UNEVEN DEVELOPMENT, URBAN POLICY MAKING AND BROKERAGE

URBAN REHABILITATION POLICIES IN HUNGARY SINCE THE 1970s

By

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Statement

I hereby state that the dissertation contains no material accepted for any other degrees in any other institutions. The dissertation contains no materials previously written and/or published by another person, except where appropriate acknowledgement is made in the form of bibliographical reference.

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Abstract

Since the 1970s, “urban rehabilitation” has been the main territorially focused policy through which the Hungarian state has tried to intervene into urban spaces that are negatively affected by uneven development. Though “urban rehabilitation” as a concept has been used extensively in the last five decades, both the practices and representations attached to it have changed significantly according to the actual ideological, institutional and structural contexts of the different historical periods. Through interviews, archival materials, document analyses, macro-statistical data collection and ethnographic observations, I track these changes in order to show how the relation of the Hungarian state to urban decline has been reworked by politicians, scholars, bureaucrats and various expert groups on different scales. I identify four historical junctures that I analyze in detail as periods of intensified changes in urban policy: the unfolding global crisis in the 1970s and 1980s in Hungarian state socialism; the radical institutional and geopolitical changes around 1989; Hungary's EU accession in 2004 after more than a decade of liberal hegemony; and the landslide political and economic changes around 2008-2010 when, amidst the global economic crisis, the right-wing regime took an authoritarian turn.

In the late 1970s and early 1980s – within the broader trend of a global economic crisis which took the form of a debt crisis in semi-peripheral Hungary – the concept of “urban rehabilitation” was introduced in opposition to the previous modernist urban planning ideas, i.e. “urban reconstruction” and green field socialist prefab constructions. Thus the introduction of urban rehabilitation as a concept in the late 1970s can be studied parallel to other crisis-driven institutional and ideological changes, and in tandem with the emerging field of experts working with the concept. In the 1990s – as a part of the policy package of the transition from socialism to capitalism – urban rehabilitation was seen as a tool to adapt to “capitalist” processes and to attract private capital in an entrepreneurial manner. In this period the field of experts became adapted to the new “liberal” institutional architecture. From the mid-2000s, and particularly after EU accession in 2004, urban rehabilitation became a wide-spread urban policy tool due to the significant amount of EU funds dedicated to

"integrated urban interventions", which led to the emergence of "social urban rehabilitation". In the field of experts it brought professionalization and the inflow of a new generation. Since the authoritarian turn in 2010 urban rehabilitation has gradually begun to focus on governing marginalized territories with social tensions in a paternalist way– as an element of the post-crisis polarizing politics of the right-wing regime. By 2014 it brought changes in the expert field as well, with the appearance of a new, ambiguous relation to politics.

Through following the history of urban rehabilitation as a policy, this dissertation shows how different actors in different periods tried to problematize and change urban processes in different Hungarian cities. More broadly, through this historical journey I show how state representations and practices have been rescaled in the last five decades in Hungary, and how the work of governing cities has been changed in tandem with the restructuring of the institutional architecture of policy making. I argue that instead of a simplified "socialist city" – "capitalist/post-socialist city" dichotomy, a more nuanced analysis is needed in order to understand the role of urban policies. Moreover, instead of seeing urban policy making as a merely "urban" or "national" issue, I demonstrate the significance of the interplay between global historical ruptures and local (dis)continuities in the practices of urban policy making animated by different acts of brokerage.

For this reason throughout the thesis I pay specific attention to the ever-changing functions of creating and dissolving institutions. I show that these acts of (de/re)-making institutions are practices of brokerage that mediate between different domains of politics, markets and society, for example between "global" and "local" processes, between the "state" and the "people", or between political cosmologies and state practices.

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Doctoral dissertations are not what they seem. Even though they are presented and acknowledged as *individual* academic products, the lonesome hours spent in the field, in libraries, or in front of the computer writing up a doctoral dissertation, are inspired and catalyzed by various types of *collective* and social practices. I feel very lucky that I was able to have so many inspirational collective experiences – without these, this dissertation would have never been finished.

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Abbreviations

In most of the cases I use the abbreviation of the English translation of the institutions within the dissertation. However, in some cases, where the Hungarian acronym has a crucial importance in the Hungarian discourse, I chose to use the latter. Here the Hungarian versions are italicized.

BUVÁTI – *Budapesti Városépítési Tervező Iroda* (Budapest Urban Construction and Planning Office)

CDC – Caisse des Dépôts et Consignations

EC – European Commission

ERDF – European Regional Development Fund

ESF – European Social Fund

HCSO – Hungarian Central Statistical Office (*Központi Statisztikai Hivatal*)

HDB – Hungarian Development Bank (*Magyar Fejlesztési Bank*)

IS – Institute for Sociology of the Hungarian Academy of Sciences (*Magyar Tudományos Akadémia Szociológiai Kutatóintézete*)

MA – managing authority

MQP – Magdolna Quarter Program (*Magdolna Negyed Program*)

MRI – Metropolitan Research Institute (*Városkutatás Kft.*)

NAEP – National Authority for Economic Planning (*Nemzetgazdasági Tervezési Hivatal*)

NEM – New Economic Mechanism (*Új gazdasági mechanizmus*)

NDA – National Development Agency (*Nemzeti Fejlesztési Ügynökség*)

PMC – property managament company (*ingatlankezelő vállalat*)

RINS – Research Institute for National Strategy (*Nemzetstratégiai Kutatóintézet*)

VÁTI – *Városépítési Tervező Iroda (1950-1967), Városépítési Tudományos és Tervező Intézet (1967-1993), VÁTI Magyar Regionális Fejlesztési-, Urbanisztikai- és Építészeti Részvénytársaság (1993-2013)* (Urban Planning Office [1950-1967], Urban Science and Planning Institute [1967-1993], VÁTI Hungarian Regional, Urban and Architectural Development Corporation [1993-2013])

Introduction

Background of the dissertation

In Autumn 2010, while conducting fieldwork on gentrification and displacement for my MA thesis, I was knocking on the doors of an old tenement house in the inner city of Budapest in order to find interviewees. The house was to be emptied out and renovated by the local government, and the tenants – all living in social housing units – were in negotiation with the local bureaucrats about how to be compensated for their forced eviction. It was a day when few people were at home. Finally, a man in his sixties opened the door suspiciously. By that time, I was used to the initial negative sentiments, and I briefly explained that I was not from the local government, and was not there to sniff around for the bureaucrats, but that I was a researcher curious about the narratives and experiences of the residents. After a few minutes he opened up and began talking about his situation. It was a bitter story, and he was visibly frustrated and stressed because of the negotiations. He lived on welfare benefits and took care of his grandson, who had been abandoned by his parents after they became involved in a criminal case. He did not want to explain all the details about the family, but he vividly described how this uncertain situation – having to leave the flat but it still being unclear where they would move to – coupled with his financial hardships, was making him deeply worried. After 20 minutes of discussion he got bored and upset, and we said goodbye to each other. When I returned to the building a couple of days later, there was an official stamp on his door, and the neighbors told me that he had committed suicide in the flat, and that his grandson had been taken into official care. It has never been clarified to what extent his tragic death was connected to the pressure to leave his long-time home, but it was evidently a factor that made him feel helpless and lost.

Though similarly shocking events were rare during my fieldwork, it was beyond doubt that for poorer, more vulnerable residents, displacement – caused by a specific form of state-led gentrification – was a traumatic event (Jelinek, 2010, 2011). The unjust, inhuman and socially harmful side of gentrification has been thoroughly described by various scholars (Slater, 2006, 2009; Smith, 1996a), and during my master's work I connected my case to this international literature of the phenomenon. However, even after submitting and defending my thesis, I had an uneasy feeling arise from the mismatch between what I read about displacements and gentrification in other contexts, and what I saw and experienced in Hungary. Compared both to Anglo-Saxon cases, which dominate the literature, and cases from the Third World, the gentrification of the inner city of Budapest seemed much more "natural" and "smooth". First, it happened in a legally regulated way, and there were very few large-scale, scandalous cases such as the slum-clearance projects in India or in China (Weinstein & Ren, 2009). Second, and connected to this, there was no significant opposition to gentrification. When there were local groups questioning the rationale behind certain projects, most of the time they focused on the architectural, physical side of the interventions, and rarely formulated any social criticism (Jelinek, 2009). Third, the public and expert discourses about these processes rarely featured critical accounts; they rather revolved around technicalities and the dry analysis of urban rehabilitation projects that were usually the policies behind gentrification. In other words, the process was rarely conceptualized as gentrification, since most of the attention was focused solely on the policy catalyzing it.

Slowly I came to the conclusion that in order to better understand how and why Hungarian cases seem so natural compared to other cases in core and peripheral contexts, I would have to focus on urban rehabilitation. Most of the actors I spoke to – including the residents, the local bureaucrats and even progressive grassroots groups – were depicting urban

rehabilitation as an external force, almost like a machine, which continuously moves from the center of the city towards its periphery, and which "will come" at a certain point. As a result, they are made to wait and see how it unfolds, and how they will be able to navigate within the narrow room for maneuver that is left for them. After conducting my fieldwork, I was convinced that small, personal dramas are always somehow part of the story of urban rehabilitation-induced gentrification, but they are overshadowed by the external and complex logics of creating and implementing urban development projects. These logics were always narrated as a non-transparent, machine-like phenomenon that no one fully understood. A few years later it was revealing to read James Ferguson's *Anti-Politics Machine* (1997): strangely enough I could easily describe my field experiences within the same framework through which he analyzed development projects in Lesotho. He described how the institutionalization of bureaucratic development projects depoliticized certain interventions that had crucial effects both on local residents and on the bureaucrats implementing them. It was at this point that I decided to dedicate my doctoral dissertation to the question of understanding urban rehabilitation policies in Hungary as specific cases of development projects, from their inception in the 1970s until the present day, in order to open up the black box of urban rehabilitation, and thus to shed light on the forces that silence and/or bracket the personal dramas on the ground.

My choice to focus on urban rehabilitation instead of gentrification implies a broader empirical scope compared to gentrification research. While in most of the cases gentrification is carried out on the level of the projects through the mobilization of different versions of urban rehabilitation policies, it would be an exaggeration to claim that in each case urban rehabilitation masks the attempts to close the rent gap, i.e. to gentrify. In critical gentrification research the analytical focus is on the rent gap, and most of the research questions are

centered around how the rent gap is closed, and how it affects certain neighborhoods. However, starting from urban rehabilitation as a policy enables me to critically assess different logics: the way in which expertise is made and unmade, how the logic of development transforms cities and the profession of urbanism, and the way in which the state relates to (urban) social problems and to (urban) poverty in general.

While this dissertation is informed by and contributes to the broader critical urban studies literature – including critical accounts of gentrification – it is not a traditional piece of urban scholarship for several reasons. First, because its focus goes beyond the urban *per se*. Even though the centerpiece of my investigation is deeply connected to urban processes, I did not want to separate them from broader or narrower processes. In my understanding, the urban scale cannot be meaningfully separated from other scales; it is an important scale in analyzing certain social, economic or political mechanisms, but these are always shaped by national, global, European or neighborhood level phenomena (Brenner, 2011; Smith, 2003). Moreover, these scales themselves are socially constructed, which means that their hierarchical interrelations themselves are the object of change throughout history. The broader framework in which I will grasp this complexity is uneven development, as this theory of capitalist accumulation can easily accommodate multi-scalar processes (Smith, 1990). My contribution to this literature will be a greater sensitivity towards the practices of urban policy making within the context of uneven development.

Second, unlike many analyses of urban processes, mine will not be anchored in a single city, nor in multiple cities in a more or less rigid comparative framework. Rather, my cases cut across different scales and different periods, and include processes in the European Commission, in the national administration in Hungary and in different districts and neighborhoods of Budapest and beyond. This was an intentional choice, because I was more

interested in the history of a policy tool, and the various forms and mutations that it took as a result of different historical dynamics, than in the history of a certain locality. While this latter approach may be interesting in many ways, it is not sufficient to document changes in urban policy making at large and over an extended period of time. Thus my dissertation is a relational reconstruction of the interplay of political economic processes in their interrelation with changes in policy making – with a special focus on the brokers of these changes – where the presented cases are emblematic for certain processes. I discuss three localities in Hungary in depth: Ferencváros, Józsefváros – the 9th and 8th Districts of Budapest, respectively –and the small city of Salgótarján. As urban rehabilitation projects by definition focus on declining and/or marginalized territories, the selected cases represent different types of declining neighborhoods: the districts in Budapest will demonstrate the mechanisms through which peripheries of the economic center of Hungary are "rehabilitated", while through the example of Salgótarján I will show how rehabilitation unfolds in the center of one of the most peripheral regions of Hungary. The first two cases are the most discussed cases of urban rehabilitation and gentrification in Hungary. Ferencváros was the first comprehensive project, and has been going on since the late 1980s. Józsefváros is noted both as the largest entrepreneurial urban development project in Hungary, and as the earliest "social urban rehabilitation", which signaled a significant change in the history of urban rehabilitation. Salgótarján, on the contrary, is a less-known case, but its significance is granted by its positionality. As one of the most deprived urban settings in Hungary, I will use this case to show how urban rehabilitation projects had an effect on peripheral urban locations. I found it important to step beyond the boundaries of Budapest, since most studies are biased towards the capital and draw conclusions from the rather specific situation of by far the largest Hungarian city without discussing the smaller towns in "the countryside". Thus while the broader implications of the first two cases are rooted in their canonic and exemplary nature,

the more “ordinary” case of Salgótarján (cf. Robinson, 2006) is useful to show how similar policies have different functions in the context of a deprived “shrinking city” outside of the mainstream narratives (cf. Bernt, 2015).

From a methodological point of view this dissertation uses mixed methods, similarly to how in multi-sited ethnography, the logic of the chosen fields is pursued through the connection of various types of “things”, fields, metaphors or people (Marcus, 1995). From this perspective, my field was constructed through “following the policy” through time and space. The largest chunk of my data was collected through interviews. Altogether I conducted 40 formal interviews with 33 different experts from different institutions between 2013 and 2017. I had interviewees from different ministries and public institutions, from municipalities, from the European Commission, from think tanks and from small consultancy companies. The selection of the interviewees followed the logic of the field of urban rehabilitation. I tried to map out this field in order to get to know both the most important figures and the most influential institutions. For the historical chapters I relied extensively on various documents. I conducted research in the archives of VÁTI[1], in the Budapest City Archives, and in the “Budapest Collection” of the Ervin Szabó Metropolitan Library. I also read many articles from newspapers and journals that I identified through a search for “urban rehabilitation” as a keyword. I conducted research in the library of the Hungarian Statistical Office in order to gather various data sets and background studies. In the more recent cases my analysis was enriched by ethnographic observations. Since 2009 I myself have been a peripheral part of the field of urban rehabilitation. I took part in numerous conferences and workshops, had informal discussions with many actors, and also took part in some research and consultancy

[1]The archives of VÁTI are part of the collection of the Lajos Lechner Knowledge Center in Budapest.

work. Most notably I was an interviewer in projects focused on deprived neighborhoods both in Ferencváros and in Józsefváros. The aim of these projects was to get preliminary information about areas selected to "be rehabilitated", thus I had the chance to experience the fine mechanisms of such preparatory work. I accumulated extensive knowledge about Salgótarján, where I was involved not only in preparatory research but also in the creation of an "anti-segregation" plan in 2014, and also in the production of a "community intervention plan" in 2016, which has been the basis of the most recent round of "social urban rehabilitation" in the city. Throughout these projects I conducted more than 100 interviews and had access to numerous documents and background information about the nature of urban policy that targets deprived urban areas.

Another methodological issue was highly relevant in my research: doing "anthropology at home". In my case, one object of my research was a field in which I myself have started to be incorporated through my professional praxis since at least 2010. I am one of the founding members of the Collective for Critical Urban Research (Jelinek, 2012), a small informal group of young urban scholars aiming to pursue the formerly missing goals of critical social sciences in the field of urban studies in Hungary. With this collective I have participated in more than a dozen public events (workshops, conferences, roundtable discussions), and we collectively edited a reader in critical urban studies (Jelinek, Bodnár, Czirfusz, & Gyimesi, 2013). Thus for some of my interviewees I was not only a PhD student doing research on urban rehabilitation, but a young colleague with a specific positionality within the field. Being involved with the object of one's study in such a way can be both a boon and a bane (cf. Peirano, 1998). On the one hand, proximity can influence the trajectories and the outcomes of social scientific research. On the other hand, it can help in getting better insights that would be hidden from someone outside of the field. Throughout the fieldwork I continuously

reminded myself of this situation, and I did everything possible not to let my subjective emotions and goals hinder the process of collecting, understanding and analyzing my data. To the best of my knowledge, there are no significant disadvantages that my dissertation may have suffered from this position. Rather, I experienced a deeper level of honesty, or collegiality in a positive sense, in those cases when my small contributions to the field were known by my interviewees[2].

Conceptual issues

According to etymologists, "rehabilitation" is made up of the "re-" prefix meaning "again", and the Medieval Latin expression "habilitiare" meaning "to render fit with something" (Partridge, 2002: 273). To render fit again, or to make something fit again. Before becoming part of the urban planning jargon, rehabilitation had been used in medicine. In an article published in 1944, an American army physicist provides a short summary of the term from a medical point of view (Jostes, 1944). According to his summary, which is based on British sources, "rehabilitation" became part of the professional medical praxis during the First World War, and by the Second World War it had an extensive literature and even whole institutions devoted to "rehabilitating" soldiers and civilians alike. In this paper rehabilitation is defined as "nothing more or less than the conscientious planning and execution of those procedures which the practice of good medicine offers as restorative measures to a person suffering from any given disability which inhibits that individual from taking part in the activities of normal man" (ibid: 215). Notable words in this definition are: "restorative

[2]For example, in one case I was able to access documents from a personal archive that would not be available in public archives. In another case I got insight into hidden political maneuvers that were never discussed publicly.

measures", "disability" and "normal". These elements would later be part of the urban planning definition of rehabilitation. In fact, if "medicine" were changed to "urbanism", "person" would be changed to "area" and "normal man" would be changed to "a normal city", then most urbanists would probably accept the definition above as it applied to "urban rehabilitation" today.

By the Second World War the concept was already in use in urban planning, but there was significant uncertainty around its meaning. In 1944 an American urban planner tried to clarify how the term was used during the planning of a project in Cleveland, Ohio:

> "the word *redevelopment* tends to be misused to cover all types of community planning in deteriorated areas. As we use the term it refers only to those portions of a replanned community where complete reconstruction is found to be the only possible course of action. In the less wholly blighted neighborhoods of a community, especially where there is a large percentage of owner occupancy and where a considerable proportion of the properties are in reasonably good condition, we advocate a method of *conservation*, which may involve partial redevelopment but consists principally of protective measures rather than reconstruction. Taken together, however, these two processes, redevelopment and conservation, constitute the means whereby *rehabilitation* of an entire deteriorating urban community may be affected, each neighborhood within the community being separately analyzed, and treated according to its merits" (Weinberg, 1944: 24, highlighted as in original).

Thus in this definitional attempt, there is a differentiation between "harder" and "softer" attempts of state intervention into derelict neighborhoods (redevelopment vs. conservation as thesis and antithesis), and rehabilitation is defined as a more complex synthetic notion, a larger scale attempt possibly including both redeveloping and conservatory approaches to intervene into a set of neighborhoods.

In the following decade, novel but somewhat similar concepts appeared on the Anglo-Saxon urban planning agenda, but the basic thesis-antithesis-synthesis structure of the definitions remained the same. For example, in the account of Wilfred Burns the meaning of

redevelopment is almost the same as in Weinberg's article, while rehabilitation becomes simply "the process of putting existing buildings or existing areas of development back into a worthwhile state after they have become outdated and unsatisfactory" (Burns, 1963: 14). At the same time, the new concept of "renewal" is described as being different both from "radical changes" and the "status quo of preservation", and is defined broadly as "an amalgam of all the processes which act on a town, or a portion of it, and which are continually moulding and changing its character and appearance" (ibid: 14–15). Moreover, this synthetic "plan and programme can only be adequately formulated if the essential character of the area is fully understood" (ibid: 15). Another reappearing motif is that novel, synthetic concepts are always justified with the alleged need for an ever deeper and "fuller" analysis of the affected territories.

In the 1980s the new synthetic concept was "regeneration". According to Furbey, regeneration – rooted historically and etymologically in theological descriptions of spiritual rebirth, and later in sociological organicist descriptions of "healing" communities – was used in the 1980s in a holistic sense compared to previous, allegedly "more simplistic" accounts of redevelopment and renewal (Furbey, 1999). This holism was based on temporal, territorial and topical extensions of previous ideas. Regeneration supposedly referred to strategic plans for a prolonged period, for wider areas, and with the consideration of a wider range of potentially problematic aspects and potential remedies. An important new aspect taken into consideration was economic efficiency, and market-related solutions for urban problems, which was influenced by the Anglo-Saxon ideological shift towards market friendly neoliberalism (cf. Campkin, 2014, 2015). An overarching keyword from this period is "sustainability" in its social, economic, environmental and cultural sense.

Even though there is a tendency in the contemporary literature to use regeneration as the most inclusive term to include any planned intervention into derelict neighborhoods, there are still many articles that use “regeneration”, “renewal” and “rehabilitation” interchangeably, or at least without a clear definition. A useful way to overcome this definitional uncertainty is to historicize the problem. Analyzing North-American, British, and Israeli urban policies, Carmon argues for identifying three main “generations” of urban regeneration after the Second World War: the “era of the bulldozer”, focusing on the built environment until the 1970s; the era of “neighborhood rehabilitation”, focusing on social problems; and the era of “city-center revitalizations”, focusing on economic development from the 1980s (Carmon, 1999). According to this historical narrative, there is both a shift in the key tools of implementing regenerations – from the bulldozer to low-level state bureaucracy to the market-regulating apparatus – and a shift in the broader political-economic and intellectual climate. Thus, even though in the contemporary discourse the terms are often used as synonyms, different notions of urban interventions can be understood as characteristic catchwords for these different historical eras: “redevelopment” around the Second World War, “rehabilitation” and later “renewal” in the 1970s and 1980s, and finally “regeneration” from the 1980s and 1990s. The shift from one concept to the next was usually legitimized as taking a more “holistic” and “complex” approach to urban problems that included more and more aspects to consider during interventions.

In the Hungarian case the general tendencies are similar to what we see in the English language literature. Historically, the “bulldozer era” can be identified in the 1950s and 1960s. This was followed by an increasing social *and* historical sensitivity from the 1970s, which in turn was extended to include a wider set of remedies to a wider set of problems, just like in the case of introducing “urban regenerations” in the Anglo-Saxon literature. However, there are both historical and conceptual differences that differentiate the Hungarian processes from

the above generalized narrative. First of all, the bulldozer type of intervention was first called *szanálás*, which is derived from Latin *sanare*, which means to heal something. While *szanálás* had first a medical meaning in Hungarian, from the late 19th century it was also used for reorganizing and restructuring companies or economies after economic problems or crises. Even today the complex economic policies following the bankruptcy of Hungary in the interwar era is called *szanálás* in the historiography. However, *szanálás* in the urban sense referred rather to a technical tool – something like demolition in English – and not to a policy tool.

The first such bulldozer-type policy was called *rekonstrukció* (which translates as reconstruction) from around the Second World War, with the growing influence of the international modernist movement in architecture (cf. Preisich, 1998). The idea of *rekonstrukció* was similar to the *redevelopment* present at the time in the Anglo-Saxon literature. *Rekonstrukció* was then challenged and followed by *rehabilitáció* (rehabilitation) in the 1970s, which resembled and coincided with the shift from "redevelopment" to "rehabilitation" in the UK and in the US. However, from that point on, *rehabilitáció* remained the main concept in Hungary, and even though the policy itself was "developed" by experts into more complex and more holistic directions (including an economic dimension after the 1980s and focusing on sustainability and social issues from the 2000s, similarly to what happened in the US and in the UK), even today *rehabilitáció* remains the overarching concept to refer to any urban intervention into physically and/or socially "problematic" neighborhoods.

For this reason, in the dissertation I will use "urban rehabilitation" as the English translation of an emic notion in the field of Hungarian urbanism. This should be differentiated from the English concept of "urban rehabilitation", popular in the 1970s and 1980s in the US

and UK. Since the changing content of what is meant by “urban rehabilitation” in Hungary is one of the focuses of this dissertation, I will continuously reflect in the following chapters on how exactly this emic concept has been understood and used, and what kind of projects have been carried out under its auspices.

Even though “urban rehabilitation” is the most widespread concept for urban interventions in “problematic” neighborhoods in Hungary, there has been a reflection on the vocabulary of the English language literature among the experts, and thus there are other similar concepts in circulation as well. For example, Egedy and Kovács published a supposedly comprehensive summary of different versions of “urban rehabilitation” in different historical periods in Europe for Hungarian readers: they claim that reconstruction was the keyword for the 1950s, revitalization for the 1960s, renewal for the 1970s, redevelopment for the 1980s and regeneration for the 1990s (Egedy & Kovács, 2003). This summary contradicts most of the articles that I have referred to so far. Nonetheless, it nicely illustrates that besides accepting “urban rehabilitation” as the most common concept for urban interventions into “problematic” neighborhoods, there is a significant amount of uncertainty and inconsistency in the Hungarian literature concerning similar concepts, not to mention their use in other national contexts.

In this dissertation I will not coin a new, all-encompassing definition of “urban rehabilitation”, nor will I provide a universal, comprehensive historical periodization that cuts through different local professional vocabularies and policy traditions. As a rule of thumb I focus on those Hungarian projects that were specifically defined as “urban rehabilitation” within the milieu of urban experts in Hungary. With this focus I analyze how this policy functions and changes over time as a result of evolving contextual factors. What I wish to highlight in light of the short summary presented above are three preliminary insights about

the common definitional practices of urban experts, which will be useful tools for my analysis later.

First, there are medical roots of the concepts referring to state-led (or state-coordinated) urban interventions into problematic neighborhoods. Even though there are far fewer social scientists today who would non-reflectively use such metaphors and analogies like "healing the city" than in the previous decades of the 20th century, it is in itself telling how our main concepts today still carry their implicit origins in a somewhat Darwinist ontology. This ontology is nicely described by the definition of "rehabilitation" from 1944 that I quoted above. I argue that this basic schema behind urban interventions and urban policies – namely that a "disability/problem" is identified, a "restorative measure" is invented and proposed, and then a cure towards "normality" is issued – is still implicitly prevalent in contemporary urbanism. Moreover, this schema can be analyzed with the concept of "fixing" capitalist crises (Harvey, 1999). Though experts seldom mention capitalist crises as the causes of the "symptoms" that they intend to cure with deploying "urban rehabilitation", one of my arguments throughout the dissertation will be that urban rehabilitation projects can be seen as socio-spatial fixes for the negative consequences of uneven development unfolding in the urban landscape.

Second, there is an essential mismatch between the dynamic shifts of concepts and the content of the actual policies. Juggling the differences between "urban redevelopment" and "urban rehabilitation", or between the latter and "urban regeneration" have always had an important function within the field of urban experts and urban decision makers. However, if one carries out a historical study of such conceptual shifts, one finds that these are not necessarily parallel with the shifts in the content of different policies. This issue will be analyzed in detail in the following chapters both through examples of the changing designs of

urban rehabilitation without significant semantic changes, or the other way around. What I am pointing out here is the crucial importance in the world of policy making of how "what is said" differs from "what is done".

Third, beyond acknowledging the uneasy relationship between policy rhetoric and policy practice, there is at least one crucial relationship that we can pinpoint as a systematic element of policy change, at least in the field of urban interventions: the relation between cyclical contextual changes (i.e. political-economic, social, ideological, etc.) and cyclical policy changes. In other words, the embeddedness of policy changes in wider structural forces. At first sight it may seem trivial, but in each case there is a suggestion from the side of the "policy changers" that the change is a natural step forward – through reflecting the failures and successes of the past – towards a more comprehensive, more holistic understanding of "the urban". However, in most cases the change is far from natural; rather it is catalyzed (but not directly determined) by wider political-economic and social forces.

In summary, though I will not close this definitional overview with my own attempt to define what urban rehabilitation is – since this question itself will be a leitmotif throughout the dissertation – I do see in these policies a common denominator being used extensively since the Second World War on both sides of the Atlantic. It is the emerging attempt to develop certain underdeveloped/problematic urban areas on the part of various actors (politicians, experts, businessmen, and sometimes members of the affected communities), which is then crystallized into a policy. All of these policies inherently contain the "will to improve" something (Li, 2007). But what is this something? As I will demonstrate later, this something can be the physical quality of the built environment, the living standards of certain people, or the local economy. What is common to all of these cases is that different actors try to solve various "urban problems" through different, supposedly development measures.

The organization of the dissertation

Based on these initial assumptions, my dissertation will follow a chronological order. After a theoretical chapter (Chapter 1) outlining the main concepts that will guide my analysis, Chapters 2 to 5 are divided by certain key historical ruptures that had a significant effect on organizing the different waves of urban rehabilitation attempts. The four historical ruptures that I identify are the unfolding global crisis in the 1970s and 1980s in Hungarian state socialism; the radical institutional and geopolitical changes around 1989; the EU accession in 2004 after more than a decade of liberal hegemony; and the landslide political and economic changes around 2008-2010, when amidst the global economic crisis the liberal era in Hungary ended with the authoritarian turn of the right-wing regime. Based on this historical periodization, Chapter 2 will analyze how urban rehabilitation as a policy tool was assembled in the 1970s during the crisis and then during the unfolding liberalization of state socialism. Chapter 3 will focus on the regime change in order to show how certain urban experts were able to bridge the liberalizing state socialist context of the 1980s with the ambiguous but optimistic liberal context of the 1990s through their everyday work of governing. Chapter 4 will thematize the role of the European Union in shaping urban processes and the field of urban rehabilitation from the 2000s. Chapter 5 will then turn to the recent years in order to make sense of the last round of restructuring in the context of authoritarian governance and an intensified wave of paternalist and polarizing social measures. In the Conclusion I will provide an overview of the history of urban rehabilitation over five decades in Hungary, closing with a short reflection on the political implications of such an analysis.

Chapter 1:
The development of the underdeveloped in (post-)socialist cities: Tracing urban rehabilitation

In this theoretical chapter my main aim is to situate the study of urban rehabilitation as an urban policy tool into the existing literature, and to map out the theoretical framework of my dissertation. Though I refer to urban rehabilitation as a "policy tool", I do not see it as an easily definable "thing", rather as a continuously changing concept, the thorough analysis of which can shed light on wider social processes. For this reason, I will engage with three different sets of literature.

The first set is about the political economy of contemporary cities. These writings deal to a large extent with what I call the contextual or structural elements of policy change, thus they are very useful in explaining how uneven development in general, and "urban problems" in particular may systematically emerge. This tradition will help me in analyzing the relationship between urban restructuring (and thus the emergence of "urban problems") and the history of urban rehabilitation in Hungary (i.e. the history of policies tackling these problems).

The second set of literature is about the anthropology and sociology of "development policies" and, more broadly, of policy making. These writings are rooted in the analysis of global development policies and are not explicitly focused on urban issues. However, they converge around the approach of "opening up the black box" of governing (J. Clarke, 2012), and the authors pay special attention to analyzing the ways in which policies are produced and implemented by experts and various decision makers in given communities. This will be a helpful perspective both in analyzing how different attempts at solving "urban problems" through expert knowledge work, and in problematizing how external material and ideological

forces (with the aim to “improve”) interact with internal forces in given, supposedly underdeveloped contexts.

The third set of literature is area-specific one: it consists of writings focusing on Eastern European countries and cities, which are usually referred to as “post-socialist” or “post-communist”. While the first set of literature is mainly built on empirical data from the “First World”, and the second set of literature is dominantly based on “Third World” experiences, I will use the third set of literature in order to reflect on the former “Second World” positionality of my field.

The linking of these three sets of literature was inspired by another consideration, which provides the meta-theoretical underpinning of my work. From the beginning, I situated my research project as one that aims to connect to the tradition of “critical urban studies”. Though this tradition is far from having a concretely defined theoretical or methodological core, I understand “critical urban studies” to be an attempt to understand urban processes as necessarily conflictual social phenomena whereby the unfolding urban processes are essentially situated in the complex web of power relations, and these processes systematically produce different situations of domination and dispossession, and whereby the critical urban researcher puts special emphasis on exploring these acts and structures of domination and dispossession in a way that may lead in the direction not only of understanding, but of progressively changing these processes (cf. Jelinek, Bodnár, Czirfusz, & Gyimesi, 2013). In such an understanding of “critical urban studies”, power as an analytical concept is of crucial importance.

Throughout this chapter I will rely on Eric Wolf’s conceptualization of power (Wolf, 2001). Wolf identifies four different modes of power: power as a human attribute in a Nietzschean sense; power in intersubjective relations “as the ability of an *ego* to impose its

will on an *alter*, in social action" (Wolf, 2001: 586); "tactical or organizational power" within determinate institutional settings; and structural power that is capable of "organizing and orchestrating settings" and "structuring the political economy". While the fourth mode of power from Wolf's typology is typically the basis of political economic writings on the city, the literature on the sociology and anthropology of (urban) development implicitly deals with all the modes, but mainly the third and fourth. I will also focus mainly on the third and fourth modes of power, especially institutions when the two overlap at certain moments of historical ruptures. The key analytical tool for exploring the interwoven unfolding of the third and fourth modes of power will be the exploration of how institutions are made and unmade. The study of institutions will provide the theoretical and methodological entry point into understanding how urban governance and urban expertise works in multi-scaled political economic settings characteristic of different historical eras in the Hungarian context.

Uneven development and the production of urban problems

In analyzing "urban problems" produced after the Second World War, the emergence of Marxist critiques after the 1970s played a pivotal role (Merrifield, 2002; Zieleniec, 2007). Inspired by the growing tensions in the downtown areas of American cities, and especially by the politically turbulent period symbolized by the urban riots of the 1960s, this set of literature contributed to the revival and the politicization of the field of urban studies. A common trait of these writings is that they perceive "the urban" as inseparably connected to the history of capitalism. Building on classic Marxist analyses, the most well-known thinkers of this intellectual tradition introduced the questions of space and urban scale into the political economic analyses of advanced capitalist societies (Castells, 1977; Harvey, 1973; Lefebvre, 1991; Smith, 1990). As the global economic and political crisis unfolded in the 1970s, "critical urban scholarship" that focused on social and spatial injustices mushroomed in Western academia, mainly building on the structural concept of power.

One of the most important concepts developed in this period was uneven development. While the concept itself was used by former Marxist scholars like Lenin and Trotsky to describe imperialism (Lenin, 2010; Trotsky, 1978), its revival is tightly connected to Neil Smith's monograph devoted to the issue (Smith, 1990), which was inspired by the foundational works of his supervisor, David Harvey (Harvey, 1985, 1999). The core of the argument in Smith's book is that uneven development is a necessary characteristic of capitalism, and it unfolds through the parallel processes of (spatial) equalization and differentiation. The periodic spatial, temporal, technological, etc. "fixes" of cyclically emerging capitalist crises have a significant structural impact on global, national or urban landscapes (Jessop, 2006). More specifically, there is a continuous see-saw movement of capital between more and less developed territories. Thus, at different historical periods different localities are valorized or devalorized through capital investment or disinvestment. The spatially defined "other" of capitalism is a necessary component of the continuous expansion of the capitalist mode of production, based on the imperative of "accumulation for accumulation's sake" (Harvey, 2004). In my case this "other" appears in the form of urban territories that are seen as ripe for valorization.

However, neither the particular instances of the fixes, nor the locality of these "other" underdeveloped places are entirely contingent; there is a systematic characteristic in their manifestation. On the one hand, this systematic nature derives from an ontological axiom: that all the flows of capital investment and disinvestment are situated within global capitalism, which has a structuring logic in itself. On the other hand, this logic unfolds in different settings in different ways. An extremely important structuring factor that shapes the ways in which capitalism appears in different places is the (structural) positionality of different places within global capitalism. A typical way to describe different positions has been to divide the world system into core, semi-periphery and periphery (cf. Arrighi, 1990; Wallerstein, 1976).

A crucial element that lies behind this categorization is the issue of dependence. As uneven development creates a differential landscape of global capitalism, certain places (regions, neighborhoods, etc.) will not only become underdeveloped but dependent as well. Thus equalization, differentiation, and fixing capitalist crises all happen through dependent (under)development. As I will show in the third section, it has important consequences in a semi-peripheral locality such as Hungary.

There is not only a spatial or functional logic behind the see-saw movement of capital during the quest for capital accumulation; the timing of this movement has a special logic as well. The key word in the temporal logic that shapes the chronology of the history of uneven development is cyclicity. It is a very old theme within the political economy of capitalism that capital accumulation has relatively regular, rhythmic cycles (cf. Research Working Group on Cyclical Rhythms and Secular Trends, 1979). It applies both to *longue durée*, global changes, for example through which the hegemonic centers of global capitalism shift from one region to the other (Arrighi, 2010), but also applies to shorter cycles of capitalist accumulation, like the Kondratiev-cycles or building cycles. According to David Harvey, these latter cycles have a very important role in shaping the urban landscape (see, for example, Harvey, 2003). Others have shown that these cycles also played a crucial role in the COMECON countries during the Cold War (cf. Bauer, 1981; Bogár, 1989). As capitalism continuously "fails forward" through different kinds of crises, and as these crises are overcome by applying different kinds of fixes – spatial, temporal, technological, etc. – the specific ways of investing in the built environment change accordingly. From the point of view of capital circulation, the urban fulfills a function in capitalism as a new terrain of accumulation at times when the rate of profit of "classical" productive investments is down. Thus urban investments are increasingly the domains where the exponentially increasing surplus value produced by expanding capitalism finds its place – especially in today's highly financialized, commodified and

neoliberalized global urban network (Brenner & Theodore, 2002a, 2002b; Fernández & Aalbers, 2016).

From this perspective “urban rehabilitation” could be defined as a process of revalorizing formerly disinvested urban territories, i.e. territories that are on the less developed side of uneven development. In other words, urban rehabilitation projects can fulfill the function of a socio-spatial fix, insofar as they provide profitable solutions for urban “crisis territories”. This is exactly how gentrification was defined and analyzed by the research tradition inspired by Neil Smith (Slater, 2006; Smith, 1979; Smith & Williams, 1986). Here the rent gap was taken as the structural vehicle of uneven development on the urban scale, and gentrification was seen as the attempt which aimed to close this rent gap. While shortly after the coining of the term in the 1960s most of the gentrification case studies determined that the main actors of the process were pioneer artists and middle-class gentrifiers investing seemingly “spontaneously” into the built environment, it wasn't long before gentrification research discovered how municipalities, the state and larger investors played a crucial role in closing the rent gap. According to the article written by Hackworth and Smith based on empirical data from New York, after the first wave of gentrification characterized by sporadic, pioneer-led cases in the 1970s, a second and a third wave followed in the 1980s and 1990s through which both the scope of gentrifying areas and the amount of capital involved multiplied (Hackworth & Smith, 2001). The gentrification of today is a global urban strategy implemented in numerous cities around the world, affecting millions of displaced people and generating tremendous profits (Slater, 2017; Smith, 2002).

But the global spread of a specific instance of uneven development on the urban scale is not the only way uneven development connects to global processes. Both in its early formulations and in Neil Smith’s monograph, uneven development is described as a phenomenon

happening on multiple scales. Most importantly, there is the global division of labor and global trade underlying imperialist and colonialist histories of global capitalism. But there is also the issue of geographical unevenness within certain world regions or national economies, which most of the time plays out in the relation of "the urban" and "the rural". As more recent studies engaged with the issue of scale, it became an increasingly central aspect of the political economy of cities (Brenner, 1999a, 2011; Smith, 1996b; Erik Swyngedouw, 1997). The contemporary theorization of scalar politics presents different scales as inherently interrelated and constantly contested social constructs that provide a basic infrastructure for global capitalist expansion. Thus even if this dissertation is primarily focused on an "urban" policy, it will be based on the insights provided by the rescaling literature, namely that the "urban" is ultimately interwoven with the "national", the "European", the "global", etc., and that these categories are always the objects of various types of political contestation.

This scalar perspective leads to another facet of urban rehabilitation. Besides a political economic perspective, where urban development can be understood as a fix for capitalist crises rooted in the unevenness of capitalist-dependent development, urban rehabilitation is also a policy aiming to develop certain territories. By treating them as policies, a new set of questions appear, which are usually not answered in the above quoted political economy-oriented works. Besides the logic of capital, what are the other interests that animate the design and implementation of various urban rehabilitation policies? How is the broader institutional architecture built up, in which urban rehabilitation is situated? How exactly are these policies produced, and who are the main actors behind them? What are the politics of selecting specific territories and methods from the many possible solutions during the implementation of these policies? What are the legitimizing narratives that make these urban

interventions acceptable, even if according to previous research they often lead to dispossession and displacement?

To answer these questions, the extension of the urban political economy literature seems necessary. This theoretical move resembles a similar one taken in the 1990s when authors such as James Ferguson and Arturo Escobar began analyzing a previous round of "development policies" carried out in the Third World (Escobar, 1994; Ferguson, 1997). They went beyond both the mainstream "developmentalist" literature and its political economy oriented critique provided by the *dependestistas* (cf. Grosfoguel, 2000), by emphasizing the way in which "development policies" are made and enacted on different scales. Though it would not be true to say that these writings have nothing to do with political economy, they arguably put more emphasis on political processes and different actors, and with Wolf's vocabulary they also highlight how organizational and tactical power relates to structural power.

Towards a sociology of urban rehabilitation

In his famous book *The Anti-Politics Machine*, James Ferguson identifies a specific keyword characteristic to the end of the 20th century: development (Ferguson, 1997). Mainly through examples of development projects in Lesotho, he describes and analyzes how development policies – legitimized by a development-centered discourse ("dev-speak") – are carried out, and how the emerging gap between the initial intentions and the ultimate results restructure both the field in which they were conceived, and the localities that they targeted. His main claim is that such a discourse – and such policies rooted in this discourse – creates not only the very objects upon which the interventions are based, but also a new structure of knowledge which ends up depoliticizing the act of development itself. Hence the system of the "anti-politics machine" emerges, where an intrinsically political process – external

intervention into the life of supposedly underdeveloped societies – will be masked by a newly formed and expanding bureaucracy as a mainly technical process. And even though both failures and contradictions are encoded in this new emerging system, paradoxically it becomes ever more legitimate and justified by the new field of the dev-community surrounding it and keeping it alive.

