Culture Shock in Public-Private Partnerships: Examining P3 from a Cultural Perspective in Hungary

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Abstract

Ask for a definition of the word *public-private partnership* in a room filled with people from different cultures, and their answers may differ remarkably. The American of the group might refer to privatization and contracting out of traditional government services. A Dutch person might think of a network of public and private actors, negotiating to deliver services in unison. A Hungarian may think of completely different consequences, such as opening up government to public actors, helping to strengthen democratic institutions. While some proponents of this form of market governance may present these features of public-private partnerships as a single package, it remains important to understand that the effectiveness and type of public-private partnership will vary according to culture. This has particular implications for the influence of PPP on sustainable development.

This paper will examine the role of public-private partnerships in breaking down hierarchical structures and helping to better achieve sustainable development. It will also examine the role that cultural factors play when exploring the potential advantages and disadvantages of public-private partnerships. It will use Hungary as an example of how culture influences how the government interprets public-private partnerships. With its recent accession to the European Union and the quick transfer to a market-based economy, Hungary has been driven to a style of governance closely related to an American model of the welfare state, one based on neo-liberal principles of economic efficiency. These principles, while they may be effective in a country with a weak tradition of government intervention and strong business interests, can be less effective in a country where local industry is fragile, and there's been a long tradition of some form of corporatist governance.[1]

Introduction

While bureaucrats and political scientists may share some opinions on the potential advantages of public-private partnerships, bureaucrats tend to focus on the economic benefits, while academics expand their praise for these political arrangements into other areas. For example, a European Commission funded document on *Guidelines for Successful Public-Private Partnerships* reports that alliances between the public and private sector offer a number of advantages: "These include the ability to raise additional finance in an environment of budgetary restrictions, make the best use of private sector operational efficiencies to reduce cost and increase quality to the public and the ability to speed up infrastructure development." (European Commission, 2003) Academic proponents of public-private partnerships accept these economic arguments, but also add benefits that relate to the political sphere. These benefits can include increased political participation and greater legitimacy for projects (Börzel & Risse, 2002; McLaughlin & Osborne, 2000; McQuaid, 2000). One might go so far as to argue that public-private partnerships could be seen as a tool to try to counter declining levels of social capital. The idea of increased political participation has particular appeal for people concerned about the lack of a democratic tradition in developing countries, including those countries that joined the European Union in 2004.

The idea that public-private partnerships can produce more than just increasingly effective delivery of government services has led some academics to examine whether these modes of governance can help to achieve sustainable development. Sustainable development, in this case, is based on the ideas produced in Brundtland Report of 1987, which came out of an effort by the United Nations to recommend ways that society could balance the needs of

[1] This is a working paper. You can find the latest version at http://www.utwente.nl/cstm/working-papers/ppp-culture-shock.pdf.

economic development while maintaining a healthy environment. Sustainable development, according to the report, strives for three key objectives: innovation in social and environmental policy to achieve a resource-efficient economy; improvement in economic welfare and quality of life in developing countries; and the promotion of a healthy natural environment with resources used and conserved wisely. Some academics have abridged the concept of sustainable development into an alliteration of ideas: economics, environment, and equality. Not only does economic growth need to be balanced with a use of natural resources that won't lead to harmful environmental degradation and hardship for future generations, but these goals must be accomplished within a setting that sees social equality or justice as important.[2]

The challenges involved in achieving sustainable development also coincide with doubts over the ability of governments to efficiently effect change through hierarchical, bureaucratic decision making. One common image of bureaucracies depicts an organization slow to adapt to changing situations. Those who accept this image often use it to belittle bureaucracies, but hierarchies are designed with organizational stability in mind. As some sociologists argue, hierarchical organizations are meant to enforce cohesion with a strong focus on structure and order. According to Michel Schwarz and Michael Thompson, hierarchies achieve this cohesion through "ritualism and sacrifice" as transactions funnel through their proper channels and members of the organization are taught to know their positions within the hierarchy. (1990) Of course, hierarchical organizations can display innovation and intelligent behaviour. The real issue for academics is whether a purely hierarchical organization can respond to rapidly changing situations, which seems to be an increasing norm as the information age continues to advance and accelerate. Hierarchical organizations have little time to reinvent themselves according to new demands and scenarios. One might consider the current difficulties of U.S. intelligence-gathering agencies as an example of this, as critics have claimed they were unable to shift quickly enough from a Cold War mentality. Of course, organizations are more than just a series of rules, and the people within those organizations often find ways to circumvent formal structures that are designed to maintain order. (Bowditch & Buono, 2001) But ultimately, while an informal culture may give a hierarchical organization some flexibility, these actions run contrary to the organization's formal culture, and rather than suggesting dynamism and an ability to rapidly change, these conflicts can lead to difficulty and dysfunction over the long term. In a time of dynamic change further accelerated by the advancement of the information age, organizations need to focus on flexibility. Given hierarchy's penchant for procedure, then, these hierarchical types of organization seem less capable of coping with complex conditions. (Noordegraaf, 2003) Researchers don't need to look far to find examples of bureaucracies attempting to stay ahead of scientific change. While the *polis* has been unable to determine the moral implications of genetically-modified organisms and stem-cell research, science presses on in the absence of political consensus. Scientific change seems to outpace the ability of bureaucracies to regulate its growth so as to minimize any negative impacts on society.

[2] Defining social equality, of course, is an extremely difficult task. Douglas Rae (1981), for example, systematically defines the term and finds at least 108 ways in which one could measure equality. Some of the factors that one could use to measure equality include individual vs. group equality, relative vs. absolute equality, and means-regarding vs. prospect-regarding equality opportunity. H. Peyton Young (1995) identifies three philosophical bases from which the term has been defined and used in real-world situations: Aristotelian equality, which asserts that benefits should be divided equally; egalitarian equality, which believes that goods should be divided in a way that maximizes the total benefit to all claimants; and Rawlsian equality, in which the least well-off group in society should be made as well off as possible. All three forms find practical expression in society.

