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Unplanned suburbanization and local sovereignty

Suburbanization as a local government development strategy in the
Budapest Agglomeration

THESIS BOOKLET

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1. Preliminaries and aims of the research

In this thesis, I use the suburban governance analysis framework of Ekers et al. (2015)¹, focusing on the role of the state (as a political and institutional context) during the examination of the process and consequences of suburbanization in the Budapest Agglomeration. Suburban governance refers to the dynamics, mechanisms, forms of cooperation and actors responsible for changes in urban areas, including suburbanization.

Until now, few domestic research has investigated the characteristics and social consequences of suburbanization in relation to suburban governance. Thus, the application of suburban governance and the analysis framework can provide a new perspective for understanding the factors driving suburbanization, the characteristics, and the consequences of the process.

Focusing on the role of the state in this research, I claim that social-spatial processes are fundamentally determined by the specific post-socialist Hungarian institutional and regulatory context. In the socialist period, due to the centralization of spatial planning, the distribution system of development resources between settlements, the role of the state in relation to social-spatial processes seems unequivocal. However, after the change of regime, due to the post-socialist political and economic transformation (decentralization of

¹ Ekers, Keil – Hamel, Pierre – Keil, Roger (2015): *Governing Suburbia: Modalities and Mechanisms of Suburban Governance*. In: Hamel, Pierre – Keil, Roger eds.: *Suburban Governance*, University of Toronto Press, pp. 19-48.

territorial planning, establishment of the local-government system, privatization), it is worth examining the role of the state in suburbanization.

Suburbanization has posed numerous challenges to the municipalities of the Budapest Agglomeration since the change of regime, and Budapest has had to face the problem of population outmigration. Concepts and strategic programs for the development of the Budapest Agglomeration were unsuccessful, and no development and spatial planning tools were created that could have mitigated the negative effects of suburbanization. By examining the role of the state, the dissertation can help experts develop a plan that can be applied more successfully. Findings about the role of spatial planning and the local development strategies of local governments support this aim.

In order for the state to be able to effectively participate in the coordinated and problem-responsive development of the Budapest Agglomeration, a deeper understanding of how the state has directly or indirectly influenced suburbanization can help. As a result of the analysis presented in this thesis, the reader can get a comprehensive picture of how and to what extent the role of the state in post-socialist Hungary affected the suburbanization process and what social consequences of this effect can be identified.

In my thesis, I answered two research questions and examined four hypotheses related to the first question with the help of the literature and a case study on the development and transformation of Telki (a settlement in the Budapest Agglomeration):

Research question 1: In post-socialist Hungary, how was the process of suburbanization determined by the role of the state?

H1.: The state did not intentionally (actively) participate in the governance of suburbanization, but at the same time, it had a significant role through regulations affecting spatial processes.

H2.: The intensification of suburbanization was facilitated by privatization, burdened with corruption and determined by the economic interests of those in political positions.

H3.: In the absence of spatial planning that would influence the entire urban area, suburbanization was uncoordinated and unplanned.

H4.: Local governments had a high level of sovereignty, although it was decreasing. And they did not receive the funds necessary for sovereign operation. The local governments thus became interested in the management of suburbanization at the settlement level due to the necessity of obtaining funds. As quasi-market players, they took part in shaping the process, speeding up and slowing down suburbanization.

Research question 2: How did the characteristics of the state's role in the management of suburbanization and the consequences of the state's role manifest themselves at the settlement and agglomeration level?

2. Research methods

Among the methods, in addition to desk research and the analysis of official statistical data, the emphasis was placed on the data from my qualitative empirical fieldwork.

The case study was prepared using several sources: semi-structured interviews, local government development documents, local newspapers, materials of local government election campaigns, local government election data, articles about the settlement from news portals, experiences gathered from participating in local events, previous research results, statistical data from Hungarian Central Statistical Office and from the TEIR databases.

The analysis is mostly based on the information obtained from the interviews. Between 2017 and 2021, 35 face-to-face and telephone semi-structured interviews were conducted with people living in Telki (six people belonging to local organizations, six local government representatives and mayors, and 23 residents).