From the 1990s, inspired partly by the work of James Ferguson, several research projects were performed that may be characterized as ethnographies of development projects (for example Escobar, 1994; Li, 2007; Mitchell, 2002; Mosse, 2005). From the perspective of this dissertation there are a few common sensibilities in these writings that I want to highlight. First, all of this fieldwork focused on "underdeveloped" localities, and on the attempts to "improve" or "develop" them through various policies. In this sense the research problematized the attempts of governments, NGOs and various experts to balance the unevenness of global capitalism and to counteract the problematic side of uneven development encoded in the global circulation of capital. While these attempts are very rarely framed as explicit reactions to the conflictual consequences of uneven development, I will treat them as implicit reactions to the former. Second, all of these works implicitly used a holistic approach, a kind of "global ethnography", insofar as they combined a Marxian, political economy-oriented theoretical framework with a more Foucauldian, governmentality-oriented approach. Through the method of ethnography, the authors aimed to reconcile the two different kinds of ontologies in a problem-oriented, engaged, critical manner, whereby the attention was shifted to those groups and places that are dominated by various material and discursive forces. With Wolf's vocabulary, they shed light on the interwoven mechanisms of structural and organizational power through different development projects. A crucial step to achieve this was to emphasize the role of institutions that mediate between macro and micro processes, and the process of institutionalization, through which this mediating function is

continuously shaped by these macro and micro, "external" and "internal" forces. This is a perspective that I will also use throughout this dissertation.

This latter point has also been expressed in other literature besides the ethnography of development projects. For example, in organization studies Josiah Heyman argued in an article that a new anthropological approach towards bureaucracies in general can enrich our understanding of power and social processes (Heyman, 2004). Though his writing seems to neglect previous anthropological works that only implicitly theorized bureaucracies – like that of Ferguson – he draws similar conclusions in terms of how to do research beyond formalistic studies of bureaucratic decision making. He insists that because organizations are both shaped by wider power dynamics, and have their own "power-wielding" capacity, their analysis should mix "broad brush" and particularistic approaches. In essence, this very much resembles the holistic, conciliatory theoretical frameworks of works like the ethnography of development projects, applied to a narrower scope of social actors: bureaucratic organizations.

While these organizations are clearly important in constructing and implementing policies, there are also other, less formalized modes of policy making. This is well-explored and analyzed by other, recently dynamized fields in social science like critical policy studies or the anthropology of policy (Griggs, Mathur, & Jas, 2007; Shore & Wright, 1997a, 1997b). These authors take the everydayness of policy making and the "work" of governing very seriously (J. Clarke, 2012) in order to find "a new avenue for studying the localization of global processes in the contemporary world" (Shore & Wright, 1997b: 10). While this aim is similar to the previously mentioned ones, there are some useful methodological tactics that they emphasize more than the previously mentioned authors. One of these is the subtle, detailed study of the process of policy making beyond mainstream, technocratic policy analyses. A second is the historicization of policy making in a Foucauldian manner through

which, firstly, a “historically conditioned emergence of new fields of experience” is excavated, and secondly, these historical processes are then 'reproblematized' from a contemporary vantage point” (Shore & Wright, 1997b: 13). Thirdly, there is the careful treatment of semantic shifts in policy-related discourses, where certain semantic shifts are treated as “fingerprints for tracing more profound transformations in rationalities of governance” (ibid: 14). Besides these methodological insights, this field of research also sheds lights on the multiplicity of actors, techniques and rationalities that are brought into relation with each other through the manifold informal and formal social acts that comprise “policy making” and “policy implementation”.

Though these recent writings approach the issue of policy making through discourse, semantic shifts and “fields of experience”, there is the possibility to see some classical, more materialistic social research projects in a new light, and to reach back to more classical analytical tools such as Bourdieu’s concept of the field. One such extension and contemporary application of Bourdieu’s theory of fields is the focus on interstitial fields (Eyal & Buchholz, 2010; Medvetz, 2012). These recent analyses of emerging interstitial fields – such as think tanks as powerful institutions in the US (Medvetz, 2012) – convincingly prove that fields can be seen as dynamic entities that are created, shaped or dismantled both by various actors (experts, scholars, etc.) and by various structural forces, especially at times of different historical ruptures, such as economic and/or political crisis periods. Bringing this rather sociological analytical framework into conversation with the previous, rather anthropological frameworks can be a fruitful exercise: the concept of the field helps in analytically structuring the seemingly chaotic process of policy making, and the detailed ethnographic exploration of policy making helps to sketch the contours and the rules of certain fields. In this dissertation I

will largely build upon this idea while I define the "field of urban rehabilitation"[3] as an interstitial field emerging in the 1970s in Hungary, and continuing its operation to the present day through various rounds of transformations induced both by certain economic and political ruptures, and by endemic forces.

After this brief theoretical detour about some key ways to theorize and analyze (development) policies, (expert) fields and (bureaucratic) organizations, I want to turn back to an urban studies perspective in order to show that similar themes and analytical tools have appeared there as well, albeit not in such a systematic manner, to form more or less coherent literature. First, there is a line of argument that the governance of contemporary cities has reached a "post-political" era (MacLeod, 2011; Swyngedouw, 2016; Swyngedouw, 2009). Although this "post-political" concept, borrowed from a rather "continental" contemporary philosophical tradition, does not refer explicitly to the anti-politics literature worked out by Ferguson and other authors, it certainly problematizes a similar lack of democracy and transparency in the processes of governing (cf. N. Clarke, 2012). Second, it has also been suggested within urban studies to pay more attention to organizations during the analysis of social processes. It was justified with a very similar line of reasoning: that (urban) organizations play a key role in mediating between structural forces and social agency

[3] My understanding of the "field of urban rehabilitation" builds mainly on the Bourdieusian concept of the field (cf. Calhoun, LiPuma, & Postone, 1993). I see fields as social domains that are characterized by certain relatively autonomous logics. In the case of the field of urban rehabilitation, this endemic logic revolves around the idea of urban rehabilitation as a policy tool. Though the constitutive logic of this field is a policy, or more precisely, a specific idea of urban development, this does not mean that this logic – i.e. this idea – would have a fixed content. On the contrary, the idea of urban rehabilitation, as well as the institutional environment in which the field is embedded, are in constant flux. The field is shaped by broader political, economic and cultural processes, which is most evident at times of historical ruptures. Thus while the continuous existence of this field – at least from the perspective of some of its core members – can be empirically proven, it has been one of the central questions of my dissertation to track the different waves of institutional and semantic restructuring happening within the field in relation with the wider societal changes.

(McQuarrie & Marwell, 2009). Third, urban policies can also be subject to critical social studies, as it is most notably represented by the “urban-focused” stream of policy mobility literature (see Baker & Temenos, 2015 and the "urban policy mobility debate" in the *International Journal of Urban and Regional Research* Vol. 39. No. 4.). While these writings emphasize how policies travel between different (national, regional, etc.) contexts, they share some basic analytical and methodological sensibilities with the anthropology of policy and critical policy studies literature. Though my approach builds much more on material processes (as has been shown in the summary of political economy-oriented works), during the dissertation I will extend the scope of urban political economy with a higher sensitivity towards symbolic processes, mainly through the lens of what happens in key institutions where the workings of structural and organizational power manifest in intricate ways.

In sum, I emphasized with the summary of the above mentioned literature that it implicitly or explicitly revolves around a central theme: the way in which the negative side of uneven development is supposedly “corrected” by different institutions of experts and bureaucrats. Recently, the mediating role of these experts and institutions has been analyzed through the concept of brokerage (Lewis & Mosse, 2006a). Brokers are actors who work “at the interfaces of different world-views and knowledge systems, and reveal their importance in negotiating roles, relationships, and representations” (Lewis & Mosse, 2006b: 10). Moreover, “brokers deal in people and information not only for profit in the narrow sense of immediate reward, but also more broadly in the maintenance of coherent representations of social realities and in the shaping of their own social identities” (Lewis & Mosse, 2006b: 16). Therefore, focusing on the practice of brokerage during the act of assembling and implementing “corrective” measures will be a useful tool throughout my analysis.

Even though these "corrective" measures hardly ever derive from a systemic critique – let alone from any consideration of the framework of uneven development – the combination of these works with the political economic analyses about uneven development can be a fruitful exercise insofar as the systematic production of unevenness is juxtaposed with the different interventions that supposedly aim to counteract the negative consequences of the perpetual see-saw movement of capital at different scales. The novelty of my framework is that I draw inspiration both from global development and from urban development literature. In my understanding, the former focuses on uneven development on the global scale (based mainly on empirical data from the global periphery), while the latter revolves around the consequences of uneven development of the urban scale (based mainly on empirical data from the inner periphery of the global core). But in essence both perspectives thematize how the will to "correct" the detrimental effects of uneven development may be institutionalized by state bureaucrats and experts. In the following, I will show how the emphases of such a parallel reading may change when it is done in relation to "post-socialist" localities.

(Post-)Socialism and Urban Theory

If we look at both the cyclical circulation of capital and the cyclical circulation of developmental (policy) ideas in global capitalism, where we stand and from which perspective we see these processes is important. The global landscape of circulations is uneven, and certain positions have different features that others do not, even if we accept that these positions are interconnected and interrelated in the global system of capitalist accumulation. For example, a key element in the ethnography of development projects was that the observed locations were within the "Third World", i.e. the "underdeveloped" part of the world. In contrast, most of the sociological analyses of bureaucracies, the critical policy analyses, and the political economic critiques I mentioned above have focused on localities in the "First World", i.e. in the "developed" societies. A locality usually missing from these

theories – especially since 1989 – is the former "Second World", i.e. the "post-communist", "post-soviet" or "post-socialist" countries (Chari & Verdery, 2009; Escobar, 1994: 214-215).

Talking from and about a dependent post-socialist perspective – and more generally, from and about an "extra-central" perspective – implicates a special, seemingly unavoidable duty: the "necessity to relate". As an author with such a positionality, one must relate herself – and her field of inquiry – to the processes, theories and institutions of the center. Given the unevenness of various global systems, the global flows and networks of (symbolic, material, etc.) resources are disproportionately more influenced by what is going on in the "center", and without the danger of peripheralization and provincialization one cannot avoid relating to these practices, and cannot avoid negotiating her dependent position *vis-a-vis* these processes, theories and institutions.

As this theme will continuously reappear throughout my dissertation, let me turn to what I mean by the term "necessity to relate". First of all, the uneven development of the global capitalist system creates certain (central or peripheral) structural positions which play different roles in the global accumulation of capital. In this sense the semi-peripheral nature of Hungary's integration into the global capitalist economy is a crucial characteristic, which has far-reaching consequences. The debt crisis of the 1970s and 1980s, the shock therapy of the 1990s, the ambiguous effects of the EU accession in the 2000s, and the detrimental effects of the 2008-2009 global crisis are a few examples that illustrate the dependent position of Hungary in the political-economic sense. Relating to these historical ruptures has been a key theme in the history of Hungary in the last few decades, hence I chose these ruptures as the organizing logic of the periodization of this dissertation.

Second, this "relatedness" has often been expressed by debates about "developmentalist illusions", or about the most suitable ways to "catch up" (Arrighi, 1990; Böröcz, 2012). In

most of Hungary's historical periods, competing elite groups tried to gain power through either a West-leaning, cosmopolitan (and concomitantly more liberal) narrative, or with a rather "national" (and usually more protectionist) narrative (Éber, Gagyi, Gerőcs, Jelinek, & Pinkasz, 2014). These narratives had important policy consequences as well, even though they could not substantially modify the semi-peripheral position of the country. Therefore, if we both talk about political-economic positions within global capitalism, and observe the political (and policy) responses to it, semi-peripheral post-socialism as a relational position will have crucial significance.

This is also true within the field of urban studies, where Judit Bodnár summarized the typical ways in which "capitalist" and "socialist" cities have been theoretically related to each other. She identified three different intellectual traditions, each of which is described as an "intellectual trap" (Bodnár, 2001). First, prominent members of the Marxist new urban sociology like Manuel Castells and David Harvey "exaggerated the differences of socialism" (ibid: 14). As they put most of their intellectual energies into linking the processes of urbanization to the capitalist mode of production, the application of their theories to actually existing socialism yielded interesting questions. According to Bodnár, their solution for these problems was rather a theoretical short-cut than a serious analysis. I would add that it never really became a centerpiece in their oeuvre. Castells, for example, saw socialist cities as places where "the political and its independence from the economic" is the crucial defining logic (ibid: 15). However, the real nature of this "political" was never thoroughly analyzed; rather, it was instantly equated with "the state" as such – clearly not a comforting conclusion for anyone who has done research in "(post-)socialist" cities.

The second tradition is based (explicitly or implicitly) on a unilinear, universal model of urban development (and modernization *a la* Rostow). The authors from this tradition did not

reify the socialist-capitalist dichotomy; instead, they treated them as being different stages of a common developmental path. They argued that “socialist” cities lag behind on this general path of modern urbanization, which they measured usually through basic quantitative indicators of the urban network. What follows from this intellectual tradition is that a process of “catching up” is underway. This statement is, at the very least, an instance of wishful thinking, overlooking qualitative differences and wider contextual arrangements in which urbanization in different places of the world is embedded, if not an ideology that bears serious limitations to comprehending the urban realities around us.

The third tradition is focused on *longue durée* historical continuities, arguing that “socialist” cities like Budapest are first and foremost Eastern European ones, which have followed distinct historical paths even before socialism. According to this understanding, “socialist” and “capitalist” cities are essentially different, but this difference is not (only) caused by differences in the modes of production on the two sides of the Iron Curtain, but by longer historical processes that have divided the continent for centuries. While Bodnár acknowledges the importance of this insight, she finds it insufficient in itself to fully understand “(post-)socialist” cities.

What she proposes instead as a more nuanced methodological approach, after listing these common “intellectual traps”, is a combination of these comparative strategies which goes beyond the easy essentialization of “socialism” and “capitalism”, and hence is capable of detecting differences or similarities that would otherwise be labeled as unimportant peculiarities. However, for such a careful comparative strategy one needs to overcome an epistemological problem as well. This problem is encapsulated in an often raised question: why have scholars writing on urban issues in Eastern Europe contributed so little to urban theory in general (Ferenčuhová, 2016: 113; Grubbauer, 2012)? The answer for scholars like

Timár and Ferenčuhová lies in the positionality of these scholars within the field of global academic knowledge production (Ferenčuhová, 2011; Timár, 2004). Their detailed, sometimes personal observations shed light on the structural inequality within that field, where the Eastern European scholar is the one providing empirical facts about her home country. The Western scholar, on the other hand, is the one who creates theories and has the authority to speak about locations other than her own. This structurally (re)produced inequality is not only a symbolic one, where solely predefined roles are the means of domination; it is also a deeply material unevenness on the landscape of the global academic market, where resources (material, institutional, etc.) are concentrated in a few key institutions most often located in Western Europe and in North America.

I find these insights extremely important in understanding how the academic field – and through its mediation theory making itself – works. However, in some cases a very strict dominant-dominated relation between "Eastern" and "Western" scholars can be empirically challenged, and co-dependency may be a more apt depiction of the situation (Bockman & Eyal, 2002). What I want to stress though, is that however problematic it is to write about "post-socialist" cities both with a careful comparative strategy in response to the "necessity to relate", and through bypassing this epistemological problem, there are some good examples that have been able to solve this problematique.

A promising approach was developed by Golubchikov et al. (2013). In their interpretation, urban change in post-soviet Moscow is not a process through which a troublesome heritage would be slowly overcome step by step in different spheres of the city, but rather the "socialist" and the "capitalist" part of the urban realm forms a hybrid constellation in which both parts mutually constitute each other. They bring in the distinction

between heritage and endowment[4], where the latter stands for elements of the past that can be utilized in present and future processes. In the context of changing property relations during the regime changes in Eastern Europe, David Stark used a similar approach and coined the concept of "recombinant property". He emphasized that the emerging property relations in post-socialism are characterized by a mix of different legitimating principles, and thus blur the boundaries of public and private in a specific way (Stark, 1996). This insight was later used by Bodnár when she described how a busy public square was restructured in the 1990s. She highlighted that "building *with* the ruins of old establishments has been more typical than building *on* those ruins" (Bodnár, 2001: 115). All in all, many "endowments" of the socialist past have been functioning as crucial elements in assembling[5] and institutionalizing the local variant of neoliberalism after the collapse of the Soviet Union.

Such a historically sensitive perspective, which goes beyond the essentialization of "capitalist" and "socialist" characteristics, and which treats post-socialism not solely as a territorially defined region but as an integral part of the history of global capitalism, has begun to take shape in other writings as well, mainly in the last decade, both within urban studies (Bodnár & Molnár, 2010; Grubbauer & Kusiak, 2012; Nagy & Timár, 2012; Petrovici, 2012; Pobłocki, 2010), and in similar space-sensitive critical fields of social science (Szőke, 2012; Vincze, 2015; Vincze & Rat, 2013). There are three common characteristics of these

[4] While there was a lot of discussion about urban heritage and its protection or conservation, (e.g. Herzfeld, 2010), based on Golubchikov et al. (2013) I use a broader concept of heritage that refers not only to physical monuments and places but also to symbolic, institutional, political and economic consequences of specific historical eras, in this case that of socialism. The opposition of heritage and endowment signifies broader types of attitudes towards these consequences, and more precisely, different tactics to make use of the remnants of a previous historical era in a contemporary setting. In other words, the concept of endowment may show that the boundary of different historical periods is more porous and less self-evident than in most historical accounts.

[5] Similarly to Saskia Sassen, throughout the dissertation I will use the concept of assemblage in a descriptive and "untheoretical" sense (Sassen, 2008: 5).

writings that I will also pursue throughout my dissertation. First, these works apply a holistic analytical approach, whereby the "(post-)socialist" and the "capitalist" are not essentialized; rather, they are treated as functionally different but interconnected elements of global capitalism. Second, analytical holism is supported with a holistic methodological approach, where instead of reifying the micro and the macro, ethnographic, sociological and political economic approaches are intermingled. With such a methodological approach, material and ideological processes are treated as intimately interconnected, and thus the emergence and workings of various policies are analyzed as embedded, relational phenomena, shaped both by material and ideological processes. Third, most of these authors have been conscious about, and have reflected upon, the epistemological challenges of the "necessity to relate": they avoid the usual traps of comparison created by the uneven landscape of academic knowledge production.

Towards a synthetic theory of urban rehabilitation

On the theoretical level, the aim of this dissertation is to provide a synthetic narrative about the history of urban rehabilitation in Hungary. By "synthetic", I mean two different but interrelated things. First, I will build largely upon the literature of uneven development and on the political economy of scales throughout my analysis, but I will do this with a larger sensitivity towards the actors and processes of knowledge production. This will be an attempt to synthesize thematically similar, but ontologically different approaches during a historical analysis. Second, my analysis will be informed both by materials produced in Hungarian which were not intended to contribute to the international academic field, and by materials produced within Anglo-Saxon dominated international academia with a universalistic motivation. During my empirical chapters I will navigate at the interface of "local" and "global" scholarly communities with the explicit aim of rewriting a part of the urban history of an Eastern European country into the global history of urban processes.

Besides this synthetic approach, there will be three main contributions of this dissertation to the literature, each of them shedding light on connections between spheres that are often treated separately. First, I will emphasize how the connection between uneven development and urban policy making is made through various acts of brokerage and institutional mediation. On one hand, this emphasis can contribute to the political economic literature with a sensitivity towards the fine-mechanisms of how the state, the market and the experts co-produce what the literature describes as uneven development. On the other hand, the contribution to the anthropology and sociology of development will be a greater sensitivity to the contextual factors, and especially to the global position of peripheral localities in the history of global capitalism.

Second, I will focus on the historical trajectory of an *urban* policy tool through analyzing processes on various scales. The connection between global, European, national, urban and neighborhood level processes, and especially how the boundaries between these "levels" are blurred on the ground, is a major concern of the dissertation. Through pointing out the similarities between "global" and urban development projects, I argue that the latter cannot be fully understood in an analytical framework that separates the "urban" from its context. Such a comparative perspective could help to emancipate post-socialist studies from the epistemological ghetto of "area studies" with comparative strategies that go beyond the fixations rooted in the Cold-War scholarly mindset (cf. Chari & Verdery, 2009). The focus on a specific variant of development policies not only as a "thing", but as a continuously changing concept, whose thorough analysis can shed light on wider social processes, will be my key methodological tool in achieving this aim.

Third, my interest in urban rehabilitation as a form of (urban) development has a specific aim. I will show that despite the continual attempts by actors in the urban rehabilitation field to

frame the issue of rehabilitation (or renewal/redevelopment) as a natural process, it is far from being natural. Connecting this rhetoric with the actual work of brokerage that these actors perform will shed light on the paradox of urban rehabilitation, which resembles a wider paradox connected to modernist development projects in general. These projects are always essentially political, even though they are portrayed as technical, professional, inevitable or natural. This paradox can only be solved once the political nature of a seemingly technical process is reconstructed. My historical analysis will be such a reconstruction, which can hopefully serve as a tool in public discussions to shed light on the intricate mechanisms that result in the (often hidden) politics of urban change.

Chapter 2
Shifting landscapes of state socialist urbanism: Assembling urban rehabilitation as a policy

"I was a city planner in the early phase of socialism. From bourgeois I became a member of the intelligentsia, and was servant of law and order, agent of an open future, wizard of upward-soaring graphs, and self-hating hawker in an ideology shop, all in one. My father was a private planner, I was a planner employed by the state. To make decisions about others he needed money, I have my office."

(Konrád, 1977: 75)

"*How can a leading planner endure his workdays if he no longer wants to make decisions for others, and doesn't know any better what is good for them. He could of course yield to familiar self-justifications; after all, we long ago exchanged the coercive patterns of total political planning for the computerized mythology of balance-seeking, pragmatic planning, and classified the fact of economic growth as an ethical prerequisite that stipulates everything from technology to our daily agenda. The classic radicalism of official interference belongs to the past; it concluded a truce with officialdom's need for security. They would rather have the statistical bureau than the police checking up on the fulfillment of the plan.*"

(Konrád, 1977: 95)

The hidden great transformation of state socialism since the 1970s

These excerpts from György Konrád's novel, *The City Builder*, take us back into the late 1960s and early 1970s, to a point when state socialism in Hungary started to go through a very deep, albeit at that time not necessarily visible, transformation. While the shift in the 1950s from Stalinism to post-Stalinism is a well-known and often analyzed historical process (mainly because of the 1956 Hungarian revolution, a tragic but spectacular milestone between the two eras), the piecemeal liberalization of Hungarian socialism beginning in the 1970s is much less explored in a holistic manner. The narrator of Konrád's novel is a city planner with multiple personas: the pensive monologues of these different personas provide an insightful picture into the far-reaching changes that had been unfolding around this time – when Konrád himself, as a young urban researcher, was traveling throughout Hungary with his colleagues to conduct interviews with politicians, architects, and people in different housing situations. In the mere 15 years between 1960 and 1975 more than one million new homes were built in

Hungary, almost one new home for every three Hungarian households. Parallel to this, an unprecedented wave of modernization was carried out via various infrastructural investments (e.g. extending the communal infrastructure in rural places). But as quickly as this building boom emerged, from the 1980s investments in construction (and especially state-funded housing construction) began to decline. During the socialist housing boom, "new socialist towns" (Szirmai, 1988) emerged and expanded, and new housing estates were mushrooming all over the country, but by the 1980s they began to be criticized from various perspectives. The obsession with ambitious "urban reconstruction" that supposedly replaced old and problematic neighborhoods with modernist estates slowly faded away, and the idea of supposedly more sensitive "urban rehabilitation" became slowly embraced both by experts and by politicians[6].

It is not easy to grasp the essence of this epochal shift, and it is even harder to name it. However, in most of the historical studies of Hungarian state socialism – or on certain domains of state socialism – there have been very valuable attempts to do so. Strikingly, in each case the temporal boundary between these two periods is usually put around 1968-1975. For example, Johanna Bockman (2011) sheds light on the importance of the New Economic Mechanism (NEM) launched in 1968. It was not only the most important milestone in pushing Hungarian economic policies from a planned economy towards a more liberal and market-friendly trajectory, but was also used as a reference point in assembling neoliberal

[6] After the Second World War the policy of demolishing large obsolete areas and then rebuilding them in a modernist fashion was called *rekonstrukció* in Hungarian (which I translate to reconstruction in English). The idea of *rekonstrukció* was similar to what was called redevelopment at the same time in the Anglo-Saxon literature. *Rekonstrukció* was then challenged and followed by *rehabilitáció* (that I translate as rehabilitation) in the 1970s, which resembled and coincided with the shift from "redevelopment" to "rehabilitation" in the UK and in the US. The reason for using "reconstruction" and "rehabilitation" is that they have been emic terms in the Hungarian urban development praxis, and thus I do not want to replace them with the "proper" Anglo-Saxon jargon. For a detailed elaboration on the genealogy of these concepts, see the Introduction.

ideology globally. Focusing on the different regimes of Hungarian welfare policies, Lynn Haney (2002) describes a shift from a welfare society (1948-1968) to a maternalist welfare state (1968-1985), similarly identifying 1968 and the NEM as the turning point. Attila Melegh (2011) observes a parallel discursive shift around that time in the state's approach toward social reproduction and demographic decline: a formerly universalistic and egalitarian discourse was transformed into a more exclusionary and selective one focusing on qualitative differences between welfare recipients with different social profiles (mainly with the effect of stigmatizing poor and Roma families). In the field of education policy, Eszter Neumann (2011) documents how various research projects were launched by the state in the early 1970s which finally led to the piecemeal retreat of the state from the domain of education, leaving space for alternative schools and other socially polarizing practices by the 1980s. In the field of waste management and environmental policies Zsuzsa Gille (2007) argues that a "metallic" regime was replaced with an "efficiency regime" by 1975, through which (similarly to processes in educational policies) the state's role was transformed from a managerial one to a supervisory, coordinating function.

Explicitly or implicitly, all of these accounts relate these changes in the policies and discourses of the Hungarian state to the economic crisis (and the concomitant slackening of the rapid pace of economic growth) of the late 1960s and 1970s, hence the similarity in the temporal boundaries of their periodization. While the shift from the disastrous Stalinist policies of the early 1950s to the mild post-Stalinist reforms of the early 1960s seemed enough, for a few years, to stabilize the country, by the late 1960s and early 1970s a new wave of reforms was introduced by the government. However, in spite of these reforms (which had already been revised in 1972), and given the deep structural changes in the global economy, Hungary was slowly drifting into a deeper and deeper economic, and later political

crisis. The country was close to bankruptcy several times during socialism (Mong, 2012), the state debt was skyrocketing from the 1970s (see for example Éber, 2014; Lóránt, 1990; Mihályi, 2013; Mong, 2012), and in 1981 – seemingly challenging the Cold War rhetoric of that time – the country joined the IMF and the World Bank in order to have access to loans in hard currency[7]. From that point the economic situation slowly spiraled out of control, and finally the regime change in 1989 ended state socialism in Hungary.

From an analytical point of view the era of state socialism can be described as a shift in the country's dual dependency, from a mainly politically controlled dependence on Moscow towards a predominantly (but not exclusively) economically controlled dependence on Western core countries (Böröcz, 1992). The inflection point within this long structural shift was somewhere between 1968 and 1975, where all of the previously mentioned scholars could recognize crucial changes in their fields of observations.

As Melegh convincingly argued in the case of welfare policies connected to social reproduction, in the Hungarian discourse these policy changes were never explicitly connected to the restructuring of the global economy (Melegh, 2011). While in some departments of the National Bank officials had a hard time managing the reintegration of the Hungarian economy into the restructuring global capitalist markets through various credit instruments after the post oil-shock global excess of cheap credit in the late 1970s, policy experts in other fields were analyzing the various failures in different policy domains from a rather narrowly defined, inward looking perspective. Retrospectively it is not difficult to make

[7] Yugoslavia joined the IMF in 1957 (but by that time there were already tensions between them and the USSR), and Romania became a member in 1972 (in spite of the political pressure from Moscow). Hungary already made informal steps in 1957 and in 1971 towards the IMF, but in both cases the Hungarian negotiators stepped back because of Soviet political pressures (Mong, 2012).

this connection: while the global economy shifted from a Fordist regime of accumulation to a flexible one (Harvey, 1990), while global neoliberalism as a political project (Harvey, 2005) and as a toolkit of various policy instruments (Clarke, 2008) gained momentum, the epochal change in the history of state socialism was not independent from these global processes; rather, it was an integral part of global restructuring (Éber et al. 2014). It was not only a local battle between reform-minded and orthodox scholars and politicians that characterized the 1970s and 1980s in Hungarian politics, but it was an adjustment to global neoliberalization in state socialism as well that played out in a very different institutional context than we know from the usual – mostly Anglo-Saxon – show cases[8]. This adjustment had interconnected macroeconomic, institutional and ideological consequences. I argue – and as I will show in the following through the example of assembling urban rehabilitation in Hungary – that both elements (similarity to and difference from the well-known examples of the core countries) matter. Without widening our perspective and seeing Hungarian local dynamics as part of global tectonic changes, we will not be able to analyze them correctly. However, simply assigning the "neoliberal" signifier to local processes without exploring the particular institutional architecture in which they unfolded would lead to similarly misleading conclusions.

Taking these into account, it is not surprising that urban rehabilitation as a policy tool appeared on the political agenda during this historical period. While there were previous arguments for the rebuilding of the deteriorating inner city areas of Budapest or other larger cities (Granasztóy, 1946; Heim, 1944; Kántor, 1960; Major, 1946), the intellectual, political

[8] The core of this institutional difference can be explained with the dependent, semi-peripheral position of Hungary in global capitalism, which led for example to the debt crisis in the 1980s (Éber et al., 2014).

and economic climate was not suitable to their serious consideration by the decision makers. The main form of governmental urban intervention in early state socialism was urban reconstruction and green field development of housing estates. However, as the local version of the global historical rupture slowly unfolded in Hungary in the 1970s and 1980s, the everyday work of various professional groups – as I will show in the following – became formalized into a policy tool that could find its way into realization amid the changing intellectual, political and economic climate. Though in the state socialist period urban rehabilitation could not become a widely used urban intervention, nevertheless it became a powerful idea that paved the way for important urban projects after the regime change. Now, urban rehabilitation is one of the most well-known practices of urban experts in Hungary.

In this chapter I will focus on the assemblage of the idea of rehabilitating "obsolete" neighborhoods. First, I will track the history of this assemblage: how the high modernist, 15-year housing construction plan was criticized in the 1970s, and how this criticism was later, during the crisis of the 1980s, transformed into a more or less coherent policy tool. After that I will contextualize this shift from "urban reconstruction" to "urban rehabilitation", and show its economic context, the way in which particular actors maneuvered in this context towards assembling this policy, and the political and institutional changes that finally gave way to upscale urban rehabilitation and made it the organizing concept of a large-scale plan for Budapest. My main argument is twofold. First, the political space for urban rehabilitation was opened by the structural shifts animated by the global crisis. Second, the emerging idea of urban rehabilitation was not at all a "natural" phenomenon; it was shaped by the specific interests of various groups of professionals, and used as a tool to reshape the social field of experts through creating the contours of an interstitial field at the crossroads of sociology, architecture and urban planning.

High modernism institutionalized: The First 15-year Housing Construction Plan and its criticisms

Governmental interventions into certain "problematic" urban areas usually happen when officials think that the area is ripe for development, i.e. when they define a certain area as physically or socially underdeveloped. However, it is never a "natural" professional reaction to "natural" urban processes: at any given time in history there have been areas that could have been recognized by decision makers as in need for governmental intervention. Thus when intervention does take place there is always the important question of why, particularly at that time and at that place, it happens, and how exactly intervention is justified, planned and carried out. Hence there is the need for thorough historical studies about the emergence and assemblage of new ideas and new types of urban development projects, which may seem retrospectively "natural" from a certain historical vantage point.

In the case of Hungary, it was around World War II when the first comprehensive reports about the problem of run-down inner city neighborhoods were published by experts high enough in the bureaucratic hierarchy to be taken seriously[9]. The earliest comprehensive approaches to describe, define and tackle this problem were published by architects working at the City Municipality of Budapest (Granasztóy, 1946; Heim, 1944; Major, 1946). In their rather general descriptions, which were similar to the global vocabulary of architecture at that time (Urban, 2009), the main problem they identified was that the inner neighborhoods of

[9] It may be important to keep in mind that there were previous, albeit less comprehensive attempts during the interwar period that touched upon the issue of urban poverty. A collection of essays and journalistic pieces tried to canonize some of these attempts as the foundational pieces of Hungarian "urban sociography" in the 1960s (Meggyesi, 1961), however it would be an exaggeration to say that at the time of publishing these writings it would have been a coherent stream of thinking. There was also a very important discussion about, and also a remarkable state intervention (mainly in the form of demolition) into the area called Tabán near the Buda Castle in Budapest (Schuler, 1934), but it never became an important reference point during the assemblage of "urban rehabilitation" later.

bigger cities "became obsolete" (*elavult*). "Regarding their structure, contemporary cities are nothing other than small towns expanded, as if small towns were suffering from elephantiasis" (Granasztóy, 1946: 27). The primary cause of this condition was, in their view, the unprecedented urban boom of the *fin de siècle* period, which was fueled by land speculation and accompanied by the fleeing of wealthier classes from the inner city to the newly built villas and suburbs. However, social issues connected to "becoming obsolete" were still hardly mentioned in these studies[10]; it was rather the unfavorable morphology and structure of big cities that inspired them to propose development agendas through the demolition and rebuilding of "obsolete" inner city areas. Given the specific historical situation – the rapid takeover by the Communist Party and, most importantly, the Stalinist obsession that most governmental investments go into heavy industrialization – the details of their proposals were not at all timely. For example, while Granasztóy argued for the expansion of private home ownership organized into a cooperative building movement catalyzed by the state, it was exactly the opposite that happened after 1949 when the communists took over the Hungarian state. For nearly two decades, developing underdeveloped inner city neighborhoods had very low priority in the high-level political or expert discourses, although the main proponents of these types of urban interventions kept working in high positions of the state and Budapest administration (cf. Kocsis, 2009).

During these two decades there were at least two different periods through which urban and housing policy became central in Hungarian politics, separated by the violent events of the 1956 revolution. In the 1950s, besides the beginning of nationalization the main emphasis was put on post-war reconstruction and the re-orchestration of housing allocation in a

[10] From these articles only Heim briefly mentioned the negative effects of poor quality flats on the tenants.

"socialist" way. While most of the buildings in the areas that Granasztóy and the other architects described as "obsolete" were nationalized after 1952 – these were mainly old tenement buildings built around the *fin de siècle* construction boom in the inner Pest area[11] – only 30% of all homes in Budapest were taken over by the state, and just 15% in other cities in Hungary (Soltész, 1972: 39)[12]. It was also in these areas that buildings destroyed during the war were replaced with modernist buildings. However, due to the nature of wartime destruction, these symbolic socialist buildings were mainly scattered around within the inner cities instead of forming separate modern neighborhoods (Preisich, 1998)[13]. Larger urban interventions were only carried out in cities where new heavy industrial investments were located; in most cases these led to the creation of "new socialist towns" on greenfield areas, the most emblematic example of which was the creation of Sztálinváros (Stalin Town), which is known today as Dunaújváros (Germuska, 2004; Szirmai, 1988). Though the issue of housing at this time was not on the top of the political agenda, the cheap rent of tenement flats was an important political issue[14]: as early as the introduction of the Forint as the new Hungarian currency in 1946, the level of rents was intentionally kept low relative to wages (Mihályi, 1977).

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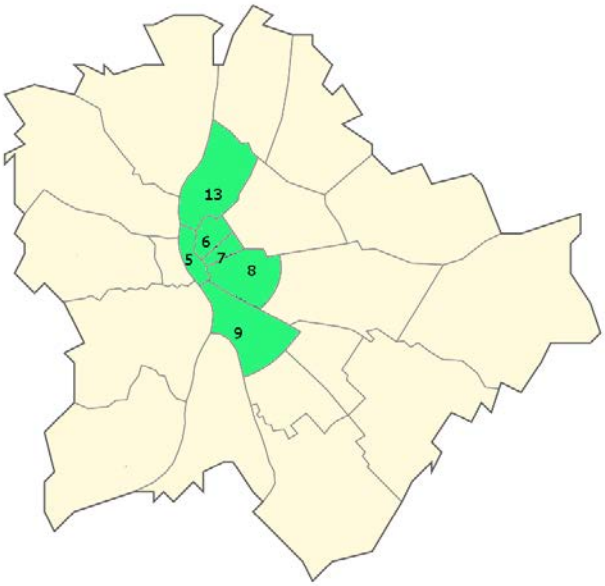
[11] In the following, when I refer to "inner Pest" I mean the area which is now covered by the 5th, 6th, 7th, and the inner parts of the 8th, 9th and 13th Districts. Most of the residential buildings of this area were built during the construction boom between the 1880s and the 1910s (see Figure 1).

[12] Before nationalization, less than 1% of Hungarian flats were state-owned.

[13] According to estimates carried out in 1946, the damages incurred during World War II amounted to five times the national income of Hungary for the year 1938. 8.7% of all the damage was suffered by residential buildings, two-thirds of which occurred in Budapest. Thus, damage to residential buildings in Budapest was valued at roughly 30% of the total national income from the year before the war began (Soltész, 1972: 9).

[14] Similarly to international trends, rents were administratively kept low during most of the interwar period.



1. Figure

Districts of Budapest. Green = "Inner Pest" districts

Besides nationalization, most of the housing policies of the Stalinist period reacted to the housing shortage, and to the relatively high mobility of residents for various war-related reasons (e.g. forced relocation, mass migration, etc.) (Kocsis, 2009) [15]. One new policy, for example, was the subdivision of large – formerly upper and middle class – flats into smaller sublets; another was the retrospective legalization of squatting vacant homes after the war years. The legal structure of two other policies were laid down in this period as well: the legal framework of housing loans with low and fixed interest rates provided by OTP Bank[16], and the possibility of building through housing cooperatives that included some degree of governmental subsidy. These policies became very important later as the financial crisis

[15] Naturally, even in this period in the low-level bureaucracy there was a lot of "proactive", everyday work carried out by the street-level bureaucrats (see Nagy, 2014).

[16] During the socialist period, Hungary had a one-level banking system where the state-owned OTP Bank was exclusively responsible for providing personal banking services.

unfolded in the 1970s and 1980s as tools to replace completely government-funded housing construction with mixed arrangements, where people's private savings were channeled into housing. However, in the 1950s only a negligible portion of society (a few thousand people annually) took advantage of them. Besides these novelties, a strategic and comprehensive housing plan was not issued until 1960.

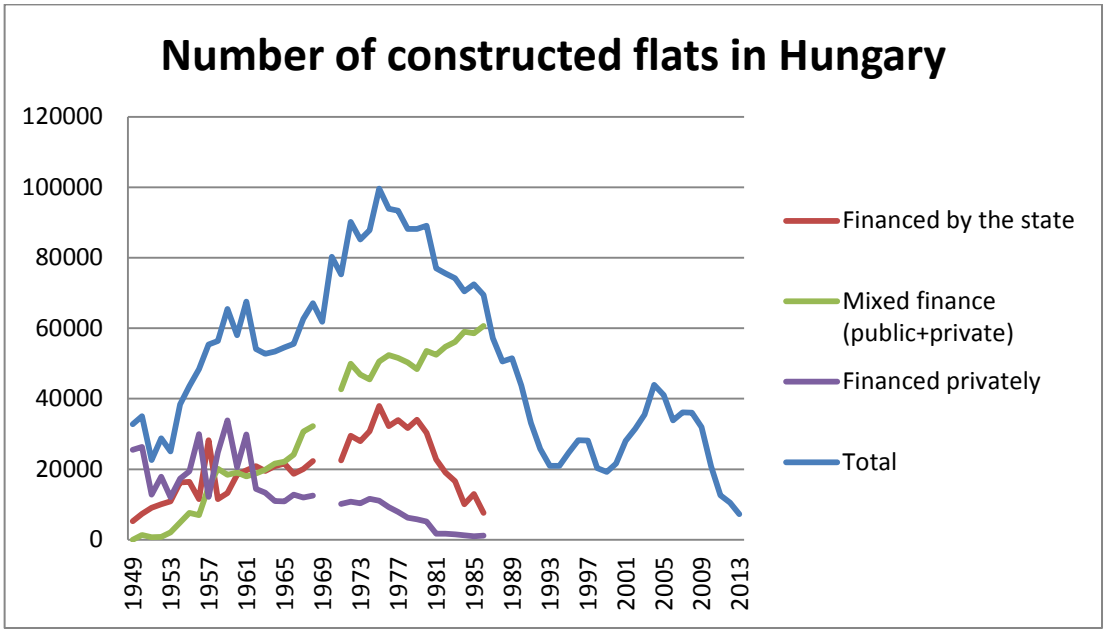
The intensification of background work on such a plan began right after the suppression of the 1956 revolution, as János Kádár replaced the former Stalinist leader Mátyás Rákosi. This was also the beginning of the next period of housing and urban policies: from these years onward, housing became one of the most important pillars of the Kádárist compromise that evolved into what has usually been called "Goulash Communism", making Hungary the "happiest barracks" in the Eastern Bloc. "The issue of housing is one of the most central social issues of the country", Kádár himself put it at a political meeting in 1958 (Horváth, 2012: 75). In other words, as it was articulated in a decree of the Central Committee of the Communist Party, "the social issue that is the most crucial for the working class and for the whole of society is the shortage of housing" (Soltész, 1972: 19). From this point onward, instead of reactive policies, the government proposed proactive measures to tackle the issue of housing shortage. The flagship measure of these proactive policies was a massive wave of housing construction via the first"15-Year Housing Construction Plan" that was in effect between 1960 and 1975[17]. The plan was to build one million new homes, and thus to fulfill all the housing needs of the population.

[17] It is interesting that a very similar ten-year plan – the so called *Miljonprogrammet* – was carried out in "capitalist" Sweden at approximately the same time (1965-1974), through which one million new homes were constructed in a country with around 8 million citizens (Urban, 2012: 14).

