concepts on the basis of wide social participation are very limited.

It is hard to define the social impacts of crisis management. The winners and losers of transformation cannot be exactly marked. In general the winners of transformation are the upper middle-class, the economic, political and bourgeois high society, the multinational firms and their Hungarian satellite SMEs and – at a

varying level – the relatively low trained and educated but young generation of middle-class society. The old generation, the previous miners, the unemployed, the commuters with low professional skills are in general the losers of transformation.

Some professional groups of the political elite and even of the middle-class were hit by some specific impacts of global economy. The emergence of multinational firms in the Hungarian market brought new wage and power disparities and pushed the earlier group of decision-makers into the background. Several people were forced to change their job or in quite a few cases those who were employed at multinational companies had to accept lower positions of their professional competence. These people are living in far worse housing conditions and receiving lower incomes than their foreign colleagues. However it is also true that North Hungary, having been excluded from the impacts of global economy is producing similar phenomena. In Miskolc several high professionals but bound to the earlier industrial structure had no other alternatives than leaving the city or taking low income positions that were totally unfitting to their professional competence.

Even the career chances of the political elite were quite contradictory. The importance of regional policymakers was increasing, as the management of multinational firms (in general) were not actively participating in regional policy, though they had significantly eased the problems of unemployment, one of the major sources of local social tensions. At present, the future of these regions depends on the present and future strategies of multinational firms and this is strongly reducing the actual significance of regional and local policies. For this reason a revision of the earlier development theories and the establishment of a professional and social consensus on the future of economy and society and on global and regional actors and their role are needed. For doing this, it seems, all the preconditions have been granted by now. As the latest Hungarian literature claims Hungarian economic development ‘is getting less dependant from foreign capital. At the same time greater attention is turned to the role of Hungarian investors, entrepreneurs and to the improvement of their handicapped positions’ (Hamar 2001).

5.2 The features of recovery transformation

Our research started from the assumption that at the phase of recovery transformation urban and regional development processes are turning into the carriers of social aspects and representations beyond economic interests. The new processes are based on such development concepts that represent a complexity of economic and social interests. This will create a balance between the interests of local and global economy and between economic and social aspects including environmental and civil society issues. The balancing of different aspects will give larger competitive

chances for regions and settlements by saving them from socio-economic tensions and problems resulting from the inappropriate representation of different development factors.

Research results revealed some processes pointing at the second stage of development. The co-operation of SMEs with multinational firms is a clear sign of the integration of global and local economies. The preparation of common economic, regional development programmes, the recognition of the common regional interests (such as the common regional criteria of the EU accession) of cities with their environment, are also very important indicators of the evolving new stage of development. The intensification of regional ties through the expansion of suburbanization, through the shaping horizontal co-operation of cities with their environment and increasing local and regional autonomies are all great steps forward.

The economic prosperity of advanced regions and settlements has positive impacts as well, such as the co-operation between local governments and social organisations will be a must. The interviews provided data on the development of civil organisations, on the co-operation of urban policy with local citizens but revealed some barriers as well. These are the inappropriate relationship of the state with local government and civil sectors, the scarcity of funding resources, poor infrastructure, the absence of co-operation among social actors, the slow rise of middle-class society, and its missing social basis. The activity of civil organisations was the largest in total among our sample areas but they are still unable to protect or represent their own interests in some cases. These organisations are not free of politics but they are neither organised by the interests of political parties. In the social context of cities they are somewhere between the parties and residential districts.

Both our research and regional-level opinion polls verify that during the crisis period of the 1990s the expectations addressed to the central and to the local governments were the strongest for the stability of jobs, for the security of their workplace, for the support of enterprises and for the promotion of investments. But another survey having been taken in the second half of the 1990s revealed a change of the earlier demands. The participants of this second survey claimed that beyond the security of jobs and workplaces and the support of enterprises the protection of the natural and built environment, the preservation of health, the development of residential area, the building of an urban milieu, the improvement of public transport, housing conditions, cultural and leisure facilities and the provision of a professional training system tailored to the employees' long-term interest are also very important for them. These new expectations can be realised through such development and success programmes and regional (urban) development concepts that are based on an integrated model of economy and society and maintain a good balance between economic and social development.

6 The social interpretation of regional co-operation, competitiveness and success

The unfavourable tendencies of the economic and social transformation of our sample areas, the existing conflicts, the several difficulties of regional co-operation have verified the relevance of the changes of paradigm in our sample areas, i.e. the necessity of a development strategy taking social aspects into account and regarding economic processes in their complexity. The demands for the continuity of development are felt mostly in the – relatively – ‘advanced regions, while the majority of ‘underdeveloped’ regions have a follow-up strategy only, concentrating only on crisis management and its economic instruments.

