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# OLD AND NEW ELEMENTS IN THE SPATIAL STRUCTURE OF HUNGARY IN THE 1990s

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The spatial structure of the economy – the territorial distribution of the performance of the national economy – is a slowly changing system that, within market conditions, usually resists short term effects and market disturbances. This continuity of the development of the spatial structure of the economy also entails that the interventions – which, coming from the socio-economic interests, usually aim at the moderation of the imbalances, the lagging of certain areas or the unequal market chances of the actors – are only able to induce measurable effects and changes in a longer time scale.

This stability, a spatial structure basically unchanged is characteristic of the development of the Hungarian economy in the 1990s, although the turn in the beginning of this decade changed, sometimes radically, a number of dominant factors.[1]

During the transition to the market economy, the inherited economic spatial structure was the consequence of two large processes of historical scale. One is historical development in the narrower sense, which was broken in many respects by the other factor, the system of planned economy following World War II.

In the historically born spatial structure, the division line was the Danube River, west of which a more industrialised region more closely following the European urbanisation trends evolved, while in the areas east of the Danube agriculture was the dominant factor in the shaping of the socio-economic (and settlement) structure (*Figure 1*).

This division line separates so characteristic spatial units that during the breakdown of Hungary into regions one possible formation was the division into two large regions, supplemented by the capital city, Budapest as the third region, as the latter almost completely stands out from the Hungarian spatial structure.

The development zone of the socialist period, the southwest–northeast axis and the areas north of it, was built on this structure. A significant difference is, however, the fact that the previous – "historical" – development was an organic one on market basis, amounting to a more complex economy in the sectoral sense, while the development will of the socialist period built a spatial economy operating in a large, monocultural company system. This is why this latter heritage became the industrial crisis zone in the Hungarian spatial structure from the end of the 1980s, and the economic restructuring was successful only in those areas where it was possible to build on, or return to, the "historical development".

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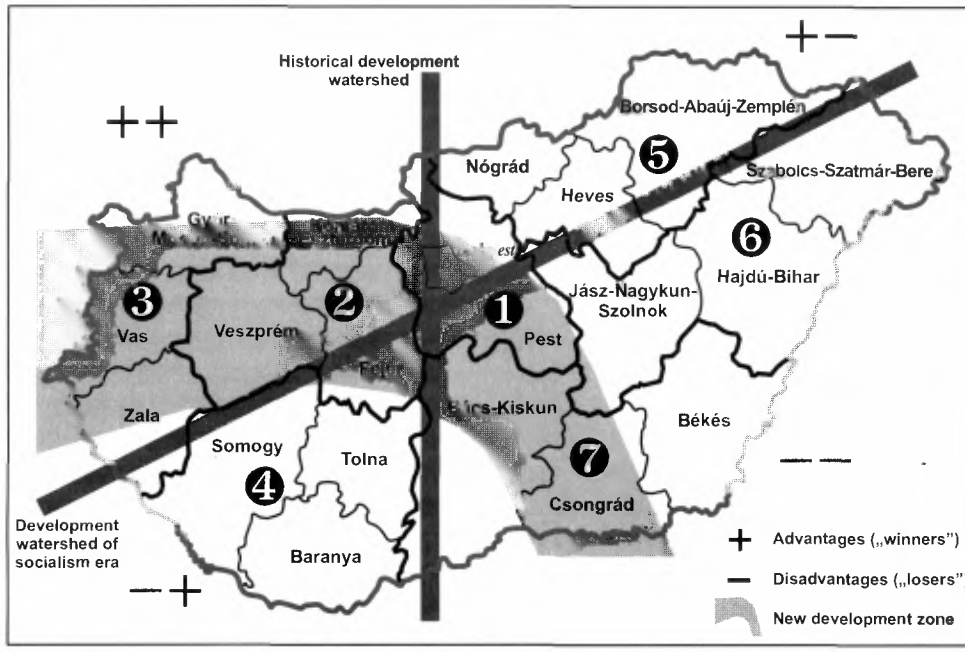
Figure 1

*Historical development zones of Hungary – advantages and disadvantages*




*Regions (NUTS 2 units)*: ❶ Central-Hungary; ❷ Central-Transdanubia; ❸ West-Transdanubia; ❹ South-Transdanubia; ❺ North-Hungary; ❻ North-Great-Plain; ❼ South-Great-Plain
*Counties (NUTS 3 units)*: 19 and Budapest capital city
*Source*: on base of the figure: Faragó, L. 1999, p. 319.

It is evident that in the building out of the market economy in the 1990s, those regions started in a better position which had belonged to the more dynamic zone in both previous periods, and which were not transformed into monocultural areas (which practically meant the dominance of heavy industry, in some places supplemented by light industry built on the female labour force).

The statistical data collection did not focus on indices of the performance of the regional economies at that time, the starting position can be depicted by approximations. *Table 1* is a collection of such indices, making the index of the so-called economic health by counties (in order to allow comparison, in the table we included the order of the counties measured with the GDP at the end of the decade).[2]

If we look at the spatial units above 0 (the average) in the map, we can see that all but one (Csongrád county) can be found in the area west of the Danube River, and also the fact that every county, except two, of this large region, Transdanubia were in a better than average position in 1991.