The great irony is that while we may have accumulated an astounding amount of knowledge about society—through both the physical and social sciences—which should help us to better understand the world around us, this knowledge has become so complex that some believe we are unable to completely control it. Not only is this complexity caused by the increased speed of innovation, but also by what Anthony Giddens calls the *reflexivity of modernity*. While social scientists learn more about society, this knowledge is then cycled back into society, hence changing it: “The development of sociological knowledge is parasitical upon lay agents’ concepts; … notions coined in the meta-languages of the social sciences routinely reenter the universe of actions they were initially formulated to describe or account for.” (Giddens, 1990, p. 15) A simplified example of this concept might be the use of polling to gather public opinions. Polls are meant to take a snapshot of how people feel at a particular time; yet, publishing those polls via the media also ends up changing people’s opinions about society (which then requires more polling). Giddens’ suggestion is that ideas in sociology, economics, and political science feed into society via its influence on bureaucratic institutions and leaders in other fields. This information makes its way to the media and then on to society. This “feed-in” ends up changing society, making old theories and existing knowledge obsolete. Each new advance in information technology has only worked to increase this pace of change and the speed of this cycle. The age of modernity, Giddens claims, has reached a radical stage. Hierarchies are not only less able to deal with the pace of change, but society itself has been rejecting historicity (“the use of knowledge about the past as a means of breaking with it”) and tradition more than ever before. (p. 50) We are oriented to a future, and our hierarchies—designed to create stability—are becoming less effective.

Given the fact that hierarchical organizations are designed to promote stability in a relatively static world, and given the problem of reflexivity, it seems clear why governments and academics have sought other modes of organization.[3] The solution for some is the dynamism of markets. For this reason, policy analysts have tried to combine the benefits of the public and private sectors in various models of market governance—quasi-markets, privatization, and public-private partnerships. Relationships that involve the dynamism of markets without completely rejecting the guidance of a hierarchy, some academics claim, may be better able to compensate for the increased dynamism in society, and hence may also be better able to achieve sustainable development. The assumptions behind fully functioning markets, as espoused by neo-liberal thinkers, are well-known. Healthy competition compels firms to offer similar goods and services at the lowest possible price. Such thinking underplays some of the arguments that support public-private partnerships. Markets are inherently more price efficient than government bureaucracies, so valuable public services can be delivered at a lower cost through the private sector, and opening government to private forces can also discipline government departments. Yet, even these thinkers acknowledge that the state has some role to play, if only to correct the “failures” of markets, such as their inability to react in the long term or the tendency towards monopoly. The growing consensus around the price efficiency associated with markets holds obvious appeal to governments faced with budget shortfalls. In a way, governments want to have it all—they want to be able to harness the economic efficiencies found in the marketplace while at the same time holding on to the same political levers that are the mainstay of the welfare state, such as income redistribution and various social programs.

[3] Of course, not all academics accept the futility of bureaucracy and hierarchy argument. Some great achievements in environmental policy have derived from government regulation and hierarchical decision making, such as banning leaded gasoline from motor vehicles. (Golub, 1998) For an interesting piece on the successes and failures of markets, see Robert Kuttner’s *Everything for Sale: The Virtues and Limits of Markets*. (1996)

This paper works from the assumption that dissolving large hierarchies can lead to greater dynamism, which seems a necessarily step toward the goal of sustainable development. However, different types of public-private partnerships will lead to differing visions of the functions of government and bureaucracy, which will influence the question of whether public-private partnerships help or hinder sustainable development. Undoubtedly, delivering the same services at a better price cannot hurt sustainability; however, the question remains whether public-private partnerships have any influence on the remaining two elements of sustainable development—the environment and equality. The purpose of this paper is two-fold. First, it aims to show that certain types of public-private partnerships have greater potential to assist in achieving more dynamic government and sustainable development. Second, this paper intends to explore whether cultural and institutional settings—or a particular *regime type*—will lead to different policy preferences and, by extension, different forms of public-private partnerships. Certainly, the reasons for adopting public-private partnerships vary by jurisdiction, and even looking at these justifications can help to indicate whether public-private partnerships will be useful as a tool for sustainable development. To exemplify these questions, this paper will briefly explore how the national government of Hungary has chosen to implement public-private partnerships and will show that their implementation has little to do with dissolving hierarchies or changing the way government operates, but more to do with political expediency.

Refining Culture for Analyses

Policy makers and academics may feel uncomfortable with the notion of culture because they believe concepts like "culture" and "history" are too vague for proper social-scientific analysis. Culture, after all, is not a quantifiable and measurable category. (Wegener, 2000) However, even if one uses qualitative methods of analysis to identify cultures, a number of concerns still appear. First is how to deal with a singular "culture" in a multi-cultural world, or even how to deal with regions within a particular country. Certainly, few would argue that policy development in Alberta, Canada, a fiscally and socially conservative region of the country, is similar to that in Québec, Canada, a much more liberal region. As well, as cultural theorists Michael Thompson, Aaron Wildavsky, and Richard Ellis argue, "The tendency to attach culture to nations persists despite strong evidence suggesting that variation in political attitudes and values within countries are often greater than those between countries." In other words, a conservative living in France will have more in common with a conservative German than with a French Marxist. (1990) Yet, these critiques are manageable if one accepts that qualitative and quantitative data must be combined for a proper analysis of the subject. As well, one must also accept that while the concept of a single culture remains difficult to assess in a multi-cultural world, one can still analyze an aggregate of cultures within a nation to speak of its character, at least in reference to policy making (and a nation can refer to a country or a region). Furthermore, while society may be fluid, the institutions that guide those cultures are less fluid (as discussed previously), and therefore, more easily analyzed through this cultural lens.