The sample included interviewees from all parts of the settlement, whom I contacted during local cultural programs or reached them using the snowball method. I contacted local government representatives and mayors directly.

The topics of the interviews: motivations for moving to the settlement, characteristics and changes of the settlement (social composition, developments, environment, lifestyle, community life), integration of new residents, community functioning, municipal elections and settlement development.

The purpose of the case study is not to create a general model of how agglomeration settlements or certain types of them have changed as a result of suburbanization. With the help of the concrete example, we can learn about the appearance of the factors influencing

suburbanization at the settlement level and the possible effects of these factors.

3. New results of the research and the main conclusions of the thesis

Research question 1: The state did not intentionally participate in shaping of suburbanization after the regime change, i.e. no legislation was created that specifically aimed to control the process. Despite this, the role of the state is still significant through other regulations affecting social-spatial processes, which can be traced back to the post-socialist transformation. The intensification of suburbanization was facilitated by privatization, with the economic interests of the holders of political positions. There was no regional planning level with a strong influence on the entire urban areas, and there was no institutional system that really helped the coordination of developments between settlements, so suburbanization also took place in an uncoordinated and unplanned manner. After the regime change, as a result of the break with the centralized regional and settlement development system of the socialist regime, a high level of autonomy of the settlements was created but without providing the necessary resources for autonomous operations. The local governments were thus interested in increasing their own revenues, and their policy regarding suburbanization was often determined by the need to raise funds. Such local governments participated in shaping the process as quasi-market players. Often, even if they did not specifically want to

react to the process but simply wanted to gain income by selling construction plots.

H1.: After the regime change, the role of the state in the direct management of spatial processes lost much of its importance, which is related to the post-socialist transformation, despite the fact that there were regulations that determined the characteristics of the suburbanization process and contributed to its intensification. The state-level housing construction and housing distribution system has almost completely ceased, instead the role of real estate market processes has strengthened. Spatial planning and development were decentralized in the spirit of neoliberalism and opposition to the socialist system. The settlement level became the most important element of the system, and planning at the urban area level was almost completely absent. The process was determined by the lack of an efficient institutional system and regulatory framework to facilitate the coordination of regional planning and the development of settlements. Planning and development at a higher level than that of the settlement, if appeared, it was mostly related to economic interests.

Real estate privatization after the regime change and the unregulated management of real estate by local governments was one of the most significant ways in which the state influenced suburbanization. Local governments were given the opportunity to decide on the classification of lands within their administrative boundaries, thus promoting or hindering suburbanization at the local level. In addition,

settlement leaders could also become actors in the real estate market, so personal interests also influenced local government decisions.

The high level of autonomy of local governments was accompanied by inadequate financing of settlements, so the shaping of the suburbanization process at the local level was greatly influenced by the financing situation, whether the goal was to attract new residents or to keep them away.

The first hypothesis can therefore be verified based on my research since the state did not intentionally participate in the management of suburbanization, but through other regulations (decentralization of regional planning, local government system, privatization) it still had a significant role in shaping the process. All of this contributed to the disparities in the appearance and effects of suburbanization in the Budapest Agglomeration.

H2.: Post-socialist privatization was fraught with corruption; local and national politicians used their power and the information available to them to increase their economic capital.

The intensification of suburbanization was facilitated by privatization by the fact that the transfer of city housing into private hands provided capital for the purchase of housing in the agglomeration. It resulted in an increase in the supply of residential properties and construction sites in the agglomeration zone.

Privatization of state assets soon began in the Budapest Agglomeration as well. People living in the settlements of the

agglomeration zone had access to huge tracts of land, which were worth selling as building plots. It was also worthwhile for local governments to buy land and sell it as construction plots, thus obtaining the necessary resources for development. This also became a general practice. The local governments were free to decide on the classification and sale of real estate.

The leaders of the settlements often had a personal interest in converting the land into building plots after privatization and selling it as construction land. The regulatory environment also enabled them to participate in the local real estate market. The municipal representatives quickly obtained information about when and which land areas would be convert, and with the help of the information they were able to successfully participate in the local real estate market. Not only did they have information, but as local government representatives, they were also able to vote for themselves to convert into building plots.