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Table 1

*Indeces of „economic health" in 1991 and GDP per capita in 2000 by counties*

| Name | Index of economic health, 1991 | | GDP per capita, '000 HUF, 2000 | |
|---|---|---|---|---|
| | value | rank size | value | rank size |
| Budapest | 3.14572 | 1 | 2561 | 1 |
| Pest county | 0.47537 | 5 | 1025 | 10 |
| Fejér county | 0.27317 | 8 | 1664 | 3 |
| Komárom-Esztergom county | 0.48983 | 4 | 1093 | 7 |
| Veszprém county | 0.37768 | 7 | 1112 | 6 |
| Győr-Moson-Sopron county | 0.98477 | 2 | 1754 | 2 |
| Vas county | 0.64739 | 3 | 1499 | 4 |
| Zala county | 0.37797 | 6 | 1113 | 5 |
| Baranya county | 0.06105 | 11 | 993 | 11 |
| Somogy county | 0.08403 | 9 | 892 | 14 |
| Tolna county | –0.31623 | 13 | 1084 | 9 |
| Borsod-Abaúj-Zemplén county | –1.06438 | 19 | 852 | 18 |
| Heves county | –0.68228 | 15 | 925 | 13 |
| Nógrád county | –0.82933 | 17 | 714 | 19 |
| Hajdú-Bihar county | –0.49599 | 14 | 929 | 12 |
| Jász-Nagykun-Szolnok county | –0.80256 | 16 | 874 | 16 |
| Szabolcs-Szatmár-Bereg county | –1.68312 | 20 | 710 | 20 |
| Bács-Kiskun county | –0.27807 | 12 | 887 | 15 |
| Békés county | –0.82948 | 18 | 864 | 17 |
| Csongrád county | 0.06444 | 10 | 1088 | 8 |

*Source*: Nemes N., J. 1993. p. 261 (economic health) and calculated by author.

If we compare these figures to the data of 2000, we can also see that major spatial structural transitions of the 1990s took place within this circle.

These advantages and disadvantages demonstrate a relative position, behind which there was a national economy in need of a rapid renewal, on the brink of a crisis situation (*Figure 2*).

In only two units,[3] in reality only in Budapest, was the average profit rate of the businesses actually positive, whereas in many units the loss was significant. (In this *Figure 2* the two parts of Hungary divided by the Danube River are well separated: the first eleven units are from Transdanubia or the capital city and Pest county.)

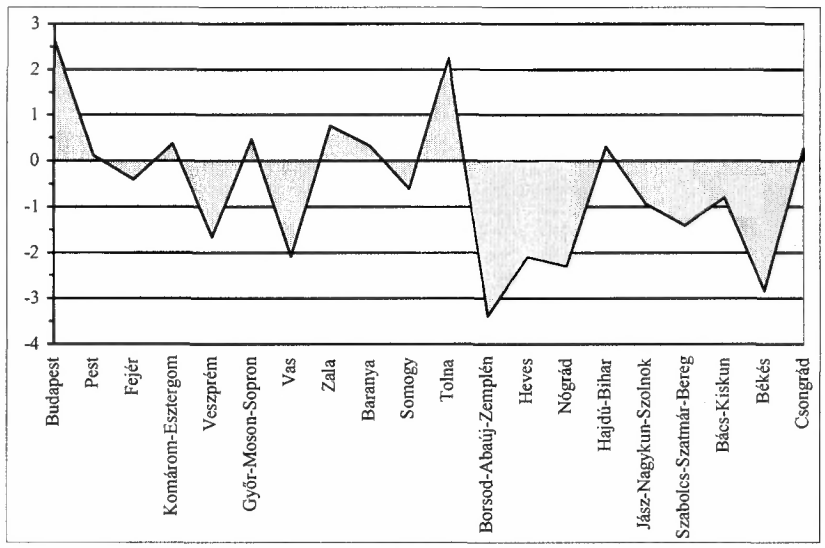
Even if economic privatisation had not been a primary political objective of the change of social model, the balance sheets of the companies demonstrated by the figure in themselves would have made that necessary, anyway.

The first new factor that has a potential to influence the development of the spatial structure of the economy is thus privatisation. As the economic policy, for dif-

ferent considerations, chose the large shareholder–investor model as opposed to the small shareholder – American type – ownership structure, privatisation made the penetration of foreign capital the second new element shaping the spatial structure. The presence of foreign – mostly large shareholder–investor type[4] – capital was usually accompanied by a strong export-orientation, which was initiated by the economies of scale (the Hungarian internal market is rather small). This way the export capacity became the third factor shaping the spatial structure. Coming from the above-said, the fourth factor was the (trans)formation of the sectoral structure of the economy, structural modernisation, the growing importance of manufacturing industry and financial–business services, which are both the primary recipients of foreign capital and the most dynamic elements of the modern economy and growth.

Figure 2

*Average of profit rates of economic units of the counties, 1991, %*




*Source*: Report on regional processes, 1992. p. 73.

## Privatisation and spatial structure

Privatisation means the sales of the economic companies in the portfolio of the state property management organisation, which was done by the manager of the property mostly by a market transaction – sales by tender. The sales were usually organised by sectors (not by regions), primarily relying on large investors (as we have already mentioned), i.e. mostly the total or the majority of the ownership was offered. Two

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phases of the privatisation can be separated. The first one, until 1994, was the time of mass sales, while the second – from mid-1995 until the end of 1997 – was the time of the sales of the larger businesses (energy and gas suppliers, banks and insurance companies etc.), also the minority ownerships remaining from the previous period.