Culture is an important unit of analysis because it guides policy preferences for various institutions. If a particular policy runs counter to the cultural values of an organization, then it may either implement the policy incorrectly or may resist it to such a degree that the policy ends up failing. Resistance to these policies can run both inside the organization attempting to implement it, and also in society at large. Cultural values lead to certain assumptions that governing institutions use when developing legal and political frameworks. For example, Dave Huitema, in a comparison of Canada, the Netherlands, and the UK in issues of siting hazardous waste, argues that the UK government prefers unregulated research science and avoids overburdening industry while the Canadian and Dutch governments show a greater willingness to regulate science and to intervene in the economy. This leads to the UK creating policies which place the burden of proof for denying certain licenses on the government, while in the Netherlands and Canada, the burden is on the applicant to prove that they deserve a license. (Huitema, 2002)

One of the most useful theoretical bodies for analysing culture in a policy preference perspective is the literature on regime types. The idea of regime types, re-popularized by Gøsta Esping-Andersen's famous work *The Three Worlds of Welfare Capitalism*, argues that countries policy preferences cluster around different arrangements of the three pillars of the welfare state: the state, the market, and the family. (1990) Each of these institutions within the welfare state supports individuals during times of need. Take the example of people who retire. Each of these three institutions may support individuals during this time, as they are no longer producing income to support themselves. State-sponsored pensions are, of course, well known in Western welfare states; however, private-sector pensions also exist. In Canada, for example, the government attempts to promote private-sector pensions by allowing people to deposit a percentage of income into a private retirement fund (an RRSP—a registered retirement savings plan) without paying taxes on that income. Where state and private-sector pensions fail, families represent another level of support for the aged, as parents can rely on their children for some support. In Western welfare states, none of these pillars exists in isolation; however, one tends to receive emphasis over the other two.

Esping-Andersen groups welfare-state development into three regime-types: liberal (market biased), corporatist-statist (family biased), and social democratic (state biased). The first, identified by Anglo-Saxon countries like Britain, the United States, and Canada, derives from a liberal tradition of *laissez-faire*. One feature of these states is that they tend to emphasize labour as a commodity. In other words, a person's survival is contingent on the sale of their labour. These regimes also emphasize class differences, as these states tend to institute means-based social welfare schemes that stigmatise those collecting social assistance. The second regime, as exemplified by Austria, France, Germany, and Italy, represents states that aim to maintain old class differences, and in which the development of the welfare state very much relied on the idea of *noblesse oblige*. These regimes, Esping-Andersen argues, were on the vanguard of creating the welfare state, as they were interested in using these schemes to maintain the traditional order of society. In fact, Otto van Bismarck—the first Chancellor of a newly unified Germany in 1871—was the first to implement a pension scheme for the working classes in the 1890s. The third regime, most often seen in the Scandinavian countries, represents those areas most heavily influenced by the urban labour movement and various other groups (as demonstrated in the "red-green coalitions" of Norway and Sweden, as labourers joined with small, capital-intensive family farmers to further their interests at the turn of the 20th century). These states, according to Esping-Andersen, are the most likely to have low levels of labour commodification as well as the least amount of social stratification. Benefits are high and social equality is considered an important political goal.

Regime types are important because they influence policy preferences and work as one indicator of whether a particular policy action will succeed. Particular regimes will be more likely to accept policy action depending on their fit with existing cultural and institutional values. Researchers Robert Goodin, Bruce Headey, Audun Ruud, and Henk-Jan Dirven have done significant empirical work in the field of regime types to find a connection between regime types and policy preferences as outlined by Esping-Andersen. (Goodin, Headey, Ruud, & Dirven, 1999) Morten Blekesaune and Jill Quadagno, in their own attempt to test the idea of regime types, found a strong correlation between egalitarian, socio-democratic nations and less resistance (both from institutions and the general population) to redistributive efforts. They found that national differences between attitudes to welfare state policies clearly differed between the three regime types. In an analysis of redistributive policies for unemployment, retirement, and health care, they argue that “Egalitarian [social democratic] nations have more positive public attitudes toward active welfare state policies toward the unemployed, but not for the sick and the old.” (Blekesaune & Quadagno, 2003) The researchers found this division significant, though not surprising. One would expect, they argue, that self-interest appears when talking about sickness and age (from which no one reasonable expects to escape), so differences between regime types on this issue should be low. Unemployment, they argue, best reflects the ideological preferences of various nations because it reflects less on self-interest.

Given differences in policy preferences, it’s interesting to see how regimes from one type take reforms from nations of another type and rework them to their institutional and cultural setting. Henrik Bang, in an examination of culture governance, demonstrates how the Danish government adopted American-style reforms under the rubric of New Public Management, but adapted the policy’s intent to their situation. Generally, New Public Management involves flattening the differences between public and private sector organizations and reducing the discretionary power of upper-level managers, especially over staff, contracts, and money. (Dunleavy & Hood, 1994) Given the neo-liberal economic values entrenched in the United States, it remains logical that these ideas would derive from North America. Private-sector institutions are seen as inherently superior, and government bureaucracies are viewed with distrust. These American-style reforms not only attempt to bring private-sector values to the public-sector, they also attempt to bring government decision-making closer to the “ground,” with decisions made at lower levels of the hierarchy, which in theory, should mean government being more responsive to local needs. Yet, when adapting these reforms to social-democratic-inspired nations like Denmark, some aspects of these reforms were simply ignored:

> However, when NPM’s mantra often functions in a Danish context, … it is *not* primarily due to the kind of depoliticization of administrators and citizens in the ‘boutique Denmark’ which seems so dear to party politicians acting from a hierarchical and rational goal model. On the contrary, it is because both the administration and the users have recognized that creating the desired results requires that they expand self-governance and enter into partnerships, providing for the very kind of wholeness and coherence that their politicians strive for but cannot obtain directly by their abstract models of hierarchy and rational goal attainment (Bang, 2004, p. 168).

Rather than trying to satisfy the citizen by making government more like industry—turning citizens into consumers and civil servants into service providers—the Danish government has managed to make the bureaucracy more responsive to citizens by implementing only those aspects of New Public Management that moved decision-making down the chain. The goal is not to “depoliticize” bureaucracy, because the Danes do not have the same distrust of bureaucracy as Americans. The Danes’ implementation of New Public Management, called New Perspectives on the Public Service, embraces the Danes’ strong tradition of top-down steering and their tradition of self- and co-regulation from below.