The plan was successfully carried out in terms of the number of constructed housing units, but the proportion of privately versus publicly built units did not match the initial plans: while 60% of the constructed flats were planned to be built publicly, in the end only 40% were publicly built while 60% were built privately. (Csanádi et al., 2010). If we look beyond the private/public dichotomy, the process behind the declining proportion of publicly built flats becomes clearer. In addition to the categories of completely public and completely private construction, official housing statistics of this era introduced a third category; the flats built "with public subsidy" (*állami támogatással*)[18]. This meant different kinds of "public subsidy" frameworks at different times, but from the 1960s it mainly signified cheap housing loans with fixed interest rates and the public support of the cooperative building movement. In Figure 2 we can see that the clear trend from the 1960s onward was the continuously increasing role of this third category, and first the relative- and from the 1980s, the absolute - decline of the completely publicly constructed flats. Parallel to these processes, completely privately built flats were replaced with some form of public subsidy. A deeper, structural analysis of this graph can identify the role of the crisis in the 1970s. It was only until 1975, i.e. until the fulfillment of the politically important 15 Year Plan, that the annual rate of housing construction could increase. But even in this period, a large part of the increase came from arrangements "with public subsidy", which were essentially mechanisms that channeled private savings into housing. From the beginning these private savings were crucial in

[18] Of course one could argue that this third category cannot be adequate, since even the "completely private" constructions were subsidized through administrative price setting in the domain of construction materials. However, most of the construction in this category was subsidized through either housing loans or through the cooperative building movement – and in this sense they can be useful tools for the analysis. While this category was used in an official publication of the relevant Ministry for data between 1949 and 1968 (Soltész 1972: 11), and was used by the Hungarian Central Statistical Office (HCSO) between 1971 and 1979, the figures from 1980 were compiled by me through merging other categories of the HCSO.

fulfilling the plan, and thus they were continuously expanded as time passed and as decision makers realized that solely public funds (especially during a deepening financial crisis) would not be enough. This was in spite of the fact that only this latter option was ideologically acceptable for the ruling regime. The compromise they had to make was giving up ideological purity for the fulfillment of a supposedly popular plan that they hoped could put an end to the housing shortage.

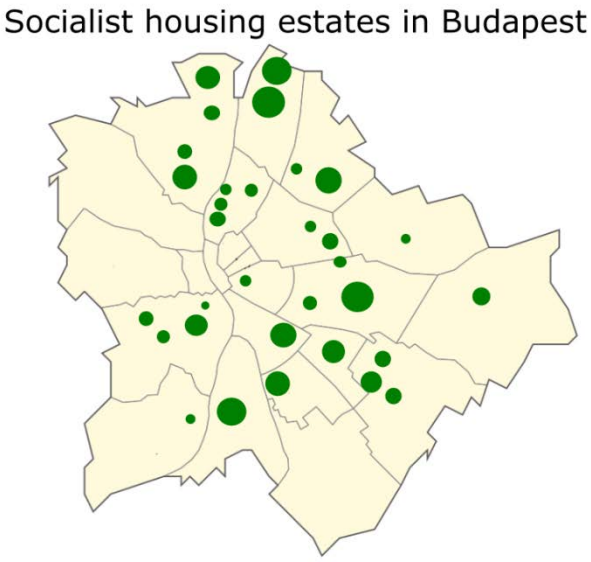


2. Figure

Source: HCSO

Even though the plan precipitated an unprecedented wave of modernization in the domain of housing (approximately 30% of the population could move into newly built homes), it not only did not fulfill all the housing-related needs but created further housing and urban related problems due to the specific nature of how it was carried out. The distribution of governmental subsidies remained highly unequal both socially and spatially. In spatial terms the location of the newly built socialist, modernist housing estates – the paradigmatic urban

form of the era – followed a rather clear geographical pattern. They were mostly built as green field development in order to keep the proportion of the demolished flats compared to the newly built ones (that is, the so called “demolition index” [*szanálási arány*]) low. It was primarily a measure to ensure cost efficiency. In the case of bigger cities it meant that new housing estates were created mainly in the outer districts, and not in the inner city, if it was possible (see Figure 3 for the location of housing estates built during the state socialist period).

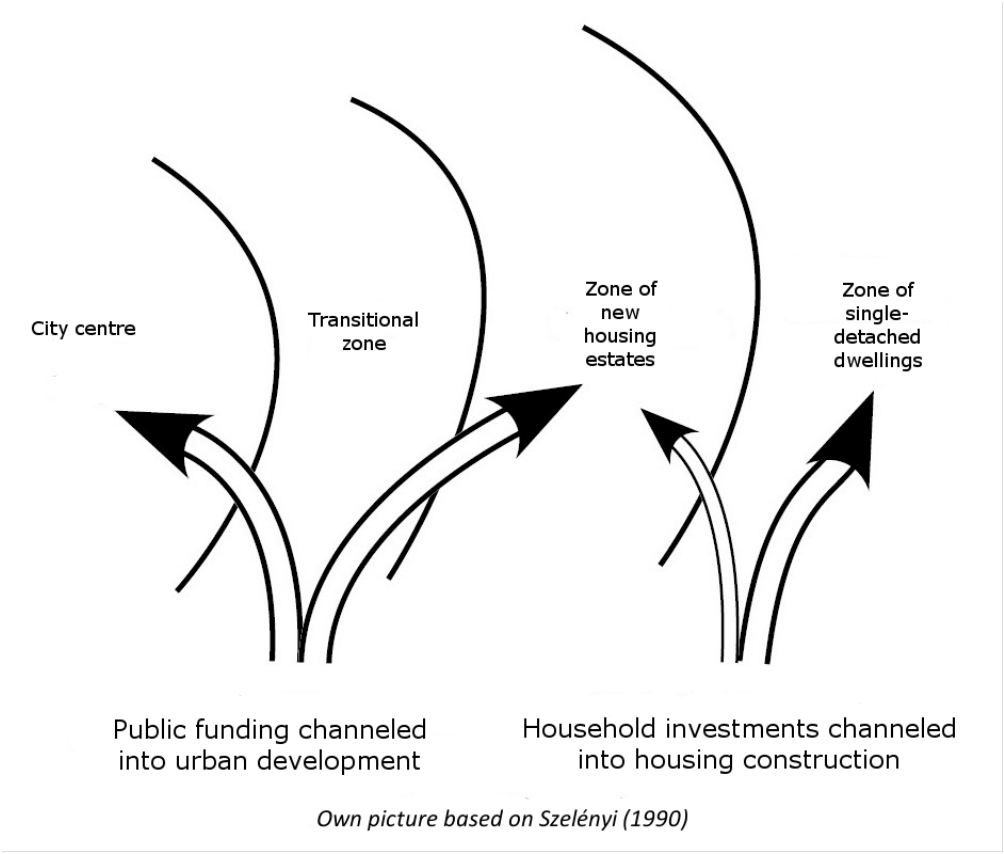


3. Figure

Source: Own picture based on http://budapestcity.org/11-egyeb/epiteszet/lakotelepek-hu.htm

Since these new constructions were very costly, there was not enough remaining money in the budget dedicated to housing to maintain the old but newly nationalized former tenement buildings in inner cities. In other words, the inner cities suffered from systematic disinvestment in these years, which contributed to the relative aging, depopulation and social downgrading of these central areas. The situation was more or less similar in Budapest and in other cities with historical downtown areas: disinvestment in the central area, newly built

housing estates in the transitional zones, and privately built, detached houses in the outskirts (see Figure 4).



4**. Figure**

In social terms a crucial question was how the newly built flats would be allocated within the population. The official ideology of the Party was that, as a workers' party, it was committed to contributing to the workers' welfare and to egalitarianism. However, researchers have shown different dynamics at work. In the late 1960s and early 1970s, the well-educated, more affluent families had a disproportionately higher share among those offered a newly constructed flat (Szelényi & Konrád, 1969). The first wave of new housing estates thus became the homes of the socialist middle classes (many of them fleeing the disinvested and, at that time, overpopulated inner city), while the workers and other poorer families had to live

in housing arrangements that were much less, or not at all, subsidized by the state. Many of those poor families who lived in cities and not in rural Hungary were forced into worse and worse quality flats in the inner city areas, or to the outskirts of the cities which had much less infrastructure. At the same time there were administrative barriers set up to prevent the rural population from moving into the capital.

One of the most powerful critiques of these practices developed by the research groups led by Iván Szelényi and György Konrád reflected on both the spatial and the social inequalities mentioned above (Szelényi, 1990; Szelényi & Konrád, 1969), in an environment where the state's relationship with intellectuals broadly, and with social scientists and sociologists particularly, was radically changing. Besides the production of new flats, the Plan caused unintentional changes in other fields as well. For implementing such a large scale policy, large scale restructuring was needed in the institutional environment of policy making and policy administration. Thus, through the restructuring of the social field of intellectuals, bureaucrats and various professional groups, the First 15 Year Housing Plan ironically contributed to the emergence of its own criticism. The post-Stalinist Kádárist compromise (Tabajdi, 2013) was not only concerned with putting the brakes on the rapid pace of industrialization and channeling more resources into non-productive, socially relevant policy areas like housing, but was also an implicit pact with the intellectuals.

In Szelényi's words: "At the beginning of the 1960s the regime started to accept sociology – not only in Hungary, but in the Soviet Union as well […] Thus, while sociology was regarded as a bourgeois surrogate-science until the end of the 1950s, they realized that it

would not be bad to have an idea about the society based on empirical data."[19] A key feature of these changing relations was a wave of (re-)institutionalization (in the case of sociology see Éber, 2012: 39-40; Szabari, 2010). In practice this meant the creation or the strengthening of certain state institutions which supposedly contributed to the improvement of governmental planning, and of the implementation of these plans. These institutions, or at least some departments therein, had a relatively high degree of autonomy that was fertile ground for various types of criticism.

Both Szelényi and Konrád were employed in such institutions in the 1960s. Since both of them kept a clear distance from official Party related institutions, they had not been allowed previously to work in key positions. Szelényi was employed by the Hungarian Central Statistical Office (HCSO)[20], while Konrád was working as a street-level bureaucrat specializing in child welfare in one of the inner city districts of Budapest. The moment of change for Szelényi was a study-trip abroad: he spent one year in the US at Columbia University and at the University of California, Berkeley with a Ford Scholarship in 1964[21], after which he became a researcher at the newly-formed Institute for Sociology (IS) of the Hungarian Academy of Sciences[22], and got a position in BUVÁTI, the main urban planning

[19] Some of the insights in the following narrative were inspired by a discussion between Iván Szelényi and the members of the Collective for Critical Urban Studies on 28 March 2014. This quotation is from that discussion.

[20] According to Zsuzsa Ferge, during the Stalinist era the HCSO – under the leadership of György Péter – functioned as a "political depot" of intellectuals that were critical about the regime (Weiler, 2016).

[21] The role of such scholarships in the case of Eastern European economists during the Cold War was analyzed by Bockman and Eyal (2002).

[22] IS was the first official institution devoted to sociological studies after the communist takeover in Hungary (see Lakatos, 2009: 952-953; Szabari, 2010)

institute of Budapest[23]. Konrád was hired in the same year by VÁTI[24], the most important national urban and regional planning institution during socialism. Later, as their research developed in depth and in scope, Szelényi came to be affiliated with VÁTI as well.

The first urban sociological research made in Hungary started with the cooperation of BUVÁTI and IS in 1965[25]. As Szelényi recalls it, the research was ordered by the director of BUVÁTI, who became fascinated by empirical urban research while attending a conference in Canada. He wanted to carry out something similar in Hungary, and asked Szelényi, as someone who was by that time familiar with the American literature and with cutting-edge methodologies, to design a pilot project. The result was a survey study focusing on one of the "most obsolete" districts of Inner Budapest, Józsefváros, the 8th District. (As I will discuss later, it was in this district that a pilot project of inner city urban reconstruction had already begun in 1963.) Szelényi and his colleague Ferenc Nemes published their findings in a book in 1967, together with a long and thorough introductory review of the US-based urban sociology literature from the Chicago School until the early 1960s (Szelényi & Nemes, 1967). This book was the first in a series of books that Szelényi published in Hungarian between

[23] BUVÁTI was founded in 1952 by the Municipality of Budapest, though its predecessor institution FŐTI was founded already in 1949. BUVÁTI was responsible for most of the urban planning and research activity in Hungary's capital. In 1972 more than 700 employees worked for the company: architects, planners, engineers, sociologists, etc. (Albrecht & Kovács, 2001).

[24] VÁTI was founded in 1950 as a background institution for the Ministry of Construction and Urban Development. Throughout state socialism it was the most important organization in the field of urban and regional planning and research. In the mid-1970s VÁTI had more than 700 employees (Győri, 2001).

[25] The first empirical work explicitly dealing with the relation of the "built environment" and "sociology" during state socialism was published by Ferenc Vidor. However, this research was focused on state bureaucrats (their educational background, their subjective well-being, etc.) dealing with urban issues, and not on urban issues *per se* (Vidor, 1965).

1967 and 1973, which laid the theoretical foundation of Hungarian urban sociology (Szelényi, 1971, 1973).

Besides the theoretical work, Szelényi, and after 1966 Konrád and other VÁTI colleagues, began carrying out large empirical studies in different locations in Hungary (most notably Budapest, Szeged, Pécs and Debrecen). They developed new techniques for their quantitative studies: random sample methods, long questionnaires and computerized analytical technologies. These quantified data sets were complemented with qualitative interviews. One of the most important questions they tried to answer was how the newly built socialist housing estates functioned, and through these interventions, how the social and spatial structure of cities had changed. Their analytical focus was on the system of housing allocation: they put special emphasis on the class dynamic of inhabiting different types of housing. As described above, their main finding was in contradiction with the official ideology concerning the purpose of housing construction. They found that instead of the working class, it was the wealthier, more educated social groups that benefited from the newly built flats (Szelényi & Konrád, 1969).

Party leaders received their findings positively in the first years. Naturally they were not pleased with the results, but they allowed, and sometimes even encouraged the researchers to publish and discuss their findings in public. At that time, around the Prague Spring in 1968, such permissiveness was unusual. According to Szelényi, the regime of the time saw a more dangerous threat in the more philosophical criticisms of the circle surrounding Marxist philosopher György Lukács (the so- called Budapest School, see M.Brown, 2011)[26], than in

[26] In fact, from 1968 these critical philosophers, along with other social scientists, were sued and harassed by the state administration (Weiss, 2010).

their own empirically grounded, seemingly more scientific criticism[27]. However, after the violent Soviet response to the Czechoslovak reform process, the relation between the state and the intellectuals began to transform as the reform-minded party leaders were losing their influence compared to the more orthodox leaders, backed by Brezhnev in Moscow. Parallel to this, Szelényi and Konrád started to radicalize.

Based on their initial findings about the unequal and polarizing nature of the housing allocation system, they began applying their analytical framework to broader issues. As they continued their empirical research in VÁTI, and as Konrád summarized and synthesized all the empirical, sociological urban research conducted in the 1960s (Konrád, 1971), they started to formulate more general statements, including on the polarizing nature of regional planning (see Szelényi, 1990: 143-172), that was turned piecemeal into a coherent critique of the whole socialist regime in Hungary. In 1973 – at a time when there was more and more political pressure on them – they retreated to a small village near Budapest and wrote *The Intellectuals on the Road to Class Power* (Konrád & Szelényi, 1979), a book that was later referred to as one of the most emblematic comprehensive critiques of Hungarian state socialism (Verdery et al., 2005). Their main argument was that instead of the growing influence of the working class (as one would expect according the official ideology of the party), it was the newly formed class of socialist intellectuals which succeeded in exerting more and more control over state socialism in Hungary.

Given that it was not only housing policy but the regime itself that was criticized, the authorities intervened and launched an investigation against the authors. The book was banned, and the authorities put pressure on Szelényi and Konrád to leave the country. While

[27] For the relation between the Budapest School and Szelényi & Konrád, see Szelényi (2010).

Szelényi decided to move to Australia where he continued his work as a sociologist – but not an urban sociologist – and then at various universities in the US, Konrád decided to stay, and left behind his sociological career in order to pursue his ambitions as a writer and novelist[28].

What had looked like an "easier" atmosphere and "reform-optimism" from the perspective of the intelligentsia in the late 1960s and early 1970s was over. But this short episode had a huge impact on the next two decades of urban scholarship and urban practice in socialist Hungary. First of all, the theoretical and methodological foundations of urban sociology in Hungary had been laid. Second, the institutions in which Szelényi and Konrád worked continued their practice based on the experience of the previous years. Third, and most importantly for my topic, the issue of "obsolete" neighborhoods was brought up again, and this time in a very different context than in the 1940s. The empirical findings of Szelényi and Konrád provided a solid base on which the attention of decision makers and future scholars was brought to the disinvested inner city neighborhoods suffering from the amortization of buildings, lack of resources, and unfavorable social processes (aging, social conflicts, impoverishment). And interestingly enough, both aspects of Szelényi's and Konrád's critiques were addressed by decision makers in the reform upheaval of the 1970s.

From "reconstruction" to "rehabilitation"

The most emblematic policy signaling the shift in the structure of Hungary's dual dependency was the New Economic Mechanism (NEM) introduced in 1968. It was part of a general shift through which the countries of the Soviet Bloc started to integrate more closely to the global capitalist economy amid the crisis of the 1970s through liberal policies and

[28] His second novel, entitled the *City Builder* and inspired by his urban research, was published in 1977. Later, he became a leading figure of the Hungarian democratic opposition during the 1980s.

strengthening economic and trade relations (Gunder Frank, 1977). This Hungarian economic policy package introduced various liberal motifs in the “socialist” economic system; it was an attempt to make production more effective amid mounting structural problems and fiscal hardships. But besides the NEM, a series of other far-reaching reforms were introduced: the period between 1968 and 1975 was a truly tumultuous period in terms of policy making, and it is rightly described by contemporary historical narratives as a milestone in the history of Hungarian socialism. For example, there was an important shift in housing policy, related to the introduction of the NEM, and based on the research going on in the ministries their background institutions like VÁTI and BUVÁTI: a complex “housing reform package” was introduced in the form of several interconnected governmental decrees issued by various ministries in 1971. Echoing without referring directly to some of the criticisms of Szelényi and Konrád, the impetus of the shift in policy was that the allocation of housing by the state, and more generally the allocation of housing-related governmental subsidies, were not “quite” enough. Another underlying cause was the financial burden that housing-related costs put on the state budget. The main innovations of the reform package were the following: rents were sharply increased; a complex mechanism of rent subsidies was introduced in order to compensate for increasing rents for some selected social groups (poor households, families with several children, etc.), and various techniques of channeling people's private savings into housing were introduced or strengthened (such as the previously existing cooperative movement, and the housing-related loans subsidized by the state). All in all, these measures were in line with housing reforms in other state socialist countries (J.L.K, 1974), and with the more general policy and structural shift in other areas in Hungary (Böröcz, 1992; Gille, 2007; Haney, 2002; Melegh, 2011), insofar as the previous emphasis on the universal idea of state-provided benefits was replaced with the idea of selectively targeting allowances in the name

of a more just redistributive system, and as various elements of marketization and liberalization were introduced.

While this sectoral intervention into housing shows how this area was also transforming amid deeper structural changes in the 1970s, thinking about territorially focused measures targeting specific "problematic" areas were at that time still only in a rudimentary phase – but a shift had arguably begun in the form of symbolic urban projects. More generally, in terms of urban and regional planning, an important reform was introduced in 1971 in the form of a new policy called the National Concept for Settlement Network Development. Among many other reforms, this Concept put a higher emphasis on cities outside of Budapest at the expense of supporting smaller settlements, and sought to balance the relative importance of investments in Budapest with national investments. This supposedly "rationalizing" philosophy of regional planning provided space for innovative projects in the historical city centers of smaller Hungarian cities, which was one of the roots of the emerging idea of urban rehabilitation. The second important root was experimenting with urban reconstruction in inner city areas instead of more peripheral, but cheaper, locations. Probably the most well-known symbolic projects of this kind were carried out on the one hand in smaller "socialist" cities (e.g. in Salgótarján), and on the other hand in the inner parts of Budapest, where the reconstruction in Middle-Józsefváros in District 8 was the most emblematic. This is where Szelényi and Nemes conducted their first urban sociological research.

Before introducing these two roots of urban rehabilitation, it is essential to show what "urban reconstruction" – against which "urban rehabilitation" were later defined – was in early socialist Hungary. Similar to the East-German context (Urban, 2009), "urban reconstruction" was an essentially high modernist and thus crucially important form of urban intervention during early state socialism. With the high modernist ambition to "make a clean

slate of the past", the function of urban reconstruction was both symbolic and material. Symbolically these projects triumphed over the previous era of capitalism, and provided spaces (mainly large housing estates) for the creation of the "new socialist man". Materially, these interventions resulted in old, small, poor quality flats (many of them without toilets or bathrooms), and even whole neighborhoods, being demolished and replaced with modern – and from the mid-1960s, mainly prefab – buildings and flats with all modern conveniences. A key question during the implementation of these projects was the "demolition index", i.e. the proportion of demolished to newly constructed flats, which played an important role in determining the average cost of constructing a housing unit in different projects. Due to the crucial importance of "efficiency" in the planning process, there was a continuous effort to minimize this index (and through that the costs of the projects). Thus most of the urban reconstruction were initially carried out in relatively peripheral locations, where the need to demolish was minimal. However, as these un(der)developed peripheral locations diminished, and as values other than efficiency slowly became important in urban policy, urban reconstruction was first criticized, and then (explicitly or implicitly) contested both in professional circles and within the state bureaucracy.

Let's turn back now to the two different roots of urban rehabilitation that signaled the contestation of large-scale urban reconstruction. The first was a series of architectural heritage-focused "reconstruction" projects[29] in the historical centers of some smaller Hungarian cities. There were some examples outside of Budapest of more cautious inner city redevelopment projects, most notably in Eger, Győr and Pécs. In all of these cases the partial decentralization of public administration, the growing economic importance of tourism

[29] While these interventions were still called "reconstruction" by the experts who designed them, their philosophy was much closer to what was later called "rehabilitation".

(Böröcz, 1996), and the concomitantly increasing sensitivity towards architectural heritage were the main triggers that legitimized the unusual urban interventions. Eger was a pioneer in applying this new urban development tool – still called "reconstruction" in the beginning – that was later a model case for "urban rehabilitation" elsewhere. The main difference in this new attitude compared to urban reconstruction is usually described as being "softer". Instead of the complete demolition of buildings and neighborhoods, this method built on the original street plan and attempted to renovate historical buildings, respecting them as architectural heritage – and in this case, as points of interest in tourism. If there were demolitions then these were carried out in the parts of the buildings of poorer quality – usually affecting the rear wings[30] – in order to provide healthier and more comfortable living conditions for the inhabitants. Since this method intervened only in the blocks, and its implementation supposedly proceeded block by block, it became later known as "block rehabilitation". In Eger the project started in 1966, and continued at a modest pace until the 1980s. By 1980, 412 old flats had been replaced by 652 modernized ones (Pápai, 1984). In Pécs the process began in 1967 (*A Pécs-Belvárosi rehabilitáció néhány jellemzője*, 1983; Hajdu, Kistelegdy, & Radó, 1984), and in Győr in 1970 (Balogh, 1984). By 1984 there were 382 renovated flats in the rehabilitated areas of Győr and 196 in Pécs. There were two similar projects in Budapest in these early years, but their impact on housing was minimal. However, in terms of tourism and

[30] In the case of Budapest and some other larger cities most, of the tenement buildings built at the turn of the 20th century provided shelter for a mixture of social classes, which was also reflected in the structure of the buildings. While the flats on the lower stories facing the street were usually larger, and were built for higher classes, the flats on the higher stories and especially on the rear wings facing the courtyard were typically smaller, and built for the lower classes (Gyáni, 1992).

heritage conservation both the renovation of the Buda castle and the "reconstruction" of Váci Street (the main shopping street of downtown Pest)[31] were important projects.

By the mid-1970s at the latest there was enough experience among those experts and bureaucrats who took part in these pioneer projects to formulate suggestions for decision makers about possible improvements in the regulatory (legal, economic, technical) framework in order to make reconstruction "more effective", i.e. to shift the meaning of the term and hijack it into a more sensitive direction. In 1976 the leaders of Property Management Companies (PMC)[32] gathered for their annual conference in Eger. The venue was probably not accidental. In his speech, the director of the PMC of Pécs presented their project. The transcript of this speech is one of the first professional documents where "rehabilitation" appears parallel with "reconstruction" (Hajdu, 1976). Though the distinct meanings of these two concepts was not yet crystal clear (sometimes they were used interchangeably), the argument made it clear that there was a new method of urban intervention in the making. Interestingly, in his speech Hajdu advocated for an "integrated territorial rehabilitation" – a strikingly similar vocabulary to the EU-funded urban rehabilitation projects after 2004, and to the "integrated rural development" programs carried out in the Third World in the 1970s (cf. Escobar, 1994; Ferguson, Gupta, & Curtis, 2010: 2-3).

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[31] An often cited anecdote states that the reconstruction of Váci Street was ordered by Kádár himself. Shocked by the traffic after taking a walk along the street, he ordered the planners to do something about it. While the anecdote may not be entirely true, it says a lot about the perception of the supposedly rational nature of decision making in the Kádár regime that to this day many former experts refer back to this episode.

[32] Property management companies (*Ingatlankezelő Vállalat* in Hungarian) were the administrative units in each city (and in each district in the case of Budapest) responsible for maintaining, renovating, and managing state-owned flats and other properties (like shops, storage rooms, etc.) during socialism. These organizations, and especially their leaders, were key actors in implementing (or in these pioneer cases, initiating) urban reconstruction and rehabilitation.

The second type of symbolic project that shaped the making of "urban rehabilitation" into a more or less coherent policy was carried out in Józsefváros, Budapest, in the same neighborhood where Szelényi and Nemes conducted their first urban sociological research. The importance of this "urban reconstruction" project is that it was the only significant urban development targeting the "obsolete" inner city neighborhoods in Budapest, and that it was later regarded as a failed project, functioning as a counterpoint in arguments for urban rehabilitation. I am not aware of any official documents that would prove it, but experts are unequivocal that the reconstruction of Józsefváros began as a disciplinary response on the part of the government, due to the fact that most of the fighting during the 1956 revolution happened in this working-class area. What is certain is that in the General Master Plan of Budapest issued in 1960 (the first one after World War II, created by BUVÁTI), the inner Pest areas that were regarded as obsolete by Granasztóy, Preisich, and Heim in the 1940s, and that were analyzed by Szelényi and Konrád, were listed as areas ripe for reconstruction even though the politicians did not dedicate any significant amount of funds to this issue. Reconstruction in this context meant the socialist version of slum clearance projects that were popular in the US and Western Europe around this time: complete demolition of existing neighborhoods and their replacement with modernist housing estates. However, the construction of housing estates at the outskirts of the city was prioritized over this kind of urban intervention; thus there was only one district – Józsefváros – where the planning of such a project was initiated. Based on hopes that similar plans would soon be made in other similar districts (in the 6th, 7th and 9th districts), the authorities prohibited any major renovations or new housing construction in these areas. The effect of this prohibition was the intensified decay of these neighborhoods.

The master plan of the Józsefváros reconstruction was accepted in 1963 (Czirfusz, 2016; Czirfusz & Jelinek, 2015; Jeney, 1975; Tomay, 2007a). It was a very ambitious plan in the beginning: 10,000 flats and 30,000 residents would have been affected through the total reconstruction of one-quarter of the district. However, the execution of the plan proceeded very slowly, and there were financial hardships as a result of the unfolding crisis in the 1970s. In the end only a small portion of the plan was carried out through the construction of 4,000 new flats, but the character of the district was not substantially changed despite the initial intentions of the planners. However, the physical and social problems in these neighborhoods were intensifying to the point that the political leaders of Budapest could not sweep it away any longer.

From the point of view of the politicians, one of the most important questions was the relationship between investment plans and the available financial resources to carry them out. Executing centrally accepted plans developed by the National Planning Office was one of the most important features of politics during socialism, and building the promised one million flats via the First 15-Year Housing Construction plan had a peculiar political significance. Since by 1970 it had become clear that financial hardships had caused delays in the planned construction, a reevaluation was centrally ordered to ensure the fulfillment of the plan. The general aim was to decrease building costs. A central aspect of this challenge in the case of bigger cities was the careful calibration of the so called “demolition index”, i.e. the proportion of demolished to newly constructed flats in a certain project.

At the 1972 meeting of the Party Committee of Budapest, the freshly appointed leader of the Municipality of Budapest, Zoltán Szépvölgyi, presented the results of a one-year-long reexamination carried out in Budapest, and he summarized the main political problem connected to inner city neighborhoods:

> "[…] we think that the adequate demolition index is 30%. This is not a final decision, because it may be a bit more or a bit less. We are aware that with this proposition we are postponing the solution to some already existing social problems. Because there are very obsolete neighborhoods […] in which there are numerous, very poor quality flats to be demolished. It is also a great problem that most of the inhabitants of these flats are in fact workers. This condition makes it even more urgent for us to demolish and reconstruct as many of these obsolete neighborhoods as possible. […] But besides these, I would like to note that we should naturally carry on with the renovation and rehabilitation of the obsolete blocks and buildings. We must ensure by all means that for the residents of these obsolete buildings and flats there are humane conditions, even for the next ten or fifteen years if it is necessary, so that these buildings would be inhabitable and the flats would be eligible for living conditions that can be regarded as humane." (BFL XXXV.1.a.3. 110. őe.: 78-79)

It is very telling that in 1972 the highest ranking Budapest politicians were already aware of the territorial aspect (i.e. the negative processes in the inner districts) of Szelényi's and Konrád's critique. Unlike in the later periods, it seems that during socialism scholarly or expert discourses and bureaucratic discourses were more synchronized, or in other words, there was a certain degree of openness from the side of the bureaucrats. Though it is a well-known characteristic of high modernism to rely on supposedly "rational" and "scientific" arguments, I argue that this openness was to a certain extent generated by the pressures of the social and economic crisis that was more and more inevitable in the domain of housing in the inner city. It is also important to see that at this time "reconstruction" was still seen as the number one solution for these problems, and "rehabilitation" from the above quote is equated with renovation and maintenance of the old buildings. However, it is also clear from Szépvölgyi's presentation that there was a serious limitation on the implementation of this previous tool because of the higher costs of reconstruction.

> "It is a serious problem that given the economic situation, it is only the continuation of the reconstruction of Józsefváros […] that we can plan during the 5th Five Year Plan [1976-1980] as interventions into the dense and obsolete inner neighborhoods, whose prefab reconstruction can hardly be postponed. Thus the timely and, from technical and political perspectives, hardly postponable reconstruction of Inner-Ferencváros and

> Districts 6, 7 and 9 can be carried out only at a later point. Besides the involuntary but necessary acknowledgment of this fact, we must begin taking steps in order to ensure that prefab technology will be capable [of carrying out inner city reconstruction] at least by the time of the 6th Five Year Plan [1981-1985]" (BFL XXXV.1.a.3. 110. őe.: 195).

In 1973, during the planning of the 5th Five Year Plan (1975-1980), this limitation was already addressed by two short but very significant sentences that indicate the future fate of reconstruction: "During the planning of the 5th Five Year Plan, within the general principles of building maintenance, we must pay more attention to the rejuvenation of crowded and old neighborhoods that are often packed with vacant lots. Not only with full demolition, but with full renovation, rehabilitation and constructing new buildings – reconstruction must be carried out with the alternate use of these tools." (BFL XXXV.1.a.3. 116. őe.: 144) Rehabilitation as an alternative to costly inner city reconstruction was already on the political agenda at this time.

Though in the next five years not much changed in practice, various actors were working in the background to institutionalize urban rehabilitation as an alternative to urban reconstruction. A very significant step was that in 1978 the Executive Committee of Budapest issued a document called the "Urban Rehabilitation Plan" (Tomay, 2007a: 330-331). By that time the different meanings of rehabilitation and reconstruction were more or less solidified, and urban planners had already begun working on the detailed plans of the first urban rehabilitation pilot projects in Budapest. By 1980 there were plans for rehabilitating some blocks in both the 6th and 7th Districts, but finally Block 15 in the 7th was selected as the location of the first "experimental" project. The project began in 1982 during the 6th Five Year Plan (1980-1985). Since it became the most well known and most often analyzed case of urban rehabilitation during socialism in Hungary, there are many available analyses of how it

was carried out (Bodnár, 2001: 71-77; Cséfalvay & Pomázi, 1990; Kustos & Sikonya, 1984; Szentpéteri, 1984; Szívós, 2010).

As was typical in similar experimental urban interventions at the time, the implementation of the project was hindered by several problems. There were legal, technological and economic hardships, so the project was finished only by the late 1980s. Throughout these years all the buildings in the block were renovated and modernized: almost 300 flats were affected by the intervention. 157 flats that previously lacked basic amenities (toilets and/or bathrooms) were upgraded into flats with all the modern conveniences. The average size of a flat was increased by around 50%, from 45 sq. m to 66 sq. m. The original tenants of the flats were relocated, 30% of them within the district, and 70% in other districts. The refurbished flats were allocated to new tenants. An expert with significant insight into the project estimated that 1/3 of the new tenants received the flats as a result of being well-connected to officials, and 2/3 of them through formal institutional channels. However, it was documented that poorer families were less favored by the bureaucrats who allocated the replacement flats.

One of the most important legacies of the project was that a completely new institutional environment was designed to ensure the efficient implementation of this experimental rehabilitation plan. These institutions hosted those low-level actors who made significant contributions to the process of brokerage, which was essential in formalizing what urban rehabilitation is and how it should be managed. The local PMC created a new organizational unit with 24 employees for orchestrating the daily practical work of rehabilitation. Besides that, the so-called Operative Committee for Rehabilitation was set up under the leadership of the vice-president of the Council of Budapest in order to facilitate the efficient execution of the plans by regularly negotiating with all the relevant leaders of

different organizations affected by the project. Through this experimental framework, dozens of professionals had the chance to participate in a novel urban project, and their daily work contributed to the accumulation of a novel type of knowledge. One nice example is that at a conference held in 1984 about the first experiences of urban rehabilitation in Hungary (probably the first conference on this topic), 30% of the presentations touched upon the case of Block 15 (ÉVM, 1984).

While these presentations from experts who took part in the realization of the Block 15 project were mostly in favor of expanding and continuing urban rehabilitation in the inner city of Budapest, experts with no personal involvement were more critical in later analyses. For example, Cséfalvay and Pomázi were mostly critical in their focus on the unjust nature of "involuntary mobility". They depicted the project as an instance of "guided gentrification", and they argued for the "system-stabilizing effects of an organic housing market" in order to overcome injustices (Cséfalvay & Pomázi, 1990). Though their conclusion was later proved wrong by the occurrence of very similar spatial injustices from the 1990s, in the dominantly market-driven framework of the time, it was very telling that a few years after the completion of the Block 15 project there were already very critical voices based on a sociological understanding of urban interventions. We will see in the following chapters how this "socially sensitive" perspective became more widespread in the late 1990s and 2000s.

Thus while the pilot project in Block 15 was carried out by the newly established institutions in the 7th District irrespective of the debate about the success of the project, "urban rehabilitation" as a new policy was embraced by more and more officials. It is important to emphasize that this "upscaling" of urban rehabilitation occurred when the socialist construction sector experienced a huge crisis beginning in 1980, and which only deepened throughout the following decade (see in details in the next section).

Szépvölgyi stated in 1983 that “even though financial resources are declining”, urban rehabilitation must be accelerated (BFL XXXV.1.a.3. 191. őe.: 53). The necessary political backing for such an uptick came quickly: in 1982 the Council of Ministers, and in 1984 the National Political Committee of the Party emphasized the importance of renovating buildings in the inner city of Budapest. This political support from higher levels made it possible for experts to scale up the background work of a comprehensive urban rehabilitation plan for the inner neighborhoods of the capital. In 1984, a detailed study was published by the National Committee of Technical Development entitled “*The rehabilitation of neighborhoods*”; this was an explicit attempt to establish a professional basis for future decisions on the topic (Szilágyi, 1984). In the same year BUVÁTI started a two-year-long detailed study exploring and examining 999 blocks in the inner city. Based on this study a comprehensive plan was worked out by BUVÁTI in 1986, and the Rehabilitation Concept for Budapest was accepted by the politicians in the same year. This grandiose study concluded that there were 394 blocks out of the 999 observed that would need rehabilitation, which would affect 104,000 flats and 260,000 tenants.

Though the plan was accepted, the Political Committee of the Budapest Municipality warned in 1987 that “[d]uring the rehabilitation and the renovation of buildings an increased frugality must be exercised: the technological details of the plans should be adapted to the decreasing financial possibilities” (BFL XXXV.1.a.3. 214. őe.: 17). In 1988 it was clear that state subsidies dedicated for such purposes would decrease by 30% (BFL XXXV.1.a.3. 216. őe.: 48). Despite the continuous financial hardships, however, the high level political support meant the implementation of the 1986 plan could not be stopped, only slowed down. According to a paper published in 1990, the rehabilitation of 18 blocks was underway by that year in seven different districts of Budapest (Sulyok, Pataky, & Mészáros, 1990). However,

with the rapid legal, political, economic and institutional changes that took place during the regime change, most of these projects stopped around that time. Though the execution of the plan was not able to even begin at full pace, László Németh, a presenter at the above mentioned urban rehabilitation conference held in 1984, was probably correct when he stated that upon its realization it would have been the "greatest architectural endeavor in the history of cities" in Hungary (Németh, 1984: 268).

Contextualizing the assemblage of urban rehabilitation

How did a concept with an initially very general and unstable meaning become, in just two decades, an organizing concept of a large urban development plan tailored for the whole inner city of the Hungarian capital? How could a modestly successful pilot project implemented in Block 15 become a reference point, regarded as a symbolic intervention legitimizing the acceptance of the urban rehabilitation plan for Budapest? What were the underlying forces that led to the assemblage of this policy, and who were the main actors? How did this shift from urban reconstruction towards urban rehabilitation relate to the wider structural shifts mentioned at the beginning of this chapter?

To my knowledge it is architectural historian Florian Urban who got the closest to examining these questions in to the context of a state socialist country, thus it is a logical step to begin my analysis of the Hungarian processes with his conclusions about what happened in the GDR. In the context of East Germany, Urban tried to describe a very similar shift – in that case, from high modernist reconstruction to neo-historical reconstruction (Urban, 2009). In that historical narrative the organizing concept itself – reconstruction – did not change, only its meaning shifted from full-fledged demolition and rebuilding to historically sensitive renovation and complex "rehabilitation". In the case of Hungary, the semantic shift was even more significant with the introduction of a whole new concept, even though very similar

interventions were carried out on the level of the projects. But how can we analyze this shift? In Urban's interpretation:

> "[the idea of] East Berlin's historic city was therefore not a form of 'socialist urban design' but rather grew from an intellectual field that reached beyond the borders of the German Democratic Republic and included both capitalist and socialist countries. The new historic city was situated in a reciprocal relation to the social and economical change of the 1960s and 1970s. It cannot be interpreted exclusively as an outcome of the economic conditions in the GDR, for example as a necessary consequence of the demolition policy that was no longer economically viable […] [t]he case of East Berlin is remarkable for its interplay of multiple forces under a seemingly omnipotent dictatorial regime. The adaptation often originated from the intellectual niches within the state institutions [...] These niches apparently enabled the emergence of a discourse which eventually superseded the urban design paradigms of the 1960s" (Urban, 2009: 234-235).

Three points from this quote are important here. First, that the turn towards neo-historicism in the case of East Berlin – and I would add, the turn towards "rehabilitation" in the case of Hungary – was part of a wider global shift. The second crucial point is that the causes of this shift were multiple. The third point is about the importance of what Urban described as "intellectual niches within the state institutions". In the following I will analyze the Hungarian shift towards urban rehabilitation with the help of these three analytical entry points into the wider debate about urban change during socialism. However, unlike Urban, my exploration goes beyond the professional field of architects, as I see them as only one type of actor contributing to the assemblage of "urban rehabilitation" in Hungary.

Regarding the global nature of the neo-historical turn in architecture in the 1970s, Urban emphasizes a process that resembles what has been called elsewhere "policy mobility" (see for example Cochrane & Ward, 2012). Both Urban and the wider "policy mobility" literature focus on the excavation of various everyday practices through which policy ideas travel and mutate across and between different scales and contexts. This is certainly a very important

point to highlight, and there is evidence from the Hungarian case as well that the assemblage of "urban rehabilitation" was cross-fertilized with ideas from other (mainly "Western") contexts. For example, the very first urban sociological research was ordered by a state bureaucrat who was inspired by Canadian researchers at a conference that he attended "in the West". Szelényi discovered the literature of American urban sociology during his stay in the US which was funded by the Ford Foundation, and his contact with American researchers helped him later in his career as well[33]. Moreover, this relation was reciprocal: it is nicely documented how the creation of RC 21[34] within the International Sociological Association was a project in which urban researchers from both "socialist" and "capitalist" countries had a crucial role (including Szelényi) – at least in the early years (Milicevic, 2001)[35]. Most of my interviewees that were active in the field of urbanism during the 1980s recalled that the projects carried out in Berlin and Vienna were known and studied by Hungarian experts. Therefore, the synchrony in experimenting with historically and socially sensitive models of urban regeneration in different cities like Vienna, Berlin and Budapest in the 1970s is not accidental; there were already very important transnational professional networks functioning at that time. However, in my view this synchrony has another, probably even more fundamental explanation, which is the far reaching effect of the global crisis of the 1970s on both sides of the Iron Curtain.

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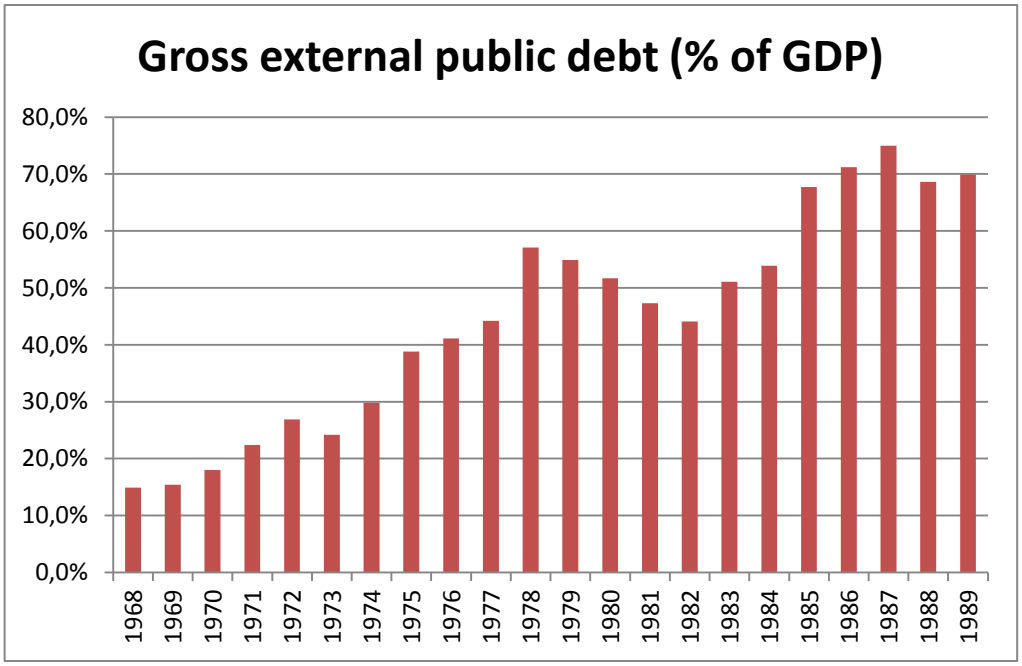
[33] For example, he had the chance to publish in the prestigious *American Sociological Review* at an early stage in his career (Litwak & Szelényi, 1969), and it was also handy to have good professional connections internationally when he had to leave Hungary.