The companies designated for privatisation necessarily showed a spatial distribution ready by the beginning of the 1990s. The concentration of this structure is shown by the fact that companies to be privatised could be found in only 7% of the Hungarian settlements (primarily in Budapest[5] and the – larger – towns), the majority of the settlements were not concerned by the privatisation.

The privatisation action thus did not directly modify the spatial structure. Direct effects could have been *when* privations took place (firms privatised sooner and their home regions could have had an advantage) or *at what price*. Actually neither the effect of the former nor of the latter can be demonstrated. For example, Hajdú-Bihar was among the rapidly privatised counties, still it did not profit much from this situation later. On the other hand, a somewhat belated privatisation characterised Fejér or Komárom-Esztergom counties, which are now part of the core region of economic growth.

In the first phase sales took place at usually 10–15% below the value of registered capital, and mostly followed the economic performance and market position of the given company.

During the privatisation organised by sectors, regional development aspects were hardly considered. We have to add that in the major part of the period there was no institutionalised regional development system in Hungary, that was (re-)created by the Act on Regional Development and Physical Planning in 1996. By that time the majority of privatisation had already been done.

On the whole, only two aspects are worth mentioning. One is the fact that a small part of the privatisation revenues was designated for regional development purposes, certain amounts were allocated to the municipal and regional governments of the settlements where the companies were registered (based on the land area of the plant, in some cases the size of the infrastructure). The other aspect is that a serious condition connected to privatisation was employment, in order to avoid the shock of unemployment.

The safeguarding of the jobs and the creation of new jobs was an understandable social political objective during the privatisation, also, in regional development it is almost a primary condition, not only in Hungary but also in the practice of the EU to date. It is well known at the same time that the growth in the efficiency (and profit rate) of manufacturing does not increase, to the contrary, it decreases employment in the sector and the labour force flows into the tertiary sector. The employment restriction thus theoretically did not serve the rapid Hungarian modernisation, especially if we consider that a significant source of the losses at the majority of the privatised industrial companies was over-employment, due to the lack of capital. This restriction did not actually have any effect, because the new owners could only temporarily consider this obligation.

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Even though the action of privatisation did not directly touch the spatial structure of the economy, its indirect effects are decisive. Following privatisation, the strategic investors continuously "capitalised" the purchased companies, and they provided a continuously safe financial background for the expansion of the company (not to mention the fact that the expansion also means export-orientation and possibility, because the size of the Hungarian market is limited).

## Foreign capital and spatial structure

The appearance of foreign capital in the spatial economy is important for two reasons:

- both the organisational restructuring combined with the privatisation, and the launch of the economy on a "marketable" growth track took place besides a shortage of internal capital and the consequent lack of resources, thus the inflow and spatial structure of foreign capital considerably determined (and still determines) the economic potentials of the regions and also their performance in the longer run;
- the integration of foreign capital – even when it was not a real integration – renewed the economic activity, introduced more advanced technologies, products, operational systems and market behaviours.

At the closedown of privatisation, in the beginning of 1998, approximately 26,000 joint ventures with foreign share operated in Hungary – roughly every fifth economic organisation with legal entity is a joint venture –, the total of their registered capital amounted to some 2,800 billion HUF, within which the foreign share slightly exceeded 2,000 billion HUF. Compared to the beginning of 1994, the number of businesses increased by about a quarter, whereas the total of registered capital increased by 2.5 times and the foreign share tripled until early 1998.

After the end of the privatisation – and dominantly already in the second privatisation phase – the spatial structure of the influx of foreign capital was primarily determined by the development potential, perspectives and the expectations of the free market investments in the given place. The geographical location of these is the new development zone in *Figure 1* above, the region often called the "Hungarian banana" (*Table 2*).

The inflow of foreign capital decreased regional disparities on the whole, but did not amount to an essential spatial rearrangement. The spatial structural positions of 1990 are still valid, with slightly less deviation. Briefly depicting the situation, the capital city and the Central Hungarian Region are still dominant factors (the index of foreign capital per inhabitant in Budapest was 5.9 times the countryside average even in 2000), the secondary and more and more dynamic factor of growth is Transdanubia, but South Transdanubia is declining within that, becoming more and more similar to the Eastern regions which do not show many signs of a

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breakthrough. In the circle of the latter, the situation of the South Great Plain is improving and seems to be relatively stable also in the longer run.

The comparison of the spatial distribution and economic organisational concentration of foreign capital shows characteristic paths of spatial diffusion.