Fredrik von Malmborg, in a valuable study on the application of public-private partnerships in Sweden, not only analyzes the match between organizational cultures in the public and private sectors, but also looks at the importance of cultural and institutional settings. One important aspect of this study was that:

> [the] findings of this study add to the theories put forward by Kouwenhoven and particularly Benson by stressing that effective collaboration is not only dependent on the relationship

> between the collaborating organizations, but also on the characteristics of the organizations themselves and the institutional environments of each organization (e.g. rationalized myths among SMEs [Small and Medium-Sized Enterprises]) *The latter also provides evidence for the assumed need for research on partnerships in different countries, if practical policy guidance is to be provided*. (2003, p. 145, emphasis added)

Cultural factors, in this analysis, are important in being able to predict the success or failure of particular projects. Of course, culture is only one factor of many, but it should not be ignored.

Authors often use the idea of regime types and cultures and relate them to an idea of path dependency to explain policy preference. The path dependency argument basically states that organizations will adopt policies that most closely match their existing structures because they present the fewest costs (certainly in cases with increasing returns from maintaining a certain standard and sometimes in cases with constant returns). (Arthur, 1989) The most common example of path dependency offered in the literature is that of the QWERTY keyboard. The current keyboard that the English-speaking world uses was designed in the 1920s in such a way as to slow down typists, lest they jam the keys on their typewriters. Generally, keystrokes aren't evenly distributed between the left and right hand of the keyboard (on average, 60% of keystrokes occur on the left side of the keyboard), and some of the most common letters aren't found on the home row. While some argue that the DVORAK layout would be a better approach, few want to invest the time to learn a new keyboard layout. The industry is locked into this approach, at least until the computer industry finds a more efficient means of entering data than a keyboard.[4] (Woerdman, 2003) This idea has been applied to the level of bureaucracies and governments. According to Atle Midttun and Eirik Svindland, "this selection builds on nation-specific competencies and predispositions ... [and] it is conceivable that a self-reinforcing build-up of diverging path-dependent regulatory strategies in two countries or regions…" (2001, p. 111) The important issue to realize is not only the resistance that certain policies (and types of public-private partnerships, by extension) will encounter within particular regimes, but that the cost of implementing those policies may also vary by regime.

One must be careful with the regime type and path dependency claim, however, as one can take the argument too far. Path dependency and regime types don't preclude radical change. They simply point out that in certain scenarios, organizations will fail to choose a more efficient option because the costs of implementing that option are too high. In all likelihood, radical change most likely occurs because of an extreme event to which organizations and countries must adjust, or because of outside influences forcing decisions upon a country.[5] And if radical change is forced by outside organizations, the question must be asked whether the added costs of an imposed a solution, which do not match with a regime type, are justified by the benefits.

The Role of Public-Private Partnership within a Regime

The term public-private partnership suggests a relatively simple concept—public and private organizations working together in a partnership; however, the term is deceptively variable. If a single definition existed for public-private partnerships, researchers could examine their

[4] Of course, even these assertions are controversial in some circles. And, of course, one must keep in mind that the DVORAK keyboard is optimized for those typing in the English language, so there's little motivation for non-English typists to select this format. QWERTY happens to be the most easily agreed upon standard.
[5] These outside forces can include inter-governmental organizations like the World Bank and International Monetary Fund, for example.

role within particular regimes to analyze the success in implementation. Yet, the problem with the term is that it remains open to interpretation. Researchers in the field often identify five or six different types of public-private partnerships. This variability leads to many misunderstandings when discussing the advantages and disadvantages of public-private partnerships, as members of different communities usually have their specific type in mind when they formulate their arguments. This can also make public debate very difficult, because where one group may assume that public-private partnerships work as a form of privatization and abdication of government responsibility, a proponent may see it as a tool to include more actors in the public process.

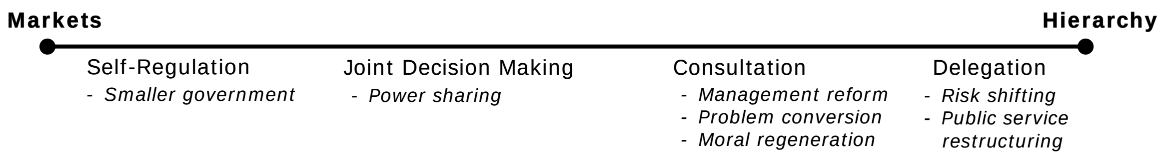
Tanja Börzel and Thomas Risse identify four archetypical public-private partnerships.[6] The first type is **consultation**, which the authors consider the most common and weakest form of partnership. One reason why this form of partnership may be the most widespread is that it's the easiest to implement and also allows governments to retain existing structures. In essence, the government manages to expand its base of knowledge and can also gain some credibility within various communities through closer relationships, whether with NGOs or business. Other parties also receive some benefits with more access to government decision makers, so that they can hope to gain some influence. The second type is **delegation** of public goals, usually through some form of outsourcing. This type of public-private partnership also has particular appeal for governments seeking cost savings, as it gives them a more "flexible" work force. From one perspective, this can mean the government can more rapidly shift its resources from one project to another, giving it a degree of dynamism. From another perspective, it also allows governments to circumvent public-sector unions by contacting out to the lowest bidder. A few examples that the authors point to include the International Standardization Organization (ISO) and the Committee for European Normalization (CEN). The third type of public-private partnership has the most interesting implications for hierarchical structures and represents perhaps the most radical shift in government organization—**joint decision-making**. In this case, governments do more than just consult or contract out to the private sector, but actually give these groups a meaningful role in the decision-making process. One example of this joint decision-making process is with the World Commission on Dams (WCD), where negotiating mechanism reconcile the construction of big dams with principles of sustainable development. Organizations outside of the government help decide the political goals as well as make comments on economic feasibility. The fourth type that the authors identify is **self-regulation in the shadow of hierarchy**, where the government doesn't so much work in partnership with other organizations, but works more as a referee loosely interpreting the rules of conduct. In this regime, governments walk quietly and carry big sticks. This self-regulation usually works best when a number of large, high-profile companies control an industry. A classic example is the chemical industry's reaction to a massive chemical spill in Bhopal, India in 1984. In this incident, gas leaked from a tank of methyl isocyanate, killing approximately 3,800 people and injuring many others. In reaction, the major industries of the time met and drew up new codes of conduct. Rather than have the government regulate the problem, industry wanted to prove it could govern itself. (Johnston, 2004) The threat of regulation is important in this case. While some may point to falling stock prices as the incentive for change—and hence,

[6] The authors actually identify five types of public-private partnerships, but their fifth, but their own admission, remains questionable as to whether it represents a real partnership—state adoption of privately-negotiated regimes. Essentially, in this case, the government legitimizes activity that has already been performed in the private sector, accepting it as a *de facto* standard for a particular activity. Registration of domain names on the Internet as an example, though of course, some government bodies have complained that allowing for corporate control over domain name registration has, in a backhanded way, given the U.S. government and corporation more control over the Internet, which represents more than just an economic interest and a market.

the market encouraging good corporate behaviour—the reason that the chemical industry made these changes was because of the *threat* of government intervention. The organizations knew they had to effect real changes to their industry, otherwise the government would impose its own solution.