[34] Its full name is Research Committee 21 on Sociology of Urban and Regional Development of the International Sociological Association.

[35] For example, the first version of the founding document of RC 21 was drafted in Budapest in 1969, and another meeting was held by the Board of RC 21 in Budapest in 1972 (personal communication with Iván Szelényi and Michael Harloe; Milicevic, 2001)

Thus the turn towards more sensitive “urban rehabilitation” was not exclusively an intellectual shift as Urban indicates: this global intellectual shift was enabled by the unfolding of a serious structural crisis within global capitalism. This global structural shift was very much perceivable in various branches of the Hungarian state as well. As it was recently reconstructed by Attila Mong, in the case of Hungary the most important factor was the skyrocketing external debt-to-GDP ratio. Similarly to other Latin-American and Eastern European countries, Hungary was caught up in a debt trap by the 1980s (Éber, 2014) as a result of uneven development during the “long downturn” of the post-WWII era (Brenner, 2006). This situation resulted in the growing relative importance of those state institutions which were responsible for managing this emerging financial crisis. Thus the Ministry of Finance and the Hungarian National Bank, where financial experts were struggling daily to cope with mounting state debt in the wake of the global debt crisis in the early 1980s (see Figure 5 and Mong, 2012), started to take a leading role in determining the direction of various types of public policies. As negotiations with the IMF progressed, and as Hungary joined the organization in 1982, the state’s fiscal room for maneuvering declined, and the country’s dependency on Western capitalist institutions became more and more evident. Parallel to this, the Ministry of Finance was able to dominate other ministries, among them the Ministry of Construction and Urban Development, which was responsible for housing and urban policies.

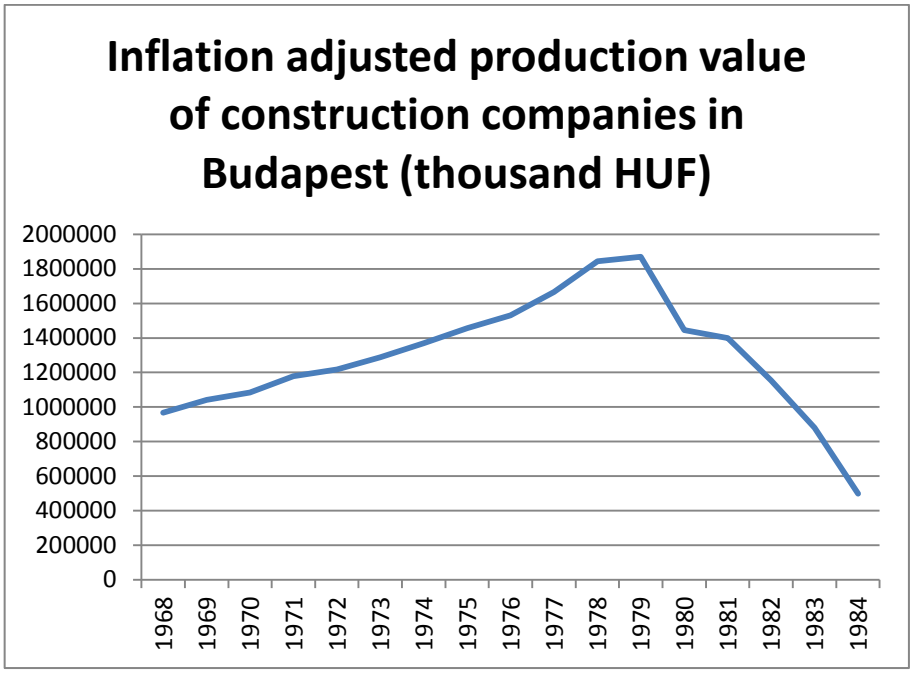


5. Figure

Source: Own graph based on Mihályi, 2013

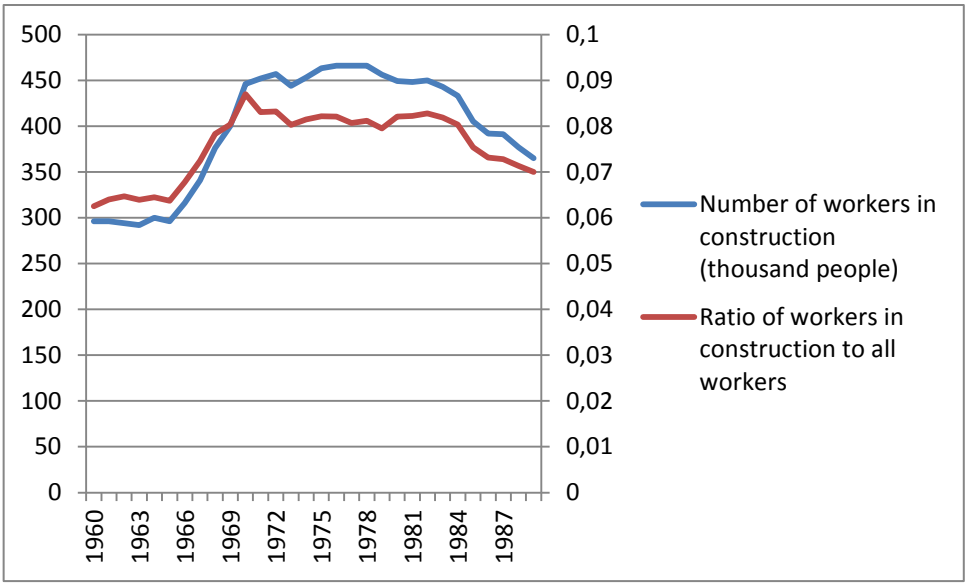
Within this context one of the most crucially affected sectors was the construction industry. As Gyöngyösi put it (1999), the regime change occurred earlier within the construction industry than in the country at large. The turning point was 1980; from that year the volume index of the construction industry was in free fall (it fell 21.5% between 1980 and 1985), especially in Budapest (see Figure 7). Urged by the Ministry of Finance, the state slowly "rolled back" from financing construction projects as an element of its hidden austerity politics. The declining role of state funds was even more evident in the case of housing construction, where the turning point was 1975 (see Figure 3). The large state-owned construction companies lost their increasingly influential role in lobbying for more and more state investments into infrastructure projects: the Ministry of Finance became more influential than the Ministry of Construction and Urban Development, which was previously controlled almost entirely by the directors of those large construction companies. Between 1976 and

1990, 100,000 workers left the construction industry, a 21.5% decrease (Figure 7). A similar declining tendency can be observed from the mid-1970s until 1989 if we look at the housing construction graphs of different selected Eastern and Western countries (see Figure 8).



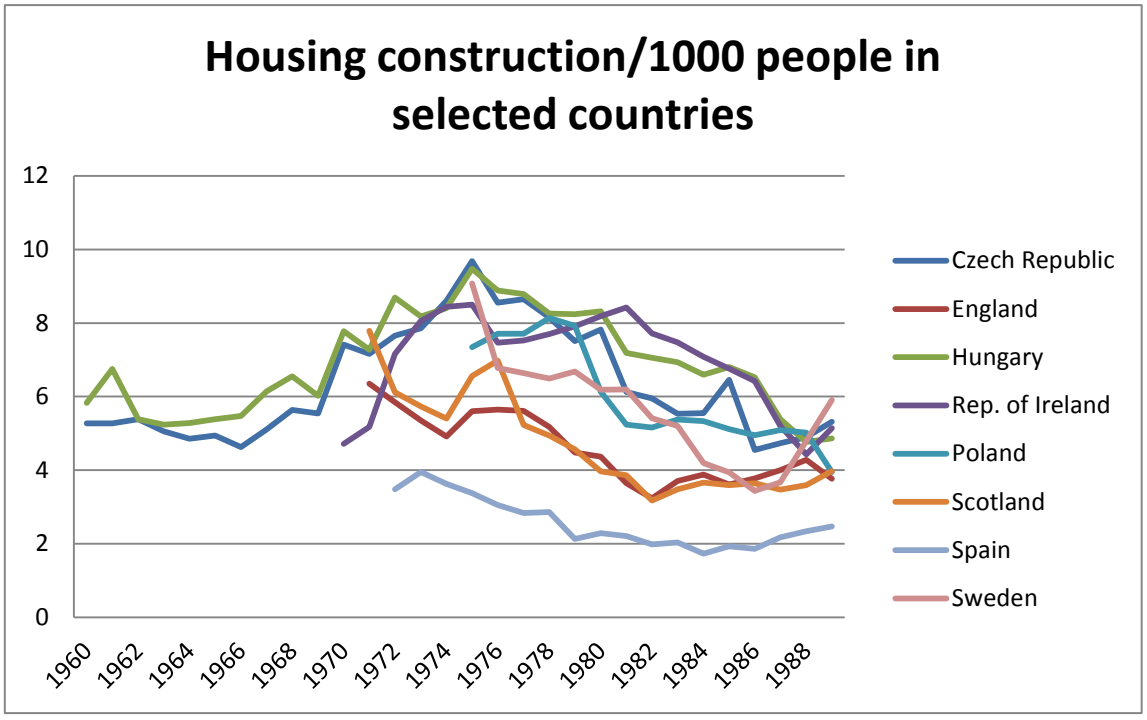
6. Figure

Source: Own graph based on Stumm, 1985.



7. Figure

Source: HCSO



8. **Figure**

Source: National statistical offices of the countries

All these radical structural processes resulted in a vacuum-like situation on the market of competing interpretations of what was going on (and what should go on). To put it

differently, as the global crisis unfolded in the form of diverse, but equally rapid changes in various fields of society and of the Hungarian state, there was a certain openness to, and a certain demand for, alternative discourses and alternative proposals about the future. As the "property vacuum" was a crucial aspect of the regime change from a material point of view (Böröcz, 1992), this "ideological vacuum" in the case of policy making was equally important. In other words, previously sidelined ideas and political proposals could be seen in a new light, through the prism of the changing structural context. Once the hope of *universalism* was no longer economically sustainable, there was a need to legitimize certain criteria of selection, preferably in a way that made the ideological façade of "socialism" maintainable, at least in the media. That is how "selectivity" was introduced into most of the policy areas of that time: in social policies, reproductive policies, economic policies, environmental policies, educational policies, and regional planning and housing policies. And this is exactly what urban rehabilitation could do: it gives an explanation for why (decreasing) financial resources should be focused on selected "problematic" urban territories. Once it seemed unrealistic to quantitatively fulfill the housing needs of the whole population, there had to be some sort of criteria which, among other solutions (cf. the reform of rent regulations introduced in 1981), came in the form of "urban rehabilitation". The assemblage of urban rehabilitation catalyzed a renewed interest in *quality* and in *territorial targeting*. Furthermore, with its territorially selective logic it went against the plain sectoral interests of large socialist organizations, whose lobbying power was in decline, and who were depicted as being responsible for the crisis.

That is how we arrive to the second point about the multiple causes of the shift towards "historical sensitivity". Until now I have stressed the importance of (global) structural changes, and their role in providing space for global intellectual shifts in different domains.

However, I am not implying a simplifying, or much less a deterministic view of something like a one-way base-superstructure relation. To the contrary, my aim is to show how multiple interrelated factors resulted in the piecemeal abandonment of the idea of reconstruction in favor of something more "sensitive" (and more selective) during the 1970s and 1980s. But as I have demonstrated above, among these multiple factors material tendencies – and more precisely, uneven development on multiple scales – did play an important role, which was thus far not entirely acknowledged by the literature on socialist urbanism. But simply pointing to how the global crisis opened an "intellectual vacuum" is not sufficient to explain the assemblage of urban rehabilitation. There were actors whose agency was needed to meaningfully fill this vacuum, and these actors were not directly exposed to the immediate effects of the crisis, nor did they produce certain kinds of knowledge solely because of the crisis. However, they were situated in professional fields which were going through a restructuring that was indirectly induced by crisis-related tendencies. The brokers, who were able to navigate during this restructuring, had a special importance in this situation. Two types of actors need special emphasis here: architects deploying a novel "historical sensitivity", and sociologists keeping alive the "social sensitivity" introduced by Szelényi and Konrád.

A Hungarian film from 1969 gives a very expressive snapshot about professional and personal dilemmas that a young architect had to face. The main character in Sándor Simó's *Szemüvegesek* (Those Who Wear Glasses) is a freshly graduated and ambitious architect who gets the chance to plan his first building at a state planning agency. The film is mainly about his struggle that unfolds on the professional and personal level. Professionally, he faces serious limitations: the creative ideas that he wants to implement during the design of a modernist building for a newly emerging socialist housing estate are continuously pushed back by his more elderly superiors based on "political" and "efficiency" concerns. He slowly

realizes that his role during planning is limited to adapting the very strict economic framework of the project to the tricks and trades of his profession, even if these economic limits push him to create something professionally unacceptable. While he is getting co-opted into the seemingly unchallengeable system of housing construction, his personal life is falling apart as he gets evicted from his former flat. Thus the structural failures of the state socialist housing regime are depicted from the perspective of the (middle-class) tenants *and* from the perspective of low level bureaucrats, both through the misery of this young architect.

While the personal struggles of young professionals were probably somewhat eased in the following years as the pace of housing construction increased, the professional dilemmas remained similar. “From the 1970s on there was increasing talk about the uninspiring atmosphere of a 'routinized modernism' (Janaky 2000 [1985]) and the bind of a rigid institutional structure with giant construction companies, and oversized, state-owned, highly bureaucratized architectural offices turning into 'design factories' engaged in the mass production of low quality cheap buildings. Architects believed that they had fallen victim to the rationalized mass production of housing and were left with an extremely limited playing field. Many began to search for escape routes from prefabricated housing construction with growing determination” (Molnár, 2013: 81).

One of these escape routes was turning to the past, engaging with the problem of old but historically “valuable” buildings as opposed to taking part in designing new modernist constructs. During an interview, an architect who graduated in the early 1980s mentioned two reasons to me for why he decided to work for a PMC in the inner city of Budapest, and later for the National Heritage Authority, instead of joining one of the large planning companies like VÁTI or BUVÁTI, where the most talented architects usually ended up:

> "First, I became disgusted by the prospects of the socialist construction industry during my university years. So I said that the largest prefabricated building material that I want to work with is brick. Of course, it was a bit priggish to say that at the age of 24, but that was it. The second was a Party Congress at that time, which proclaimed that from mass housing construction we should turn towards the rehabilitation of the inner cities. […] And I remember vividly that my decision was influenced by this proclamation; I was such a naïve kid that I thought if there is a centrally declared will in a centrally planned economy, then it will work like that. Of course it did not work like that."

What we can see here is a very interesting function of the freshly assembled policy of urban rehabilitation: for young architects it played the role of an escape route from the rigid institutions of "design factories".

In the field of sociology, after the expulsion of Konrád and Szelényi the role of urban sociological research changed, and the relative autonomy that they enjoyed in their institutions was curtailed for a while. However, it did not vanish entirely, only some compromises had to be made. A telling example is that in VÁTI "sociological" research was not tolerated for a few years in the mid-1970s, but research in "life quality" was permitted (Saád, 2000: 8). Thus it was not empirical urban sociology that was banned, rather the way it was theoretically framed. As long as it was not channeled into a full-fledged criticism of the socialist regime, urban scholarship was not only a tolerated but a required scholarly and expert practice. A sociologist employed in VÁTI at that time concluded that "[l]ater, from the mid- and late 1970s there were no longer the ideological concerns that provided a challenge for research, but certain material prerequisites, such as the burden of rapidly increasing 'income indexes'. The result of this process, which brought an even larger challenge than the ideological uneasiness of the previous period, was a new era in which research in the classical sense was superseded by expert performance, and it became something like a hobby for your leisure time…" (Saád, 2000: 8). This quote echoes the second epigraph of this chapter and shows that even in the case of sociology, which "had its golden era" throughout the 1980s, as

one of my interviewees put it, the technocratic mass production of data, i.e. the sociology for planning (as opposed to the sociology *of* planning, see [Szelényi, 2012: 1159]) became a dominant form of scholarly practice.

However, some "islands" of professional autonomy remained, for example at BUVÁTI, or even in VÁTI in the late 1980s, where a few employees were left to practice their "hobby" in their working time (Saád, 2000). Hence in the 1980s many urban sociological inquiries were conducted and published, but almost all of them remaining on the level of middle ground theorizing and giving up the pursuit for more general, holistic claims rooted in the urban processes (except linking the claims for the marketization of housing with more general claims for the (neo)liberalization of the country (Bokros & Surányi, 1981; Dániel, 1981)).

Besides abandoning the Szelényian program of the systematic "critique of ideology" (Szelényi, 1990: 17-32), most of the urban researches were similar in their sensitivity to previous social scientific works on urban processes. Some of them explored the specific patterns of segregation in Budapest and emphasized the unjust nature of urban poverty (Csanádi & Ladányi, 1992). Others focused on the sphere of housing policies and argued for more just (re)distribution of housing (Hegedüs & Tosics, 1993). All in all, these sociological claims for "social sensitivity" were gradually spreading among the decision makers and in the wider public, partly because the social effects of decades-long systematic disinvestment in the inner Pest districts became more and more visible. While between 1970 and 1980 there was a 5.9% increase in the population of Budapest, in the inner Pest districts there was an average 18% decrease. Almost 90,000 people left inner Pest, while Budapest gained only 115,000 people (Preisich 1998). This radical population loss went hand in hand with social downgrading: older and poorer households were overrepresented among the remaining population.

Thus there was a lot to do in terms of urban sociological research. And for those lucky few who could deal with the pioneering and thus less formalized issue of urban rehabilitation, these research projects were crucial in their later careers. For example, Iván Tosics, József Hegedüs and Dezső Ekler reported having an unprecedented freedom for two years in BUVÁTI while writing their three-volume *magnum opus* on the urbanization of Budapest (Ekler, Hegedüs, & Tosics, 1980). Richárd Ongjerth, one of the key researchers in the BUVÁTI study that gave the background for Budapest's urban rehabilitation plan accepted in 1987, claimed that "[a] lot of preparation was needed, the research lasted for several years. It was extremely interesting. I still love it very much. It is interesting, once you reach the peak of your career at the age of thirty something, and after that it is just downhill…". Thus similarly to young architects, working on urban research in one of the "islands" of scientific mass production was a privilege, and thus keeping the issue of "urban rehabilitation" on the agenda was also in the interest of these young professionals. Moreover, as the social sensitivity of urban sociology and the novel historical sensitivity of architecture could be connected through various research projects and pilot projects, such as the exemplary rehabilitation of Block 15, there was an increasing circle of other experts (engineers, lawyers, etc.) who realized the potential of this novel policy tool. For them it provided a novel testing ground for alternative practices that could potentially circumvent the dehumanizing logic of "design and research factories" that dominated their respective professional fields, and that could possibly correct the flaws of the high modernity of the 1960s and early 1970s.

The third crucial point is what Urban described as "intellectual niches within the state institutions". From an analytical point of view I find this the most crucial step: to analyze those very positions from where various actors – sociologists, architects, urban planners, bureaucrats – actively lobbied for the institutionalization of urban rehabilitation, or simply

just made it possible through their everyday acts of brokerage and accumulated knowledge. More precisely, what seems important here is the changing relationship between experts and the state. Besides the global structural changes that created the demand for new professional approaches, and besides the new generation of experts who created new ideas and new policies to fill this vacuum, there was a need for political backing of these novel ideas in order to upscale them to the level of a Budapest-wide plan.

This political backing was the aggregate of different smaller intentional or unintentional practices that originated in different branches of the Hungarian state. First of all, a change within the Ministry of Construction and Urban Development was indispensable. As the crisis unfolded the hardliner bureaucrats who lobbied for the interests of the large companies (urban rehabilitation was the "business" of smaller companies) were gradually sidelined, and bureaucrats with alternative visions gained ground during the 1980s. Two important figures were László Soltész and Szabolcs Pataky, who worked at the Housing Division of the Ministry. Together with the Urban Planning and the Architectural Divisions they were able to lobby for financial sources from the so-called Building Maintenance Fund. What they proposed was to concentrate some part of this Fund on coherently planned urban rehabilitation projects, instead of ad-hoc maintenance activities scattered around the country.

On the level of the administration of Budapest there were two crucial institutions. One was the Demolition Committee, which from the 1980s was led bythe powerful politician Kálmán Gérnyi. The secretary of the Committee was Zoltán Csorba, a vehement supporter of the idea of rehabilitation (Csorba, 1997). The strength of this Committee was based on its composition. Its main function was to bring together all the main Divisions within the Budapest administration, coupled with the leaders of the different Districts and of some larger institutions (e.g. hospitals). In an otherwise very divided bureaucracy the task of this

Committee was to make collective decisions on one of the most crucial elements of urban development, demolition indexes and plans. Through the personal charisma and professional guidance of the Gérnyi-Csorba duo this Committee gained a much larger informal power in steering urban development plans than its formal position would have indicated. They were also advocates of the policy of urban rehabilitation. The second crucial institution was the creation of the Rehabilitation Group which, in 1984, had three employees within the Property Management and Construction Division. Once the funds were secured and the highest level of politicians legitimized the move towards urban rehabilitation, this group was in charge of coordinating the supposedly mushrooming pilot projects in various districts of Budapest. They were also responsible for orchestrating the last phase of rehabilitating Block 15, and were in contact with all the inner Pest Districts about their prospective projects. Szabolcs Pataky's wife, Angéla Pataky Szabolcsné, was an important employee in this Group throughout the 1980s and the 1990s.

In my view the effect of these novel institutions and innovative bureaucrats is not limited to creating examples of the importance of "intellectual niches within the state institutions". While Urban is right in pointing out the importance of emerging institutional spaces within the restructuring state administration, I go further with the analysis. My claim is that the crucial factor, which made the emergence and upscaling of urban rehabilitation possible, is the brokerage and mediation between different relevant actors. The emerging intellectual *and* institutional niches were filled with a specific kind of bureaucratic practice, one which took seriously the challenge of forging new alliances at a time when the former practices of urban development were less and less feasible under new structural pressures. This innovative work of governing, performed for example by the Gérnyi-Csorba duo and by the Patakys, led not only to the professionalization and institutionalization of a new policy,

but it also connected formerly separated professional and bureaucratic fields, and thus contributed to the emergence of the new interstitial field of urban rehabilitation. This interstitial field – similarly to urban rehabilitation as a policy – did not come out of the blue as completely novel elements of Hungarian urbanism. Rather, the necessary intellectual, institutional and material resources were accumulated within (or provided by) the existing and restructuring state institutions. What these actors and institutions did was the creative reshuffling of these building blocks into new constellations that were adjusted to the realpolitik of the era. Thus intellectual and institutional innovations (such as the establishment of the Demolition Committee) went hand in hand with a series of everyday compromises (like abandoning "the critique of ideology" in the case of sociology).

While the motivations of these brokers were mostly personal and professional, the consequences of their practice had a deeply political, and possibly unintended consequence as well. With the propagation of urban rehabilitation as opposed to urban reconstruction, they created a legitimizing framework for the shift from universalism towards selectivity. In other words, they acted against the political rhetoric of the former Party elite that elevated the issue of provision of universal housing to a high political importance. As the broader shift from universalism towards selectivity happened during the 1980s amid the deepening economic and fiscal crisis of state socialist Hungary, urban rehabilitation helped to reorient attention to a specific sub-group of the losers of uneven development during the 1960s and 1970s. Instead of the impoverished rural regions and small villages, the bureaucratic gaze was now directed towards declining inner city neighborhoods in Budapest, and in some selected second-tier cities beyond the capital. As we will see in the next chapter this reorientation was indispensable in shaping urban landscapes through the chaotic period of the regime change, and thus in transforming "urban rehabilitation" from a "socialist" to a "capitalist" tool.

Chapter 3
Turning a "socialist" policy into a "capitalist" one: Decentralization, privatization and the brokers of urban rehabilitation

"We planners map out the future – what sort we do not yet know, but anyone who likes the future must like us. If they don't they must take the consequences. The future is a law, not a prediction. Let's plunge in; we'll find out later what it is like. The trumpet call of the cavalry charge always precedes the counting of the dead – the season of practical philosophies of history is at hand. … The revolutionary always becomes obsolete, and he is always indispensable. He helps replace outgrown conflicts with new ones that he himself never counted on."

(Konrád, 1977: 78-79)

The years around 1989 were definitely one of the most tumultuous periods in the second half of the 20th Century for Eastern European countries. While there was certainly an optimistic – "let's plunge in!" – atmosphere among the intellectuals, it was also a crisis period for large segments of the society, only comparable to the detrimental effects of the 1929 global financial crisis (Ladányi, 2005b)[36]. "The trumpet call" of the elite's march towards new liberal democracies drowned out the warning about the possible losers of the regime change. Even in the early 1990s it was clear that previous conflicts – most importantly the deepening housing crisis – would not simply be left behind, but new conflicts would arise amidst an extremely fast process of institutional restructuring in the late 1980s and early 1990s. Just like in the case of the historical juncture experienced in the 1970s, 1989 became a milestone not only in the history of Hungary, but more generally for Eastern Europe, and even for global capitalism (Lawson, Armbruster, & Cox, 2010).

[36] In Hungary approximately one-third of the previously available jobs vanished, as a result of which one million people lost their jobs (Ladányi, 2005a). According to HCSO, inflation was around 30%; GDP fell by 12% in 1991 alone, and reached 1989 levels only in 2001.

In the previous chapter I showed how high modernist urban interventions between the 1960s and 1970s – particularly urban reconstruction projects – had caused a series of professional and social conflicts during the global crisis, and how urban rehabilitation as a policy tool designed to fix these conflicts was assembled parallel with the emergence of the interstitial field of urban rehabilitation. In this chapter I focus on how urban rehabilitation was turned from a "socialist" to a "capitalist" policy by some key members of this emerging interstitial field, while the field itself was also adapted to the liberalized institutional context. During the analysis of these processes I will stress three broader claims. First, the roots of the shift from "socialist urban rehabilitation" to "capitalist urban rehabilitation" reach back to the 1980s, and in that sense the rapid changes happening around 1989 were built mainly on expert knowledge and skills accumulated during the 1980s. Consequently, a nuanced view of transformation is needed, which can modify some canonic "broad brush" theories of the era, like David Harvey's thesis on the shift from urban managerialism to urban entrepreneurialism (Harvey 1989). Second, decentralization and privatization played a crucial role in determining the fate of how urban rehabilitation is planned and implemented. Thus the analysis of the legal and political changes should not be separated from economic and financial processes, which took the form of hidden austerity measures. Finally, in terms of the content of urban rehabilitation as policy, the novel phenomenon is that the social sensitivity of the 1980s was almost completely replaced by an emphasis on physical and economic aspects. Hence the parallel de-socialization and de-politicization of urban rehabilitation contributed to another round of uneven development, making space for "Europeanization" and its ambiguous attempt to re-socialize urban rehabilitation in the 2000s.

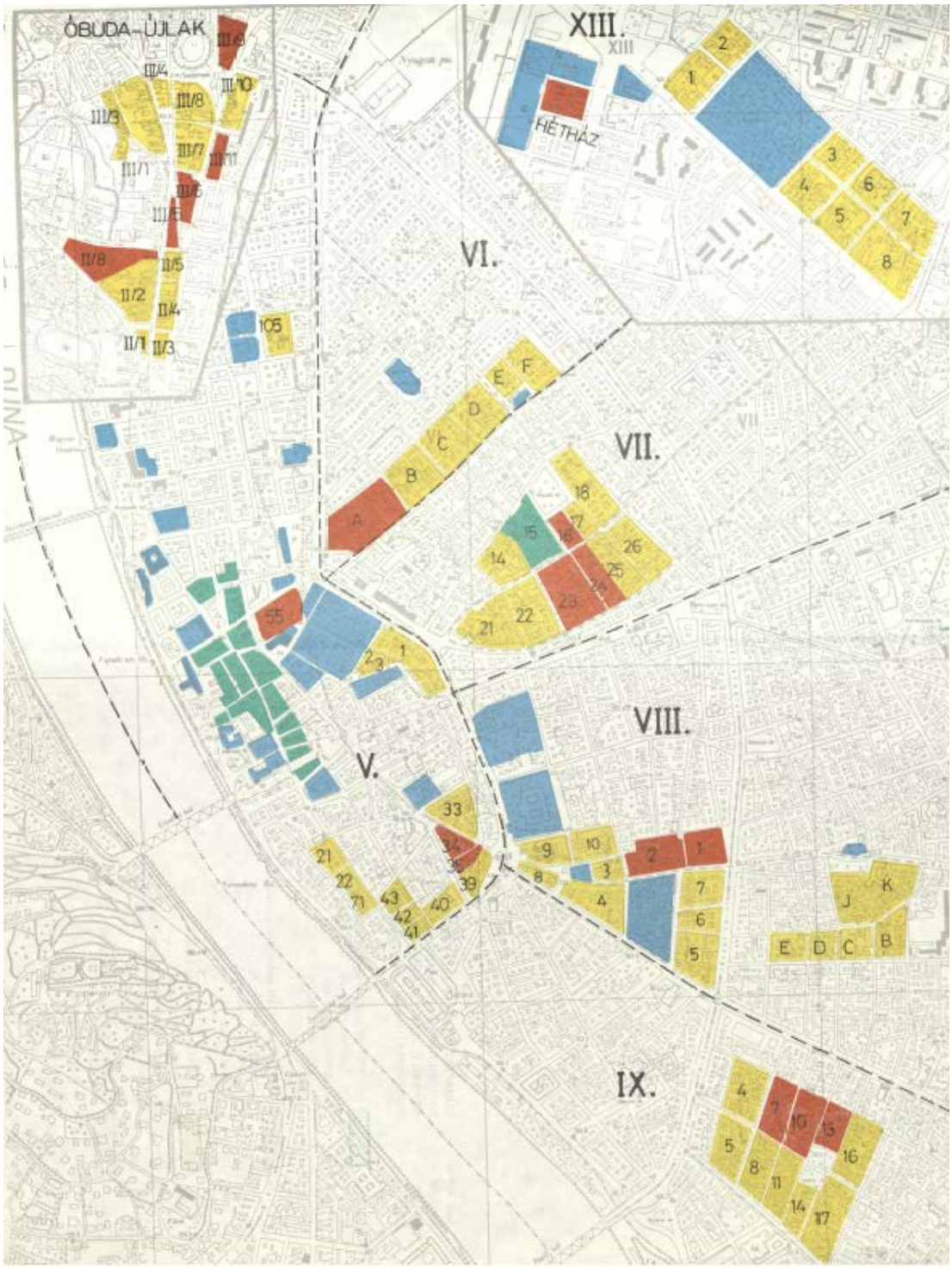
The chapter is divided into three sections. In the first I will show how the content of urban rehabilitation policies had been de-politicized and de-socialized throughout the 1990s in

relation to wider processes of liberalization and crisis management in the domains of housing and urban policies. In the remaining two sections I will analyze whether this change in the policy's content can be seen as an example of a shift towards urban entrepreneurialism from urban managerialism. This analysis will be done at two different levels: first I will analyze a new flagship urban rehabilitation project of the post-1989 liberal era in Ferencváros (the 9th District of Budapest) in the second section, then I will focus on the processes of (re-)institutionalization and brokerage in the last section. This latter process was carried out by a few key members of the field of urban rehabilitation, who played a crucial role in turning a "socialist" policy into a "capitalist" one.

Regime change in housing and urban policies

By 1986 the rehabilitation plan for Budapest, targeting 104,000 flats, had already been accepted by the highest ranking politicians, and for the period between 1986 and 1990 the rehabilitation of 18 blocks in seven different districts was envisaged (see Figure 9). However, by 1990 only 11 blocks were finished, while in 33 blocks the phase of planning had just begun (Cséfalvay, Lichtenberger, & Paal, 1995: 86). At the same time, albeit with less attention from the general public, similar smaller projects were carried out in some selected cities of Hungary (e.g. Győr, Eger); these were mainly in those locations where tourism could be fostered around renovated, historically "valuable" inner city neighborhoods[37].

[37] For a comprehensive overview of urban rehabilitation projects in Hungarian cities beyond Budapest during the 1980s see the special issue of *Magyar Építőipar* published in 1986 (Vol. 35. No. 9-10.).



9. Figure

Green=projects between 1980-1985; Red=projects between 1986-1990; Yellow=projects in preparation; Blue=public buildings. Source: Sulyok, Pataky, & Mészáros, 1990

Urban rehabilitation was, by the end of the 1980s, a legitimate form of state intervention aiming to balance some of the negative consequences of previous rounds of uneven development. Throughout the decade the professionalization and institutionalization of urban rehabilitation went hand in hand: more and more architects, planners and sociologists got acquainted with the methods that aimed to "rehabilitate" sites of historical heritage and wanted to ameliorate poverty that was in most cases concentrated in these very same inner city neighborhoods. While it differed from project to project whether the main motivation behind the interventions was social or historical sensitivity, in almost all of the cases the will to improve housing conditions and to modernize the urban texture was coupled with an attempt to beautify historical heritage sites.

Parallel with the institutionalization of urban rehabilitation, the construction industry, the housing sector, and more generally the Hungarian economy slipped into a serious crisis. During a debate about possible reforms of the housing policies in Parliament in 1989 Ernő Kemenes, the leader of the National Planning Office, described the situation as follows: "It is obvious that changing an almost non-functioning [housing] system would not be possible from one day to another. However, given the narrowing economic room to maneuver that we have, we not only do not have surplus resources to facilitate changes towards a new and more functional system, but we even have to cut the spending of the central government." (Országgyűlési Napló 1985/V: 5813) His negative and pessimistic tone was not an overreaction: housing construction was in free fall, especially public housing construction (see Figure 2). 85% of the newly built flats in Budapest in 1989 were financed privately, and

there were only 600 publicly financed, newly constructed flats (Országgyűlési Napló 1985/V: 5814-5821)[38].

Though at this time more than 15% of the national budget was spent on housing, half of it went to subsidizing housing-related loans, which had a fixed and very low interest rate in this period (Országgyűlési Napló 1985/V: 5814). The gap between this fixed rate and the real inflation (which went from 5% in 1986 to more than 15% in 1989) was provided by the government to the state-owned OTP Bank. With the rapid increase of loan subsidies, the "reform" of housing policy seemed unavoidable. "Reform" in this context was first and foremost the "rationalization" of housing related governmental spending, which was a recurring theme at least from the 1970s. I showed in Chapter 2 that compared to the universalistic idea of the 1960s, the logic of "selectivity" was embraced by more and more experts and politicians as the crisis of the 1970s unfolded (cf. Haney, 2002). Both the new housing law introduced in 1971, and its modification in 1981, introduced higher rents and various criteria of curtailing eligibility for governmental subsidies. Though the move from universalism towards selectivity was legitimized by arguments for a more just distribution – the claim that richer households in public rentals received relatively more subsidies than poorer families outside the public rental sector – it was at odds with the previous high political priority of "solving the housing crisis", which was one of the main pillars of the Kádárist compromise. Thus both the 1971 and the 1981 reforms were relatively mild, and the idea of radical austerity measures reappeared only in the late 1980s, when the debt crisis of the Hungarian state reached unprecedented depths (coupled with high inflation, low economic production and a skyrocketing deficit). After serious debates and amid unprecedented political

[38] Compare this to the roughly 10,000 flats built annually in the early 1970s.

pressure from a newly-formed advocacy group of tenants[39], the reform of 1989 was accepted, which introduced a 30% increase in rents[40]. That was probably the last nail in the coffin of the socialist housing system: in a few months the first democratic elections were held, and it was obvious that with the regime change housing policies would be radically reshaped as well.

The most significant change was that the Ministry of Construction and Urban Development was dissolved, and the issue of housing was divided into various subfields and integrated into various newly created ministries. One of the most important policy fields of socialism was fragmented and dispersed in the new institutional architecture of liberal democracy. The issues of urban development, zoning, financing housing and authorizing construction were all handled by different ministries with different sectoral logics. It was the spectacular end of the large lobby power of state-owned construction companies represented by the Ministry of Construction and Urban Development, which was already diminishing from the 1 980s – most importantly as a result of the Ministry of Finance lobbying for austerity measures.

While the issue of housing was relegated from one of the most dominant policy issues under socialism to a fragmented area of policy making in the new liberal context, there were two political decisions that had a huge impact on the future trajectory of housing in general,

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[39] The group was called Association of Tenants (*Lakásbérlők Egyesülete*), and it grew out of a bottom-up initiative that took over the management roles of some publicly owned tenement houses in the inner city of Budapest. During the early 1990s they became a country-wide movement. The activity of the Association – along with other housing related movements from the last century – was recently researched and presented in a series of exhibitions by the *Tettek ideje* (meaning "the time of acts") research group that works with the method of participatory action research (see http://kassakmuzeum.hu/index.php?p=kiallitas&id=235).

[40] While the background analysis written by experts argued for a more radical 50% increase, the politicians decided to choose the supposedly less conflictual 30% increase.

and urban policy (including urban rehabilitation) in particular: the decentralization of the local governmental system and the privatization of the public housing stock.

Both of these crucial structural changes were legitimized by new political ideologies rooted in the movement of the democratic opposition challenging state socialism. The prominent intellectuals and politicians of this movement depicted the socialist state as being a "bad" property owner and a "bad" landlord. It also seemed obvious for many tenants that the housing stock owned by the state had been mismanaged (Bodnár, 2001: 35-58): according to estimates, there had been accumulated a "deferred maintenance" (i.e. physically necessary, but unconducted maintenance work) worth HUF 100 billion as a result of uneven development during socialism (Hegedüs, Mark, Struyk, & Tosics, 1993b), which amounted to roughly 3% of the annual GDP. The broader anti-state and anti-planning discourse of the new political elite was a dominant element of the political discourse criticizing the party state and arguing for regime change. The disbelief in the efficiency of state planning and public ownership was connected to the critique of centralization. Thus the two reforms – privatization and decentralization – were depicted as "natural" and unavoidable by the growing democratic opposition[41].

Even though decentralization and the reform of public administration was mentioned several times in the most important programmatic writings of the democratic opposition, the economic and social reforms were much more dominant elements in their policy proposals (cf. Fordulat és Reform, 1987). However, as early as the round table discussions in 1989, it became clear that the regime change would be much faster and more radical than had been

[41] It is no accident that this narrative is similar to the "there is no alternative" discourse of the Thatcher government: two of my interviewees mentioned that the Thatcherite principle of housing privatization was an explicit reference point in the state bureaucracy during the early 1990s.

expected even in 1987; the preparation of the new law on local governments became a top priority. The main reason for this was that the local governmental elections were scheduled shortly after the first democratic parliamentary elections held in the spring of 1990. As the newly elected MPs wanted the local elections to take place in the new democratic institutional framework and not in the socialist system of public administration, one of their first acts was to vote on the Law on Local Governments (Act LXV.) in the summer of 1990 (Pálné Kovács, 2016)[42].

The political significance of this new law was unquestionable: it symbolized the replacement of a state apparatus that was depicted as centralized, undemocratic, and inefficient with a new system which was supposed to be decentralized, autonomous, democratically elected and efficient[43]. However, these exclusively political arguments and hopes did not match the political economic reality, and the contradictions encoded in the new decentralized system came quickly to the fore. Some speakers warned as early as in the parliamentary debate on the new law that while the new system seemed politically democratic, from a financial point of view it would hardly be sustainable. An expert said the following: "[t]he proposal deals only with organizational questions, but it does not touch upon

[42] Even though this Act was depicted as the symbol of the regime change, it is important to note that it was not drafted from scratch by the democratic political parties. The new Act was based on background work conducted in the socialist Ministry of Internal Affairs in the late 1980s (Pálné Kovács, 2016: 74).

[43] The Act created around 3,200 new, ostensibly autonomous local governments with an average of 3,200 citizens in each. In the case of Budapest, a two-level local governmental system was created where the 23 district-level local governments were granted a relatively high degree of autonomy vis-a-vis the city-level municipality. This was significantly more autonomy than under the centralized scalar arrangement of the state socialist period. In effect, the most important housing policy and urban planning-related decisions had to be made on the district level, which made it practically impossible to initiate city-wide policies within these domains.

either the financial underpinnings or the future tasks of the new local governments" (cited in Pálné Kovács, 2016: 75). Another expert was more concrete:

> "[f]or now temporary regulations would be sufficient, which would also mean a step back from the fetish of local governments that penetrates the public sphere. As if it would be enough to make a few regulations and suddenly there would be different conditions and room to maneuver… There would be a need for at least a 30% increase of the budget [of the local governments], since in last year's budget there was already a deficit of 25-30 billion forints" (cited in Pálné Kovács, 2016: 75).

In spite of the clear articulation that the "fetish of local governments" was blind towards the financial base of the new system, the law was passed and was not meaningfully modified until 2010.

The negative effects were far reaching, even if the politicians framed the introduction of the new law as a triumph of the new liberal democratic order. From the historical vantage point of the late 2000s, András Vigvári aptly described this aspect of the regime change as "decentralization without subsidiarity" (Vigvári, 2008). What he was describing was the paradoxical effect of political autonomy coupled with insufficient financial means to fulfill the newly-delegated responsibilities of the local governments. In other words, a liberal institutional reform was backed by restrictive financial regulations that in effect transferred the responsibility of managing the economic crisis inherited from the 1980s to the newly elected local politicians throughout the 1990s. Through this hidden austerity measure, local governments were made into proxy institutions that stood between the masses, being materially deprived after 1990, and the central government.