Table 2

*Foreign investment capital per capita of the regions and counties, 1995–2000*

| Name | Foreign investment capital per capita value, '000 HUF | | | rank size | | |
|---|---|---|---|---|---|---|
| | 1995 | 1998 | 2000 | 1995 | 1998 | 2000 |
| Budapest | 383 | 706 | 898 | 1 | 1 | 1 |
| Pest | 110 | 252 | 353 | 5 | 3 | 2 |
| *Central Hungary* | *290* | *544* | *700* | *1* | *1* | *1* |
| Fejér | 99 | 184 | 234 | 6 | 5 | 6 |
| Komárom-Esztergom | 113 | 178 | 305 | 4 | 6 | 4 |
| Veszprém | 31 | 69 | 70 | 17 | 13 | 13 |
| *Central Transdanubia* | *80* | *144* | *199* | *3* | *3* | *3* |
| Győr-Moson-Sopron | 169 | 335 | 286 | 2 | 2 | 5 |
| Vas | 153 | 224 | 312 | 3 | 4 | 3 |
| Zala | 68 | 73 | 65 | 11 | 12 | 15 |
| *West-Transdanubia* | *134* | *226* | *227* | *2* | *2* | *2* |
| Baranya | 82 | 117 | 63 | 8 | 11 | 16 |
| Somogy | 34 | 62 | 54 | 15 | 14 | 18 |
| Tolna | 19 | 27 | 34 | 19 | 20 | 20 |
| *South-Transdanubia* | *50* | *76* | *53* | *5* | *6* | *7* |
| Borsod-Abaúj-Zemplén | 48 | 156 | 142 | 12 | 7 | 8 |
| Heves | 69 | 136 | 142 | 10 | 9 | 9 |
| Nógrád | 37 | 50 | 61 | 13 | 17 | 17 |
| *North-Hungary* | *52* | *133* | *128* | *4* | *4* | *4* |
| Hajdú-Bihar | 76 | 124 | 98 | 9 | 10 | 10 |
| Jász-Nagykun-Szolnok | 24 | 50 | 78 | 18 | 16 | 11 |
| Szabolcs-Szatmár-Bereg | 12 | 27 | 35 | 20 | 19 | 19 |
| *North-Great-Plain* | *38* | *68* | *69* | *7* | *7* | *6* |
| Bács-Kiskun | 33 | 45 | 66 | 16 | 18 | 14 |
| Békés | 36 | 58 | 73 | 14 | 15 | 12 |
| Csongrád | 83 | 153 | 143 | 7 | 8 | 7 |
| *South-Great-Plain* | *49* | *82* | *92* | *6* | *5* | *5* |
| Hungary total | 128 | 237 | 287 | – | – | – |
| Provinces total | 69 | 133 | 152 | – | – | – |

*Source:* Regional Statistical Yearbook, 1995, 1998, 2000. Budapest, Central Statistical Office (different pages, calculated by author).

The type with balanced and probably lasting growth involves the Central Hungarian Region (especially the capital city, but also Pest county by now), also, the catching up Central and West Transdanubian counties: Győr-Moson-Sopron, Vas, Fejér and Komárom-Esztergom will soon be here. At the same time, one county in

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each countryside growth poles – Veszprém in Central Transdanubia and Zala in West Transdanubia – are of lesser intensity and more fragmented than the average, thus the presence of foreign capital is less expressed in the whole of their economies, the two regions are not coherent yet in this respect.

The remaining regions of Hungary do not get much from the favourable effect of foreign capital. They are usually less attractive for foreign capital than the previously mentioned regions, despite the support of the central state and the local will.

It is difficult to designate the really falling behind regions, as the concentrated influx targeting the large-scale organisations (North Transdanubia and Hajdú-Bihar county are the best examples) can remain, despite all seeming progress, devoid of any spatial economic effect if not followed by the next levels on the size scale of the businesses (small- and medium size enterprises). At the same time, the "South Great Plain type", continuous but less concentrated diffusion of foreign capital (which mostly affected the small- and medium size enterprises) can result in a more lasting effect on the spatial economy.

In this circle, the most problematic issues from the aspect of the diffusion of foreign capital are South Transdanubia, a region falling behind, the "stability" of the position of the North Great Plain, the concentrated capital acquisition of North Hungary – which hardly modifies the former economic organisational structure –, but actually the South Great Plain is in an unstable position, too, despite its favourable geopolitical situation from the aspect of the European processes.

## Export capacity and spatial structure

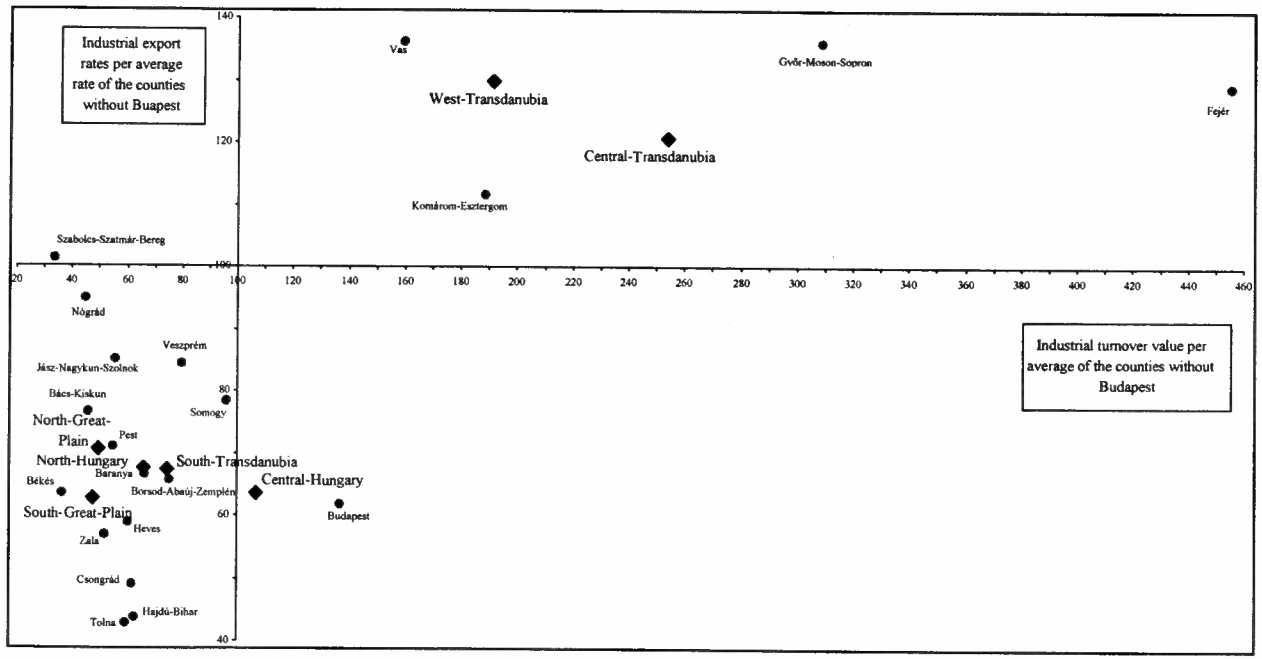
The dominant division line of the spatial structure, drawn by the presence of foreign capital, is still the division line between the capital city and the countryside, but the situation is the opposite if we look at the level of industrialisation and the industrial export capacity (*Figure 3*).