My research confirmed that the characteristics and consequences of post-socialist privatization also played a role in the development of Telki. Since the beginning of the 1990s, the municipality's development strategy has been based on turning privatized lands into money during the suburbanization process. New settlement areas were created with huge buildable areas, thereby generating suburbanization at the local level.

In the 1990s, numerous developments were needed, which were not covered by the state. The management of the settlement recognized

the opportunity inherent in suburbanization and wanted to gain income by converting agricultural land into building plots and then selling them, as well as increasing the number of high-status residents living in the settlement. The leaders of Telki were interested in privatization and the conversion of privatized lands to building plots not only as owners of the settlement's wealth, but also as individuals. In the interviews, the local government representatives argued that selling land and increasing the population were their only options for development. This seems to be a rational decision, taking into account the limitations set by state regulations, as well as the opportunities provided by self-government system and suburbanization. At the same time, individual interests could also influence the pace of developments in building plots and the sale of construction plots. I was able to get an idea of their appearance mainly from the population interviews and the conflicts between the local population and the local government. The representatives decided to convert the former agricultural areas into building plots and they were the first to get access to the information concerning the settlement's real estate market. They could also use this information for their own benefit since in practice no higher-level regulations prevented it.

My research proved that privatization contributed to the development of Telki and the extreme growth of the population. Corruption cases can be suspected behind the decisions on the classification of privatized land and local real estate market processes in the 1990s. It is also possible that the settlement would have grown even faster if the

new residents did not block the conversion of agricultural land into building plots.

H3.: During the socialist period, the state was the most important actor in regional and local development, but after the change of regime, as part of the decentralization process, the settlement level became the primary one. There have been attempts at spatial planning at the city-region level in post-socialist countries, including Hungary, but these have had little success because 1) there was a lack of a well-functioning institutional system to coordinate the actors involved; 2) decentralization and settlement autonomy was a more important goal than the promotion of cooperation; 3) trust in state institutions was at a low level; 4) since the regime change, the regulation of the planning levels between the state and settlement levels has often changed and their function has not been precisely defined; 5) there is a lack of the cooperative mindset and strategic approach of the actors involved at the city-region level.

The control of the suburbanization process was not the aim of the state, and in the case of urban areas, there was a lack of a middle-level planning and governance approach. Planning was transferred to the settlement level, strengthening the role of local governments. The compulsion to acquire resources without higher-level control and spatial planning led to the fact that suburbanization was largely shaped by settlement policies. Since there was no middle-level with real power and the settlements put their own interests before the interests of the agglomeration, suburbanization also took place uncoordinated

and without planning. The settlements tried to solve the problems within their own borders, ignoring the long-term impact of the developments on the rest of the urban area. Agreements of interest were rare and contingent.

The consequences of the lack of spatial planning at the urban area level can also be demonstrated in the case of Telki. Taking advantage of the demand created by suburbanization, the municipality managed to attract residents to the settlement by selling building plots at favourable prices for those with a higher status. However, during the planning and implementation of its policy based on population growth, it ignored its effects on other settlements. Due to previous bad experiences (as part of another village during the socialist period), joint area-based planning was out of the question.

The literature, the development of Telki and the the conflict due to the development planned for other settlement, also prove that the placement of spatial planning at the settlement level and the lack of a middle-level authority with real power led to the uncoordinated and unplanned realization of suburbanization at the agglomeration level.

In relation to the policy of local governments, it is important to note that effective joint development of the agglomeration zone and Budapest has not been realized either. The agglomeration settlements have shaped their development policy knowing that Budapest continues to provide services for the population moving out. Thus, the agglomeration zone can remain viable in its current form (and, for example, Telki can operate as a monofunctional settlement) as long as

Budapest provides the services that the agglomeration settlements cannot or do not want to.

H4.: The purpose of the first self-government law after the regime change was to create the autonomy and freedom of the settlements, ensure local democracy, and establish a more balanced power relationship between the state and local governments.

Local governments were given a high degree of autonomy in the management of their settlements and in the management of settlement real estate assets, their tasks were expanded, and budget issues and spatial planning were primarily brought to the local level.