Though as the quotes from the parliamentary debate above show that both experts and politicians were already aware of these structural contradictions in 1990, the optimistic response to the anticipated hardships was the belief that the local governments should become entrepreneurial and creative in order to solve the local problems. Unfortunately the broader

political economic context, and most importantly, the collapse of the COMECON and the neoliberal type of economic opening towards the Western core of Europe, did not provide the structural possibilities for the much hoped for "catching up" to the core economies (Éber, 2014; Éber, Gagyi, Gerőcs, Jelinek, & Pinkasz, 2014). Furthermore, Hungary's so-called transitional crisis led to growing social and spatial inequalities whereby, besides a few success stories of local governmental entrepreneurialism, many of the local governments suffered from intensifying local problems amid a general tightening of central governmental contribution to their budgets (Pitti, 2000). According to the new Act, local governments were responsible, among other things, for providing social services, education and housing for the local residents, which was a troublesome situation for most of them.

One way to mitigate these problems was connected to the fate of the public housing stock (Alm & Buckley, 1994). First of all, the ownership of the public rentals was transferred to the newly-formed local governments in 1990 with the Law on Local Governments[44]. This was a significant transfer of wealth from the state socialist central government to the new, supposedly entrepreneurial local governments: it included some one-quarter of the total Hungarian housing stock, and one-half of that of Budapest. It was also a transfer of responsibilities, and the relocation of the management of the intensifying housing crisis itself.[45] The task of maintaining the housing stock and managing the consequences of significant "deferred maintenance" was now on the shoulders of the newly-elected local politicians and bureaucrats. Since local budgets were tight, an obvious short-term solution for

[44] In the case of Budapest the dominant part of the public housing stock was transferred to the district-level local governments, and not to the city-level municipality, which practically made it impossible to launch a functional city-level public housing strategy.

[45] From that point onwards, a common argument justifying the lack of high level political attention towards the issue of housing and urban rehabilitation was that it had been delegated to the local level.

managing the housing related problems from the perspective of the local governments was to privatize the public rentals and thus to shift the problem to the new owners. Privatization of housing was already legally possible in the early 1980s, and due to the mounting pressure both from the local governments and from the tenants, the legal framework gradually became more and more enabling throughout the 1980s. The tenants were not only fed up with the way in which their homes were maintained and managed by the public authorities in the previous decades, but they were also encouraged to become owners by the loosening legal framework of privatization itself.

As it was thoroughly described by numerous researchers, the privatization of housing was a huge "gift from the nation" to many of the sitting tenants (Dániel, 1996). The necessary down payment on a piece of real estate to start the privatization could be as low as 10% of the market value, while the remaining part could be paid through long-term, state subsidized credits with a fixed and very low interest rate (Bodnár, 2001: 35-58; Cséfalvay et al., 1995: 47-75). Moreover, the new Law on Housing, passed in 1993 (Act LXXVIII.), made it obligatory for local governments to sell their public rentals in case the sitting tenants asked for it, unless the local government had a master plan for the rehabilitation of certain neighborhoods. When there was a master plan, the local governments were able to keep the housing stock located in those neighborhoods in order to be able to effectively manage the process of urban rehabilitation. There were only a few neighborhoods where this exemption was relevant. (In the following I will analyze in detail the most well-known case of District 9.)

The effect of privatization was huge and, similarly to the new Law on Local Governments, it created a path-dependent situation for the local governments whereby the ability to manage the local housing stock in the long run was sacrificed in the name of

financial solvency in the short run. Since the process of privatization was very unequal, and the more well-off families were usually able to privatize their better condition flats (Bodnár, 2001: 35-58; Cséfalvay et al., 1995: 47-75), the public housing stock remaining under local governmental ownership typically consisted of poor quality flats and buildings rented by poor families. Since revenues gained from privatization were often used to balance local budgets that were prone to deficit, this historically radical reshaping of the ownership structure of housing did not help in solving the structural crisis of the sector. By the end of the 1990s there were still hundreds of thousands of flats without basic amenities (toilets and/or bathrooms), and the intensifying social inequalities were translated into growing spatial segregation between different classes (KSH, 2005; Ladányi, 2008).

The majority of these poor condition, urban flats that were rented by poorer families were the same ones that were targeted by previous "socialist" urban rehabilitation projects in the 1980s[46]. In other words, the negative effects of uneven development on the urban scale during state socialism were now prolonged in a new round of uneven development in the liberal era. However, the possible continuity of these projects was at least questionable, given the series of reforms altering the institutional environment of urban interventions. First of all, the dissolution of the socialist government and the institutionalization of liberal democracy led not only to the fragmentation of the issue of housing and urban policy, but it also reshuffled the institutional architecture of urban rehabilitation that had only recently crystallized at that time. The Ministry of Construction and Urban Development – the main financier of urban rehabilitation projects – was dissolved, and both the city and the district level local governments were newly elected, which in effect meant the dissolution of local

[46] It is important to mention that the majority of the poor quality flats were owner occupied and located in rural settings, but in the dissertation my primary focus is on urban settings.

institutions such as the district level Property Management Companies and other bureaucratic groups responsible for coordinating the planning and implementation of urban rehabilitation projects. Second, the possibility of centralized orchestration and support of urban rehabilitation projects vanished through decentralization. From then on it was the decision of the new local governments whether to carry out urban rehabilitation or not, and since they had financial problems, the answer was most often to abandon the costly projects. Moreover, there was a general negative sentiment against the projects of the previous state socialist regimes, which in many cases led to instant negative decisions – in a manner of "angry decision making" (Aczél, 2009: 73) – about the fate of previous projects but without serious consideration of possible effects. Third, as housing privatization became obligatory after 1993, only those local governments which had previously accepted an urban rehabilitation master plan for the given neighborhood were allowed to refuse the privatization requests of the sitting tenants. Since only a few local governments had such master plans, in most cases the increase of private ownership made it much harder for the state to initiate any rehabilitation projects, as it would have required negotiations with the new tenants on an individual basis.

These newly emerging obstacles seriously hindered the (local) governmental efforts to carry out urban rehabilitation projects, and between 1990 and 1992 basically halted them. From 1990 until the publication of the so-called *Urban Development Manual* in 2007, which aimed to provide a professional framework for EU-funded urban rehabilitation, there was no national plan or guideline for urban rehabilitation; a more or less centralized effort to facilitate urban rehabilitation existed only in Budapest[47]. In 1993 the Municipality of Budapest set up a

[47] In some of the smaller cities outside Budapest (for example in Győr and Sopron), urban rehabilitation continued in some form, but none of these projects were as ambitious as before 1989.

Rehabilitation Fund which aimed to support projects in the districts, but the amount of money dedicated to the cause was extremely low. Based on estimates it would only have been enough for the rehabilitation of two blocks altogether (Cséfalvay et al., 1995: 74).

It was around this time that the leaders of Budapest began thinking about drafting a local regulation on urban rehabilitation. The final version was accepted by the Municipality of Budapest in 1997. This regulation had two interrelated functions: first, to set up a professional framework of urban rehabilitation projects, and thus to define how an urban rehabilitation should be planned and implemented. Second, it regulated the financial background of urban rehabilitation, and provided a system of how local district governments and condominium buildings could apply for funding. There were three separate channels of funding: one for privately owned condominium buildings, one for district-level local governments to orchestrate complex projects designed for so-called "action areas"[48], and one for district-level local governments to refurbish public spaces, mainly parks and streets. An important criterion for district-level local governments to apply was to pay 50% of their revenues from the privatization of public properties into the city's Rehabilitation Fund. The Municipality of Budapest added to this sum from its own budget, and thus an annual budget of HUF 1.5-2 billion could be distributed among the applicants.

The main reason for this was decentralization: neither centralized financial sources nor professional coordination was available for urban rehabilitation projects beyond the capital. The projects that were carried out were thus small in scale, and restricted in their focus – instead of a social vision, most of the professional attention was paid to architectural conversation. Only after the rescaling process triggered by EU accession was a framework worked out on the national scale which encouraged and supported urban rehabilitation in cities other than Budapest.

[48] The function of "action areas" was to ensure resource concentration. The experts came up with this idea in order to maximize the spillover effect of urban interventions and to create synergies between different dimensions of urban rehabilitation (e.g. architectural, economic, legal measures). It was a reaction to isolated, ad hoc renewal activities in the early 1990s, which they saw as wasteful spending in the context of resource scarcity.

A passage from the introduction of this document is very telling about how the content of urban rehabilitation was changed through the adaptation to the new, liberal, capitalist institutional environment.

> "The aim of urban rehabilitation cannot be anything other than the complex upgrading and the re-valuation of those urban territories that are currently used in a way that is below their value. In the case of residential areas, it entails the following aim of urban development: in these territories, such a quality of living must be secured that is adequate/attractive for those groups of residents who are suitable for the territory's position within the city, and for the character of the built environment. The local governments have a crucial role during urban rehabilitation. Their role in re-valuating certain territories is indispensable for providing a necessary level of interest from the side of residents and entrepreneurs in the problematic areas ripe for rehabilitation. Only this necessary level of interest can balance the required financial burdens with the possible degree of increasing value, thus making the project profitable." (Erő et al., 1997: 4)

By linking the main aim of urban rehabilitation to the needs of social groups who "are suitable" for the positionality and character of a certain neighborhood, the concept of "urban rehabilitation" became de-socialized by the 1990s. Compare this to the 1986 Rehabilitation Concept for Budapest:

> "Because of the efficiency of the implementation and the basic interests of the residents, all the necessary works during the rehabilitation of a block must be carried out in a concentrated, rapid and durable manner, whereby the local residents agree with the project and have the chance to participate in it. After the rehabilitation the construction works must stop, after which [...] an orderly environment must be left behind, where the housing stock, the built environment and the supply of amenities are all attractive." (Budapest Főváros Tanácsa, 1986: 3).

Even though empirically some of these "socialist" projects could be described as instances of "socialist gentrification" (Cséfalvay & Pomázi, 1990; Hegedüs & Tosics, 1991), at least on the level of rhetoric the interest of the sitting tenants and residents had a priority over profitability and over the interest of "more desirable" tenants.

The rest of the quote from 1997 makes it clear: urban rehabilitation in its "capitalist" version cannot be anything less than profitable. Given the lack of public funding, the interest of the investors (either the residents themselves, or entrepreneurs) should have been assured by the local governments. De-socialization went hand in hand with de-politicization: it was already coded that the projects should have served the interests of investors and social groups "suitable" for the "valuable" urban environments, and not the interests of the actual residents. As the issue of urban rehabilitation had vanished from the higher ranks of politics after 1990, and as its locally orchestrated form was de-socialized and de-politicized, it became a technical issue where the spotlight was on the interests of local politicians, private investors and a desirable group of future residents, while the perspective of the non-desirable residents remained in the shadows. On the narrative level, inner city neighborhoods in good locations and with a valuable historical building stock – or in other words, with an emerging rent gap – were prepared for the middle classes.

The above quote from 1997 is nearly a dictionary definition of gentrification and rent gap (cf. Gottdiener & Budd, 2005: 32). As we will see, this is exactly what characterized the liberal period: step-by-step gentrification of the inner city of Budapest, partially as a result of the de-socialization and de-politicization of urban rehabilitation. A new round of "capitalist" uneven development started on a landscape shaped by the previous round of "state socialist" uneven development. However, it is important to note that the pace of this process was slower than Neil Smith forecasted based on his Marxist theoretical framework in 1996 (Smith, 1996a: 171-178). Because of the specific nature of decentralization in particular, and institutional restructuring in general, gentrifying urban rehabilitation projects came much

slower[49], and in a territorially uneven way, than one could have expected based on a purely materialist analysis of the urban processes in post-1989 Hungary (Czirfusz, Horváth, Jelinek, Pósfai, & Szabó, 2015).

Both from this assessment, and from the 1997 quotation above, it follows that the local governments had a crucial role in facilitating urban rehabilitation in this period. After decentralization they had the authority to carry out urban rehabilitation projects, and they were left alone to find the financial sources for these activities. If we focus on new practices of urban governance and on the newly-created local governments, it will be much clearer why the "entrepreneurial turn" narrative cannot fully grasp the situation.

The canonical conceptualization of the entrepreneurial shift experienced in the 1980s and 1990s was described by David Harvey in the context of the neoliberal turn in the Anglo-Saxon world (Harvey, 1989). Based on this original formulation it has been accepted more or less universally in the critical literature that such a shift happened with the advent of the neoliberal era not only in the former First World, but also in the former Second World after the fall of the Berlin Wall. Moreover, it was also argued that urban entrepreneurialism started much earlier in socialist states, parallel with the transformation of the global capitalist system (Petrovici, 2013). While this latter argument is an important one, I will go further. Besides resisting the epistemologically de-communizing accounts of state socialism that would depict it as a solid, non-dynamic social system that was isolated from global capitalism, I see the post-socialist empirical materials suitable to extend and then generalize Harvey's original thesis on urban entrepreneurialism. In Harvey's analysis the cause of the entrepreneurial turn

[49] Both Neil Smith and the rest of this chapter deal mainly with the case of Budapest. In the case of other Hungarian cities the process was even slower, but it does not mean that it would have been non-existent. For a nice case study from a smaller Hungarian city see Nagy and Timár (2007).

was the “large scale erosion of the economic and fiscal base of many large cities in the advanced capitalist world” (Harvey, 1989: 4), which led to heightened inter-urban competition and concomitantly to a more entrepreneurial and less managerial mode of urban governance. However, Harvey “never really spelt out what he meant by entrepreneurial” (Merrifield, 2014: 390); he only provided three broad assertions based on his experience of Baltimore, hoping that it “may be” extended to other cases. He argued that the appearance of public-private partnerships, the growing intensity of “risk absorption by the local public sector”, and the shifting focus from the political economy of territory towards the political economy of place(s) are the centerpieces of the entrepreneurial shift in urban governance.

Based on empirical data from (post-)socialist cities, I suggest extending these assertions and reformulating them in a more abstract fashion in order to make it less specific to the Anglo-Saxon experience. This new understanding of the process of urban entrepreneurialism would have three elements: (1) urban entrepreneurialism is caused by the relative decrease of available money and capital for local administrative units, which is generally the result of the restructuring of global capitalism; (2) this leads to changing relations both between the local and the central state, and between the state and capital generally, whereby the local state administrations become more exposed and simultaneously forced to be “flexible” if they can; (3) these changing relations are mediated by experts and through novel practices of knowledge production and brokerage. This way, a common conceptual framework could be provided in which the uneven effects of the global crisis of the 1970s experienced differently by the core and non-core cities can be observed simultaneously, and also more light could be shed on the agency of those actors who are the “brokers” behind this epochal shift.

Furthermore, in my view the shift from managerialism to entrepreneurialism (even in its reformulated version) is not a straightforward process: for example, both before and after

1989 there were parallel managerial and entrepreneurial skills that local governments and city leaders had to practice. Just like in the case of Romania described by Petrovici (2013), there were entrepreneurial skills needed for city leaders and for urban growth coalitions during socialism in order to secure the necessary funding needed for urban development (at that time mainly from central governmental sources).

A good example to support Petrovici's argument is the case of "the Austrian credit", as many of my interviewees referred to it. This was an agreement between the Hungarian and Austrian governments signed in the late 1970s, when both countries were struggling financially as a result of a deepening economic crisis. According to this agreement the Austrians provided USD 300 million of credit[50] to Hungary which could be used for infrastructural investments, mainly for building hotels and upgrading tourism-related infrastructure. In exchange, the Hungarians had to contract with Austrian construction companies. The result was a series of flagship infrastructural projects in Hungary (and mainly in Budapest) during the 1980s. The most important hotels of the socialist period both in Budapest and outside the capital[51] were built under the auspices of this agreement, along with the second terminal of Budapest's airport[52].

[50] Today this amount would equal the total construction costs of Budapest's 4th metro line that was under construction for eight years between 2006 and 2014. From another comparative perspective, this figure would equal 4% of the total EU transfers provided to Hungary in the 2007-2013 budgetary period.

[51] For example: Fórum (today Intercontinental) and Atrium Hyatt (today Sofitel) in downtown Budapest on the banks of the Danube, the Hilton in the Castle, Novotel in an exclusive part of Buda, and Karancs in the center of one of the most symbolic socialist towns, Salgótarján.

[52] To my best knowledge this story was only published in a Hungarian language blog (Papp, 2012). Apart from that source I reconstructed the story through my interviews.

Although one of the architects involved in the project stated that "the Austrians cheated us" – referring both to the relatively high interest rate on the credit and on the high rate of profit generated by the Austrian construction companies – it was a crucial step in the history of Hungary towards entrepreneurial solutions for the global crisis. Another of the leading architects said that "it was how we learnt how things relate to and depend upon money". The arrangement aptly mirrored the differences in the structural positions of the two countries within global capitalism. Given its relative shortage of capital and technology, Hungary had to accept this deal in order to be able to develop and invest in the built environment (and particularly in the infrastructure of international tourism that would supposedly generate income in hard currency). While these investments were supposed to help Hungary develop its tourist industry, it also helped the Austrians in their unfolding economic crisis through securing profit for some of their banks and providing contracts for some of their construction companies[53]. This case differs from Harvey's entrepreneurialism definition since the key actors here are operating on the (inter-)national scale, not only on the urban level. However, in my opinion it is a nice example of how entrepreneurial practices in the state socialist countries reshaped the urban landscape parallel (and in this case in a symbiotic relation) to their Western corollaries (cf. Gunder Frank, 1977).

Similar to how managerialism was not omnipotent before 1989, entrepreneurialism did not simply replace managerial practices after 1989. In fact, most of the practices needed for

[53] One of the companies involved was WARIMPEX Finanz- und Beteilungs AG. It was an Austrian commercial company founded in the 1950s which later specialized in construction projects in the Eastern Bloc from the 1980s. Building Novotel Hotel in Budapest was the company's first project of this kind, which later became an important reference project. Today WARIMPEX has dozens of projects in Eastern Europe. They are the owners of Revitál Zrt., a company which was registered in Hungary in 1986 as a joint-stock company. They experimented with urban rehabilitation in the 6th District of Budapest around 1989. Nowadays their focus is on more classical architectural projects.

leading a city remained managerial. Urban rehabilitation is a case in point. Instead of attracting private investors and outsourcing urban development, in the 1990s most of the local governments ended up bureaucratically managing urban rehabilitation projects.

Notwithstanding the high hopes of the new elite connected to urban entrepreneurialism, which they imagined as a necessary consequence of the regime change (and particularly of decentralization and privatization), throughout the 1990s the role of entrepreneurial capital in urban development was restricted to only a few domains. In the construction of office spaces and commercial real estate the role of foreign direct investment, parallel with the role of foreign companies relocating to the relatively cheap capital of Hungary, was crucial. However, in residential real estate and in large scale urban regeneration projects corporate capital investments were rather an exception than the rule until the late 1990s (Cséfalvay et al., 1995). Only after the Law on Mortgage Banking (Act XXX.) was passed in 1997, and the bank sector liberalized later to comply with EU law before EU accession, could the construction industry in general and housing investments in particular (along with the banking sector specializing in residential and commercial real estate) experience another boom period. This greatly influenced the pace of urban rehabilitation as well. While only a few projects started in the 1990s, from the 2000s they began to mushroom.

But until that time, the shift from "socialist" to "capitalist" urban rehabilitation had to be managed by the newly-elected local governments with the help of brokers recruited mainly from the field of urban rehabilitation in a rapidly changing institutional environment hallmarked by the far-reaching effects of privatization and decentralization. Without the maneuvers and the everyday practice of the actors from the emerging interstitial field of urban rehabilitation, "socialist" urban rehabilitation projects could hardly be adapted to the new "capitalist" context in a supposedly entrepreneurial manner. In the following I will show from

two different angles how this shift was catalyzed: first I will briefly present the most emblematic urban rehabilitation project from this period, and then I will turn to the analysis of the immediate institutional environment and the work of "brokerage" within this field.

The birth of the Ferencváros model

The years after 1989 brought a very ambiguous situation from the perspective of urban rehabilitation policies. On one hand, it seemed for a while that with a fresh start the whole practice of urban rehabilitation would be rethought and renegotiated, making it more effective and more successful. An architect taking part in the design of the Rehabilitation Program for Budapest passed by the Municipality of Budapest in 1997 described the atmosphere among experts as follows: "Basically […] we [the experts] were excited about the structural changes, and we were able to invent new systems, new forms, or at least to adapt to the new environment. We had truly exciting times back then (…) And I am saying this to you because I am grateful for this historical opportunity, that we could experiment like this."

On the other hand, the structural and institutional changes created very serious obstacles for translating the abstract ideals into practical projects on the ground. The part, "or at least to adapt to" from the quote above is a hint that "inventions" were not so straightforward. From the stories that I heard during my interviews, a pattern emerged: almost everyone described certain processes of making compromises, although the word compromise was hardly ever used. In this context I define the etic concept of compromise as the process of adapting "ideal" expert visions to the political-economic realities.

This adaption took many forms and unfolded empirically in different concrete situations. A common element in these situations was the newly-emerging function of some members of the urban rehabilitation field: they became brokers mediating between abstract ideas and the rapidly restructuring political economic realities. Throughout their everyday

work of brokerage, the initial ideas had to be treated as flexible, and through looking at the outcomes of their work we may see how a new practice of urban rehabilitation emerged in the liberal era. Before turning to the analysis of the multiple forms of expert brokerage, I want to focus first on the most emblematic project of this era in order to see how a now canonized example emerged in this "exciting period".

If anyone – either "lay" or "professional" – is asked about urban rehabilitation in Hungary, there is a high chance that she will refer to the case of Ferencváros (the 9th District of Budapest) as "the" example. There are several reasons for this. First, this was the first coherent "capitalist" urban rehabilitation project that started right after 1989, almost as a direct continuation of urban rehabilitation during state socialism. Second, unlike many other short-term projects, this is one that has been going on ever since the early 1990s, and thus has transformed a huge territory of previously stigmatized urban space into a pleasant place favored by middle-class urban dwellers and students[54]. Third, the designers of this project have always been keen on representing their interventions as "a model": imported from France (in other accounts "from Europe") and shaped for the specificities of the District. This effort catalyzed strong and surprising emotions (ranging from metaphysical attachment to total disgust) within the field of urban rehabilitation: while one bureaucrat from the Ministry of Interior told me that "I have always been *a believer* in the Ferencváros model", another architect said that "[e]verything is bad, each house is bad. Bad in all of its details – the streets, the pavement, the flats. It is shit."

[54] By 2010 almost 7,000 new flats were built by private developers, 1,300 publicly owned flats were renovated, while around 2,000 families were relocated – just in the central "action area" of the district (Gegesy, 2010). Based on my estimations, by now some 5-8% of the district's population has been relocated in the last three decades.

The story of the Ferencváros model is also illustrative in seeing to what extent 1989 can be described as an instance of the supposedly global entrepreneurial turn. Like in all of the newly-formed, district-level local governments in Budapest, the new politicians faced a scarcity of available financial sources coupled with many responsibilities they had to fulfill according to the new Law on Local Governments. This shortage of money in the context of a serious national economic crisis resembled the situation of the municipalities analyzed by Harvey in the 1980s. However, in the case of these Budapest districts this financial problem appeared parallel with the optimistic and hopeful atmosphere of the regime change. Similar to the cargo cult described in anthropology, there was an expectation that "capital" would come in the form of entrepreneurs, and organic capitalism would solve the problems caused by state socialism. In some districts, English language booklets were quickly produced to attract potential investors (Anda & Visy, 1990). In other towns, conferences were organized on the growing importance of private capital and private property in urban development (Tigyi, 1994). But the inflow of foreign direct investment was very selective. Residential housing and urban development at large was usually regarded as too risky or too complex to attract a significant amount of capital (Cséfalvay et al., 1995), and when capital investment did take place, foreign companies were much more active than local ones (Bodnár & Molnár, 2010).

Many of the politicians were aware of this situation, but most of them were not well connected enough to be able to reshuffle the relations between the (local) state and capital. For this role experts were more suitable, especially if they had professional or personal connections in the capitalist West. In the case of Ferencváros, these experts had a key role in kicking off urban rehabilitation after 1989, and the crucial factor of their success was building on the existing networks and knowledge produced during urban investments in the state socialist period. In the case of Ferencváros the interface between past and present, and

between local and Western practices, first materialized in the professional and personal relationship between Zsuzsa Szeszler and Bernard Boclé.

Szeszler was a Hungarian architect working at that time for VÁTI who was known as a "francophile" because of her previous experience in France. Boclé was an architect and urbanist working in France. Their first common project (and Boclé's first project beyond the Iron Curtain) was in 1988, connected to the renovation of the castle in Gödöllő, 30km from Budapest. A year later, in 1989, they won the tender published by the city of Budapest to renovate an important tourist attraction situated in Ferencváros, the Central Market Hall (Saïsset, 2014). As the "exciting period" of the regime change started, Boclé and Szeszler realized the emerging opportunities and quickly began lobbying for the involvement of French capital and know-how in urban development projects. They contacted the new mayor of Ferencváros, Ferenc Gegesy[55], and he accepted their proposal, which was essentially the importation of a French urban development model called SEM (*Société d'économie mixte*).

After the wave of decentralization in France in the 1980s, SEMs were invented as institutions that could channel private capital into urban development projects. In the case of the SEM in Ferencváros – which was called SEM IX, founded in 1992 – the mixture of capital came from three main directions: 24.5% from OTP (the most important savings bank of the socialist state, whose privatization started in 1992); 24.5% from CDC (*Caisse des dépôts et consignations*, a French public investment fund); and 51% from the local government. OTP was already present during the socialist-era urban rehabilitation as a public

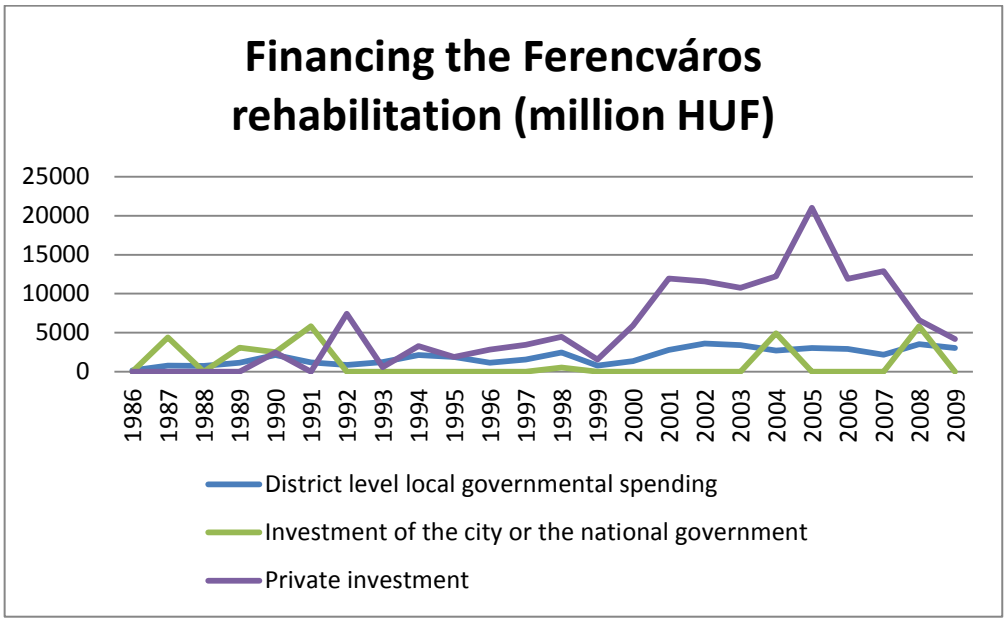
[55] Many of my interviewees emphasized the role of Ferenc Gegesy in supporting urban rehabilitation in Ferencváros throughout the two decades while he was the mayor of the district (between 1990 and 2010). Similarly to Gábor Demszky, who was the mayor of Budapest during the same period, Gegesy was a member of the largest liberal party. Being members of the same party can explain why Demszky was also very supportive – both financially and rhetorically – of Gegesy's Ferencváros model.

investor in the district, thus its involvement was not that surprising (Locsmándi, 2005). In the case of CDC the motivation was simple: they wanted to get a foothold in Eastern Europe through their early intervention in Hungary (Saïsset, 2014). Gábor Aczél, the CEO of SEM IX from 1992, recalled this period with a critical tone: "[g]enerally the French are known as nice and bohemian people, and they are smart enough to cultivate this image of themselves. However, in business they are pushy – or I may say aggressive. They are very careful in preparing how to gain ground on the market. Indeed, they have experience with colonization (…) I was continuously contacted by French companies at that time" (Aczél, 2009: 74).

Securing capital from the (*de jure* privatized but *de facto* hardly changed) largest Hungarian bank and from the public investment company of the French state is hardly entrepreneurial to the same degree as Harvey's examples were. Even if it can be formally categorized as a PPP project, in the Hungarian case the role of the public stakeholders was much larger than the private ones in initiating the partnership and in absorbing its risks. However, this institutional innovation enabled a new protocol in the management of urban rehabilitation, which was adapted to the rules of the emerging market economy. The backbone of the idea was to keep the poor quality tenement buildings in public ownership[56]. This way SEM IX was able to demolish the worst buildings (after managing the relocation of the sitting tenants, mainly to outer districts of the city) and privatize the lands to real-estate developers. However, even with this move the entrepreneurial turn was not that self-evident. Aczél

[56] The Law on Housing introduced in 1993 allowed the districts to abstain from compulsory privatization if they had an urban rehabilitation master plan. With the newly founded SEM IX, and with the existing plans from the socialist period, Ferencváros was able to keep a large portion of its public housing units.

remembers that "we had a hard time finding the first entrepreneurs" (Aczél, 2009: 79)[57]. Indeed, from Figure 10 it is clear that the role of private investment in the urban rehabilitation of Ferencváros gained momentum only around 2000. Until that time only public subsidies could keep the project afloat. According to Aczél, "the role of the local government was extremely important in making the entrepreneurs believe that the area's value would increase" (Aczél, 2009: 79). In essence this meant that during the 1990s it was rather the managerial role of SEM IX, not the entrepreneurial turn, which ensured that Ferencváros became the model case of post-1989 urban rehabilitation in Hungary.



10. Figure

Source: Own graph based on data from Gegesy 2010

[57] It is also telling if we focus on the private companies which did take part in this initial phase. Between 1989 and 2000 almost 50% of private investments came from a single company, called Quadrat (Gegesy, 2010). Quadrat was formed in 1989 by former workers of a state-owned construction company, who won the tender in the 1980s for the construction-related works during urban rehabilitation. Thus, by privatizing their connections and their know-how these workers and managers were able to continue the "socialist" urban rehabilitation in the new "capitalist" environment. This is a nice example of how the heritage of socialism could be turned into an endowment that provided the base for capitalist accumulation as soon as the socialist construction industry imploded (cf. Golubchikov, Badyina, & Makhrova, 2013).

In terms of de-politicization, the Ferencváros case is also a good example. Ferenc Gegesy, the liberal mayor of the district, put it this way: “[t]he idea was that experts should make decisions instead of politicians” (Saïsset, 2014: 46). In the case of SEM IX, these experts were Szeszler and Boclé during the creation of the new institution, and Aczél and László Bajnai throughout the 1990s. Both of these latter urbanists have some common patterns in their biographies. Both of them were able to work and study abroad in French-speaking countries, and both of them gained experience in large planning companies during socialism. Building on these experiences they were perfect actors to fulfill the function of brokers during the transition from “socialism” to “capitalism”. Compared to those working under state socialism they were able to create a seemingly much larger space of maneuvering for themselves as experts *vis-à-vis* the politicians. However, they had to face a novel constraining factor: the emerging logic of capitalism.

It follows that they had to adapt and make compromises – mainly through redesigning the ethos of urban rehabilitation. Through that, they were active contributors to the de-socialization of urban rehabilitation. The social sensitivity revolving around the assemblage of urban rehabilitation in the 1980s almost completely vanished by the 1990s, not only in policy papers (as I showed in the previous section), but also in local projects. In the case of Ferencváros this happened explicitly. Both Gábor Aczél (2009) and Gábor Locsmándi (2005) (the planner of the “socialist” urban rehabilitation of Ferencváros) emphasized in their articles that by default the urban rehabilitation of Ferencváros was not a “social rehabilitation”. More precisely: “[a] 'social plan' or an impact study was not part of the essentially technical project (…) thus it turned out mainly during the architectural planning who could stay and who should move out permanently” (Locsmándi, 2005: 218). Even though both Aczél and Locsmándi claimed that everyone had benefited from urban rehabilitation, numerous studies

and newspaper articles showed that in fact there were losers in the process (Csanádi, Csizmady, Kőszeghy, & Tomay, 2007; Dósa, 2009; Jelinek, 2010, 2011; Ladányi, 2008; Tomay, 2007b). Cséfalvay and Pomázi (1990) were wrong when they forecasted that the negative effects of socialist "guided gentrification" would vanish with the introduction of "organic" market processes; instead of this the gentrification of the area was coupled with displacement, leading to concentrated urban poverty in other locations (Czirfusz et al., 2015; Jelinek, 2011; Ladányi, 2008). However, the brokers involved in this project have either denounced these claims or depicted the negative social consequences as a necessary consequence of the institutional context of the 1990s (most notably the limited financial resources available for their project).

Moreover, urban rehabilitation in Ferencváros not only contributed to the reproduction of urban marginality through gentrification and displacement, but also increased social and spatial inequalities in an unexpected way. As it was the most coherent and earliest urban rehabilitation project in the 1990s in Budapest, it had a comparative advantage over other similar projects in securingsubsidies from the municipality of Budapest through the Urban Rehabilitation Fund. A study conducted in 2002 showed that the majority of resources available for district-level local governments went into Ferencváros (Erő et al., 2002; Somogyi, Szemző, & Tosics, 2007)[58]. In other words, instead of a quick inflow of capital into urban development in the 1990s, the decade was characterized by the importance of state subsidies, similarly to the state socialist period. The main actors in designing and securing these subsidies were the members of the field of urban rehabilitation. Through their highly managerial work (e.g. in SEM IX) in a de-politicized context, they adapted the content of

[58] According to one of the authors of the study, the inequalities between the districts was so large that the politicians did not want to publish the results.

urban rehabilitation to the new institutional environment. A de-socialized model emerged, where urban rehabilitation became the catalyst of gentrification in some selected neighborhoods of inner Budapest. This compromise was the triumph of historical sensitivity over social sensitivity through the making of compromises with the logic of profit making.

Re-institutionalization and brokerage in the liberal era

Even though the Ferencváros project became the canonized model of urban rehabilitation during the 1990s, there were other – seemingly failed – attempts to turn "socialist" urban rehabilitation into a "capitalist" policy. As we know from James Ferguson's *Anti-Politics Machine* (1997), failures in policy making and policy implementation are at least as important as success stories. Failures and contradictions are an integral part of social processes and of certain expert practices. This is also true in the case of post-1989 urban rehabilitation in Hungary.

With the combined effects of decentralization and privatization during a serious economic crisis, the members of the field of urban rehabilitation had to adapt both the content of urban rehabilitation (through de-socializing it) and their professional field to the new institutional environment in order to pursue their "will to improve". Two brokers of the Ferencváros model, Aczél and Bajnai decided to upscale their model to the national level. Their decision was on one hand a reaction to the lack of any higher level policy in Hungary targeting derelict inner city neighborhoods. On the other hand, it also mirrored the interests of CDC, which saw their involvement in the 9th District as a pilot project for a potential larger business. This larger business would have been the establishment of a coordinating organization on the national level, with its own financial sources, that would have facilitated the foundation of SEMs all around the country. These SEMs would have carried out similar urban rehabilitation projects to the one in Ferencváros (Aczél, 2009; Saïsset, 2014).

Thus CDC created a new company called SCET under the leadership of Aczél and Bajnai, and they started negotiations with the Hungarian Development Bank (HDB), a public financial entity similar to CDC. The aim of the negotiations was to convince the HDB to invest money into the SCET and to become a majority owner. This would have meant the implementation of the French urban rehabilitation model through upscaling of the Ferencváros model. The negotiations were fruitful and the contract was scheduled to be signed on 19 January, 1999, but in the end this did not happen. In 1998 the right-wing Fidesz party won parliamentary elections following the governance of a left-liberal coalition between 1994 and 1998. Fidesz was keen on replacing the most important leaders of various public institutions with their allies, and thus the management of HDB was dismissed on 14 January, 1999. Given these circumstances the new leaders of HDB were suspicious of the deal negotiated by their predecessors, and they only bought a minority package of the shares from CDC.

Moreover, after this incident both the CDC and the HDB lost their faith in the project, and by 2000 SCET was owned entirely by Aczél and Bajnai[59]. They renamed their company *Városfejlesztés* (meaning Urban Development) in 2004, and it became a classic consultancy company in urban development. They tried to establish two SEM-like joint stock companies in two smaller Hungarian cities (Keszthely and Zalaegerszeg), but according to the bitter memories of Aczél, both of these attempts failed because of disagreements with local, politically influential stakeholders over the professional content of urban rehabilitation projects. All in all the French model could not be applied in its entirety in Hungary, but the

[59] Throughout the 1990s CDC was also involved in much larger infrastructural projects than urban rehabilitations: they financed various road constructions, including one of the most important highways in Hungary.

legacy of this attempt is still alive in the controversial myth constructed around the case of Ferencváros[60].

Besides the failed attempt to establish the Hungarian SCET, there was another important professional group which has had a huge impact on urban rehabilitation since the 1990s. Theirs is also a story of institutionalization and brokerage, and its roots also date back to the 1980s. Iván Tosics and József Hegedüs – together with Dezső Ekler, who from the 1990s abandoned his urban rehabilitation-related architectural praxis – were the authors of one important book on urban sociology and numerous articles during the 1980s. By the late 1980s they had become two of the most influential experts on housing policy. As early as 1989 they created a company called *Városkutatás* (which translates to Urban Research, but they officially used Metropolitan Research Institute [MRI] in English language contexts), which has always been one of the most highly esteemed private research and consultancy companies in the field of housing and urban studies in Hungary.

They frequently followed in the footsteps of Szelényi and Konrád throughout their early careers – in terms of empirical methods and overall critical tone. But like their contemporary urban sociologist counterparts, they abandoned the critique of the existing political and social system step by step, and usually restricted themselves to formulating middle-ground theories. This is to say that Hegedüs and Tosics's critical remarks were usually on the housing sector in general, or some selected policies in particular, but not about the emerging capitalist system *per se*. In that sense they left behind the Szelényian program of the sociology *of* urban planning in favor of the sociology *for* urban planning. Without stepping beyond the

[60] On 23 November, 2015, a one-day conference organized by the Contemporary Architecture Centre was dedicated to SEM IX in Budapest. One of the organizers was Zsuzsa Szeszler, while speakers included Boclé, Gegesy, Aczél and other important stakeholders from the 1990s.

mainstream liberal framework of the 1990s, they consistently advocated for a market-based system with strong social justice elements during urban interventions. In some cases, however, when they tried to translate their research results into policies, they failed to correct the negative effects of the emergent "liberal" model of housing and urban rehabilitation. For example, during the regime change they lobbied for a separate bureaucratic entity dedicated to housing issues, but did not succeed. Later they put a lot of effort into working out a more just alternative to the massive privatization of housing. They created a model for local governments which was – similarly to the Ferencváros model – based on keeping the public housing stock publicly owned. They envisaged a selective increase of rents whereby increases to rental prices for high quality flats would create a financial base with which to renovate poorer quality flats. In fact, they designed a model for the city of Szolnok which would have increased the burdens of the relatively well-off tenants in order to support an upgrade in living conditions for poorer tenants (Hegedüs, Mark, Struyk, & Tosics, 1993a). However, the structural constraints on the local government were larger than the lobby power of Hegedüs and Tosics, and in the end the political will to halt privatizations was lacking in local politicians.

Hegedüs and Tosics were major influences on the 1997 Rehabilitation Program for Budapest as well. Their close connections with the liberal mayor of Budapest[61] Gábor Demszky, coupled with their accumulation of a certain professional credibility and respect by that time, they were important members of one of the three groups that were approached in

[61] Hegedüs – whose father András Hegedüs was prime minister of Hungary between 1955 and 1956, and who was one of the most important actors in institutionalizing Hungarian sociology in the 1960s – along with Dezső Ekler and György Konrád, was a member of the democratic opposition during the 1980s. Gábor Demszky, the mayor of Budapest between 1990 and 2010, was a prominent figure in this circle.

the early 1990s to work out an urban rehabilitation policy proposal for the Municipality of Budapest[62]. After forming a consortium with two other companies (Palatium led by Zoltán Erő and Teampannon led by Lajos Koszorú), they authored a study that became the backbone of the 1997 Program. One of the study's authors highlighted in an interview that the study signaled an important shift in the relationship between the state and the experts. He told me that "we used to say that we were a shadow-municipality because we wrote many crucial official documents in this office of ours, on these very computers that you can see. All the documents in the same style, printed on the same machines. Why weren't these documents produced by the Municipality [of Budapest] itself? Why did they need to outsource it to a consortium? It will sound a bit pompous, but it was because we were better. We had the vibe, and we were not like the bureaucrats." I must add that "being better" from an analytical point of view can be described as having the necessary resources to produce such documents. Most of the authors worked for state institutions before 1989 – just like Hegedüs and Tosics – and based on the knowledge, experience and personal network accumulated through that period, they were able to start their private careers after 1989. Outsourcing the production of such official documents meant that nearly all the same people were working on them as before, albeit in a different institutional setting. In other words, the private consultancy sector in this field was based first on a sort of immaterial primary accumulation, which was later converted into the material base of the field of urban rehabilitation by some key actors.

In this study, the members of the consortium used a similar logic to the Szolnok model of Hegedüs and Tosics: they proposed redistributing the income derived from privatization by

[62] The two other groups were a working group of BUVÁTI led by Richárd Ongjerth, who conducted the empirical study backing the 1986 Rehabilitation Concept, and a group led by Ferenc Vidor, who published one of the earliest sociological writings about urban planning as an architect. The work of the latter group was summarized in a book (Fővárosi Önkormányzat, 1993).

targeting those neighborhoods that were in need of further development. A crucial step in their proposal was to encourage the districts to create “action areas” with a comprehensive development plan in order to maximize the effects of investments. However, the Municipality of Budapest opted to apply weaker selection criteria. Comprehensive urban rehabilitation plans were not a prerequisite for receiving funds, and both private condominium buildings and public spaces would be renovated in an ad hoc manner. The result of this soft approach was that rather than decreasing inequalities, the Rehabilitation Fund was made more easily accessible to condominium buildings with relatively well-off residents (most notably in the wealthy 5th District). Thus while the Rehabilitation Fund of Budapest remained the most important public resource for urban rehabilitation in the 1990s, it strengthened rather than counteracted the negative consequences of gentrification (Somogyi et al., 2007).