The Figure reveals that in the spatial structure of the Hungarian economy, the level of industrialisation and the export capacity is at least as much of a dividing factor as is the historical capital city–countryside discrepancy. The new phenomenon, typical in the 1990s, is the fact that this effect became extremely influential. The presence of foreign capital concentrated dynamic industrial growth almost exclusively into the four counties in the upper right zone, while the rest of Hungary in this respect is – borrowing the now famous French expression of the 1960s – the "Hungarian desert".

Consequently the key issue of the spatial structure of the Hungarian economy – and in a sense of the modernisation of the whole economy – is re-industrialisation, evidently in the direction of manufacturing industry. Besides the fact that the growth of manufacturing industry is an important factor in itself for both the whole of the economy and the regional economy, there are two functional issues that make it even more important:

Figure 3

*Industrial turnover values and export rates in the average of the counties without Budapest capital city, 2000, %*




*Source:* Regional Statistical Yearbook, 2000. Budapest, Central Statistical Office (different pages, calculated by author).

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- manufacturing industry is the dominant sector, the primary carrier of innovation, and the innovative development is a necessary precondition for the economic or spatial structural modernisation;
- manufacturing industry creates the primary demand and market for the other important sector carrying the dynamics of growth, financial and business services. These services are still primarily concentrated in Budapest (the GDP of the financial and business services per inhabitant in Budapest is 5.21 times higher than the Hungarian countryside average), but their spatial diffusion is an inevitable precondition for the spatial spread and equalisation of the growth (and export capacity) of manufacturing industry.

## Sectoral structure of the economy and spatial structure

*Table 3* is an illustration of the correlation mentioned above in connection with the relation of industrialisation (export capacity) and the financial and business services.

As regards the sectoral structure of the economy, the development is characterised by a particular duality.

Budapest "got rid of" the industrial character already in the first phase of privatisation – by 1994 – and became part of the European urban network as a service city, a service centre of international importance (the value of GDP in manufacturing industry in Budapest is only 19.4% higher now than the countryside average, whereas that of the financial and business services – as we have already mentioned – is 5.21 times higher than that). The development of the countryside is mostly linked to the manufacturing industry, although – as it can be seen from the table – the specific performance of financial and business services slowly follows that, the spatial diffusion of the two sectors takes places parallel to each other (even the rates of growth are rather similar). In the capital city–countryside relation, on the other hand, practically no convergence has taken place in the latter sector.

This duality can become a problem because of the new trend of the world economy, which is characterised by the dichotomy (if you like, paradox) of globalisation and localisation, in which the international movement of capital (and the location value of the regions in the world economy) is determined by the local development of the economic environment (within that primarily the human capital and the financial and business services).

Without the development of this, the capital attraction and the growth in manufacturing industry can decline, too, even in the Transdanubian areas that are the core area of growth today.