However, the high level of sovereignty was accompanied by a lack of resources and a constantly decreasing, uncertain amount of funding, and later (after 2010) autonomy was also reduced by withdrawing a part of responsibility and decision-making powers. The rules that frame the operation of settlements and their changes were defined on the basis of political rationalities.

Due to the hollowed-out local government sovereignty, the primary goal of local governments was to increase revenues and keep them at a high level. The compulsion to obtain resources and the financing system of the local governments created a competitive situation between the settlements, which worked against coordinated developments. Due to the uncertainty of income, the management of the settlements was planned in the short term and social aspects were often taken into less consideration than economic interests.

This was the framework suburbanization took place within and to which settlements responded with a reactive or proactive strategy. In the Budapest Agglomeration, the reactive strategy was common in the 1990s, but in the second half of the decade, most settlements switched to the proactive strategy. With the local government strategy, they determined the development direction of the settlements and often the social groups favoured by the developments. The proactive strategy was characterized by the increase of resources, because as a result of the urban development priority of the socialist period, many settlements in the Budapest Agglomeration were underdeveloped. After the system change, the missing developments had to be implemented, for which the settlements had to provide funds.

Suburbanization support can be seen as a forced path rather than a choice, which results from the peculiarities of the Hungarian self-government system. In connection with their own financial situation, some of the settlements were interested in attracting the population, other settlements tried to limit the process due to the increase in costs. Still other settlements, although they also tried to increase their income, instead of increasing the population, they tried to attract companies. Often, those settlements did not want to influence the suburbanization process directly (as part of a conscious strategy) but actually did so by converting agricultural land and recreation areas into building plots.

Telki became an independent settlement during the regime change. It was a poor settlement, there was hardly any development, but the

resources provided by the state were not sufficient to carry developments out. It was possible to levy local taxes, but due to the poor financial situation of the population they could not rely on this method either. In addition to the original residents and local government representatives, the interest of the settlement was to convert agricultural land into building plots and sell it as construction land: by increasing the number of residents, and the part of the PIT that remains in place, and later the local tax revenues.

Since the beginning of the 1990s, Telki has pursued a proactive strategy supporting population growth. The development strategy was determined by increasing revenues. The local government not only regulated land use, but also became a real estate owner. By purchasing state and private lands, it became one of the most important actors in the local real estate market.

The expansion of the settlement was actually not a chosen strategy, since the local government had no other option to quickly obtain a proper amount of money by which the most necessary developments could be carried out. There were few options in local politics when the settlement was populated by wealthy residents. Thus, a high income could be expected even from local taxes.

Telki's example also confirms the last hypothesis, as the regulation of local government system and task financing system led the settlement management to actively participate in the management of suburbanization as a quasi-market player.

Research question 2: Telki is an example of how, within the domestic regulation framework, suburbanization and related local government policy can lead to the extreme development path of settlements. Telki was an underdeveloped settlement with a mainly poor population in the early 1990s, but today it can be described as an elite gated community.

The change of the settlement can be interpreted in the context of rural gentrification, which appeared as a result of conscious local government policy. In the 1990s, the local government took measures that made Telki attractive to the high-status population of Budapest, and later the new residents took over political power and shaped the settlement according to their own needs. During gentrification, most of the characteristics of Telki changed in a favourable direction for households with children in a good financial situation.

The inbuilt part of the settlement grew rapidly in the former agricultural areas that were privatized and converted into building plots. The local government wanted to develop Telki into a small town with rural features. The lack of a clear commitment to purely rural or urban character gave the local government opportunity to favour the population it wanted to attract to the settlement with developments and regulations. In some cases, they legitimized their decisions by keeping the rural characteristics, and at other times by the urban character. This direction of development favoured the high-status, wealthy population.

The gentrification of Telki was accompanied by exclusion, segregation and population exchange, which was caused by the increase in real estate prices, the lack of smaller apartments, the reduction of social benefits to the legal minimum, the spatial inequalities of infrastructural developments, the regulation of local taxes, and the 'selection' of buyers of municipal real estate.