Stephen Linder and Pauline Rosenau identify six forms of public-private partnerships, but rather than analyze the structure of public-private partnerships, they look at the primary rationale behind their use. Rather than speaking of the end result, such as “more effective service delivery” or “more cost-effective government”, Linder and Rosenau analyse the kinds of changes that policy analysts believe will occur that will lead to these objectives. Quite often, the rationale for change involves some kind of government restructuring, whether ideologically or organisationally. Each of these objectives, in fact, can coincide with three of the four structures outlined by Börzel and Risse—consultation, delegation, and joint decision-making. The one rationale that coincides almost perfectly with a particular structure is the idea of **power sharing**, which needs no further explanation at this point. In regards to delegation, one could place the idea of **risk shifting** and **restructuring public service**. Risk shifting generally means that government feels the private sector can assume some of the financial risks of a project in exchange for profits (some argue that businesses, with specialized knowledge in a field, can adopt a project at a lower cost, so the risk transference ends up costing the government very little; others disagree). Public-service restructuring generally involves contracting out services and giving government more “flexibility” with its workforce (as discussed earlier). Finally, in regards to consultation, one could categorize **management reform**, **problem conversion**, and **moral regeneration**. Essentially, these three rationales involve changing the way bureaucracies approach particular problems. Whether it means an ideological change (the use of more market-based principles of management, as implied in New Public Management) or refocusing on new types of problems, the fundamental structure of bureaucracies remain relatively consistent. (Linder and Rosenau, 2002) Interestingly, the structure of self-regulation does not appear to fit easily within any of the goals. One could argue that the goal of self-regulation involves the elimination of government. Yet, as has been pointed our earlier, effective self-regulation still requires the threat of government. Clearly, dissolving all government’s ability to oversee an industry remains unrealistic to all except the most ideologically strident. The government must remain at least a silent partner in this form of public-private partnership.

When analyzing public-private partnerships from the perspective of hierarchical decision making, one can place these definitions onto a continuum. On one side of the spectrum lies pure market governance, where governments play a minimal role in directing the economy, stepping in only when markets fail. On the other end of the spectrum lies purely hierarchical government, where decisions in a particular field are completed within the bureaucracy and those decisions are implemented by providing government services. The distinctions are important, because if one assumes that sustainable development requires the dismantling of hierarchical structures, then clearly those public-private partnerships on the right side of the scale seem less adequate.



The final point is that while one might define a public-private partnership by selecting a point on this continuum, some public-private partnerships can involve more than one form and goal.

Those forms of public-private partnerships that include market elements from this continuum, then, represent more fundamental transformations of government, and may also be better able to meet the challenges of sustainable development. However, this should not imply that those solutions which look primarily at markets represent a better solution. Purely market-based governance also presents its own problems for sustainable development. Some academics have attempted to argue that industry, through concepts like corporate social responsibility and self-regulation in the shadow of hierarchy, can adjust to assume some of the responsibilities entailed in sustainable development. For example, environmental and social reporting have appeared in some corporate reports, and some countries have begun to push corporations in this direction. Norway, for example, introduced corporate environmental reporting as part of its financial reporting in 1998, which is supposed to increase awareness about environmental concerns and also increase market pressures on companies to change their practices. (Ruud, Forthcoming) In this vision of government, the main goal is for government to enforce particular standards of transparency so that investors and consumers can make informed decisions. Yet, while transparency is an important and admirable goal, it also seems difficult to reconcile corporate ethics with environmental and social goals. As Lucas Bergkamp has argued "Sharing responsibilities, by definition, results in confusing and diluting responsibilities and the corresponding procedures. Once corporations have accepted responsibilities for the public good, the government has a legitimate reason to intervene in corporate decision making if corporations do not discharge those responsibilities adequately. Consequently, in the end, corporations will be managed by state bureaucracies or by stake-holder committees." (2002) By definition, Berkamp argues, the goal of the corporation is to make a profit. While it may use tools like corporate social responsibility as a method of competing with other firms, one should not expect a systematic use of corporate goodwill to have a significant impact on social and environmental problems. Henry Mintzberg, a management expert at the McGill University, also maintains that a proper distinction exists between public and private realms. For Mintzberg, the problem is multi-fold. First, no matter how much information is supplied to the consumer, they never have the same amount of information as the seller. Beyond these difficulties of incomplete information, three assumptions of business management "collapse" under the assumptions of government: that particular activities can be isolated from one another and from direct authority, that performance can be fully and properly evaluated by objective measures, and that activities can be entrusted to autonomous professional managers held responsible for performance. (1996) In essence, what both these authors (and others) are pointing out is that a fundamental difference exists between certain public and private responsibilities. Certainly, in some cases, one might question whether a particular service belongs in one camp or another, but a difference still exists. While forms of self-governance can play a role in some strict cases, relegating governments to a role of policing transparency and making threats to markets can lead to failures in public policy.