In addition to the direct attempts at influencing public policy making in Szolnok or in Budapest, MRI was also innovative in softer forms of persuasion. An important element of my interviewees' descriptions of the “exciting period” of the regime change was the nostalgic recollection of some special events. I heard stories about a workshop that took place around 1990, when Hegedüs and Tosics brought Western experts to educate the Hungarian specialists in architectural heritage protection. There were also stories about an earlier study trip organized by Hegedüs and Tosics where the participating socialist leaders of housing-related institutions – at that time still in power – were able to see some of the “best practices” from Western Europe, and to have discussions with Western experts. A third event often remembered in a nostalgic manner was an international conference organized in the small village of Noszvaj in Eastern Hungary. Entitled *Housing Reform in Eastern Europe*, the conference was the first organized by the European Network for Housing Research (founded

in 1988[63]), and was a memorable event which connected urban and housing-related researchers from either side of the Iron Curtain[64]. This conference is a good example for shedding light on the less visible, softer side of brokerage. Besides the formal part of the conference – presentations and scholarly debates – the participants vividly remembered the informal discussions and the personal attachments they forged there. The organization of such events – both when only local stakeholders were brought together and when an interface between local and foreign scholars was created – was of crucial importance to the establishment and internationalization of the Hungarian field of urban rehabilitation.

Throughout the 1990s, neither MRI's direct involvement in policy making nor its soft method of organizing key events aimed at influencing decision makers and professionals fully succeeded in counteracting the negative tendencies caused by the market-friendly version of urban rehabilitation. Nevertheless, there were researchhers employed in MRI – as well as other sociologists like János Ladányi (Ladányi, 2008) – who provided the earliest critiques of the Ferencváros model and the projects executed with the subsidies of the Urban Rehabilitation Fund in Budapest (e.g. Somogyi et al., 2007). The failed attempts and compromises resemble the way in which James Ferguson's anti-politics machine works: contradictions not only *do not* undermine the legitimation of certain policies, but rather fuel a more vehement round of interventions. This is exactly what happened beginning in the 2000s in Hungary. The field of urban rehabilitation was strengthened during the 1990s – mainly through the canonization of the Ferencváros model, through the emergence of specified

[63] The only Eastern European founder was Iván Tosics.

[64] In November, 2014, at a conference organized in Budapest to celebrate the 25th anniversary of the founding of MRI, one of the presenters called the Noszvaj conference in 1989 a "milestone" before the fall of the Berlin wall; a "conspiracy between housing experts from East and West".

institutions such as MRI or SCET, and through the soft and hard version of brokerage performed by some key actors within these institutions – and it was able to pave the way for the gentrification of the inner districts of Budapest and some other larger cities. The key figures were the brokers, whose emergence was the result of the functional specification of the field.

When comparing the brokers of the 1990s to the important figures that assembled urban rehabilitation in the 1980s, a striking difference is the greater degree of specialization of the latter. While the advocates of urban rehabilitation had primarily been architects, sociologists or bureaucrats, in the 1990s the field of urban rehabilitation became more established, the policy more accepted, and their main protagonists more specialized in urban rehabilitation itself. This process of professionalization – or functional differentiation of an interstitial field – was anchored in the everyday work of brokerage, through which expertise could be performed. The opportunity for performing the role of the broker was opened because of the rapid institutional restructuring and institutional uncertainty initiated by the regime change, and this opportunity was used to strengthen both the acceptance of the interstitial field of urban rehabilitation, and to advance the personal careers of the brokers themselves. The main resources utilized in doing so were Western connections – similarly to the socialist period (cf. Bockman & Eyal, 2002) – and the utilization (and privatization) of the knowledge and personal networks accumulated throughout the socialist period. I claim that this latter practice was a sort of primary accumulation of immaterial resources. As we will see in the next chapter, Western connections gained even more importance after 2000 as the conflicts created in the 1990s were tackled with a new round of urban interventions which introduced “social urban rehabilitation” through “Europeanization”.

There was a very peculiar and rapid institutional transformation in Hungary after 1989 in which privatization and decentralization played a crucial role. The new institutional architecture, created by the new political elite with its deep belief in liberalism, was embedded in a political economic reality which was at odds with the optimistic expectations of the policy makers and politicians. This mismatch between the expectations and the reality is most evident in how the will to initiate a shift towards urban entrepreneurialism ended up expressed mostly through managerial practices, which were still funded dominantly by public sources and not by private capital. Thus the constraining effects encoded in the way that privatization, decentralization and hidden austerity measures played out would shape the playing field of expert brokers who ended up adapting their practice to these limitations while keeping urban rehabilitation alive as a policy. They were successful, in terms of building up key institutions and mechanisms (like SEM IX, MRI or the Urban Rehabilitation Fund) in order to contribute to the professionalization of the field of urban rehabilitation. However, this success was built on compromises and changed the basic characteristics of urban rehabilitation. The social sensitivity of the previous era was given up, but the management of these projects was made technical and was kept off the radar of political debates. From this perspective, therefore, the de-socialization and de-politicization of urban rehabilitation was the price of adapting the "socialist" version of the policy to "capitalism". An important consequence of this compromise was the "naturalization" of gentrification in some neighborhoods in the inner city of Budapest and some larger cities. Once the negative effects of this process began to be discussed in the 2000s, the field of urban rehabilitation was on the brink of another important institutional restructuring catalyzed by the EU, which I discuss in the next chapter.

Chapter 4
The ambiguities of Europeanizing urban interventions: The emergence of social urban rehabilitation

"By extending our power over newer and newer processes, we have multiplied the need for regulations. Now, whether we believe in the religion of growth or in the theology of equilibrium, we must recognize that the planner has become more important than ever. We purchase our freedom with anxiety, and our security with the insecurity of our surroundings. […] Challenges multiply: we can no longer keep track of them. We must recreate our conflicts in more complex forms. The age of ironic reflections has arrived, but we are still the masters. Priests could be ignored, but not we, who proceed from earth to heaven, and are therefore not representatives of divine power. Strategic, biological, industrial and city planners: by the end of the century we shall be the tyrants of the world."

(Konrád, 1977: 99-100)

After 1989, the next historical juncture that catalyzed a far-reaching institutional restructuring, and which reshaped urban rehabilitation, was Hungary's accession to the European Union in 2004. As one of the main net beneficiaries of material redistribution within the EU, by the end of the 2007-2013 financing period almost 90% of all public investments in Hungary were co-financed by the EU's Cohesion Fund (*Investment for jobs* …, 2014: xvii); this was the second highest rate among the member states after Slovakia. According to macroeconomic analyses, a significant part of Hungary's economic growth was thanks to the inflow of EU transfers after 2004 (Dedák, 2015; Gerőcs & Pinkasz, 2018; KPMG, 2017; Zubek, 2014). A similar tendency characterized the domain of urban rehabilitation: from 2004 it was increasingly difficult to find any urban rehabilitation that would have been financed by sources other than EU funds (Koltai, 2015). Nowadays there is hardly any urban rehabilitation carried out in Hungary without EU money. This process led to the central government withdrawing from financing various types of infrastructural investments in the "classical" sense (i.e. without using EU transfers). However, from the perspective of local governments and the general public, most of these projects are still perceived as public investments provided by the central government. The central government and local governments themselves most often suggest with their rhetoric and allocation strategies that the success of these projects belongs to them, even though nearly

the whole country is covered with obligatory signs describing how much money was provided by the EU for certain projects. Consequently, the whole concept of "public funds" has changed and has been rescaled in the last two decades.

Europeanization is a widely-used concept to describe such processes, even though there is no agreement on what exactly it means (cf. Graziano & Vink, 2013). In the jargon of EU institutions and mainstream policy analyses, Europeanization is usually used in a positive sense, referring to the extent to which policies supported by various EU institutions are used by member states. The corollary of this perspective is the attitude of some pro-EU local experts, who usually use a similarly positive narrative to measure the degree to which the "best practices" from the EU or from Western Europe are being implemented. In this local discourse, "Europe" is a metaphor for progressive, enlightened, professionally accepted governing practices. The narrative of László Bajnai is a typical example: for him the French influenced model of SEM IX, which he applied with his colleagues in the 9th District of Budapest, is equated with the "European" – and consequently superior – model of urban development that is the desired path for the Hungarian field of urban rehabilitation (Bajnai, 2007)[65]. Both of these conceptualizations are problematic in my view, insofar as they naturalize the complex and ambiguous process of policy mobility, and consequently reproduce the inherently self-colonizing discourse of the East-West slope (cf.Melegh, 2006).

In the following I will use Europeanization in a different way. In my understanding, "Europeanization" is a specific kind of rescaling (cf. Brenner, 1999b; Smith, 2003) through which the institutions of the European Union influence state representations and practices in Hungary. Though I am aware of how (self-)colonizing connotations can be attached to this notion (cf. Böröcz, 2009), I will still use it for two main reasons. First, because as a conceptual reference point it plays a pervasive

[65] In the first sentence of the introduction, Bajnai writes that "[t]he first orchestrated application of the methods and tools of *European* urban development after the regime change in Hungary started in 1992, with the launch of the urban development program aiming to rehabilitate Middle-Ferencváros" (Bajnai 2007: 9; emphasis added).

role in narratives within and about the Hungarian state, and second, because I see a certain analytical value in stressing the transformative role of the European Union.

Even though I stress how EU institutions influence Hungarian processes of urban governance, I do not think that this is a unidirectional relation. As I will demonstrate, Hungarian actors are not only passive recipients of EU money and know-how, but active agents who are able to manipulate both the particular ways in which material and immaterial flows from the European Union are adapted to local practices of policy making and implementation, and the processes of policy making on the European level. For example, it was the object of a long struggle by Eastern European experts and bureaucrats to include housing-related infrastructural developments into the activities that could be funded by the European Regional Development Fund (Tosics, 2008). However, I find it important to emphasize the asymmetrical power relation between the large supranational European Union and the relatively small member state of Hungary.

It is not only increasing financial dependency that has characterized the process of Europeanization in the last two decades. The absorption of EU funds is highly regulated: a very specific bureaucratic know-how is required even for the smallest of investments. Therefore, Europeanization consists of different interrelated dimensions: it is a process through which a large amount of funding is channeled into specific areas of the Hungarian economy and society, and also catalyzes broader institutional restructurings. The incoming funds have been managed by a new set of complex institutions within and around the domain of public administration, which in turn created a huge demand for bureaucrats and experts who are well-versed in EU language and who are capable of navigating within the extremely complex realm of European projects (Somlyódyné Pfeil, 2014).

Financially and institutionally, Europeanization has had a huge impact on Hungary, but this cannot be analyzed without properly contextualizing how Europeanization has unfolded. To do so, the process of Europeanization experienced in the previous decades in Hungary must be divided into two periods. The first period of Europeanization – which is the central theme of this chapter – occurred in the context of the post-1989 liberal era, which I analyzed in the previous chapter. The second period

started after 2010 with the landslide electoral victory of the right-wing Fidesz, a rhetorically anti-European government (this will be analyzed in the next chapter). The main difference between the two periods is the relationship between the Hungarian state and the EU. While in the first period there was a significant ideological overlap between official narratives of the EU and the Hungarian government, the second period is characterized by a more conflictual (but not necessarily oppositional) relationship.

It is not only a temporal coincidence that the first period of Europeanization unfolded in the liberal era: as I will describe later, the very idea of the European Union is deeply rooted in the promotion of a pan-European, liberalized capitalist market. However, there is remarkable ambiguity in the relationship between liberalization and Europeanization when we focus on the domain of urban rehabilitation. The main Europeanization-related innovation in the field of urban rehabilitation in Hungary was the emergence and mainstreaming of a new concept: social urban rehabilitation. In contrast to the de-socialization of urban rehabilitation in the 1990s, this new re-socializing discourse of the 2000s aimed to problematize and counteract the negative consequences – mainly gentrification-induced displacement and socio-spatial segregation – of liberal urban policies. While at first sight it seems that EU institutions were able to provide remedies for the polarizing and unjust consequences of capitalist uneven development on the urban scale, in reality the mainstreaming of social urban rehabilitation was more ambiguous.

In the following I will analyze these ambiguities which I understand to be the consequences of the close connection between tendencies of re-socialization and the wider context of liberal economic policies in which it occurs. In the next section I will focus on the emergence of an urban sensitivity on the scale of the European Union, and show that the seeds of present day ambiguities were planted there. After that I will introduce two cases of social urban rehabilitation in Hungary: the most well-known case of the Magdolna Quarter Program in the 8th District of Budapest (usually labeled as a "best practice"); and a lesser-known project from a smaller, economically depressed city called Salgótarján in Northern Hungary. Finally, I will discuss how the emergence of social urban

rehabilitation – and the ambiguities that surrounded it – restructured the field of urban rehabilitation and the practices of urban rehabilitation experts in Hungary.

Mainstreaming urban sensitivity in the EU

In 2012 the Directorate-General for Regional Policy (commonly known as DG REGIO, responsible for the management of the EU's regional policy) was renamed to DG Regional *and Urban* Policy in order to signal that the urban dimension of regional policies has a special significance for the European Commission. Besides this symbolic act, DG REGIO was able to lobby for a regulation according to which each member state is required to spend at least 5% of its share of the European Regional Development Fund (ERDF) on "integrated sustainable urban development" in the financial period 2014-2020. In total, this adds up to EUR 13.8 billion in investments dedicated to this specific purpose, not taking into account other EU-financed sectoral policies with a strong urban focus (e.g. Smart Cities and Communities European Innovation Partnership, European Capital of Culture program, etc. – cf. European Commission 2014). Moreover, in 2016 the so-called European Urban Agenda was established through the signing of the Amsterdam Pact, which shows a commitment to keep the issue of urban interventions on the future agenda of the EU. These events are the results of a rather long process started in the early 1990s that was referred to as the mainstreaming of urban sensitivity in the EU (Piattoni & Polverari, 2016: 413-426).

Currently these urban-related investments are financed mainly from the European Social Fund (ESF) and from the ERDF, which are parts of the European Structural and Investment Fund. In order to understand how this mainstreaming of urban sensitivity happened, we should briefly look at the history of these structural funds within the EU. Though the ESF (the oldest of the structural funds) was created in 1957 with the Treaty of Rome, and the ERDF was created as early as 1973, the role of structural funds remained rather symbolic until the

1990s. Structural funds represented only 4.8% of the total EU budget in 1975, and only 9.8% in 1987 (Wallace, Wallace, & Pollack, 2005: 215). The reason their relative importance had begun to increase is connected to the deepening and widening of integration within the EU: widening through various rounds of enlargements (first the accession of Southern European states in the 1980s, then the Eastern enlargement in the 2000s), and deepening mainly through the introduction of the Economic and Monetary Union (EMU) after 1990. It is a widely held belief in the literature that the reason the relative share of structural funds within the EU budget rapidly increased after 1989 (to 25% in 1992 and 37% in 1998, to its present level of around 35-40%) is because of compensation (Wallace, Wallace, & Pollack, 2005: 214).

It is telling that both in diplomacy and in mainstream policy analysis it is a widely accepted claim that the structural funds have a compensatory function. This indirectly supports the arguments of scholars from the field of critical political economy who claim that the EU is an inherently capitalist project, resulting in a multi-scaled, continent-wide example of uneven development (see for example van Apeldoorn, Drahokoupil, & Horn, 2009). The promotion of an EU-wide capitalist market where big Western European corporations can dominate in the name of market competition, coupled with a monetary union with its own structural contradictions (Varoufakis, 2017), provides an economic context in which the emerging social and spatial disparities must somehow be governed. This is the role that regional policy supposedly plays within the EU. It follows that in the core of the logic of EU integration there is the inherent intertwining of a deeply capitalist logic that results in uneven development, and a supposedly compensatory policy aiming to tackle “economic, social and territorial disparities” (European Commission, 2016). Whether these disparities have been tackled through the structural funds in recent decades is a controversial question. It seems that while the funds can contribute to the macroeconomic stability of the member states, their local

beneficiary effects on the project-level are less successful, to say the least. For example, in a recent interview the German Commissioner Günther Oettinger stated that most of the structural funds provided for less developed countries like Hungary "come back" to Germany through the contracting of German companies to execute the EU-funded projects (Berschens & Afhüppe, 2017).

European Union institutions have never provided a correct definition of what exactly "disparities" mean, so the translation of this vague idea into concrete policies has always been the subject of struggle between different professional and lobbying groups, which in turn resulted in shifts of focus in regional policy over time. In the last couple of years, one such shift has been the growing importance of the urban dimension through the process of urban mainstreaming. The increasing focus on "urban" problems was first legitimized in the 1990s with the argument that the unfolding crisis of post-Fordist reconstruction was happening mainly in certain urban neighborhoods. Unemployment, poverty and poor housing conditions were the most visible in certain urban neighborhoods in Western Europe, often in former industrial cities. The first attempts to challenge these urban problems were financed by the European Commission through the ERDF in the form of 59 Urban Pilot Projects between 1993 and 1999. During this period a Community Initiative[66] named URBAN was launched, which was executed during two consecutive rounds in the following years (URBAN I between 1996-1999 and URBAN II between 2000-2006). While the available money for these

[66] Community Initiatives pursue similar aims to projects funded by the Structural Funds, but they are managed directly by the European Commission, and not by member states. These projects usually deploy novel approaches and methods, and can therefore be described as a series of EU-wide pilot projects.

programs was minimal[67], and consequently their geographical reach was limited[68], based on the experiences from URBAN I and II the European Commission decided to integrate the strategies of the programs into its Cohesion Policy for 2007-2013. With this move the urban dimension became "mainstreamed", meaning that the member states were thenceforth expected to include urban projects in their national programs.

The main rationale of the professional content of the implemented projects in URBAN I and II (and later the projects financed by the Cohesion Policy) was "to develop innovative and integrated approaches to regenerating neighborhoods in crisis and promoting sustainable urban development" (ECOTEC, 2010: i). Two concepts are crucial here: "integrated" and "sustainable". Both of these concepts are widely touted by officials and experts as desired features of a "good" urban regeneration or rehabilitation project – even though both terms are at least as vague as "disparities", which they should supposedly counteract – and both encapsulate inherent contradictions in EU-funded urban interventions. First, these concepts are usually presented as novel, innovative avenues for the urban development profession, even though it is well documented that there is nothing genuinely new about emphasizing that a place-based project should take economic, political, cultural and environmental aspects into account at the same time, or that community participation should be an integral part of any local project focusing on a deprived area. In an interview, Akhil Gupta called this process the "recycling of development ideas", and used the example of the "community development" approach from India in the 1950s, or the hype around "integrated rural development" in the 1970s and 1980s in Third World development projects (Ferguson, Gupta, & Curtis, 2010).

[67] Between 1994-1999 the budget of URBAN I was 0.58% of the total Structural Funds budget (Dukes, 2008).

[68] During URBAN II 70 programs were launched in 14 member states (ECOTEC, 2010).

While very similar public policy ideas circulate cyclically in the global world of development experts despite differing local and historical contexts, the systemic beneficial effect of these projects is very questionable. I would add that this collective amnesia among urban development professionals is also present in Hungary, since the discourse around the supposedly integrated nature of urban rehabilitation during socialism is sidelined in contemporary discussions (see Chapter 2).

Second, the cyclical reappearance of certain concepts in the "dev-world" is not accidental. Both integration and sustainability become essentially conflictual objectives as soon as the wider institutional setting is taken into account. One of the urban policy experts from DG REGIO told me that from their perspective, an integrated approach has two main elements. First, to blur the boundaries between sectoral policies (education, housing, etc.), and second, to blur the boundaries between administrative units (that is, to recognize that certain problems are not bound to an administrative unit). Both elements are pursued through a place-based approach, where the lower scales of governance are favored both during policy planning and implementation. While in principle these aims seem reasonable from the perspective of DG REGIO, once an attempt is made to implement them, they are bound up with a complex web of actors with their own interests: the project workers, different units of local municipalities, private actors, actors from the higher scales, etc. As the European Commission has only soft power tools to ensure the realization of its objectives on the level of the projects, the local process for giving shape to its abstract ideas is usually very conflictual. Usually these problems are discussed in terms of mainstream policy as obstacles to multi-level governance (Piattoni, 2010). In my reading, however, these problems are more understandable if we frame them as power struggles inherent in the process of knowledge

production and governance in a capitalist institutional environment. As I will show later in the case of Hungary, it is difficult to find any good examples of overcoming these obstacles.

In terms of sustainability, the main contradiction lies in the very nature of these projects. They are run only for a limited period (unless there is a supportive political climate for them, which is rarely the case), usually with personnel detached from the everyday management of other related urban issues (e.g. social care, education, etc.). Given this ephemeral character, which resembles the description of the emerging project society (Sampson, 2002), sustainability in its broad (i.e. not exclusively ecological) sense is hardly achievable.

However, even if failing projects are the norm rather than the exception, the circulation of these concepts – and the knowledge of the "best practices" that exemplify their correct implementation – are ensured by the work of some EU level institutions that are the product of the process of urban mainstreaming in the EU. For example, URBACT was set up in 2003 by the network of cities participating in URBAN II, with a budget of more than EUR 96 million between 2014-2020. Another example is the European Urban Knowledge Network established in 2005, which on its website calls itself the "only independent Member State-driven network in the field of urban policy"[69]. These institutions, together with DG REGIO and city lobbyists, were able to push forward the issue of urban mainstreaming in the last three decades. Their success can be measured both materially and immaterially. Not only has the amount of money dedicated to integrated and sustainable urban interventions gradually increased,[70], several key documents have been produced in the last two decades, most notably the Leipzig Charter on Sustainable European Cities in 2007. These institutions and documents

[69] See http://www.eukn.eu/about-the-eukn/. Retrieved: 29 August 2017.

[70] Compare the EUR 754 million budget of URBAN II (2000-2006) with the EUR 13.8 billion that has to be spent by the member states on "integrated sustainable urban development" between 2014-2020.

were important reference points in the Hungarian field of urban rehabilitation during the emergence of social urban rehabilitation in the 2000s.

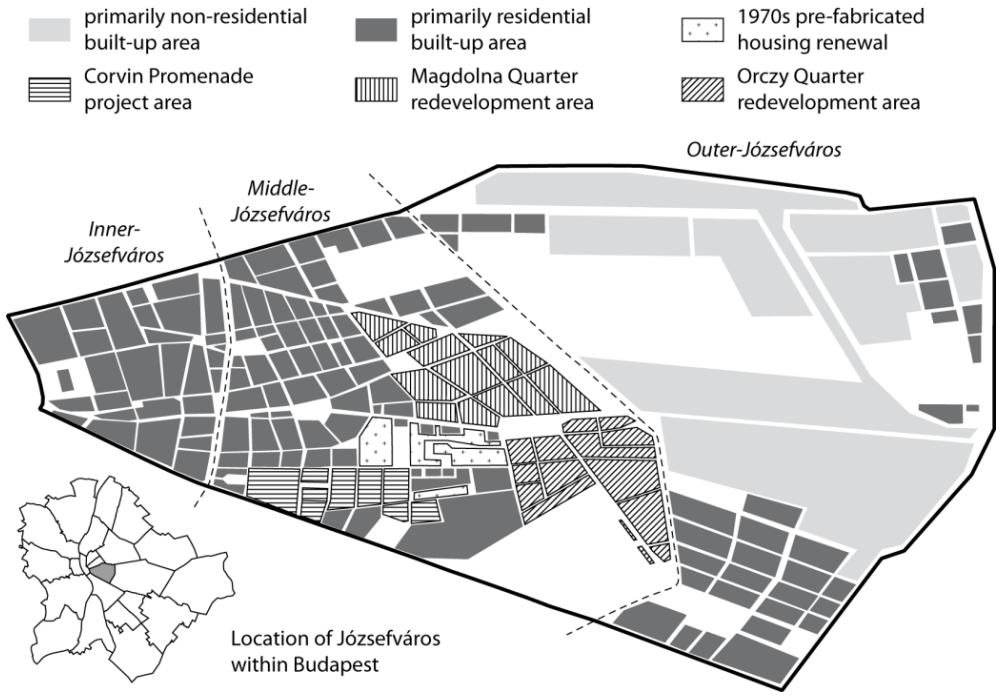
The emergence of social urban rehabilitation: The case of the Magdolna Quarter Program in Józsefváros

In 1995, work was begun on a concept paper by three figures: a fresh Hungarian graduate of the Rotterdam-based Institute for Housing and Urban Development's urban management master's program, Andrea Iván; a local socialist politician, György Molnár, who was otherwise an economic researcher at the Hungarian Academy of Sciences; and an economic expert, István Echter. This paper discussed the future of the 8th District of Budapest, the most stigmatized and dilapidated urban neighborhood of Budapest at that time (Echter, Iván, & Molnár, 1995). That district, also called Józsefváros, has been a very symbolic space for uneven development. Its inner sections, in the late 18th century, hosted the Parliament and many prestigious palaces for the aristocrats, while in its poorer, outer neighborhoods, there were small artisans, workers and a high proportion of non-ethnic Hungarians. During socialism, the whole district was severely affected by systematic disinvestment and under-maintenance. As a result, by 1989 the middle and outer parts of Józsefváros had the worst housing quality and social statistics in the city. Residents that were elderly, poor, and Roma were present in a higher proportions than the Budapest average, while 21% of the flats lacked toilets and bathrooms, two and a half times the Budapest average (Echter et al., 1995; Ladányi, 1992). Besides social problems and material decay, Józsefváros also suffered from stigmatization: in Hungary, Józsefváros became the symbol of prostitution, crime and the high proportion of Roma residents.

In the early 1990s, when CDC was considering investing in urban development in Budapest[71], they visited Józsefváros but, seeing the depth of urban decay, they decided to choose Ferencváros as a potentially easier field of intervention. Taking this seemingly hopeless situation as their starting point, the paper was the beginning of a two-decade-long story through which a new model of urban development was formed, mainly inspired by the then-fashionable Western European principles studied by Iván in Rotterdam. Nowadays in the Hungarian field of urban rehabilitation, the model of RÉV 8 – named after the organization that was set up to organize urban development in Józsefváros in 1997 – is the only one that is comparable in its systematic principles and transformative outcomes to the Ferencváros model that I discussed in the previous chapter. Moreover, these two models are often contrasted and presented as opposing philosophies of urban intervention. My interviewees often felt the need to share their position with me in this debate: through taking a side, they usually used emotionally loaded expressions. One interviewee declared that she is a "believer" in one of the models, while others explained how one of the models is "totally shit" or "wrong in its very principles". The expression of such emotional opinions was usually justified with professional claims. However, from my perspective, these differences were less clear-cut than they felt. I believe that there is a more structural explanation behind these emotions: the practice of RÉV 8 led to the emergence of a new circle and new generation of experts whose practice was, in many ways, innovative, and differed from what the previous generation had done. To put it differently: the story of RÉV 8 is also the story of the segmentation and expansion of the field of urban rehabilitation through which not only symbolic and material inter-field competition increased, but new ambiguities came to the fore – mainly caused by the Europeanization of the liberal era, and by the authoritarian turn after 2010.

[71] See Chapter 3.

Even the writing of the 1995 concept paper was innovative: its authors were non-established members of the urban rehabilitation field who experimented with the genre of the concept paper, which was not previously common in local governments. Molnár was ultimately able to convince the mayor and prominent members of the local government to accept the main principles of the paper in 1996. Their most important proposal targeted the seemingly hopeless situation of Józsefváros. After presenting the worrying figures, they argued that two separate territories must be targeted simultaneously, each with previously unknown tools. The first territory later became the location of the Corvin Promenade project, one of the largest mix-used urban redevelopment projects in Central and Eastern Europe after 1989. The second territory was the location of the Magdolna Quarter Program, the first and most well-known social rehabilitation project in Hungary (see Figure 11). Both of these were pioneer projects in Hungary, and both were not merely adaptations of the SEM IX model, which was clearly the most emblematic project at that time. The necessity of this innovation was rooted in the differing structural conditions between the 8th District and the 9th (Tomay, 2007a).



11. Figure

Source: Czirfusz, Horváth, Jelinek, Pósfai, & Szabó, 2015: 57

First of all, even though urban rehabilitation was occurring in Józsefváros before 1989, its scope was less ambitious than the project in the 9th, and its location was in the relatively well-off part of the district. For the more problematic Middle-Józsefváros neighborhoods, there were two existing master plans[72], but neither of them was economically feasible after 1989[73]. According to the concept paper:

[72] One of these was designed by a BUVÁTI group led by Anna Perczel (1992), and also embraced by János Ladányi (1992), who was a consultant on the social aspects of the plan. The main principle of their plan was to retain as many original buildings as possible, and to open up a sort of "green promenade" within the neighborhood through connecting and landscaping the many vacant lots. Unfortunately, this was deemed too costly both by the local politicians and by the wider circle of experts. The other plan was created a bit later by SEM IX under the leadership of Gábor Aczél in 1996. This plan was guided by the urban development principles represented by SEM IX in the 9th District. This plan was deemed similarly unrealistic by the local actors.

[73] See Chapter 2 for the description of how one of the first inner city urban reconstructions of Budapest was carried out in Middle-Józsefváros from the 1960s.

> "from the perspective of the municipality, our budget is only enough for survival. The most recent prospects from the Ministry of Finance suggest the further deterioration of the situation. (…) There is a real danger that whatever the municipality does, there might be external circumstances that could cause the collapse of the budget. (…) For us, the logical conclusion is that if we want to achieve a significant change in the situation, and not only to manage the crisis, then we have to move forward. In other words, in addition to maintenance and management, we have to develop." (Echter et al., 1995: 3-4)

This development was imagined in a peculiar way. One of the important figures involved in RÉV 8 remembered that "in the 1990s it was crucial to explore how to attract alternate resources, how to make it more like a business. (…) Everything was leading in the direction of minimizing public resources."

In the first phase of the 9th district project, the most important external resources came from the Municipality of Budapest through the Rehabilitation Fund, and from CDC. But the mayor of the 8th District was politically close to the mayor of Budapest, thus a comparable amount of funding could not be secured from this source[74]. On top of that, given the stigmatization and the poor material condition of the district, no foreign players could be involved. In the proposed solution, the authors defined two interrelated, but spatially and temporally separated interventions. The territory of the future Corvin Promenade project – which had the best location or, in other words, the highest rent gap – was set aside for a large-scale, mixed-used redevelopment project. The hope was to attract one large investor who could be compensated for the higher risk with a potentially higher profit, owing to the opportunity to develop many more cleared lots with more profitable new constructions. The

[74] Both Béla Csécsei, the mayor of Józsefváros, and Gábor Demszky, the mayor of Budapest were members of the liberal party SZDSZ. However, Csécsei was described as a black sheep within the party, and a "complicated personality"; thus, in spite of their common party, the two carried personal tensions. Ferencváros mayor Ferenc Gegesy was also an SZDSZ member, which was an important factor in securing funds for projects in the 9th district. According to my interviews, Demszky was always much prouder of the 9th district development projects than of those in the 8th.

second step for the authors was a "social urban rehabilitation" carried out at a later time in Józsefváros, when the stigmatized brand of the district would already be partly re-written by the huge development. This social rehabilitation was imagined as an integrated project: the development of the local education system would go hand in hand with territorial developments focusing on the renovation of housing, the refurbishment of public spaces, intensive social work and the participation of residents[75]. By scheduling the "social rehabilitation" only after the beginning of the developer-led development of the Corvin neighborhood, the authors were forced to make a compromise: their social sensitivity was overruled by the fiscal reality of Józsefváros, even though all the former employees of RÉV 8 I interviewed emphasized that their "real" aim within RÉV 8 was to help the poor people in the district.

Though the concept paper was accepted by the local municipality, and RÉV 8 was set up in 1997 to design the proposed projects in detail, the more complex and less welcoming local atmosphere in which RÉV 8 had to operate represented a structural difference from the 9th District. While the cooperation between SEM IX, the municipality of the 9th District and the municipality of Budapest was very smooth and stable in Ferencváros, RÉV 8 had many more conflicts with the local politicians. Party political cleavages and the relatively weak position of the mayor forced the leadership of RÉV 8 to continuously maneuver and forge alliances inside and outside the district in order to secure its operation. All of my interviewees that had an insight into the everyday functioning of RÉV 8 emphasized this aspect, usually describing "the professionals" and the "politicians" as two opposing groups, where the latter

[75] Józsefváros – similarly to the 9th district – was also one of the few districts which had an urban rehabilitation master plan, thus most of its public housing units remained in public hands even after compulsory privatization started in 1993.

interfered with the “pure” professional principles of the former. I treat this claim as a symbol of the depoliticized ethos – which I introduced in the previous chapter – of the field of urban rehabilitation in the 1990s, which gradually vanished in the 2000s. Through engaging in minor or major political battles during the design of urban rehabilitation projects, the experts slowly gave up on the idea that “pure” professional ideas could determine the fate of urban rehabilitation projects. In the last chapter I will show how this problem became generalized after 2010 with the authoritarian turn.

The first years of RÉV 8 were characterized by these battles, and by the lengthy preparatory work of what later became the Corvin Promenade project. After a series of public tenders, background discussions and negotiations, RÉV 8 finally found a developer: a company called Futureál, which is owned by Hungarian entrepreneur Péter Futó, who accumulated money from a candy factory in the 1990s and then turned to real estate in the 2000s. After RÉV 8 orchestrated the relocation of around 1,100 families from the area of the development, Futureál began working on the demolition of dozens of buildings. On these cleared lots they constructed a shopping mall and a promenade, along with 130,000 sq.m. of office space and 2,700 new flats. The project’s total cost is estimated at EUR 850 million, 91.5% of which is from private investment (Czirfusz, Horváth, Jelinek, Pósfai, & Szabó, 2015). The character of the area changed completely and it became fully gentrified: now real estate prices are comparable with other trendy downtown locations, which was previously unimaginable[76].

[76] For example, newly built flats around Corvin Promenade could cost as much as EUR 2,500/sq. m. in September 2017, which equals the average price of flats for sale in Budapest's most expensive downtown area, the 5th District (source: http://www.ingatlannet.hu; https://ingatlan.com). Compare this to the approximately EUR 480/sq. m. that original residents received as compensation for being relocated.

In my opinion this project is the most symbolic of the post-1989 liberal era in the field of urban development: many private sources were channeled into the improvement of a given territory, in partnership with the local municipality in an entrepreneurial manner. However, many details of the project were critiqued publicly (e.g. its architectural quality, its scale, etc.), and the fate of the relocated residents has been widely discussed within the profession. While it is arguable that this is one of the most striking examples of gentrification and displacement in the history of Hungary, the leaders of the project defended it as being more socially sensitive than what happened in the 9th District. In their narrative, the main difference is twofold. First, relocations were carefully managed by social workers employed by RÉV 8, who were said to have been trained to be socially sensitive, and not by bureaucrats without relevant training from the social field. Second, replacement flats for the relocated residents were only assigned within the district, and not in outer districts as in the case of Ferencváros. While these arguments are true, it does little to address the claim that many relocated residents found themselves in worse situations than before, like those who received only cash compensation and were able to move only into similarly run-down and/or stigmatized neighborhoods at the outer parts of Budapest or beyond the capital. Unfortunately, the former employees of RÉV 8 have not published their data on the relocated people thus far, and no follow-up research was conducted to analyze the situation of the former residents, so the debate could not be concluded in a satisfactory manner.

Nevertheless, in this early period the Corvin Promenade project became the most important way in which politicians, entrepreneurs and local experts (mainly from RÉV 8) contributed to the gentrification of the 8th District. The most important step of the project on the rhetorical level was the rebranding of one of the most dilapidated territories in the city by renaming it “Corvin Quarter”. Not only was the rebranding successful through media praise

of the “renewal” of this renamed part of the district, but even the adjacent subway and bus stops were renamed accordingly. These efforts to catalyze a semantic shift in the wider public triggered other important local processes. Small but trendy pubs and cafés opened both in and around the Corvin neighborhood, and the former stigma of the district was slowly undermined and replaced by a sort of underground chicness, mainly in certain subcultural groups. Later, it was the basis on which even stronger waves of gentrification could be catalyzed, mainly after 2010 (Czirfusz et al., 2015).

Just after the negotiations with the sitting tenants in the Corvin Promenade project were about to be concluded around 2004, the leaders of RÉV 8 felt that there was a window of opportunity for them to begin the second, more socially sensitive phase of their initial plans: the “social urban rehabilitation” that was later called the Magdolna Quarter Project (MQP). External forces were also pushing them into the planning and implementation of MQP. Hungary had already received EU funds before its 2004 accession under the framework of the PHARE program. While these funds were of relatively modest importance in the budget (Ernst, 2007), nevertheless they were crucial for implementing the bureaucratic processes necessary for absorbing such funds in the future. A tender was issued around 2002 for cities to apply for funds dedicated to “urban regeneration”. This motivated RÉV 8 employees to draft the first serious project proposal of the MQP. Their application, however, was not successful, which for one of the leaders of RÉV 8 was a big disappointment. He recalled that RÉV 8's application was refused because they sent it in two weeks after the tender was published. The RÉV 8 employees were not well-connected with the managers of these EU funds, but given that the tender was open-ended until the funds were exhausted, they thought that two weeks was an extremely quick reaction to the publication of the tender. However, it later turned out that many other districts were informally informed of the tender beforehand, and could thus

submit their proposals much earlier. The fund was consequently already exhausted in two weeks. My interviewee said that it was through this negative experience that they learned that being well-connected within the field is a prerequisite to receiving funding from these EU-financed programs.

However, their efforts to put together the draft of the project proposal paid off later when the first monitoring of the Urban Rehabilitation Fund of Budapest was ordered by the Municipality of Budapest that same year. The result of this monitoring showed that the distribution of the funds was unequal, and that its main beneficiaries were the 5th District (one of the wealthiest in Budapest) and the 9th District (Erő et al., 2002). The politicians were initially hesitant to publish these data, and the findings later catalyzed a discussion within the municipality. The result was that a few protagonists of more socially sensitive urban rehabilitation could lobby for a study, which ultimately performed by the Metropolitan Research Institute (MRI) and focused on the possibilities of implementing "social urban rehabilitation" pilot projects in Budapest. These protagonists had an insight into similar projects carried out in the Netherlands and in Berlin, and they were also aware that on the EU level, these types of interventions would probably be supported in the coming years, especially after Hungary's accession. While conducting the study, the MRI researchers realized that RÉV 8 had already drafted a project proposal that was very similar to what they were looking for. Thus the EU's professional movement towards the mainstreaming of "integrated" urban interventions – facilitated by local experts within MRI and the Municipality of Budapest – coincided with the emerging political openness of politicians in Budapest for alternative, more just forms of urban rehabilitation, and with the growing motivation of RÉV 8 experts to start the second, "social" phase of their urban rehabilitation project. These different forces resulted in the first – and last – round of funding provided by

the Municipality of Budapest in 2005 for two pilot projects experimenting with "social urban rehabilitation"[77]. A key feature of the city's aim was to experiment with projects that upgraded the most impoverished and segregated areas in Budapest without displacing the local residents. The first wave of the MQP, between 2005-2008, was primarily funded by the municipality to the tune of HUF 690 million (around EUR 2.73 million in 2008 prices).

In all of my interviews this period was recalled as "the golden era" of RÉV 8. The project was designed in line with cutting edge, Western European examples of "integrated urban regenerations", but without the lengthy bureaucratic process of reporting and accounting that would later characterize the second and third waves of MQP. The integrated nature of the project was provided by the different types of interconnected interventions, all managed by RÉV 8. The most crucial part was a project involving the participative renovation (involving the tenants themselves) of four residential buildings in the Magdolna neighborhood, the refurbishment of one of the central squares of the area (Mátyás Square), and the establishment of a community center adjacent to the square where various programs (crime-prevention, educational and cultural activities, etc.) were held, targeting the local population.

Ironically, the local political context changed in the middle of this "golden era" after 2006 in a way that contributed to the step-by-step marginalization of RÉV 8 within the local power hierarchy. Exactly at the time when around three dozen employees of RÉV 8 (geographers, social workers, sociologists, etc.) were working on the first social urban

[77] The other location was in the 10th District on Bihari Street, but only a single house was renovated here. In this case "socialness" was guaranteed by the involvement of social workers and the funding of various social services, such as providing job-seeking assistance to unemployed residents. According to a report, the main problem was that funding for social work was not secured after the closure of the project (Szabó, 2009).

rehabilitation and experimenting with formerly unknown forms of socially sensitive urban interventions, the formerly left-liberal majority in the local council shifted to a right-wing Fidesz majority after 2006 municipal elections. While the liberal Béla Csécsei remained mayor, he was forced to offer a vice-mayor position to Fidesz. This position was taken by the 25-year-old Máté Kocsis, a strong member of Fidesz's new generation, who became the next mayor of the district in 2009 and then a prominent national politician in the right-wing government after its landslide parliamentary victory in 2010[78]. What happened politically on a larger scale after 2010 was partially present in Józsefváros from 2006. Political pressure was intensified on the leaders of RÉV 8, but given the legally binding existing contracts of the first wave of MQP, the specific programs were not yet directly affected. However, indirectly and mostly symbolically, local politicians caused a lot of harm to the RÉV 8 employees. The most prominent form of this influence was how the local population was misinformed and slowly tuned against RÉV 8. In the case of the "soft" programs, which relied on building on local participation and mutual trust, this had a disastrous effect on the outcomes. For example, local politicians promised district residents much more investment than RÉV 8 was able to carry out. By placing blame on RÉV 8 leaders, local politicians were able to create hostility among some local residents.

Besides the negative tendencies in the local political atmosphere, the leaders of RÉV 8 mentioned another problem they encountered. Most of the residents of the Magdolna Quarter

[78] The political crisis, which led to the radical decrease in popularity of left-liberal parties, and culminated in the landslide electoral victory of the right-wing opposition in 2010, broke out in 2006. Between the 2006 parliamentary elections held in spring – after which a left-liberal coalition was able to form a government – and the local governmental elections held in autumn, a voice recording was leaked in which the freshly elected left-wing Prime Minister admitted that his party "had continuously lied" in the previous two years. Soon thereafter, the most violent street riots since 1956 broke out in Budapest, and the electoral popularity of the governing parties fell drastically. As a result of this, the local governmental elections were won by right-wing Fidesz, and in many municipalities a right-wing majority was formed.