My research proved that segregation was realized not only on the basis of financial situation, but also on the basis of lifestyle and living situation - which in this case means a settlement optimized for families with children. After 2006, local government policy was essentially based on population exchange and a consistently high proportion of people of active age. The development of services, the regulation of lifestyle, the organization of community programs, and the special support of the school all served this purpose. With this, the settlement has become monofunctional, despite the numerous developments carried out. For households without children, the advantages cannot balance out the disadvantages of the agglomeration settlement. This is one of the main reasons why a significant number of these families are looking for another place to live.

Local politics and community life have also changed significantly. In the first step, the original residents were pushed out of local politics by the intellectuals who moved in, and in the second step, they were replaced by a new generation of high-status immigrants. The settlement leaders consolidated their power by applying the management approach and continuously meeting the needs of the

high-status population. Community life has also changed: instead of residents and civic organizations, from the beginning of the 2000s, the local government took over the task of organizing community life, and they focused primarily on households with children.

The local government began to resemble a private government, while the state continued to participate in the maintenance of the settlement. Telki has become an elite settlement, and the segregation based on lifestyle, financial and living situation ensured from the 2000s that the newcomers were more similar to each other than the newcomers in the 1990s and later. Thus, later on, no major changes took place in the management and development strategy of the settlement, in the regulation of lifestyle, or in community life.

The local government of Telki tried to take advantage of suburbanization at the local level, while there was no significant cooperation with the surrounding settlements and Budapest either.

My research proves, with the example of Telki, that the local development policy and the strategy for suburbanization were determined by the local government system, privatization and spatial planning at the local level. In the case of Telki, the the local development policy and the strategy for suburbanization did not differ from each other. The case study proves that the local government can play an influential role in the shaping of suburbanization for decades. A conscious development policy can bring a change that leads to intentional gentrification and a number of related social problems. These problems could have been reduced with a more socially

responsible political and planning mechanism, but due to the post-socialist social context, this more responsible behavior was not possible.

The most important results of the research: 1) The state played an essential role in shaping suburbanization after the regime change, even though there were no specific regulations regarding the process. With the lack of direct regulation keeping the process under control the state indirectly influenced the characteristics and consequences of suburbanization through other state systems. 2) In order to gain a deeper understanding of local government involvement, it is necessary to analyze the factors affecting their decisions in a larger context beyond the examination of local government strategies. 3) The consequences of the post-socialist transition had a significant impact on suburbanization. 4) The role of the state in the development of suburbanization contributed to the unequal development of the settlements and the strengthening of social inequalities in the Budapest Agglomeration. 5) As a result of the regulation of the local government system, the settlements were concerned only with their own administrative areas when creating the local settlement strategy concerning suburbanization. Cooperation in development with other settlements and Budapest was rare.

4. The author's publications in the field of the dissertation

Journal articles

Csizmady, A., Bagyura, M., Olt, G. (2022): From a Small Village to an Exclusive Gated Community: Unplanned Suburbanization and Local Sovereignty in Post-Socialist Hungary. *Urban Planning* 7(3): 115-129.

Bagyura, M. (2021): A fővárosból kiköltözők részvétele az agglomerációs övezet településeinek irányításában. [The Participation of People Moving out of Budapest in the Management of the Settlements of the Agglomeration Zone] *Kötő-Jelek*: 122-134.

Bagyura, M. (2020): The Impact of Suburbanization on Power Relations in Settlements of Budapest Agglomeration. *Geographica Pannonica*. 24(1): 13-24.

Conference presentations

Bagyura, M.: A Life Course Perspective on Suburbanization, 15th Conference of the European Sociological Association, „Sociological Knowledges for Alternative Futures”, Barcelona, Spain, 2021.09.02.

Bagyura, M.: A szuburbanizáció vizsgálata az életút megközelítést alkalmazva, [A Life Course Perspective on Suburbanization] Miskolci Egyetem, Miskolc, XXIV. Tavasz Szél Konferencia 2021.05.28.

Bagyura, M.: Szuburbanizáció és helyi politika - Az új lakosság politikai aktivitásának vizsgálata a budapesti agglomerációban. [Suburbanization and Local Politics - Examination of the Political Activity of the New Population in the Budapest Agglomeration], 9. Interdiszciplináris Doktorandusz Konferencia, Pécsi Tudományegyetem 2020.11.28.