This leaves public-private partnerships that fall in between market and hierarchical governance. Certainly, from a sustainable development perspective, the idea of joint decision making holds some appeal. Many pluralist theorists believe that increased participation by various groups is the only method by which better decisions will be made. A series of authors have argued that "participatory democracy" results in either more just or more equal decisions, one of the fundamental aspects of sustainable development. (Barber, 1984; Dahl, 1989; Hunold & Young, 1998; Schlosberg, 1999) Essentially, the argument is that the involvement of various groups in the decision-making process is the only way to ensure the greatest degree of transparency in government, as groups consistently challenge each other's views and force information into the public arena. This form of participatory democracy need not involve special-interest groups, a form of pluralism long since dismissed by proponents of participatory democracy. As David Schlosberg argues, participation can be built upon networks of groups working with each other to pressure government decision-making bodies. Not only do these groups pressure governments, but they also form relationships to solve local problems: "New networks build not only on community relationships, but also on the relations established by past networks. At the base of networks are not simply shared interests, but more broadly shared experiences. Their origins demonstrate a politics of relations rather than a politics of isolated bodies of interest." (p.115) Networks appear and dissolve as required (think of an alliance of groups determined to save a particular wildlife habitat, with members that would disagree on other issues, but can agree on this one—such as between Ducks Unlimited, a hunting society, and the Audubon Society, a bird-watching society, both fighting to save a particular area). Of course, not all theorists believe that increasing the number of partners in decision making leads to better decisions. An increased number of partners, some of which may have different goals and different approaches to a problem, may lead to a lack of clear aims and goals (leading to conflicting goals and hidden agendas). Unequal power between various partners may also lead to questions of collusion between powerful industrial groups and government to the exclusion of NGOs. (McQuaid, 2000) Nonetheless, if thinkers wish to speak of a real shift to a new mode of governance without an abrogation of responsibility to the market, then those partnerships that involve both markets and hierarchies seem best able to achieve change.

The question, however, is not only whether one of these arrangements represents the "better" structure or goal of public-private partnerships, but also how a particular structure of public-private partnership will fit within a particular cultural and institutional setting. One could argue, for example, that socio-democratic nations are more likely to discuss solutions along the middle of the spectrum, while liberal ones will look to the two extremes. Certainly, within academic circles, one finds a rather stark contrast between the United States and mainland Western Europe in academic discussions of market governance. For an American audience, for example, public-private partnerships tend to represent those on either end of the continuum, with either privatization as represented by self-regulation or delegation representing the main part of the dialogue. In European circles, however, while delegation still represents a tool for government policy makers, academics focus more on a new relationship between government and private actors developed with either joint decision making or consultation. According to H. George Frederickson, the dominant meaning for governance in the United States is about privatization, risk taking, and steering, while in Europe, the meaning is "narrower", referring to alliances, networks, and systems of shared authority. (Frederickson, 2003)

Hungary's Historical Schisms

Breaking down hierarchies and introducing more dynamic market governance in the Hungarian context has many theoretical advantages, especially in a context where many believe the economy has been burdened by Soviet-style bureaucracy. The common assumption among some is that the pro-Soviet governments from 1947 until 1989, built on heavy state intervention, led to an inefficient economy. While the economy may have grown during the 1960s and 1970s, this growth occurred at a cost of high debt and a weak economic base. By the early 1980s, the Hungarian government had to abandon its stated goal of full employment and cut many price subsidies. (Pittaway, 2003) Public-private partnerships, within this context, seem ideal. From one perspective, economic thinkers would like to cut the size of the Hungarian bureaucracy to increase economic efficiency. Ceding responsibilities to the private sector would seem to accomplish this. From another perspective, an increased number of actors could also lead to an increase in the number of players in governing, hence increasing dialogue in a region where democracy could be considered weak. However, while public-private partnerships may seem to assist both of these issues in theory; an examination of reality shows that the first remains in question and the second is not occurring at all—at least in public-private partnerships recognized by the national government.[7] In many ways, the reasons for these failures have to do with the cultural and institutional settings in Hungary, and the fact that many of these policies are imposed or inspired by Western regimes not wholly aware or concerned with local nuances.

Countries in Eastern Europe, unlike established regimes in North America and Western Europe, have less leeway to follow their policy preferences, and this is primarily due to the financial difficulties faced by these countries. In the transition to the European Union, for instance, Hungary found itself with the highest per capita debt load in the world, with external debts of around US$16 billion, representing around 50% of GDP. Most of these debts were owed to private banks around the world, giving the Hungarian government very little leeway, as they could not negotiate with other governments to have these loans forgiven. The government of the time also felt that they could not afford to default on their loans, as this would have meant a poor credit rating, which would have made accumulating capital to rebuild the country prohibitive. This meant that the Hungarian government would need to enlist the support of two major international organizations: the International Monetary Fund and the European Bank for Reconstruction and Development. (Hanley, King, & János, 2002) According to Hanely, King, and János, “Taking advantage of this structural dependence, international agencies progressively forced government officials to conform to a neoliberal model of the state that ruled out reliance on the traditional modes of intervention into economic processes and, more specifically, eliminated barriers to FDI [Foreign Direct Investment] in key sectors of the Hungarian economy.”

This quest for standardization without concern for local nuances extends beyond financial policy, as the European Union has demanded that Eastern European countries harmonize their policies to Union standards. Sándor Kerekes and Károly Kiss, in a discussion of the quest to harmonize environmental policies, demonstrates how regulations designed to deal with Western European style pollution problems end up distributing funds in areas where they could be better used in other ways. They point to the city of Győr as a good example. In accordance with European Union directives, new water facilities were installed in the city; however, these new facilities proved to be highly inefficient, as the city didn’t produce enough wastewater for efficient operation of an activated-sludge treatment centre. The under-use of this facility diverted funds from more critical areas and ended up creating huge losses with relatively little gain. (Kerekes & Kiss, 2000)

While economic policy is often imposed by outside organizations, there’s little evidence to suggest that public-private partnerships are imposed on the Hungarian government. This doesn’t mean, however, that outside influences aren’t felt. Vera Leiner, head of the division for public-private partnerships with the Ministry of Economy and Transport, suggested that the Hungarian government’s latest policy recommendations on public-private partnerships are primarily inspired by the European Union guidelines as well as based on a search of the

[7] Further study is required of alliances between NGOs, the private sector, and local governments. However, these arrangements are not acknowledged by the national government to be public-private partnerships.