Table 3

*GDP data of manufacturing and business services sectors, 1995, 2000*

| Name | GDP of manufacturing sector | | | | | | GDP of business services sector | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | value per capita, '000 HUF | | rank size | | share in GDP total, % | | value per capita, '000 HUF | | rank size | | share in GDP total, % | |
| | 1995 | 2000 | 1995 | 2000 | 1995 | 2000 | 1995 | 2000 | 1995 | 2000 | 1995 | 2000 |
| Budapest | 137.2 | 328.5 | 4 | 6 | 13.8 | 12.8 | 256.1 | 705.3 | 1 | 1 | 25.8 | 27.5 |
| Pest | 96.7 | 242.5 | 12 | 8 | 24.2 | 23.7 | 56.3 | 152.6 | 11 | 7 | 14.1 | 14.9 |
| *Central-Hungary* | *123.5* | *297.3* | *3* | *3* | *15.6* | *14.9* | *188.5* | *504.6* | *1* | *1* | *23.8* | *25.3* |
| Fejér | 164.0 | 728.3 | 2 | 1 | 30.1 | 43.8 | 72.0 | 195.7 | 3 | 2 | 13.2 | 11.8 |
| Komárom-Esztergom | 128.1 | 341.9 | 5 | 4 | 27.0 | 31.3 | 56.7 | 135.4 | 10 | 9 | 11.9 | 12.4 |
| Veszprém | 105.3 | 334.6 | 8 | 5 | 22.7 | 30.1 | 58.5 | 140.4 | 9 | 8 | 12.6 | 12.6 |
| *Central-Transdanubia* | *134.1* | *487.2* | *2* | *2* | *27.0* | *37.0* | *63.1* | *160.1* | *4* | *3* | *12.7* | *12.1* |
| Győr-Moson-Sopron | 154.3 | 720.0 | 3 | 2 | 25.8 | 41.0 | 71.1 | 190.0 | 4 | 3 | 11.9 | 10.8 |
| Vas | 208.6 | 594.7 | 1 | 3 | 35.7 | 39.7 | 59.1 | 168.9 | 8 | 5 | 10.1 | 11.3 |
| Zala | 126.4 | 278.8 | 6 | 7 | 25.1 | 25.0 | 61.2 | 135.4 | 6 | 9 | 12.1 | 12.2 |
| *West-Transdanubia* | *160.7* | *554.6* | *1* | *1* | *28.4* | *37.1* | *64.9* | *168.0* | *2* | *2* | *11.5* | *11.2* |
| Baranya | 60.2 | 156.8 | 19 | 17 | 13.8 | 15.8 | 66.5 | 164.6 | 5 | 6 | 15.2 | 16.6 |
| Somogy | 65.6 | 153.5 | 17 | 19 | 15.7 | 17.2 | 52.6 | 122.4 | 16 | 12 | 12.6 | 13.7 |
| Tolna | 65.4 | 156.7 | 18 | 18 | 12.9 | 14.5 | 51.5 | 121.4 | 17 | 13 | 10.2 | 11.2 |
| *South-Transdanubia* | *63.3* | *155.6* | *7* | *7* | *14.1* | *15.8* | *58.0* | *139.5* | *5* | *4* | *12.9* | *14.2* |
| Borsod-Abaúj-Zemplén | 117.8 | 205.4 | 7 | 11 | 28.2 | 24.1 | 44.6 | 100.9 | 18 | 18 | 10.7 | 11.8 |
| Heves | 76.4 | 227.6 | 14 | 9 | 18.7 | 24.6 | 55.8 | 114.8 | 12 | 15 | 13.6 | 12.4 |
| Nógrád | 73.8 | 174.3 | 16 | 15 | 22.6 | 24.4 | 40.8 | 94.5 | 19 | 19 | 12.5 | 13.2 |
| *North-Hungary* | *99.8* | *205.8* | *4* | *4* | *25.0* | *24.3* | *46.8* | *103.3* | *7* | *7* | *11.7* | *12.2* |
| Hajdú-Bihar | 73.9 | 173.6 | 15 | 16 | 17.3 | 18.7 | 59.8 | 129.0 | 7 | 11 | 14.0 | 13.9 |
| Jász-Nagykun-Szolnok | 102.4 | 212.2 | 9 | 10 | 24.1 | 24.3 | 54.4 | 113.9 | 15 | 16 | 12.8 | 13.0 |
| Szabolcs-Szatmár-Bereg | 58.8 | 133.8 | 20 | 20 | 17.7 | 18.8 | 38.1 | 82.8 | 20 | 20 | 11.4 | 11.7 |
| *North-Great-Plain* | *76.1* | *169.1* | *6* | *6* | *19.5* | *20.3* | *50.3* | *107.6* | *6* | *6* | *12.9* | *12.9* |
| Bács-Kiskun | 88.2 | 190.8 | 13 | 13 | 20.4 | 21.5 | 55.7 | 112.8 | 13 | 17 | 12.9 | 12.7 |
| Békés | 102.1 | 183.6 | 10 | 14 | 23.8 | 21.3 | 55.0 | 117.9 | 14 | 14 | 12.8 | 13.6 |
| Csongrád | 101.7 | 202.8 | 11 | 12 | 19.8 | 18.6 | 80.8 | 183.6 | 2 | 4 | 15.8 | 16.9 |
| *South-Great-Plain* | *96.5* | *192.4* | *5* | *5* | *21.1* | *20.4* | *63.3* | *136.3* | *3* | *5* | *13.9* | *14.5* |
| Hungary total | 108.6 | 284.7 | – | – | 19.8 | 21.7 | 94.3 | 238.2 | – | – | 17.2 | 18.2 |
| Provinces total | 102.0 | 275.1 | – | – | 22.9 | 26.5 | 57.0 | 135.3 | – | – | 12.8 | 13.0 |

*Source*: Data of Ministry of Economy on request, 2002. (calculated by author).

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## The development of the spatial structure (on the basis of specific GDP)

Between 1995 and 2000, the regional economic performance measured with the specific GDP has roughly tripled in Hungary, and the territorial disparities behind the average have usually grown, both in the capital city–countryside relation and within the countryside.

As regards the capital city–countryside relation, the dynamics of Fejér, Komárom-Esztergom, Győr-Moson-Sopron and Vas counties, also the regions represented and determined by them, exceeded that of the capital city (and of the Central Hungarian Region), a slow convergence could be seen, whereas all the other counties and regions showed a divergent tendency. The main tendency thus was that in the field of regional economic performance measured with the GDP, the differentiation between 1995 and 2000 mostly strengthened among the countryside areas, within that especially at the level of the counties, not so much among the regions (*Tables 4 and 5*).