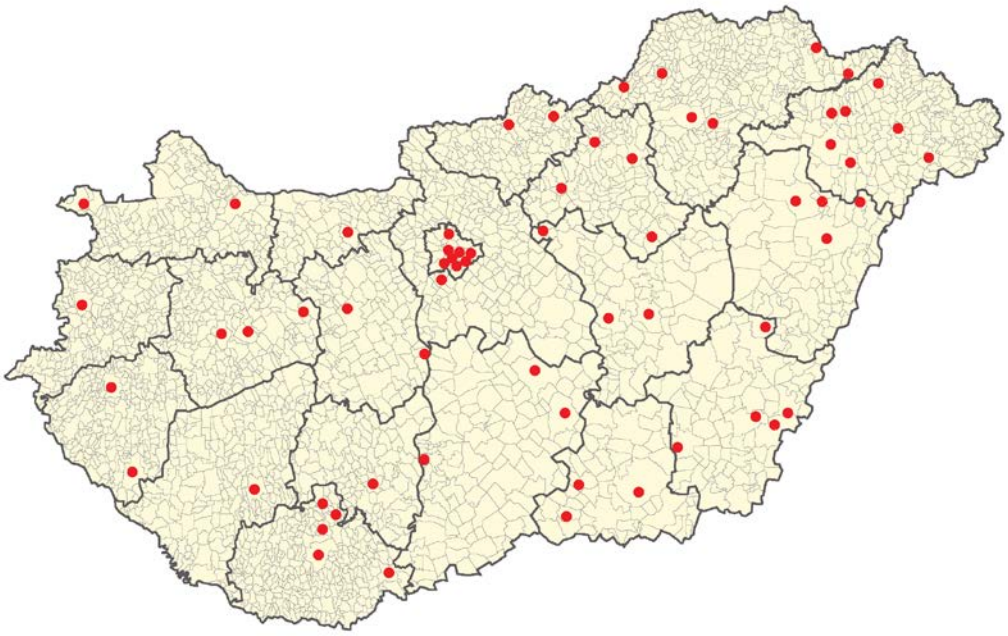
were disenchanted upon learning that they would not be relocated, as residents had been in the Corvin Promenade project. In their view, physical renovations and increased social services seemed less valuable than the chance to move out of a problematic neighborhood into a potentially better environment. Residents were often not fully aware of the details about how relocation happens; they had only heard rumors about huge gains made by tenants during the process. Though some cases are known to have happened, this was far from being the norm. Additionally, most of these residents had waited for decades for the rehabilitation to reach them, and their imaginations about it were based on "classical" interventions like in the case of Ferencváros. Not having a clear idea of its significance, they were suspicious about "social rehabilitation" which, given the limited financial resources they could benefit from, was another hindrance during the first wave of MQP.

The reception to the results of the three-year-long first wave of MQP was therefore mixed. The refurbishment of Mátyás square was generally praised, but the renovation of flats caused tensions among the tenants. Most notoriously, the tenants' association of the four houses affected by physical renovation turned against RÉV 8, even though RÉV 8 had initially supported and assisted in the very foundation of that association. But there was one particular group of experts who liked the idea: Brussels and Budapest-based bureaucrats dealing with the management and monitoring of incoming EU funds. Through their activity, the first wave of MQP could be sold on the Europe-wide market of urban development ideas as the best practice from Hungary. While this project was without a doubt the first to build explicitly on socially sensitive principles, and was much more complex with its mixture of numerous "soft" and "hard" program elements, the tensions inherent in the project were not as well-articulated as its "revolutionary" character.

An important result of the EU bureaucracy's sympathy for MQP was the fact that in the 2007-2013 funding period the EU framework for supporting social urban rehabilitation was largely shaped by the experience gained from the project. More precisely, there were several background discussions between the relevant Managing Authority and RÉV 8. The employees of the Managing Authority were typically young, freshly graduated experts from the fields of economics, business or public management. Lacking relevant on-the-ground experiences in such projects, they felt the need to contact those few experts who already had insights into managing a social urban rehabilitation. In the end the Managing Authority decided to divide the EU funds earmarked for integrated urban regenerations into two parts. There were tenders for "function-enhancing urban rehabilitation" (*funkcióbővítő városrehabilitáció*[79]) and integrated social urban rehabilitation (*szociális városrehabilitáció*). The latter was modeled implicitly on MQP. This uploading of the MQP method to the national scale had a huge impact: since there was more than HUF 48 billion dedicated to the issue[80], 64 projects were created in a similar fashion to MQP all around the country in the following years (see Figure 12). It was not only the largest wave of centrally funded urban rehabilitation in the history of Hungary, it was the first time that urban rehabilitation projectss were systematically carried out in cities other than Budapest. Moreover, all of the county seats were obliged to carry out "social urban rehabilitations" in order to get access to "function-enhancing urban rehabilitations".

[79] This rather complicated and strange concept basically describes the same process that was previously known – before the emergence of social urban rehabilitation – as urban rehabilitation. Most of these projects focused on the renovation of central public squares, public spaces and commercial or public buildings, but never residential buildings.

[80] At the same time HUF 140 billion was dedicated to "function-enhancing urban rehabilitations".



12. Figure

Social urban rehabilitation projects in Hungary financed from the Funds of the 2007-2013 period.

Out of the 64 municipalities where social urban rehabilitations took place 8 were located in Budapest (District 8, 9, 10, 15, 17, 18, 20, 21), 20 in county seats (Békéscsaba, Debrecen, Dunaújváros, Eger, Győr, Hódmezővásárhely, Kaposvár, Kecskemét, Miskolc, Nagykanizsa, Nyíregyháza, Pécs, Salgótarján, Sopron, Székesfehérvár, Szolnok, Szombathely, Tatbánya, Veszprém, Zalaegerszeg), and 36 in other smaller cities (Ajka, Alsómocsolád, Alsózsolca, Cigánd, Füzesgyarmat, Gyöngyös, Gyula, Hajdúböszörmény, Hajdúhadház, Ibrány, Jászfényszaru, Kalocsa, Kazincbarcika, Kisköre, Kiskunfélegyháza, Kistelek, Kisvárda, Komló, Mohács, Mórahalom, Nagyecsed, Nagyhalász, Nagykálló, Nyíradony, Nyírmada, Orosháza, Ózd, Pétervására, Sarkad, Sátoraljaújhely, Szászvár, Szécsény, Szigetszentmiklós, Tolna, Törökszentmiklós, Várpalota)

While providing an overarching picture of all these social rehabilitation projects would require a separate research project, there is a crucial thing that needs to be emphasized here. On the national scale, “function-enhancing urban rehabilitations” ran parallel with “social

urban rehabilitations". Similarly, the growing importance of EU Structural Funds went hand in hand with the neoliberalization of the EU, and the developer-led Corvin Promenade project was imagined in parallel with the socially sensitive MQP on the scale of Józsefváros. The parallel presence of liberal/entrepreneurial interventions with supposedly social (and/or compensatory) interventions on different scales is not merely an interesting temporal coincidence. In my view this encapsulates the basic contradiction of the EU project: to support and catalyze the growth of capitalist markets, while simultaneously cushioning its socially detrimental consequences through spectacular projects. In other words: to boost the economy, which necessarily creates uneven development, while at the same time rhetorically denouncing "disparities" and supporting projects that ostensibly counteract them.

Spreading EU-financed urban rehabilitation beyond Budapest: The case of Salgótarján

The case of Salgótarján is a very good example for illustrating the ambiguities of EU-funded social urban rehabilitation projects in Hungary outside of Budapest. Salgótarján is a former industrial city with a population of 35,000. It was famous for its coal mines from the late 19th century, and then for the steel and glass industry that was built on mining in the early 20th century. During state socialism it was chosen as one of the showcase socialist industrial towns: besides industrial development there was a huge state-funded, modernist reconstruction of the city's downtown. Given all these projects and the city's political importance, Salgótarján became the county seat of Nógrád County in 1950. However, since the 1980s the city has been one of the most notorious examples of a shrinking city in Hungary. Its population decreased by 21% between 1989 and 2016, the county's GDP per capita was only 46% of the national average (the lowest among the counties), and 10% of the population lives in segregated neighborhoods with very poor housing conditions. There are

still almost 2,000 flats without basic amenities (toilet and bathroom). From this perspective Salgótarján is not only a perfect example of state-led urbanization under state socialism, but of the negative consequences of uneven development in the post-1989 liberal era as well. Given these huge disparities, Salgótarján could have been one of the perfect locations for an EU-funded social urban rehabilitation. One such project was indeed carried out between 2013 and 2015[81] with a total EU-funded budget of HUF 431 million.

However, when Salgótarján was brought up in my interviews – which happened quite often – it was not mentioned as a best practice but rather as a very conflictual and inconclusive case of social urban rehabilitation. There were several interrelated factors that created these conflicts and ambiguities. First of all, the case showed what happens when a hierarchical local society is confronted with a new developmental idea promoted by external actors. I emphasize the hierarchical nature of the local society in order to shed light on the different capacities of different actors/groups to influence the process of implementing a novel policy. While on this general level the situation is similar to the projects in Budapest, a crucial difference is that beyond Budapest the local brokers are usually much less connected to the national infrastructure of urban development, thus an additional interface between the external experts from Budapest and the local policy actors emerges. These local actors are more embedded in – and existentially more dependent on – the local landscape of power hierarchies. In the case of Salgótarján – and I would say in most of the cities beyond Budapest – this situation created an opposition between local and national[82] wills and visions of

[81] The planning of the project began much earlier, and it was supposed to be finished by 2013, but was delayed several times due to various bureaucratic and political reasons.

[82] I do not want to essentialize the concept of the "national vision": in the previous section I showed how this is produced through the interactions of different expert groups and politicians. The reason I

improvement. In order to implement a social urban rehabilitation in Salgótarján, an important task was to overcome this opposition and to arrive at a sort of compromise.

But what were the main driving logics behind this initial opposition? The national vision could be summarized as an attempt to disseminate the mixture of the EU know-how ("integrated sustainable urban development" aiming to counteract segregation) required by Brussels and the experiences gained through the first pilot projects carried out in Hungary (mainly the MQP). This vision was represented by the Managing Authority, which had the final say in accepting or rejecting the local project. The local vision, on the other hand, was embedded into, and created by, the context of dramatic shrinkage. Within this context, where almost the entirety of the local population suffers from downward social mobility and a relative loss of power compared to other cities, and a continuous downgrading of the local infrastructure, the local elites have been keen to hold on to their relatively higher social status, at least within the local context. While politically the local society is divided between left-wing and right-wing groups – mirroring the main national political division between right-wing Fidesz and the left-liberal parties in power between 2002-2010 – this basic attitude of the middle classes went beyond the otherwise significant political divisions. Even though some members of the left-wing group voiced concerns about growing social polarization and embraced the principle of solidarity, their position was not evident in local policies. Moreover, between 2006-2014 the local mayor was from the Fidesz party, where even these rhetorical nuances were missing.

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use the concept of national vision is that it is of crucial relevance in the local imaginations that frame the narratives and practices of urban development.

This general attitude among the local elites was most evident in the case of the long-term Public Housing Strategy (Salgóvagyon, 2013), which was formally accepted in 2013 – unanimously by all the parties in the local council – but informally practiced since 2007. The centerpiece of this strategy was the requirement that the municipality get rid of most of the poor quality public housing units either through privatization or demolition. A justification for this decision was that most of the poor tenants of the poor quality social housing units had accumulated various types of rent arrears which further worsened the fiscal situation of the otherwise poor city. The main desire behind demolitions was to get rid of the undeserving, often Roma families[83], demolitions which resulted in the displacement or relocation of the sitting tenants. In most of my interviews with local experts and politicians, this exclusionary vision was coupled with stigmatization and the tendency to "blame the victim". Even though there were around 10 "segregated areas" that contained around 10% of the city's population (as delineated by the Hungarian Central Statistical Office), the only investment into these areas favored by my interviewees was demolition. A strong force behind this attitude was connected to the relatively high proportion of Roma people in the local population. During interviews with local stakeholders, the deserving vs. undeserving poor distinction was often intertwined with Roma vs. non-Roma distinctions, and since segregated areas have a relatively larger Roma population compared to other neighborhoods, the legitimization of not channeling resources to these "needy" territories is also partly based on these explicit or implicit "anti-Gypsy" sentiments (cf. Kovai, 2012).

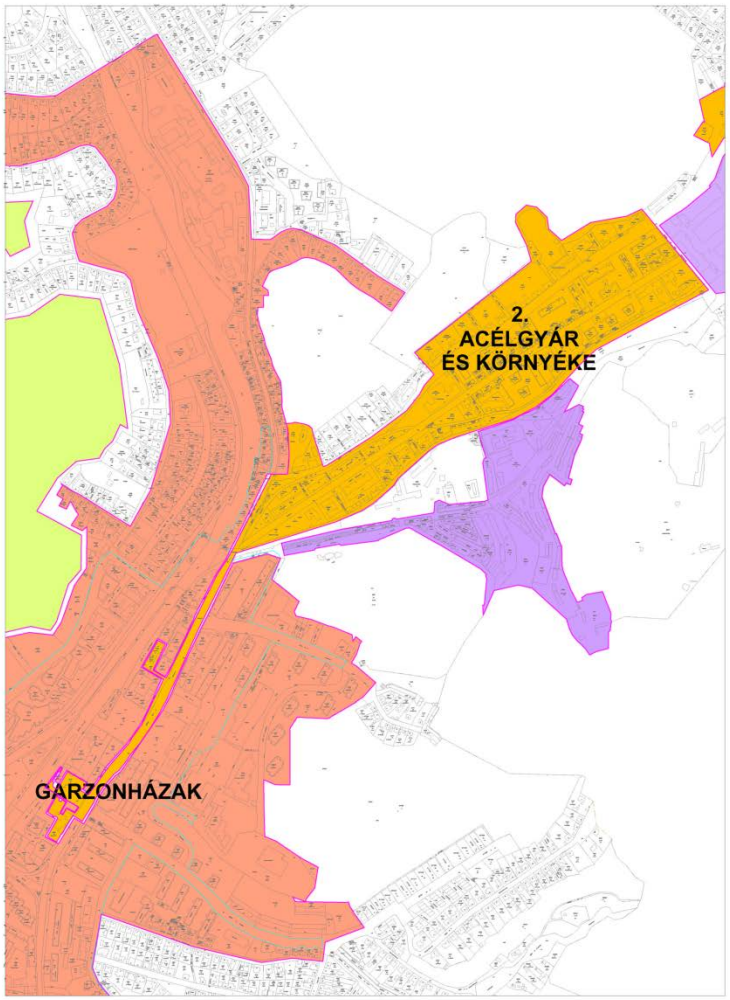
[83] By law, all lawful sitting tenants with an existing housing contract are eligible for either a flat in exchange or cash compensation if their homes are demolished. However, in the case of Salgótarján, 90% of the tenants of public housing units were "unlawful", meaning they had arrears and thus the property manager invalidated their contracts. Though some of the tenants received some form of compensation, it was the object of a completely opaque and legally unregulated process of negotiation between the property management company and the tenants.

This local vision was clearly at odds with the national vision of integrated and sustainable urban development coupled with the participation of local residents and with intensive social work. Partly for this reason, but mainly because of the complexity of applying to the national tender for social urban rehabilitation, the city of Salgótarján hired Városfejlesztő Zrt. (the successor of SCET, led by László Bajnai) to prepare all the necessary documents for the application. Városfejlesztő Zrt. – similarly to other companies with similar profiles – was already a winner in the process of spreading social and function-enhancing rehabilitation all over Hungary: they were hired for relatively well-paying projects. Though they used this job to lobby for certain professional principles that they believed in – setting up a professional local public urban development company, applying "European" methods of urban development similar to the SEM IX model, etc. – they did not take sides in the unfolding opposition between the local and the national visions of development. Rather, they performed the role of the compromise-making broker. In practice this meant making the local vision compatible with the national regulatory framework. It also meant that the national regulations, derived from an implicit framework in which local disparities between segregated and relatively well-off neighborhoods should have been decreased, were in essence used to contain the local framework which prioritized the decrease of the disparities on the national scale, i.e. socio-spatial differences between Salgótarján as a city and the rest of the country.

This struggle was played out in practice during the debate on the location and size of the target area of the intervention. The city leaders wanted to spend the resources dedicated to social urban rehabilitation in central locations, where they are more visible for an average citizen. More precisely, they wanted to renovate two publicly owned modernist residential block towers in the inner city. Moreover, they wanted to minimize the soft elements (e.g. social services, community building) and increase the hard, infrastructure-related elements

(e.g. beautifying public spaces). However, the national regulations were clear that the funds could only be spent in action areas delineated as "segregated territories" by the HCSO[84]. The compromise facilitated by Városfejlesztés Zrt. stipulated that the action area include both the tower blocks and the nearest "official" segregated area delineated by the HCSO (see Figure 13, where "Garzonházak" stands for the tower blocks, "Acélgyár és környéke" for the segregated area, and the orange area for the inner city). As generally the social statistics of the city were very poor, this gerrymandering trick was acceptable to the Managing Authority. But in exchange, they demanded that the city must invest into the segregated area as well. While this segregated area contained a few dozen of the most dilapidated public housing units in the city, city leaders decided to renovate three of the best quality privately-owned buildings in the area. Their justification for this decision was that since the buildings were adjacent to one of the busiest roundabouts in the city, they would be more visible for the citizens and thus provide more aesthetic pleasure for an average resident. Thus, while a compromise was found, it was clearly not the solution that the initial propagators of the idea of social urban rehabilitation would have imagined in Salgótarján.

[84] There has always been a strict method for delineating segregated territories. A certain territory was regarded as segregated if the "segregation index" went above a certain value. Currently the segregation index is the proportion of people without a formal wage and with primary school as the maximum education level among the 15-59 age group in a given territory.



13. Figure

The "action area" of the first social urban rehabilitation in Salgótarján.
Source: Városfejlesztés Zrt., 2012: 121.

Moreover, after agreeing upon the location of the action area, further compromises were needed during the design and implementation of the project. First of all, the supposedly collective and participatory nature of the project was not a priority for the city leaders. From their perspective, the situation was similar to what James Ferguson described with the metaphor of "throwing a bread crumb into an ant's nest" (Ferguson & Lohmann, 1994). The local "ants" – and more precisely those ants who were high enough in the hierarchy of the nest – immediately began organizing how the crumb (the incoming EU funds) could be

utilized in the best possible way. From this perspective, the resources allocated to the city were also resources that could be reallocated within local networks in order to strengthen the power positions of local leaders within those networks. Thus instead of financing intensive social work or participatory soft projects, city leaders decided to finance their most strategically important local partners: the churches, and a circle of NGOs which were closest to the local elites.

In the case of the churches, both the Roman Catholic and the Lutheran church buildings were renovated. In order to comply with the request of the Managing Authority, a "community" space was created in the Lutheran church. Ironically, this space could never be used by most of the members of the community since only the Lutherans organized events there and most of the residents were not affiliated with them. In addition to the "undeserving", poorer, non-Lutheran local residents being unable to use this space, the Lutheran priest was also unwilling to provide access to the space to the larger community in the next round of social urban rehabilitation started in January 2017, when such a space would be needed for regular community programs. In the case of the local NGOs, it was very difficult to find any data on how their budget of more than HUF 20 million was spent. Most of the local residents had no clue about the dozens of programs that were – on paper – organized for them. After the closure of the project, the majority did not even know that such a project had ever happened. I looked at the documentation of these "small projects", as they were called, and it turned out that the organizers were mostly part of an interconnected network of NGOs led by elderly "professional" civic organizers. This meant that those few progressive NGOs that worked with the poorest residents of Salgótarján were denied access to this fund. All in all, none of the soft elements had any systematic effect on the poor residents of the territory. None of the "integrated", "participative" development projects that the Managing Authority had wanted to

see occurred. Only those “ants” were able to get a hold of some bread crumbs whose structural positions within the local power hierarchies were high enough from the perspective of the local politicians, who themselves played the role of gatekeepers. Thus this story is a sad but apt illustration of how subsidiarity in the context of previous rounds of liberalization, privatization and decentralization can have paradoxical effects during the implementation of supposedly innovative, territorially focused social interventions.

Project society and the revival of managerialism

The 2000s was a very important period in the history of urban rehabilitation in Hungary: Europeanization in the liberal era resulted in the quickest expansion and institutionalization of this policy tool in preceding fifty years. It was fueled both by the increasingly evident detrimental effects of post-1989 liberalization, and by the mainstreaming of urban interventions on the EU level. The result of these forces was that social sensitivity reappeared again after the state socialist period in the form of social urban rehabilitation. It is tempting to say – and some of my interviewees did say – that the emerging social urban rehabilitation model failed to deliver what it promised in the context of Hungary after 2005. However, taking into account James Ferguson’s insights about failure and success in the field of development projects, it makes more sense to ask what social urban rehabilitation had actually accomplished (besides not ameliorating poverty on a mass scale, which it was supposed to do).

As in the famous case of Lesotho analyzed by Ferguson, the introduction of a new developmental tool expanded the field of development experts, and in our case the introduction of social urban rehabilitation expanded the field of urban rehabilitation. A nationwide network of experts was built up which was able to navigate the extremely complex world of absorbing EU funds. Part of this new network came from the recalibration

of old institutions. Both VÁTI and BUVÁTI had very serious hardships and a sense of institutional identity problems during the 1990s. Both remained public institutions, but with the spreading idea of entrepreneurialism and in the context of anti-planning sentiments in the state administration, they struggled to find a new place for themselves in the changing institutional landscape of the liberal era. The key for their survival was Europeanization: without specializing in EU-related planning and management, these institutions would not be able to survive and expand.

Another part of this nationwide network was built up from newly-established institutions. The most symbolic example of this is the National Development Agency (NDA), a quasi-autonomous, public institution on the national scale, established outside of the ministries in order to provide a centralized institution for Managing Authorities. An interesting coincidence is that the office building of NDA was in the famous Block 15, which was the location of the first experimental urban rehabilitation in the 1980s. Most of the professional knowledge was accumulated in this institution, and hundreds of young professionals were professionally socialized here, where the European scale and the local scale came together. This new institution was also the locus of clashing interests. As the NDA employees were usually supporters of the policies propagated by the European Commission, they had to face resistance both from the ministries (having a hard time adapting to the project logic of EU-funded projects), and at the local level (as I showed in the case of Salgótarján). These professional debates and struggles had another instrument-effect on the local level: local bureaucrats and experts learned the tricks of the trade of EU fund absorption through this first full round of EU projects between 2007 and 2013. Local city-level urban development agencies were formed, and hundreds of employees began working on the management of such projects. An important catalyst for the professionalization of local

experts was that all the local governments applying for urban rehabilitation funds had to create a so-called “integrated urban development strategy” based on the guidelines worked out by the NDA. Writing these several-hundred-pages-long documents took tremendous effort and generated a lot of experience that was very useful in the later stages of Europeanization. For example, each integrated strategy had to contain an “anti-segregation plan”, whereby all the segregated areas had to be mapped through a strict methodology, and then concrete policy steps had to be formulated. Even though these plans could not effectively stop local mechanisms of segregation, a lot of expert knowledge and practice was mobilized (cf. Szombati, 2017).

Second, the field of urban rehabilitation experts not only expanded, but became segmented as well. As I showed in the case of the emerging RÉV 8 model, a new generation – influenced by the mainstreaming Western European professional ideologies – entered the field, which was able to institutionalize these new ideas. The most symbolic such example is RÉV 8, whose model in Józsefváros became a best practice for some, and an outrageous scandal for others. While this segmentation was limited and did not divide the whole field, it nevertheless made the field more heterogeneous through solidifying a previously more fluid interstitial field. The formerly architecture- and sociology-dominated field attracted more and more economists, public administrators and international relations experts, and as the members of a new generation slowly outnumbered those socialized during state socialism, urban rehabilitation became a widely known and widely practiced form of urban intervention.

Third, the extension and segmentation of the field hinged upon the incorporation of new professional technologies which were necessary to connect the incoming EU funds to the urban development reality of Hungary. In my view, these new technologies contributed to the revival of managerialism, which for a long decade after 1989 seemed outdated and out-

fashioned. While these managerial forms are equated in the professional narratives with the modern, enlightened, "European" version of public management, in my view they resemble certain aspects of the pre-1989 practices in urban planning, especially if we analyze them in the managerialism-entrepreneuralism conceptual framework of David Harvey that I discussed in the previous chapter (Harvey, 1989). The backbone of absorbing EU funds was a highly bureaucratic planning process. This was very similar to the managerialism of the socialist planned economy, even if the context of the contemporary processes is very different[85]. Moreover, this revival happened after an era when the limits of entrepreneurialism – both how it creates social and spatial polarization, and how it can never occur in depressed areas – became clear, and thus a need for managerialism in certain domains of the state emerged. An evident domain of this selective managerialism is that of social and spatial problems, while other important domains, like housing finance, are governed in a dominantly entrepreneurial fashion (Bohle, 2013).

Thus what the epigraph at the beginning of the chapter foreshadowed more or less came to pass in the field of urban rehabilitation in the 2000s in Hungary. The role of the planners in the era of Europeanization seems indispensable, even though their agency cannot be compared to what the epigraph suggests. These new managers also had to conform to external restrictions, just as the autonomy of planners in state socialism was seriously curtailed. But unlike during state socialism, it was not the centralized state that created most of the obstacles for professionals in the liberal era of Europeanization, but rather the structural factors manifesting through the different actors within the relatively decentralized institutional

[85] For example, the dominance of the European scale in bureaucratization makes the bureaucratic landscape of state administration much more uneven than is the socialist period, when bureaucratization was

system. In the case of Corvin Promenade it was a giant real estate developer, while in the case of MQP it was the hostile local politicians, and in the case of Salgótarján, the alliance of local politicians and other members of the local elite. It was this fragmented institutional architecture that was redesigned after the next historical juncture, the global crisis of 2008-2009, by the newly-elected Hungarian government led by right-wing Fidesz.

Chapter 5
Urban rehabilitation after the authoritarian turn

"I am beginning to inquire into the origins of my lust for power, and find my role as an intellectual more and more embarrassing. We are the key figures of a new age. National market, national state, national army – none of these could exist without us. Emperors needed us, as we needed them; we hated and missed each other. Later we threw away the costumes of courtiers and, contemptuous of rule by grocers, invented left- and right-wing romanticisms. The philosophies of planned states can be traced back to the guiding principles of utopias. We identified the state's interest with society's interest. We were the state, and exchanged the power of money for the power of the edict. …We benefit from each change in the ideology; we can be communists, liberals, technocrats or ecologists. Wherever systems become complex and the stakes risky, we become indispensable."

(Konrád, 1977: 98-99)

Since 2010, the institutional context of urban rehabilitation, and the field of urban rehabilitation itself, have gone through very crucial changes. VÁTI, the most important public institution for urban and territorial planning since 1951 and the birthplace of Hungarian urban sociology, was dissolved in 2013. The Urban Rehabilitation Fund of Budapest, the primary funding mechanism of urban rehabilitation in the city's post-1989 period, was shut down in 2014. The National Development Agency, the most important institution of Europeanizing urban rehabilitation in Hungary from 2006, was dissolved and its various parts integrated into different ministries in 2014. The parallel dissolution of these institutions – each of which symbolizes a different era in the history of urban rehabilitation in Hungary – was not a coincidence: with the landslide victory of right-wing Fidesz at the parliamentary elections in 2010, a new era had begun.

Building both on the anger of hundreds of thousands of people disenchanted with the ruling left-liberal parties after a major political crisis in 2006 (cf. Halmai, 2011), and on the frustration triggered by the harmful social consequences of the 2008-2009 global financial

crisis (Fabry, 2011), right-wing Fidesz was able to obtain a supermajority in the Hungarian Parliament in 2010, which led to crucial reforms in nearly every domain of Hungarian politics. These changes are only comparable to those of 1989. From a scale-sensitive perspective, the main institutional logic of this new era is the expanding power of the central government through recentralization. After the hidden decentralization of late state-socialism, and then the fetishization of local governments and local scales in the 1990s, and finally the dominance of the European scale through the first phase of Europeanization in the 2000s, Fidesz launched a new process of recentralization combined with a nationalist rhetoric, whereby both state practices and state rhetoric revolve around the ability of the national scale to control processes on other scales.

Recentralizing efforts unfold differently in different domains of politics. On the level of political rhetoric, Fidesz's nationalism has taken an anti-European tone according to which "a freedom fight" against the alliance of "Brussels" and the former left-liberal elites that dominated Hungarian politics until 2010 is needed in order to defend the interests of the "nation". In the realm of democratic institutions, Fidesz has systematically destroyed democratic checks and balances including reducing the autonomy of the constitutional court, the judiciary and the prosecutors, the rewriting of the constitution without the participation of opposition parties, and the curtailing of press freedom (Pogany, 2013). All of these reforms aimed to consolidate the power of the executive branch of the state (completely dominated by Fidesz, which is itself a completely hierarchic party without inner checks and balances), and thus to centralize power. In the domain of economic policy, the most important trend has been the creation of a new national bourgeoisie closely allied to Fidesz (Scheiring, 2016). These oligarchs have taken over large parts of the construction industry, the banking sector, the media and the energy sector. Concentrating the ownership of companies from key areas of the

economy, coupled with selective nationalization (Mihályi, 2015)[86], is another facet of recentralization.

These changes are very radical, and they fit into a wider process of a post-crisis protectionist and authoritarian turn in the global North generally, and in Eastern Europe particularly. However, from the perspective of urban rehabilitation, this turn in Hungarian domestic politics which was catalyzed by a global historical juncture did not result in the clear-cut end of the previous liberal era. In my view the institutional landscape – akin to urban landscapes – of urban interventions is similar to a palimpsest. The newly-emerging organizing logics of the authoritarian era are superimposed on the logics of previous eras. Thus analyzing the field of urban rehabilitation during the right-wing regime requires a special attention to these superimpositions. In other words, even in the period since 2010, there are important elements of the previous liberal era that are integral to the politics of this regime, similarly to how Golubchikov et. al described how urban forms of previous historical periods – or in their conceptualization, "endowments" – become constitutive elements of emerging contemporary urban forms (Golubchikov, Badyina, & Makhrova, 2013). Even though the dissolution of very symbolic institutions (such as VÁTI, the Urban Rehabilitation Fund and NDA) is a remarkable step towards a new epoch, the field of urban rehabilitation could not be dissolved, only re-institutionalized and re-politicized. The planners and experts have been indispensable – even if their relation to the state has been significantly reshuffled.

A very good example is the issue of Europeanization. Even though Fidesz performed a U-turn in how the Hungarian government relates to the European Union rhetorically – cf. "the

[86] Mainly in the energy and banking sectors, where the costs of transactions between 2010 and 2014 were approximately HUF 1,367 billion (EUR 4.5 billion), 80% of the total cost of all nationalizing transactions in the same period (Mihályi, 2015: 67-73).

freedom fight" against Brussels – the financial role of the EU in Hungarian public investments has never been so great. Therefore, while analytically we can separate Europeanization during the liberal era and after the authoritarian turn, changes in the everyday management of Europeanization are coupled with a lot of continuous processes.

In this chapter I will analyze the changing role of urban rehabilitation in this most recent era of Hungarian politics. Urban rehabilitation emerged in the 1980s as a policy response to the financial crisis of the state, and as an alternative to costly urban reconstruction. During the 1990s urban rehabilitation was imagined by key experts as an instrument of an entrepreneurial shift in urban governance. The negative consequences of how this imagination was put into practice, coupled with the first wave of Europeanization, led to the emergence and institutionalization of social urban rehabilitation after 2000. After 2010, social urban rehabilitation – almost completely financed by the EU's Structural Funds – remained the main instrument of the practice of urban rehabilitation, but there has been a shift in the function it fulfills. After the authoritarian turn, social urban rehabilitation has become a key tool for the micromanagement of social problems in a dominantly paternalistic way.

In the first section of this chapter I will outline the processes of institutional restructuring after 2010 on different scales, which have provided the context for the changing function that social urban rehabilitation fulfills. In the second part of the chapter, I will show in detail through the example of previously introduced projects – Józsefváros and Salgótarján – how those projects were affected by this large-scale institutional restructuring.

Recentralization and the "freedom fight" on different scales: Continuity and change amidst institutional restructuring

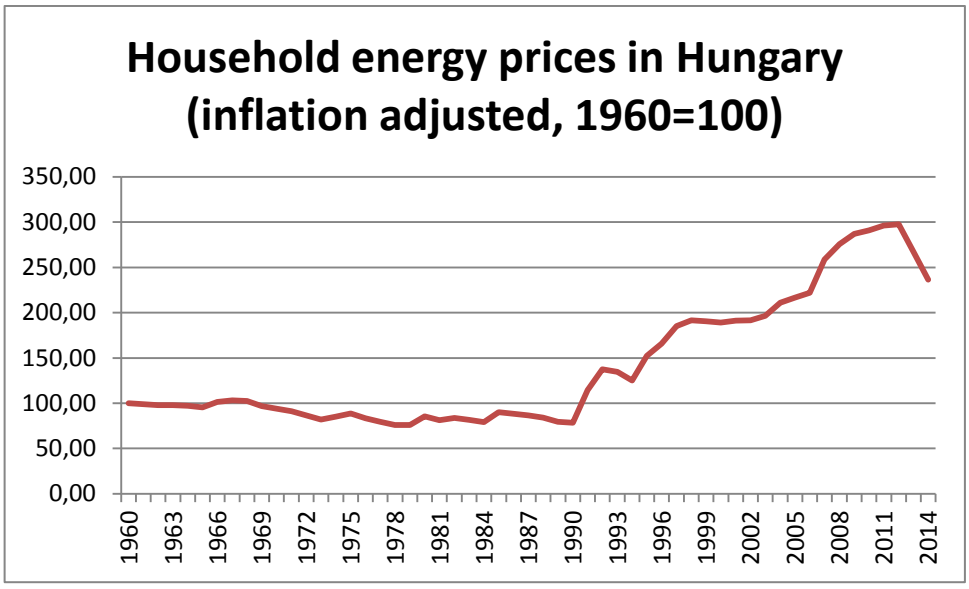
When Fidesz took power in 2010, Hungary – as a semi-peripheral and indebted small EU member state – had already been severely hit by the global economic crisis. Most of the mainstream newspapers and policy analyses used similar narratives to present the Hungarian crisis: "Hungary was initially the front-runner of market reforms in Central and Eastern Europe, but by the end of the 2000s its economy showed serious structural problems…. The financial crisis hit its economy the hardest among the Visegrad countries" (EEAG, 2012: 128). This journalistic trope telling the story of how a "forerunner" and a prime "successful" example of post-1989 shock therapy in Eastern Europe became one of the most vulnerable countries of the newly-joined EU member states after 2008 may shed light on the radical shift in Hungarian political life from left-liberal parties to right-wing Fidesz.

However, forming a government with a supermajority during a crisis was both a historic opportunity for Fidesz, and a challenge to manage the negative economic and social processes. In order to cope with this situation, they initiated a wave of radical reforms, some of which I mentioned above. At the same time, they began framing the political situation as one in which the "nation" is under continuous attack by foreign adversaries (Brussels, international capitalists, etc.) and their domestic allies (the former left-liberal political and economic elites, NGOs funded from abroad), while the Fidesz government defends against these threats and fights for the freedom of the whole nation (Gagyi, 2016). This rhetorical tool was then used to legitimize certain "emergency policies" that were controversial in their design and in their effects. In the area of housing, two such policies need to be emphasized: the reduction of utility costs, and the policies targeting the unfolding foreign exchange loan crisis. In both cases the policies indirectly targeted some – otherwise crucial – elements of the

deepening housing crisis (Udvarhelyi, 2013), while supposedly taking back "national" control but in reality helping the new national bourgeoisie.

The first such housing-related emergency intervention that I discuss was the attempt to reduce utility costs. This attempt became widely discussed during the electoral campaign of 2014, when *rezsicsökkentés*, which translates into "utility cost reduction", became one of the central campaign slogans of Fidesz. They played on a real problem of high utility costs (see Figure 14), and offered a solution through attacking "foreign" private companies making "extra profit" through dispossessing the Hungarian people. Their rhetoric in this issue was overtly anti-capitalist and nationalist: they claimed that they would re-regulate the energy market in favor of the Hungarian people and against the interests of foreign private companies. This re-regulation did happen, and the price of energy did decrease to some extent, but it is important to see what their policies did besides fulfilling these widely touted aims. Without describing in detail how exactly the energy market was re-regulated, there are three important points regarding the effects of re-regulation that are important to highlight. First, the new regulations radically decreased the profitability of those foreign companies which entered the market after 1989 through privatization. Second, many of these companies were later nationalized in order to decrease the energy vulnerability of the country. Third, some companies owned fully or partially by the state, or by Hungarian entrepreneurs connected to Fidesz circles, were made the beneficiaries of the new regulations in the energy sector, generating huge profits – sometimes channeled into offshore companies[87].

[87] Recent figures published by Eurostat have shown that while between 2015 and 2016 gas prices decreased in 24 EU Member States, it increased by 1.5% in Hungary. Investigative journalists have shown that one of the main beneficiaries of this trend was MET Zrt., a private company that operates on the Hungarian gas market in a monopoly-like situation in importing gas from abroad. In 2012



14. Figure

Source: Own calculation based on HCSO data

In the case of policies targeting the foreign exchange loan crisis, very similar patterns can be identified. Here the pressing social issue was the exponentially increasing number of bad loans – many of them forex mortgage loans on houses – on the credit market after the 2008 global crisis (Bohle, 2013). Here the rhetoric was very similar: Hungarian debtors were in need of rescue because of the "extra profit" and unethical lending practices of foreign-owned banks, which were allowed to dispossess people by the liberal policies of the previous left-liberal governments. Between 2010 and 2015 the government intervened several times in the banking sector and credit markets. They attempted to redirect the costs of extreme changes in conversion rates after 2008 – between the Hungarian Forint and other foreign currencies,

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alone, HUF 55 billion (EUR 170 million) in dividends were paid to the company's owners, who are famous oligarchs and companies close to the governing party (Magyari, 2015).

most importantly the Swiss Franc – from the households to the banks. Parallel to these forex loan-related policies, the whole banking sector was re-regulated in such a way as to decrease the profitability of most of the foreign-owned banks. Again, without a detailed presentation of these policies – which included such legal "innovations" as retroactively rewriting the contracts between the banks and the debtors – three impacts of the re-regulation can be highlighted. First, the profitability of many banks decreased dramatically; huge losses were racked up between 2012 and 2014. Second, as a result of decreasing profits, some of the banks were nationalized. Third, some new actors appeared in the market, again fully or partly owned by the state or by investors close to Fidesz, whose position within the market became strengthened by the new regulations[88].

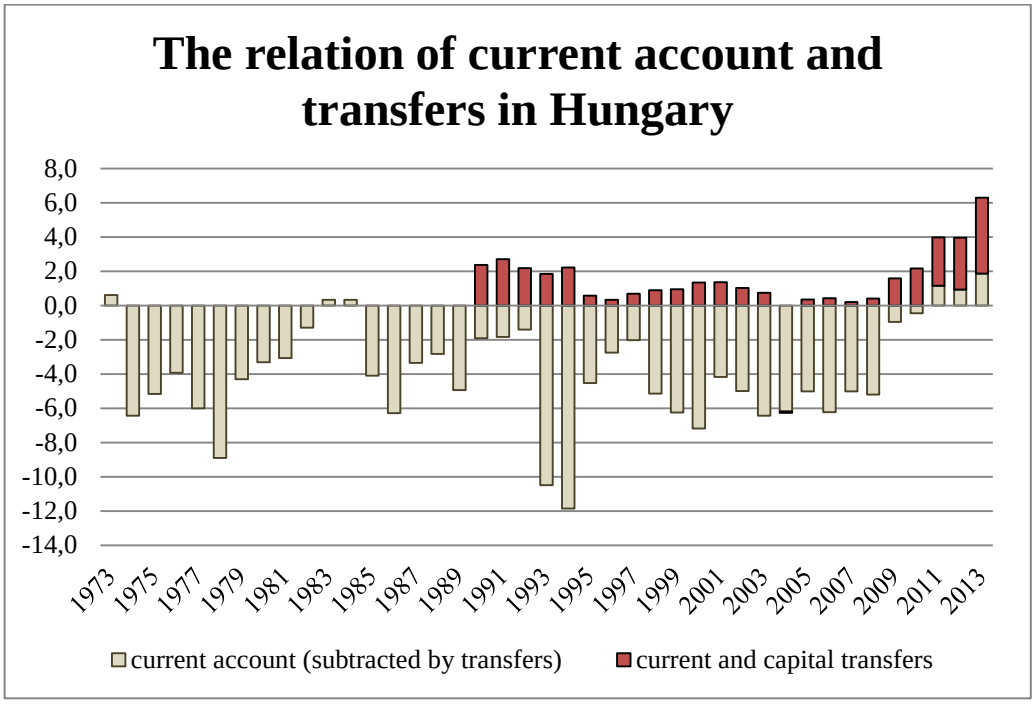
These instances of governmental intervention into certain markets – backed by a nationalist, populist, anti-market rhetoric – symbolize well the "protectionist", recentralizing side of Fidesz's economic policies. But while populist-nationalist state propaganda tries to depict Fidesz as responding to the needs of "the Hungarian people", in their effects the practices are widening the inequalities between higher and lower classes (Koltai, 2015). It happens through a set of dual policies, one part of which benefits the upper and middle classes during redistribution, while the other regulates the disadvantaged lower classes (Jelinek & Pósfai, forthcoming). This kind of class politics is present in many policy domains, like in educational policy, tax policy and social policy, for example (cf. Scharle & Szikra, 2015).

[88] The most illustrative case is that of MKB Bank, which was the fourth largest commercial bank in Hungary before the 2008 crisis. In 2014 the Hungarian state bought the bank from BayernLB, and two years later reprivatized it to Hungarian oligarchs, among them the mayor of the hometown of the Prime Minister (Pándi, 2017; Uj, 2014).

In the domain of housing, a new policy instrument was introduced in 2015. The Subsidy for Providing Homes to Families (*Családi Otthonteremtési Kedvezmény*) provides both direct subsidies and subsidized loans to families. The more children a family has or promises to have, and the more capital they have, the higher the subsidy they can acquire. For example, a married couple who promises to have at least three children in the coming ten years is eligible for a more than EUR 30,000 non-refundable subsidy (5.5 times the annual net income of an average employed Hungarian) and the same amount in a government-subsidized loan with a very low and fixed interest rate. As many initial analyses have shown, this is an instrument designed to benefit upper and middle class families, with the additional biopolitical objective of having a positive effect on the country's demographics (Misetics, 2017).