The regional, microregional and local variations of positive changes, the achieved economic results, the new economic structure and the existing social and microregional co-operation are favouring for the change of paradigm.

There is a consensus among the social actors of our sample area that the results of economy-focused success and its following competitiveness and development processes are disputable. At the same time the opinion of social actors on success and regional competitiveness is different depending on organisational structure and location.

The actors standing closer to economy are less and while the others bound more strongly to population and civil society are more aware of the importance of social aspects.

Success and the ability for success can be measured in several ways. Political success is something like saving a local natural value, maintaining an organisation, or lobbying for financial support for changing something. A local businessman ready to invest heavy sums into industrial projects can be considered as successful as someone else whose professional competence and fame goes beyond county borders. Thus, success is not always a pure economic or business or municipal category. Hungarians tend to believe that everything that may be regarded a success – a project, a social event or winning state support – seems to be flagged as the success of the ruling party and everything that fails is ‘the consequence of the opposition’s fussiness’. The civil society of these cities is not integrated and cannot clearly recognise the long-term interests of different groups and circles. The civil actors have only short-term tactics, small compromises, even more faint hopes, differentiated financial resources, short-term success policies and failure eliminating tactics. They have less and more functions than a local society at the same time. They can (still) turn into local society but beyond concentrating on selfish local objectives there should be a necessity for the representation of regional and neighbourhood interests as well. If ‘non-voters’ and the actors of civil society can repre-

sent and limit their interests in a more articulated manner than it will come the time to select those NGOs that can efficiently influence local public life.

Regional co-operation is also a part of the criteria system of the new interpretation of competitiveness and success. Our research results, the crisis management of the early 1990s, the demands of transformation were neither facilitating nor favouring for conflict-free regional co-operation. The management of complex – mostly economic – crisis after the change of regime, the restructuring carried out through foreign capital oriented economic development strategies rather generated conflicts and unwillingness for co-operation among cities, regions and villages. The position of settlements co-operating during the complex socio-economic crisis of the 1990s was not equal. Beyond historical hierarchies new regional and social disparities evolved among cities and between cities and their environment. These disparities are originated from differences in regional position, in the accommodation of foreign capital oriented economic development strategies, in the relationship between local power and civil societies and in the civil society's intervention intensity into local affairs.

At this stage of development those settlements are in more favourable power, economic and social position that have better regional, transport geography positions and infrastructure facilities. The historical features, the spatial positions achieved during state socialism and better accommodation conditions of foreign capital oriented economic strategies may increase these advantages. Of them international management relations, conceptual urban policy directives and an institutional system capable for winning the support of civil organisations and a wide range of residential groups (employees) and media are the most important.

At the beginning of transition the social and spatial conflicts are not sharp. The dependency of city environment – with the existing conflicts of interests – from the development process of the core is clearly seen. The core's success in tackling the crisis will improve spatial relations but this improvement will also result from the new economic (satellite firms) and social (suburban) functions of the city environment and the transmission of the core's positive impacts. If the core's crisis situation has been stabilised – like in case of Miskolc and its environment – the development of suburban settlements will take place independently from the core.

As the deep crisis has gone the change of spatial relations is determined by the earlier phase of economic transformation and development. New urbanisation trends, global economic co-operation and the European Union's tendering system bring new trends into regional level social relations. Although regional level social conflicts still exist, there is a growing demand for regional co-operation.

The changing interests of social actors also facilitate changes. The negative impacts of the previous development concepts on social actors also increase the demand for co-operation. The economic actors of cities and their environment, municipalities and some professional groups have realised that spatial relations may

have great influence on local or even global competitiveness and chances for success. Co-operation is a must both for core cities and their environment because it increases a region's competitiveness and puts participants into higher power position.

All these verify our opinion that long-term competitiveness has not only economic but social components as well, such as regional co-operation and autonomy standing on the basis of social participation and relations. Only an autonomous partner or partnership group co-operating with regional and social actors can be competitive or successful in the world of globalisation.

All these require changes in the interpretation of success standing not only on economic but on social basis as well and changes in urban and regional development concepts to follow the new paradigm. The change of attitudes towards success is bringing a new approach to competition criteria that will ensure complex – economic and social – development for regional and urban societies. That is what may bring real success for them.

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