In the progress of the spatial structure measured with the GDP, the above-mentioned factors naturally cumulate, so practically no new element can be seen here.

On the other hand, important correlations can be seen from the aspect of the development of the future spatial structure, if we quantify the relationship among the development of the factors examined so far (*Table 6*).

Table 4

*Differences of GDP per capita by counties and regions, 1994–2000*

| Name | 1994 | 1995 | 1996 | 1997 | 1998 | 2000 |
|---|---|---|---|---|---|---|
| *Differences calculating by counties (19 units and Budapest)* | | | | | | |
| Best per worst position with Budapest capital city | 2.92 | 3.05 | 3.24 | 3.56 | 3.29 | 3.61 |
| Best per worst position without Budapest capital city | 1.68 | 1.83 | 1.93 | 2.22 | 2.13 | 2.47 |
| Budapest capital city per second (best) county | 1.74 | 1.66 | 1.68 | 1.60 | 1.54 | 1.46 |
| *Differences calculating by regions (7 units)* | | | | | | |
| Best per worst position with Central-Hungary region | 2.09 | 2.03 | 2.13 | 2.22 | 2.18 | 2.40 |
| Best per worst position without Central-Hungary region | 1.45 | 1.45 | 1.52 | 1.56 | 1.63 | 1.80 |
| Central-Hungary region per second (best) region | 1.45 | 1.40 | 1.40 | 1.42 | 1.34 | 1.34 |

*Source*: Data of Ministry of Economy on request, 2002. (for year 2000) and Regional Statistical Yearbook, 1997, 1998. Budapest, Central Statistical Office (different pages, calculated by author).

In addition, these indices kind of summarise the main – and already described – characteristics of the development of the spatial structure of Hungary in the second half of the decade.[6]

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Table 5

*GDP per capita of the regions and counties, 1995–2000*

| Name | GDP per capita value, '000 HUF | | | GDP per capita rank size | | |
|---|---|---|---|---|---|---|
| | 1995 | 1998 | 2000 | 1995 | 1998 | 2000 |
| Budapest | 993 | 1858 | 2561 | 1 | 1 | 1 |
| Pest | 399 | 773 | 1025 | 18 | 11 | 10 |
| *Central Hungary* | *792* | *1474* | *1997* | *1* | *1* | *1* |
| Fejér | 544 | 1234 | 1664 | 4 | 2 | 3 |
| Komárom-Esztergom | 475 | 838 | 1093 | 8 | 8 | 7 |
| Veszprém | 463 | 803 | 1112 | 9 | 9 | 6 |
| *Central Transdanubia* | *497* | *978* | *1318* | *3* | *3* | *3* |
| Győr-Moson-Sopron | 597 | 1204 | 1754 | 2 | 3 | 2 |
| Vas | 585 | 1162 | 1499 | 3 | 4 | 4 |
| Zala | 504 | 901 | 1113 | 7 | 5 | 5 |
| *West-Transdanubia* | *565* | *1102* | *1494* | *2* | *2* | *2* |
| Baranya | 437 | 783 | 993 | 10 | 10 | 11 |
| Somogy | 418 | 686 | 892 | 15 | 18 | 14 |
| Tolna | 506 | 861 | 1084 | 6 | 7 | 9 |
| *South-Transdanubia* | *448* | *770* | *982* | *5* | *4* | *4* |
| Borsod-Abaúj-Zemplén | 418 | 690 | 852 | 15 | 17 | 18 |
| Heves | 409 | 726 | 925 | 17 | 13 | 13 |
| Nógrád | 326 | 565 | 714 | 20 | 20 | 19 |
| *North-Hungary* | *400* | *678* | *847* | *6* | *6* | *6* |
| Hajdú-Bihar | 426 | 754 | 929 | 13 | 12 | 12 |
| Jász-Nagykun-Szolnok | 425 | 720 | 874 | 14 | 14 | 16 |
| Szabolcs-Szatmár-Bereg | 333 | 567 | 710 | 19 | 19 | 20 |
| *North-Great-Plain* | *391* | *675* | *832* | *7* | *7* | *7* |
| Bács-Kiskun | 433 | 713 | 887 | 11 | 15 | 15 |
| Békés | 429 | 691 | 864 | 12 | 16 | 17 |
| Csongrád | 513 | 889 | 1088 | 5 | 6 | 8 |
| *South-Great-Plain* | *457* | *761* | *943* | *4* | *5* | *5* |
| Hungary total | 549 | 997 | 1312 | – | – | – |
| Provinces total | 446 | 805 | 1039 | – | – | – |

*Source:* see at Table 4

– The growth tracks of dualistic sectoral structure – i.e. the fact that in Budapest the financial and business services sector, whereas in the countryside Hungary the export-oriented manufacturing industry is the engine of growth – reflect totally different relations if we do the calculations without Budapest or including the capital city. The common feature is that in both cases the presence of foreign capital is a dominant component, although its dominance declined by the end of the decade. The significant differences also point out that the economic weight of Budapest within Hungary remained extremely great, this dominant feature of the spatial structure did not change in the 1990s.