Internet for various studies on the subject (finding many studies out of the United Kingdom, for example). More important to look at, however, is how the political climate has influenced the reasons behind adopting public-private partnerships and also the structures. It's clear from the limited examples of public-private partnerships in Hungary that certain structures are considered unacceptable from a political perspective.

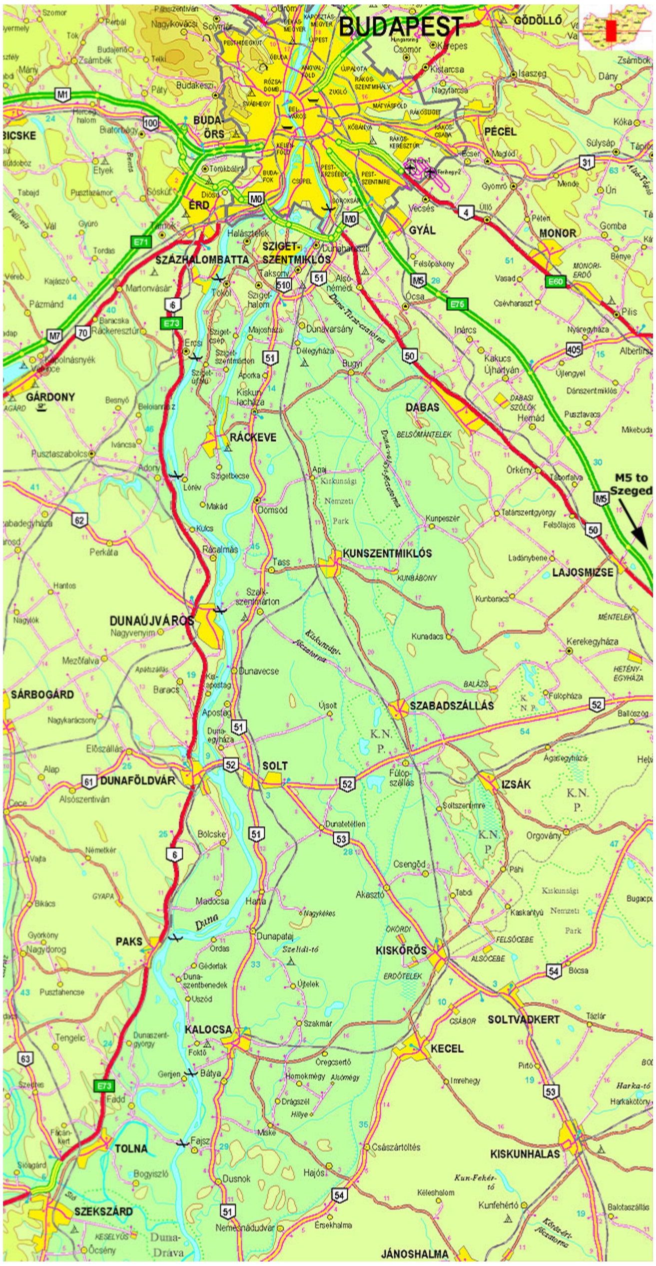
Hungarian public-private partnerships, at least those acknowledged and supported by the national government, can best be labelled as delegation of responsibility. The Hungarian government, under the direction of the Public-Private Partnership division of the Ministry of Economy and Transport, has requested all departments to submit proposals for individual projects that can be tendered to the private sector. Each government department has installed a single contact person who examines various projects to see if they are viable within a public-private partnership, and then reports to the Ministry of Economy and Transport. Before projects are submitted for tender to private companies, an interdepartmental committee—made up of the Ministry of Finance, the Prime Minister's Office, the Statistics Office, the Ministry of Justice, and the Ministry of Economy and Transport—reviews the project and advises parliament on whether the project should be accepted. For projects over HUF50 billion (approximately €200 million), parliament must approve the project; for all those under this amount, only government officials need to approve the project. (Leiner, 2004) Significantly, all political decisions are made before the bid goes to tender.

The first public-private partnership in Hungary demonstrates this style of public-private partnership. The Hungarian government gave the right to a private consortium to build, maintain, and toll two sets of highways—the first 45 km. of the M1 (from Hegyeshalom to Győr), a highway which stretches from the western Hungarian border to Budapest, and the M15, linking the M1 to the Slovakian border. [8] This project was set up using a concession structure, allowing a local consortium to build and make use of the motorway. The private sector was expected to recover the costs for road construction directly from the fees that would be collected for the use of the road. No government money was involved in the project, as the government's role was to assume the political concerns for the project, such as determining the direction of the road and appropriating the necessary land. However, both political and economic problems developed soon after the completion of the project. First and foremost, the traffic forecasts for the M1 and M15 were wildly optimistic. Along the M1—considered by some to have been the most expensive stretch of pay highway in all of Europe—ran another stretch of single-lane road, highway 10. Many drivers chose to ignore the M1 in favour of this free stretch of road, which followed nearly the same path, but added approximately only 15 minutes to the trip. A parallel road along the M15 (highway 15) was not considered as useful; however, given the high cost of the road, drivers simply couldn't

[8] All maps printed in this document are copyright from Zentai László at Eötvös University at the Department of Cartography and Geoinformatics.

afford to use the M15, and also spent the extra time on the parallel road. The government also experienced a political problem with this stretch of highway, as some drivers complained about the fact that those in the West seemed to be penalized with extra fees, while those driving the other major highways in the country only had to pay a “vignette” fee associated with all major Hungarian highways. Those people living along the road parallel to the M15 also complained about the extra traffic along their roads, and while there was some attempt to limit trucks along this parallel route, a lack of enforcement essentially meant the problem went essentially unabated. In the end, the consortium that owned these two roads collapsed, and the government was forced to assume their ownership, bringing these roads under the vignette system. (Hodina, 2004)

The M5, running south-east from Budapest to Szeged, was also built and operated under the concession system by a French-Austrian-Hungarian consortium registered under the name *Alföld Koncessziós Autópálya Rt*. (AKA). However, unlike the M1/M15 project (which had still not failed, to this point), this highway required state subsidies before private industry would be willing to take on the project. The Hungarian government offered the consortium a “considerable governmental contribution” including building permits and environmental clearance, land acquisition, existing assets (motorway sections and maintenance centre), new feeder roads, a standby type operational subsidy and traffic calming measures on parallel roads, which made the government’s contribution to the project around one-third of its total value (Timár, 1999). But, while the financial situation with the M5 was not as dire as with the M1/M15 project, the government still experienced complaints regarding overuse of the parallel highway 50, and the consortium was also taken to court by drivers with claims that the company was not providing proper value for the toll charged. In the end, political pressure forced the government to nationalize and incorporate the M5 into the vignette system along with the M1 and M15.