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Table 6

*Correlation indeces of the factors of economic territorial structure, 1995, 2000*

| Name | Year | GDP per capita | Manufacturing share in total GDP | Business services share in total GDP | Foreign investment capital per capita | Industrial export per capita |
|---|---|---|---|---|---|---|
| *Without Budapest capital city* | | | | | | |
| GDP per capita | 1995 | – | 0.4455 | –0.1774 | 0.6745 | 0.6868 |
| | 2000 | – | 0.8120 | –0.3389 | 0.6328 | 0.8547 |
| Manufacturing share in total GDP | 1995 | – | – | –0.3561 | 0.5521 | 0.7654 |
| | 2000 | – | – | –0.5232 | 0.6837 | 0.8579 |
| Business services share in total GDP | 1995 | – | – | – | 0.0567 | –0.4526 |
| | 2000 | – | – | – | –0.1316 | –0.4097 |
| Foreign investment capital per capita | 1995 | – | – | – | – | 0.6513 |
| | 2000 | – | – | – | – | 0.5761 |
| Industrial export per capita | 1995 | – | – | – | – | – |
| | 2000 | – | – | – | – | – |
| *With Budapest capital city* | | | | | | |
| GDP per capita | 1995 | | –0.0645 | 0.7292 | 0.9122 | 0.4358 |
| | 2000 | | 0.2501 | 0.5880 | 0.8665 | 0.5219 |
| Manufacturing share in total GDP | 1995 | – | – | –0.4407 | 0.0008 | 0.6871 |
| | 2000 | – | – | –0.5066 | 0.0634 | 0.8238 |
| Business services share in total GDP | 1995 | – | – | – | 0.7724 | –0.1102 |
| | 2000 | – | – | – | 0.7343 | –0.2141 |
| Foreign investment capital per capita | 1995 | – | – | – | – | 0.4293 |
| | 2000 | – | – | – | – | 0.2687 |
| Industrial export per capita | 1995 | – | – | – | – | – |
| | 2000 | – | – | – | – | – |

- Although Hungary is still among the five "most international" economies of the world as regards the role of foreign capital, the correlation between economic performance and the amount of foreign capital seems to loosen (in the case of both growth tracks), the accumulation of Hungarian capital is strengthening[7] and the performance of the Hungarian companies – mostly in the sector of small- and medium size enterprises – is improving. In addition to the weakening of the dependence on foreign capital, this is an important phenomenon because it might create, adapting to the trends of the beginning of the new millennium, the conditions for the creation of integrated sectoral–regional economic organisational systems (clusters, networks etc.) both in Budapest and the Hungarian countryside. The penetration of the Hungarian small- and medium size enterprises also increases the flexibility of the economic structure, and it can amount to a better adaptation to the market.
- In the growth and the economic performance, an increasing export orientation can be demonstrated even in Budapest. For the „returns to scale" of the modern economy, the internal Hungarian market is too narrow, and the ability to

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adapt to the world market remains a dominant factor in the formation of the spatial structure, too. The external institutional consequence of this is the fact that the integration to Europe, the accession to the European Union has no real alternative for Hungary, whereas the internal institutional consequence is that the economies of scale result in the strengthening of the economic organisational role of the regions, making the decentralisation of the central control and regulation inevitable in the field of the economy, too.

## Notes

[1] As opposed to the majority of the East-Central European countries, the Hungarian transition was a less radical turn in many respects. From 1968 on – starting with the economic reforms launched then – the economic and behavioural characteristics of the Hungarian companies on the whole moved, with some steps back, towards the directions typical in the market economies. In the second half of the 1980s this process strengthened and several formerly favoured sectors soon found themselves in a crisis situation. Before the turn – also in the second half of the 1980s – foreign capital appeared in the Hungarian economy, this was the time of the initial phase of privatisation, too, the so-called "spontaneous privatisation" not controlled by the state, which mostly concerned the retail and catering industry network (units). The most important elements shaping the development of the 1990s were thus present in the economy formerly, in less expressed forms.

[2] The index of economic health is the result of a factor analysis done for the 19 counties and Budapest (a total of 20 units) with four variables, the factor point values of the units by main factor. The expected value ("the average") is 0, the standard deviation is 1. The four variables are as follows: density of businesses (number of businesses per one thousand inhabitants), share of joint ventures (the proportion of businesses with foreign share within the total of the businesses), the income of the population (personal income tax base per one inhabitant) and the unemployment rate.

[3] Tolna county – the other unit besides Budapest – is one of the Hungarian counties with the least population, in the territory of which operates the only Hungarian nuclear power station. It provides 40% of the energy supply of Hungary. The power station company in itself provides at least 20% of the GDP of Tolna county, which makes the county seem as a developed one measured by the specific GDP, while in reality – without the performance of the power station — it is much less developed than the average. The average profit rate of the Figure, more than 2%, is also the "output" of the power station.

[4] At the economic organisations with mixed ownership, today the average proportion of the foreign ownership within the total of the registered capital is around 80%.

[5] Following the closedown of the privatisation process – in 1998 – more than half of the joint ventures and approximately 57% of the registered capital of the joint ventures could be found in Budapest.

[6] The calculation was done for the interim years, and the findings show that the changes characterised by the two end points fit in the tendency.

[7] In the second half of the decade, the export of Hungarian capital significant strengthened, too, especially in the Central-East European region.

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