Given the economic and political problems associated with these two high-profile projects, the Hungarian government now believes that public-private partnerships using a concession structure are untenable. (Leiner, 2004)

Highway construction using a public-private partnership format continues, however, with plans for a new 66 km stretch of highway from Dunaújváros to Szekszard, to be named the

M6 (Dunaújáros is south of Budapest, as shown in the map above). Rather than letting private firms operate the highway, however, the government has decided to incorporate the highway into the current vignette structure, and will use a DBOF structure (design, build, operate, finance) amortized over a 22 year period. Private industry will be expected to handle the construction and maintenance of the road, but will receive payment from the government based on a point performance system.

Why use a public-private partnership model for building these roads? Restructuring government does not appear to occur with public-private partnerships, as decision making structures have altered little beyond consulting with industry to see the viability of certain projects. In fact, in all national-government sanctioned public-private partnerships, NGOs—groups that the government distrusts—are generally kept from decision making along with industrial groups. Certainly, some discussions occur between government and industry to see which projects industry may be willing to assume. The Ministry of Economy and Transport sets up regular conferences to have these discussions. However, all of the political decisions are made before industry is consulted with a proposal. The idea of economic efficiency is discussed in the literature published by the department, and certainly there's some belief that private industry may be able to produce more economically efficient results that the government. However, the most significant reason for adopting public-private partnerships is the ability of the government to take on new projects "off the balance sheet". Essentially, because private groups and the banks are asked to assume the financial responsibility for projects, the government can start new projects without affecting the budget. This is particularly important to the Hungarian government, as it wants to join the European Union's common currency and must meet its 3% of GDP budget deficit figures.

When asked about involving various groups (especially industry) in the decision-making process, interviewees universally expressed doubt. From another perspective, groups outside of industry have built up a great amount of distrust for the government, and while some have attempted to co-operate with the national government, the general belief is that this co-operation is an empty gesture to meet European Union directives on participation and to try to gain political support by demonstrating a willingness for dialogue. Distrust amongst different groups is high, which leads to confrontation. For example, local NGOs like the *Levegő Munkacsoport* (the Clean Air Action Group) have used the courts to attempt to stop a project to expand the subway system, which they consider to be ill-conceived spending on public transportation that will have dubious benefits. (Lukács, 2004) The court system was also used by those opposed to the M1, M5, and M15 fees by groups, as mentioned earlier.

Given the examples of public-private partnerships found in Hungary, the declining expenditures of the national government on redistributive programmes, and the high levels of conflict with governing bodies, it would appear that Hungary is moving towards an Anglo-Saxon style of welfare state. The reasons for adopting this style of welfare state perhaps aren't surprising. Outside influences have forced Hungary to adopt neo-liberal economic policies without considering the social safety net that used to be in place for the citizenry. Internal factors also influence this path, as citizen's concerns have been ignored in the Communist-era regimes after the Second World War, leading to distrust and ultimately conflict with the government authorities. Public-private partnerships, in this context, can hardly be expected to bring sustainable development closer to reality.

Conclusion

Given this relationship between regime type and policy preference, it may be possible to line up particular regime types with different forms of public-private partnerships, which would give a better understanding of why particular public-private partnership succeed or fail. This kind of research can be particularly enlightening in regards to developing countries. In North American and European countries, national governments are still strong enough to influence policy development significantly. In fact, as discussed earlier, plenty of evidence suggests that governments from various regime types adopt policies from other countries, yet also mould them to fit with their particular form of governance. Yet, in developing countries, public-private partnerships and other economic edicts often fall more inline with a liberal-regime approach to governance. This approach can not only threaten the success of a particular policy or partnership, but it can also have further implications for social stability, one important quality of sustainable development. One should not exaggerate the case, of course—implementing neo-liberal policies in regions without long-standing liberal-regime traditions does not imply social chaos (though in some cases, it certainly leads to a great deal of unrest). Yet, it remains an important issue to keep in mind, as one can find governments using whatever levers possible to soften the impact of neo-liberalism.

In regards to sustainable development, public-private partnerships can help in cases where more groups are involved in the political process—this means PPPs along the middle of the scale between hierarchy and markets. However, it remains unclear whether certain regimes will adopt the types of partnerships necessary to break down hierarchies and bring about more dynamic government. While one may debate whether the idea of regime types too narrowly focuses the number of factors to analyze, the fact still remains that certain policy actions will be received differently in different institutional settings. Hungary, for instance, with its rapidly shrinking social safety net and high levels of distrust of government—along with the neo-liberal policies that have been imposed from the outside—has been moving towards an Anglo-Saxon route of governance. Pressure on government generally doesn't work from below (much of the pressure on the Hungarian government to change generally comes from above from the European Union). To look at Hungarian public-private partnerships, then, they change the way government functions very little and also have little influence on sustainable development, as the idea of joint decision making seems unsustainable given the present situation.

One must look to the type of public-private partnership as well as the fit in the regime to determine the viability for sustainable development. Culture, to return to the introduction of this paper, matters. In the words and worlds of Esping-Andersen: "In light of the diversity of national welfare systems, it is additionally fruitless to contemplate a single design for all nations every if they do face rather similar problems. Just as no EU Member State is likely to privatize its welfare state, neither is a radical welfare regime change likely to occur. The institutional framework of national welfare systems are historically 'locked in' and any realistic move towards common objectives much presume that such, if accepted, will be adapted to national practice." (2002) The debate regarding the costs and benefits to public-private partnership needs to take these cultural and institutional factors into account.

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