Besides these housing-related emergency policies where the nationalist rhetoric was directed towards foreign companies – which in reality contributed to the emergence of a new national bourgeoisie and to the polarization of society – there is another, perhaps more important battle field for Fidesz. This is for control over the spending of incoming EU funds. As I mentioned in the previous chapter, from a macroeconomic perspective the period since the late 2000s is a new era in Hungary: while in the 1970s and 1980s international state loans were dominant forms of external finance in stabilizing the current account of the country, in the 1990s and 2000s foreign direct investments (FDI) fulfilled the same function. Since 2010, however, both state loans and the inflow of FDI through privatization lost their relative significance due to the effects of the global crisis on Europe's periphery (Gerőcs & Pinkasz, 2018.). A new dominant form of external finance appeared: EU transfers, made up in large part by EU Structural Funds within the framework of the union's Cohesion Policy. EU transfers to Hungary were 5.61% of the gross national income (GNI) in 2014, the highest rate of any Eastern European member state in the history of the EU (Dedák, 2015)(see Figure 15).

Thus from the perspective of the governing party, having control over these incoming transfers has been a strategic question of major importance.



15. Figure

Source: Gerőcs & Pinkasz, 2018

There were two main, interrelated dimensions of the Fidesz attempt to expand its sovereignty over allocation of the incoming EU funds. The first was the re-institutionalization of the management of EU-related project planning and implementation, and the second was the negotiations with the European Commission preceding the drafting of plans for the 2014-2020 financial period. The common feature of these two attempts was that the new political elite tried to assert tighter control over the experts, who were the managers of these processes. Since Fidesz did not have enough loyal experts with the necessary knowledge to replace everyone in key positions, the indispensable former experts had to be controlled in some way.

This process was described in numerous interviews during my research. For example, an employee of one of the Managing Authorities said that "[i]ndeed, the political leadership became much stronger. As I see it, during the Socialist Party government [the strongest party in government before Fidesz] the level of the Minister of States was a political one, but their deputies were usually professionals. [...] This separation [between political and professional positions] moved downwards at least two bureaucratic levels." Another public servant, who worked on the planning of the 2014-2020 period, described how this had an effect on their everyday practice: "[t]he planning process was strictly supervised, and every idea came from the political level. Formerly it had never been the case. The former planning documents were obviously the production of professional circles – however, because of this, the political level could never really feel that these documents are 'theirs'. Now priorities come from above, there are more constraints, but in exchange the politicians feel that the documents we produce are theirs." There were also more emotional and negative narratives to describe this same process, for example this one by a bureaucrat based in Brussels: "Nowadays there is no professional thinking, that is for sure. What is going on is the destruction of expertise [...] if someone comes from professionals, then it is threatening for them [Fidesz politicians]. So I think that under the extreme conditions of this period, we can say that it is the dismantling of the profession in all domains that happens. Because this is exactly what they do not like: autonomy and opposition."

The emic framing of the changing relationship between politics and expert practices were very similar in most of my interviews, illustrated by the three quotes above. In this narrative "politics" interferes with "the profession", and curtails the autonomy of the latter. In other words, the profession gets politicized. From an analytical perspective this emic narrative is significant, but from an etic perspective it is potentially misleading. After looking at the

interface of politics and experts in previous historical periods in the earlier chapters, I do not subscribe to the narrative that a neutral, ideology-free profession was colonized by politicians. In my view a more apt description is that since there was a larger ideological overlap between EU-related experts and left-liberal politicians, there was less motivation from the side of the politicians of the liberal era to intervene into expert practices. Another factor was that from a macroeconomic perspective the relative significance of EU transfers was lower before 2008 than after. Once Fidesz won the elections in 2010, they were suspicious about this ideological overlap, and wanted to strengthen their negotiating positions vis-à-vis the European Union. Thus what most of the experts and bureaucrats perceived as the politicization of their more or less autonomous profession was in reality the clash caused by the institutionalization of a different – conservative, more authoritarian – political ideology, and the emergence of a more coherent vision for governing incoming EU funds from the side of the central government.

For this to take place, previous institutions had to be reshuffled. As the first symbolic step of the new Fidesz government right after the elections, they effectively suspended most of the activities of the National Development Agency - i.e. the Managing Authority, the main gatekeeper - related to the spending of EU funds until a thorough inspection was made. The NDA was viewed with suspicion by the new political elite because of their supposed loyalty to the previous political elite and to officials in Brussels. In 2011 the autonomy of the institution began to be curtailed with a governmental regulation[89]. Many employees, mostly the leaders of the institution, were replaced – within the organization, the new leaders called this process "rebuilding" – and negotiations with local governments hoping to apply for funds to carry out urban rehabilitation were suspended for almost a year. Normal operation and

[89] Governmental Decree No. 2011/4

tendering was restarted only in 2011-2012. However, at the beginning of the new programming period, NDA was completely closed down. The Managing Authorities were integrated into the relevant ministries in order to impose tighter political control, while the horizontal functions of NDA were integrated into the Prime Minister's Office led by János Lázár, one of the most powerful ministers. Since 2014, all EU-related spending activities have been supervised by this strategically important ministry.

Besides control over the management of EU-funded projects, the control over the programming of the 2014-2020 period was a crucial issue as well. Prior to the previous period, around 2004, VÁTI supervised and orchestrated most of the planning activities, including the creation of the regional operative programs – programs that funded urban rehabilitation projects between 2007-2013. However, in 2013 VÁTI was dissolved as well, and EU-related programming was delegated to a newly-created institution called the National Authority for Economic Planning (NAEP – *Nemzetgazdasági Tervezési Hivatal*). NAEP was a symbolic institution from the perspective of managerialism. Its explicit aim was to centralize all planning activity of national significance. While the liberal media attacked Fidesz for reviving socialism and central planning – even the name of NAEP resembled that of the infamous National Planning Office, which supervised socialist planning until 1989 – anti-communist Fidesz politicians and experts close to the party argued that the centralization and politicization of EU-related planning was essential to expand the country's national sovereignty. While NAEP itself was dissolved in 2013, planning-related activities were transferred to an even newer institution called the Research Institute for National Strategy

(RINS – *Nemzetstratégiai Kutatóintézet*)[90]. Even though it was hard to keep track of these quick institutional changes, many of the planners from VÁTI followed these trajectories and ended up in RINS by 2014. Though there was considerable fluctuation among the experts, several of whom felt forced to leave the field, the backbone of the profession remained intact. As one of my interviewees put it in 2014: "there are the same people around the conference tables – the only thing that changed was which institution they represent". However much Fidesz wanted to control the experts that were knowledgeable about spending EU funds, they did not have the loyal personnel to replace them. What they could do, however, was to push the indispensable ones into new institutional configurations.

Apart from re-institutionalization, the other crucial domain of Fidesz's "freedom fight" was the negotiation with Brussels over the 2014-2020 funds. Here the most important innovation was the elevation of the issue of national planning from a necessary EU requirement to a national priority. Apart from creating NAEP and later RINS, this move also led to the creation of "planning documents". Though the European Commission has always required that member states have a national planning document as an overarching framework of the Operational Programs (this is called the Partnership Agreement), it was the first time that Hungary prepared such a document independently from and prior to EU requirements. This was done as a gesture to show that national priorities come before EU priorities (Nemzetgazdasági Tervezési Hivatal, 2013). Later, when negotiations started with the EC, the nationalist tone was also translated from political rhetoric to the everyday practices of

[90] The "founding father" of NAEP was György Matolcsy, Minister of National Economy between 2010 and 2013, and governor of the Hungarian National Bank since then. As soon as Matolcsy became bank governor, the NAEP – closely associated with him – was reorganized and dissolved following pressure from other powerful Fidesz politicians that did not fully agree with Matolcsy's "unorthodox" economic policies.

bureaucrats. One of the employees of the EC that took part in the negotiations summarized this shift with the following insight:

> "Fortunately, in the last one or two years, the style of the Hungarian government regarding regional policy became so blunt that now even my bosses can see that it is impossible to treat the Hungarian negotiators as equal partners. The only problem is that we neither want to play the 'parent', nor the 'child' role. So we do not want to tell them what to do, but we do not want to accept that they can do whatever they want either. And the decision makers in Hungary cannot understand this. […] many of them do not even speak good English. And they do not understand the EC jargon at all. Which is not necessarily an EC jargon, rather a diplomatic jargon. For example when we say 'we are concerned'… You know, after Obama dropped the bombs on Iraq, he announced that he is deeply concerned about what is going on in Iraq. So 'being concerned' came after the bombing. And now, when we say that we are concerned, they say 'who the fuck cares what they are concerned about ?' And then our next step is that we do not pay. And then they do not understand. So I think it is partly because they do not master the English language, and partly that they have a certain style of communication among themselves. I imagine that in their state bureaucracy when there is a bad material produced by one of the employees, then the boss does not gently ask for a modification, but simply flings the paper aside swearing. And when you do not use swearwords, they just simply cannot realize that there may be a problem with their material."

I quoted this interviewee at length because the quote shows a firsthand experience of Fidesz's radically different relationship with the EU, not only on the level of political rhetoric but also on the level of bureaucratic management. Fidesz made it explicitly clear that it holds a different ideological position, and that it would not accept the principles represented by the EC. This ideological opposition was coupled with different bureaucratic habitus: some of the newly-appointed Hungarian negotiators could not, or did not want to master the customary diplomatic courtesy typical to these situations. Concerning the details of this ideological mismatch, the Hungarian negotiating team was keen on a few cornerstone issues. First, they wanted to maximize the funds for economic development targeting SMEs at the expense of "softer" social expenses. Second, they insisted that the distribution of funds within Hungary should be as centralized as possible. Third, they had a negative attitude towards the

supposedly progressive policy tools propagated by the EC. For example, after one and a half years of planning and discussion, the government opted out at the last minute of experimenting with the so-called Integrated Territorial Intervention tool, which could have provided a framework for territorially focused and concentrated interventions. Fourth, from the perspective of territorial politics, Fidesz prioritized the county seats[91] as opposed to Budapest and smaller villages. Even though the region[92] around Budapest is defined as a "more developed region" compared to the remaining six Hungarian regions classified as "less developed regions"[93], and thus is not eligible for the same amount of EU funds, it was also stated clearly by Fidesz officials that their aim was to act against urban primacy[94] and the disproportionate importance of Budapest. Here they referred to the urban network of Hungary being very centralized around Budapest, which is almost ten times more populated than Hungary's second largest city, and where most of the (administrative, political, economic, cultural) commanding functions are concentrated.

All in all, Fidesz was partially successful in its "freedom fight" in terms of pushing for its own priorities in spending the incoming EU transfers. With asserting political control over

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[91] Hungary has 23 counties that are one level lower than the central government in public administration, and the "capital" cities of these counties have a specific status called "county seats" (*megyei jogú város*).

[92] The EU requires the creation of regions into NUTS-2 level administrative entities, but in Hungary the county system was kept for public administration, and the regional division is only used in EU-related spending and planning activities.

[93] In the 2014-2020 period the EU classified all the regions in its territory into three categories: less developed, transition and more developed regions. The less developed regions are prioritized during the distribution of funds.

[94] *Vízfej*, which translates to "waterhead" in English, is a widely used concept to talk about the dominance of Budapest in the Hungarian settlement network. During state socialism there were similar political discourses aiming to prioritize other locations than Budapest for industrial investments and investments in general (Kondor, 2013).

the experts knowledgeable in managing EU funds, and with hiring new staff politically loyal to the ruling political elite, in the 2014-2020 period the incoming funds seem to be strengthening Fidesz's political project: to help the emergence of a new national bourgeoisie, to support the middle and higher classes and to control and tame the lower classes with different policies embedded into a larger shift from welfare to workfare (cf. Peck, 2001).

In general, these priorities do not counteract the basic logic of uneven development, but reinforce it in a specific way. The social polarization of the society is evident from many data. In 2014 the at-risk-of-poverty rate among children was 24.6%, 4% higher than the EU average. Before 2010 the Hungarian data was similar to the average (Gábos & Tóth, 2017). 37% of the population lived below "subsistence wage"[95], compared to 13% in 1993 and 30% in 1998 (Kiss, 2017). Working poverty is another emerging issue, which is coupled with a deregulated Labor Code and the curtailment of the right to strike (Laki, Nacsa, & Neumann, 2013). According to a recent report, Hungary has the worst figures on upward social mobility within the EU (Eurofound, 2017). Housing poverty is also deepening, and the number of evictions is on the rise despite the government's emergency policies targeting the issue of bad forex loans (Czirfusz & Pósfai, 2015). From a territorial point of view the location of less- and more- "problematic" regions is increasingly uneven, and thus the society is "extremely polarized" not only socially, but spatially as well (Koós & Virág, 2010). In this context Fidesz policies play a dual role: they support middle classes and control the lower classes in an oppressive and paternalist way (Jelinek & Pósfai, forthcoming). The result is that the scale and depth of a social crisis in general, and a housing crisis in particular, have expanded since

[95] Subsistence wage is a statistically calculated figure measuring the minimally required income for survival. In 2015 it was HUF 88,016 monthly, less than EUR 300. The data was calculated until 2015 by the HCSO, but for political reasons they ceased to do so. Since then a Hungarian think-tank called Policy Agenda continues the practice.

2010. The function of social urban rehabilitation projects in this period became to manage the contradictions and contain the tensions resulting from this expansion.

Paternalist re-socialization: Taming tensions through urban rehabilitation

The role of local governments in managing the social and housing crisis in Hungary is crucial. Local institutions and projects fulfill a proxy function, insofar as they are located between the central government and the local population in a context of increasing polarization. Fidesz was aware of the crucial function of local governments, and thus the reform of the local governmental system was a key dimension in their recentralizing efforts. I would argue that while in the European and global geopolitical context Fidesz launched its anti-EU, nationalist rhetoric in order to increase its sovereignty as a semi-peripheral, small nation state severely hit by the global financial crisis, the main aim in the context of domestic politics was to create a regime of dual dependency in the domain of governance.

First, as a consequence of radical recentralization, the local governments became much more dependent on central governmental policies than previously. In other words, Fidesz explicitly gave up the idea of local autonomy and self-governance (Pálné Kovács, 2016). Most of the measures leading to this result were codified in the new Act on Local Governments approved in 2011. Many duties of the local governments – most notably those connected to public administration, education and health care – were given to central institutions. At the same time, the debts accumulated by local governments in the previous two decades were taken over by the central government, while tight regulations were introduced on the taking out of future loans (Hegedűs, 2012). However, in real terms the fiscal situation of the local governments was not significantly improved. In the end, the local

governmental system became much more centralized, and the dependence of local governments on the central government significantly increased (Pálné Kovács et al., 2017).

Second, through a series of regulations, the local governments had much more autonomy in a particular field which allowed them to make local elites and the local population dependent on them. This field was the governance of local problems, such as unemployment and poverty. The most controversial such measure – and the most symbolic policy representing the shift towards workfare – was the expansion of the public work scheme, through which local governmental institutions received public funding to employ jobless locals, and to find the best ways to employ them (Szikra, 2014)[96]. This led to a number of controversial cases, like mayors ordering public workers to carry out agricultural works on their private land, but in general it helped to strengthen local clientelist networks insofar as the mayors and their allies were in a position to decide who could work and what kind of work was to be carried out. Consequently, the boundaries between public and private interests were blurred, and the role of informal and personal ties increased in local politics. As an instrument-effect, the public work scheme makes it extremely difficult for locals to voice their concerns about local or national politics, let alone to resist decisions negatively affecting their daily lives, since their dissent can easily lead to acts of revenge by the local elite (cf. Szőke, 2012).

Another measure that relatively expanded the room for maneuver of local governments was the easing of regulations connected to social benefits. The allocation of housing-related benefits and social benefits on a normative basis are no longer centrally regulated; local

[96] The shift towards workfare – and the increasing significance of public work – had already begun before 2010 by the left-liberal governments. However, its political significance radically increased after Fidesz's election victory.

governments decide whether they want to provide such benefits, and if so, on what basis. According to an initial study on the effects of this reform launched in 2015, the results are mixed, and in principle this measure is another facet of the shift from welfare to workfare and towards social polarization (Kováts, 2016).

Finally, the duties connected to territorial development remained in the hands of local governments. In practice this meant that the production of documents and concepts necessary for acquiring funds for territorial development projects began to be produced locally. But since funding for such projects comes almost exclusively from EU Structural Funds through the Territorial Operative Program, it does not mean full sovereignty for the local governments. For example, in the case of urban rehabilitation, there are some novelties in the 2014-2020 period that have resulted in greater central governmental control on shaping urban rehabilitation. The “tendering system” of 2007-2013 – whereby local governments competed on calls produced by the more or less autonomous Managing Authority – was replaced by a hierarchical system of negotiations between the politically controlled Managing Authorities and the local governments. Another novelty is that function-enhancing rehabilitations are no longer available, only social urban rehabilitations. According to the narrative of the planners, this was necessary because many function-enhancing rehabilitation projects resulted only in the “beautification of fountains” in central squares. This narrative trope – which became quite common outside expert circles as well – means that these interventions focused on spectacular physical investments instead of a truly integrated approach taking economic, cultural, environmental or social goals into account. However, the so-called “program based” approach was not given up by the Managing Authorities: funds for sustainable and integrated projects are available between 2014-2020, and they must be anchored in the cities' strategic plans that they were obliged to produce in 2014-2015. The production of these so-called “integrated

settlement development strategies" was financed by EU funds through the Ministry of Interior, and according to Gábor Aczél, who was one of the main external experts supervising the project, this was a "huge experiment […], which has never happened previously in [Hungarian] urbanism". The statement is true in the sense that all the important cities and all the counties had to produce their own documents with the help of experts. 70,000 pages were created in a year with the involvement of hundreds of experts, including many young ones representing the new generation in the field. The story of integrated settlement development strategies is a very good symbol showing how the field of urban development was professionalized by 2014.

Even though function-enhancing rehabilitations as such are not part of the investments in the 2014-2020 period, the importance of social urban rehabilitation[97] increased. This can be illustrated by looking at the financial side of urban investments financed by the EU. Between 2014-2020 there will be HUF 7,500 billion coming into Hungary from the EU (on average almost 2% of the yearly GNI of the country), out of which HUF 1,128 billion will be spent on a territorially focused operative program. From this amount, HUF 360 billion will be dedicated to the "sustainable urban development" of the county seats. The HUF 66 billion allocated for social urban rehabilitations can be compared to these amounts. While all in all social urban rehabilitations are less than 1% of all the incoming EU funds, compared to the previous 2007-2013 period there is a roughly 30% nominal increase in monies dedicated to such purposes. Social urban rehabilitation is still the most important territorially focused,

[97] An interesting change is that, according to planners, the use of the concept of "social" urban rehabilitation was discouraged by politicians. Thus in this period one of the main instruments dedicated for this purpose is called the "rehabilitation of deteriorating urban areas". However, informally – and in many local cases formally – the concept of "social urban rehabilitation" is widely used. This can be read as a sign of the capacity of the expert field to resist the will of politicians.

socially sensitive state intervention, which aims to tackle urban poverty in Hungary. However, its function has changed since 2010 as a result of the reforms introduced by the right-wing regime. In the following I will show these changes on the local level by introducing the restructuring relations of dependency in the two cases (Józsefváros and Salgótarján) that I presented in the previous chapter.

Józsefváros and the slow death of a "best practice"

In June 2017, on the day I conducted an interview with György Alföldi, the CEO of RÉV 8 between 1999-2011 and member of its Directorial Board between 2000-2016, the local government of Józsefváros voted to take full control over RÉV 8 in order to shut it down and integrate it into its own property management company[98]. By this time, all the important employees of RÉV 8 who had a crucial role in planning and implementing the Corvin Promenade and Magdolna Quarter Program had left the organization. How did the organization behind the "best practice" of social urban rehabilitation in Hungary come to be shut down? What were the mechanisms that led to this long endgame of RÉV 8? And what was the role of the broader authoritarian turn in Hungary during this process?

First of all, it must be emphasized that understanding the story of RÉV 8 has a broader significance for a simple reason. As I discussed in the previous chapter, Józsefváros had been in many respects the laboratory for the dismantling of the liberal welfare state in Hungary. Máté Kocsis has been mayor of the district since 2009, and he is an emblematic politician from the younger generation of prominent Fidesz leaders. Thus what has ocurred in

[98] At the time of its founding in 1997, only 50% of RÉV 8 was owned by the district, 40% by the Municipality of Budapest, and 10% by OTP, the largest Hungarian bank. In 2000 OTP's share was bought by the district, so taking full control in 2017 meant buying the shares of the Municipality of Budapest.

Józsefváros since Kocsis became mayor is very illustrative of the broader Hungarian processes in this era.

According to its leaders, the "golden age" of RÉV 8 coincided with the first wave of the Magdolna Quarter Program between 2005-2008. The downturn started in 2009, and was catalyzed by two distinct factors. First, the second wave (2008-2010) was completely funded by the EU, and thus the bureaucratic regulations were much stricter than in the first wave, when the main financier was the Municipality of Budapest. Paradoxically, in the case of the Magdolna Quarter the Europeanization of social urban rehabilitation made it harder to achieve the original goals – tackling social problems in a complex way without catalyzing displacement and social polarization. Besides the exponential increase in bureaucratic tasks on the shoulders of the project management within RÉV 8, the main hardship was that the regulations made it impossible to create a genuinely participative project. The original idea of the RÉV 8 leaders was to select a few houses where physical interventions would take place, and then launch an inclusive participatory planning procedure through which the detailed planning of the nature of the physical interventions would be worked out together with the tenants. However, the Managing Authority made it obligatory to apply for the funding with a finalized plan of the physical interventions. Hence, RÉV 8 had to give up one of its core methodological principles right at the beginning of the second wave of the rehabilitation project.

The other, even more significant factor that initiated the downturn was connected to Máté Kocsis. After being elected mayor in 2009, Kocsis stirred up local political relations within the district and began dominating both the left-liberal side and the older generation of

his own party who desired a more cooperative approach with their political opponents[99], which he disapproved of. From his perspective, RÉV 8 was an institution representing this cooperation between the older generation of Fidesz politicians and left-liberal politicians, and he thus behaved in a hostile way in the early years. This hostility was expressed in different forms concerning the MQP. The freshly established community center was taken over by an expert loyal to Kocsis, the progressive pedagogic program was changed to a more conservative one, and the founders were pushed out from the management (Nagy, 2010). Many NGOs which had just started partnerships with RÉV 8 were also pushed out from the district. Kocsis created a bureaucratic unit within the municipality whose function was to supervise all the spending-related activities within MQP. According to RÉV 8 employees, it was a much stricter supervisory system than the official one which was practiced by the Managing Authority. These circumstances led to a rupture in 2010 when, after the closure of the second wave of MQP, almost two dozen employees of RÉV 8 had to leave the organization. As a result, the most important social expert, Csilla Sárkány, decided to quit. At the same time, the office of RÉV 8 was moved into the building of the Municipality as a symbolic, spatial sign of the control that the mayor was asserting over it.

However, surprisingly, RÉV 8 was not shut down until 2017. According to the interviews I conducted with RÉV 8 leaders, there was one specific circumstance which prolonged the agony of the institution. One of the leaders said the following: “the position of RÉV 8 was stabilized from 2004 because the Futureál guys [the developer of Corvin Promenade] realized that the project was only valuable if RÉV 8 was involved. I usually say that we were translating machines, that is what we did. Péter [the CEO of Futureál] only

[99] The result of this shift resembles what Monica Prasad called adversarial politics in the context of emerging neoliberal policies in the UK and in the US (Prasad, 2006).

bought himself into the project because he saw the strong guarantees that RÉV 8 represented. And they signed all their contracts with the district, even in 2014 they convinced Kocsis that there was no turning back. […] Péter always said that if RÉV 8 was out, they would claim *vis major*. They saw that on their own they would be lost."

Another RÉV 8 leader added that after Kocsis' election as a mayor "Futureál has always been on the side of RÉV 8, you could count on them. Since for them it was a matter of survival, in order to be forced to rely on no-name bureaucrats, but on us. […] We were defended by Corvin Promenade. It was Corvin which did not let us drown." Thus ironically, it was the capitalist, polarizing real estate investment which prolonged the slow death of the socially sensitive MQP and RÉV 8.

Not only was the "best practice" MQP squeezed and pushed into a liminal, impossible situation, but Kocsis started to initiate local regulations that were based on a philosophy that was totally contradictory to MQP. In 2010 he introduced a local regulation banning dumpster diving. This was a clear move against homeless and poor people, which was followed by a series of similar punitive, exclusionary measures after Kocsis had become the rapporteur on the homeless issue within the Fidesz government. First, the Municipality of Budapest introduced a ban on rough sleeping in nearly every part of the city. After the Constitutional Court found this unconstitutional, the Parliament voted for an amendment to the constitution which made it legal to ban rough sleeping by local governments. In this way an exclusionary approach to local policy making in Józsefváros was upscaled to the national level, leading to a lot of damage to the struggle against housing poverty (Bence & Udvarhelyi, 2013). Within this context it became very difficult for RÉV 8, effectively controlled by the local government, to fulfill socially progressive aims.

In sum, the local – and the national – regulatory environment has shifted in a direction paradoxical and antagonistic to the professional philosophy underlying the basic principles of MQP. While the former was a punitive, paternalistic and polarizing set of policies, the latter was aimed at counteracting polarization and ameliorating poverty instead of criminalizing it. In spite of this, RÉV 8 got a chance to carry out a third wave of MQP. Alföldi recalled that "in 2012 I started to negotiate with people from the NDA. They contacted us, saying that they still had some money for social urban rehabilitation, and why don't we have another round. [They also said] I should tell my mayor that they would give us HUF 2-2.5 billion and let's do the project". Alföldi approached the mayor, but Kocsis insisted that RÉV 8 must write the application for the money, and that the project had to be carried out by the municipality. Once the mayor realized that it was impossible for the municipality to apply without RÉV 8 given the bureaucratic regulations, he allowed the third round to be led by RÉV 8, but only on the condition that RÉV 8 could not perform anything more than a managerial function. Thus the third wave of MQP between 2013-2015 cannot be compared to the first two waves, even though HUF 3.8 billion was ultimately given for the project. Neither the idea of participation, nor the idea of being integrated, could be pursued under such an institutional arrangement. The driving logic from the side of the local government was to carry out spectacular renovations in public spaces, but the social side of the intervention remained much less developed than previously (Czirfusz, Horváth, Jelinek, Pósfai, & Szabó, 2015). According to doctoral fieldwork carried out by Ludovic Lepeltier-Kutasi in Józsefváros (cf. Lepeltier-Kutasi & Olt, 2016), the project had minimal effect on housing poverty in general and was a catalyst of gentrification in the area. Moreover, the "City is For All" homeless advocacy group reported that since 2015 there has been a wave of evictions affecting many tenants from houses renovated during the third wave of MQP (AVM, 2015). These evictions were started as a result of the rent or public utility arrears of the tenants. Even though the municipality

knew before the renovations that public utilities would increase after the renovations took place, the necessary social assistance was not provided for the tenants to cope with this situation.

The deep ideological and political differences between RÉV 8 and the local mayor – representing the ideology of Fidesz – came out more clearly around 2015, when Józsefváros began to plan urban interventions financed through the funds available in the 2014-2020 period. Kocsis and the employees of the local government aimed to translate their conservative, exclusionary and paternalist ideology into a plan that fit into the general framework of an EU-financed project. In order to do this, a new CEO was appointed to lead RÉV 8, and by the summer of 2017 all the important figures from the previous period left.

In a recent interview, Kocsis stated that during the new round of social urban rehabilitation focusing on the Orczy neighborhood, "we would like to focus on housing-related problems […] but besides this, we will act firmly against squatters and against everyone who does not follow the rules of decent co-habitation" (Jozsefvaros.hu, 2016). In the jargon of Fidesz, this is a clear threat to the poorest residents of the area.

Salgótarján and the limits of social urban rehabilitation

The case of Józsefváros after the authoritarian turn showed that social urban rehabilitation in itself can hardly counteract the polarization of society and the exclusion of poor people from gentrifying areas. Through the analysis of the case of Salgótarján, I provide further evidence that, besides conservative politicians and the tendencies of emerging dependencies, there are other factors that make it extremely hard to implement social urban rehabilitation in an ideal way.

The case of Salgótarján is different from Józsefváros in many respects. Salgótarján is the center of a peripheralized county, which has the worst statistical figures in the country in many areas (GDP per capita, unemployment, poverty, income, etc.), while Józsefváros is the periphery of the most economically powerful part of Hungary, the downtown of Budapest. Thus the main danger for the poor residents of Salgótarján is not gentrification and displacement – since there is no rent gap emerging in the area – but the acceleration of the downward social spiral that has characterized the region since the economic downturn of the 1980s. There is also a political difference: while the leadership of Józsefváros shifted from left-liberal parties to Fidesz in 2009, exactly the opposite happened in Salgótarján: in 2014 it was one of the few cities where the elected mayor was from the Hungarian Socialist Party, while previously, between 2006-2014, a Fidesz-affiliated mayor was in power. Given these circumstances, one would think that Salgótarján might be a more ideal place for experimenting with social urban rehabilitation: both the structural and political circumstances look more favorable at first sight. However, as I will show, there are other factors and mechanisms that has made the "success" of social urban rehabilitation almost impossible in this locality. Thus Salgótarján is a good illustration of social and political processes in the urban center of a deprived rural region, or in other words, in territories that can be called the "losers" of nationwide uneven development in Hungary.

In the previous chapter I described the ambiguities surrounding the first social urban rehabilitation project carried out in Salgótarján between 2013-2015. Even before finishing this less-than-successful project, the city started the complex negotiations on the incoming EU funds for the 2014-2020 period. One official taking part in these negotiations said that "even though the negotiations started from the bottom-up, with the demands of the cities, the decisions ultimately were made somewhere higher up, and now we have to follow the orders".

By that time the city was led by the new left-wing mayor[100]. At the end of the negotiations, Salgótarján got HUF 9.2 billion from the Territorial Operative Program for 2014-2020 (this equals roughly the city's annual budget), out of which HUF 1.13 billion is dedicated to social urban rehabilitations. This relatively high amount can be seen as a success, since at the beginning of the negotiations only one-quarter of this amount was put on the table. The urban development department of the municipality planned two separate interventions: one beginning in January 2017, and the other in January 2018. I took part as an expert in the planning of the first project – together with my two colleagues, Anna Balogi and András Vigvári – thus the following analysis is informed by my participant observation during this process.

The "planning" phase consisted of three different steps. First, we conducted research focusing on the action area, through which we identified the main problems of the local population. Second, we drafted a so-called "community intervention plan", which analyzed the situation of the action area and described the proposed interventions in detail. Third, we presented and finalized the draft proposal together with the main stakeholders. Given that the leadership of the city had changed, at the beginning we were hopeful that through building on the experiences gained from the previous project, a more effective project could be implemented. However, after the end of the planning phase and when the project officially started in January 2017, we realized that there were serious limitations to that ideal project that we as experts had imagined. In the following I will briefly present and discuss these limitations.

[100] In 2014, Ottó Dóra from the Hungarian Socialist Party was elected mayor, but he died in 2015. A new interim election was organized and Zsolt Fekete was elected with the support of the Hungarian Socialist Party.

First, even after the first step of the planning procedure, it became clear that the available funds would not be enough to have a transformative impact. One quarter of the total HUF 1.13 billion was dedicated to this first action area and, given the city's very serious fiscal problems, there was no chance to supplement it from the local budget. The area was delineated based on statistics provided by the HCSO; it was a smaller part of the previous – gerrymandered – action area, consisting of the most problematic part of the neighborhood. Problematic in this context meant poor housing and social conditions: 50% of the flats did not contain toilets and bathrooms, and many families had to bring running water from the nearby public fountain. At least half of the 123 housing units would have needed renovation, but the available funds were limited. Moreover, the results of the research showed that the foremost problem of the residents was low income, owing not only to unemployment but low wages and pensions as well. Given the scope of the project, it was ruled out from the beginning that these issues could be addressed.

The second limitation we encountered was related to this. In addition to EU regulations – and the amount of available funds – limiting the scope of possible interventions, recentralization played a role as well. Since education and health care became centralized, and since the central governmental mechanism for dedicating funds for welfare benefits was reformed, it was evident that the emerging model of punitive workfare and the fiscal dependence of the city on central funds would be in an antagonistic relation with the aims of social urban rehabilitation. For many families, the only public allowance that could significantly contribute to their incomes remained public work. However, the strict regulations necessary to become a public worker hindered them both in entering the primary job market and in entering the informal job market, where income opportunities are often

better. This limitation was similar to the one in Józsefváros where the wider policy landscape counteracted the supposedly positive effects of the MQP.

Third, we encountered another structural problem connected to available experts. As such projects usually operate with intensive social work to assist the residents during the program, the professional experience of social workers is a crucial factor. Unfortunately, Salgótarján – similarly to the whole region, and to other deprived regions of Hungary – has a serious shortage of labor in certain domains of the labor market. This is especially true in the social sector, where the salaries are very low. The result is that most of the social workers employed in the project did so as a second job, and it was impossible to find social workers who could be employed exclusively within the project. This limited capacity could seriously decrease the effectiveness of the project[101].

Fourth, we were not fully able to convince the local stakeholders about a U-turn in their public housing strategy. I described in the previous chapter that from the late 2000s the local elite unanimously lined up behind a strategy that was based on the will to exclude all the "problematic people" from public housing through demolitions and evictions. Even though we criticized this approach in many ways, thus far no alternative strategy has been put on the table. While within the social urban rehabilitation project there will be renovations of the worst quality public housing units (which never happened in the previous years), at other locations of the city the execution of the previous strategy prevails. This happens in spite of the fact that the main propagator of the previous strategy, the former leader of the local governmental property management company, retired after the elections in 2015. Although

[101] This problem is also present in public institutions and in health care, where salaries are similarly low, which results in the deterioration of the quality of social services accessible for people living in an area which is already economically and socially depressed.

there is a new leader of the organization affiliated with the left-wing party, he claimed that he aimed to follow the work of his predecessor. Furthermore, the lower levels of bureaucracy did not change their everyday practice. This shows how local political barriers between left-wing and conservative local elites have a limited effect; they might have an impact on the assignment or resignation of local leaders, but they do not have an effect on certain ideologies – e.g. the exclusionary approach towards the poorest residents – shared by both camps of local politicians. This suggests that these ideologies are more intensively shaped by the class position of these local elites rather than by their political affiliation.

In sum, even though the new round of social urban rehabilitation started only in 2017, and will close in 2019, it has already been clear that achieving the initial objectives will be hindered by a series of limitations. Most of these limitations are rooted in wider, structural processes, and in the structural position of Salgótarján within the social and political landscape of Hungary. Recentralization narrowed ability of the local government to counteract these tendencies, but it allowed managing them in a particular way. For example, through the implementation of this social urban rehabilitation a very stigmatized neighborhood will receive incoming public resources for the first time in decades. While this could tame some of the social tensions residents are exposed to, a transformative impact is unlikely. However, it might also contribute to the professionalization of the local stakeholders through getting in contact with new methods of providing social services, and new approaches to social- and housing-related problems. Thus, as it was described in similar cases in the development literature, the surest instrument-effect of such an intervention is the expansion and strengthening of the local development-world.

The future place of social urban rehabilitation among similar policies

The planning of the social urban rehabilitation project in 2016 and 2017 was overshadowed by the huge excitement among local politicians and bureaucrats of Salgótarján when it was announced that Prime Minister Viktor Orbán would visit the town. In 2015, the so-called Modern Cities Program (MCP) was launched by the Fidesz government, after which Orbán started a "road show" and visited all the county seats in Hungary to announce major urban investment projects. The detailed design of the projects, including the source of the money, is still unclear, but there are some facts hinting at the future importance of the program. According to governmental sources, a curiously large sum of money, HUF 3,400 billion, will be dedicated to the program[102]. This is approximately 10% of the yearly GNI of Hungary, and nearly half the amount Hungary will receive during the 2014-2020 period from the Cohesion Fund of the EU. However, from the sparse official information provided, it is very likely that a large part of the proposed projects will be financed through EU funds, and then rebranded as national projects. From the perspective of Salgótarján (and most of the county seats), this project will be the largest national investment into the area in decades. Just to illustrate its weight: in Salgótarján's case, Orbán announced a more than HUF 90 billion package of investment projects. This is ten times of the annual budget of Salgótarján, and ten times the amount the city receives from the Territorial Operative Program. However, the different projects supposedly financed through the MCP are not planned in a coherent, meaningful, integrated manner. Moreover, no "soft" projects were announced, only infrastructural investments. Thus MCP not only outweighs the urban rehabilitation projects

[102] This was announced in June 2017. In January 2017 the total costs were estimated at HUF 2,500 billion, and in August 2015 only HUF 2,000 billion. These huge changes indicate the ad hoc nature of the program, and the lack of serious preparation.

that were fought for by experts for decades, it clearly sidelines the most important values that were definitive for the field of urban rehabilitation experts.

At the same time, there is another tendency in national level territorial development policies which sheds light on the significance of social urban rehabilitation. From the end of the 2007-2013 period, the NDA worked out a project tender which resembled the core values of social urban rehabilitation, but targeted smaller settlements (rural towns or villages). These projects were called “settlement eliminations”, where “settlement” refers to socially segregated areas/slums within the jurisdiction of a small local government. The delineation of the potential action areas followed the same logic as the eligibility criteria of social urban rehabilitation, based on official statistical data (see footnote nr. 84 in the previous chapter). These projects had two phases. In the first phase, which was launched at the end of the liberal era of Europeanization, the objective was to desegregate and eliminate these slums and relocate the residents into an integrated living environment. Though the guiding principle of these projects was integration, in many cases they led to further segregation and the intensification of local tensions (Durst, 2010). In the second phase, after the authoritarian turn, the guiding principle changed. The aim is now to upgrade these slums through the intensive presence of social workers, who are supposed to assist in the micromanagement of the daily lives of the poor residents. The most important partners in these projects are religious organizations, such as the Hungarian Charity Service of the Order of Malta, which in recent years has taken over the management of many social services which were previously managed by public organizations. There has not been any systematic study of the results of these projects, but it is telling that their nickname among the experts became “ghetto beautification”, which shows their discontent with the governmental position of accepting the status quo of spatial segregation.

If we look at the changing role of social urban rehabilitation through the prism of these two other newly-institutionalized territorial interventions, we can see how its function has shifted in the context of the authoritarian turn in Hungary. On one hand, “social” and “non-social” urban interventions have been clearly separated in recent years. The solidification and institutionalization of this separation has had major consequences. There is no formal or informal pressure on the non-social interventions from bodies like the huge MCP to consider the social implications of the dominantly infrastructural “hard” investments. This social blindness is coupled with the hollowing out of the idea of integrated intervention. To a large extent the projects seem to follow the logic of governmental priorities: building a “national bourgeoisie”, supporting the higher classes and controlling the lower classes. To a lesser extent, but equally importantly, the local elites also pursue their interests in order to win local votes and protect their status in the local power hierarchy. At the same time, longer term commitments in the sphere of environmental, cultural, architectural and social issues are sidelined, even though the official documents are always built on these aspects. On the other hand, despite a much lower fiscal weight, we can document the institutionalization and professionalization of the explicitly “social” interventions, among them social urban rehabilitation. However, these are far from tackling social issues systematically. They provide “cosmetic” help for poor citizens who are otherwise negatively affected by other sectoral policies of the local and central government. Furthermore, this help increasingly fulfills the function of paternalist control, through which politically problematic local tensions can be prevented or tamed.

Conclusion

Doing research that follows the five-decades-long story of a policy tool has been a very enlightening exercise for two reasons. On the one hand, from a linear perspective, the history of urban rehabilitation provided insight into the fine mechanisms of how historical junctures shape the institutions and processes of knowledge-making and governance. On the other hand, and more surprisingly, I encountered more cyclically reappearing phenomena within the domain of urban development than I expected. For example, the planning and execution of EU-funded urban rehabilitation after the authoritarian turn in Hungary resembled some features of similar practices during state socialism. The negotiations preceding the seven year plans were similar to the five year plans during state socialism, the bureaucratic mechanism of allocating funds for different purposes in the new recentralized institutional architecture was similar to how the institutions of state socialist central planning decided about interventions before 1989, and the emerging paternalist tendencies in social services can be compared to state socialist paternalism. I am not claiming that Viktor Orbán's emerging regime is essentially similar to the Kádár regime in Hungary – which is typically a liberal argument rooted in a self-colonizing, anti-communist critique – but I do believe that there is a significant homology between certain processes of urban policy making across different historical periods. It is not accidental, after all, that the epigraphs at the beginnings of Chapters 2 to 5 from György Konrád's *City Builder*, written in the 1970s, resonate so well with contemporary processes.

More precisely, my conclusion is that we can analytically differentiate between two broad processes in the case of Hungarian urban rehabilitation that have always unfolded in an interconnected way on the ground. The first one is a linear logic of how a policy was invented and how its expansion led to the institutionalization, expansion and professionalization of the

field of urban rehabilitation. The second is a cyclical and dialectical logic of how periodical external forces – first and foremost the multiscalar process of capitalist uneven development – shape the practices of this very same field.

During my dissertation I focused on a period between two significant crises of global capitalism. In Chapter 2 I showed how this global crisis forced state socialist Hungary onto the path of liberalization and selective decentralization, and how this path allowed space for the assemblage of urban rehabilitation as a policy, and concomitantly to the emergence of the interstitial field of urban rehabilitation. The first members of this field started to renegotiate the expert-state relations and succeeded in making urban rehabilitation an experimental policy intervening into city centers in decline as a result of systematic disinvestment during state socialism. Seen from this perspective, urban rehabilitation is a specific local answer to local problems highlighted by the global crisis of the 1970s.

In Chapter 3 I argued that while the crisis led to the dismantling of the Soviet Bloc and to the regime change in Hungary in 1989, the crisis was not "fixed" but its institutional context reshuffled by the newly emerging political elite through repositioning Hungary vis-à-vis the capitalist West. In stark contrast with the optimistic feeling expressed by intellectuals and the middle classes, 1989 was followed by a transitional crisis which contributed to the further polarization of Hungarian society. Within this context urban rehabilitations were imagined by most of the experts as an organic, entrepreneurial answer to urban decline. The most important acts of brokerage in this era established connections between Western and local capitalist actors, and the new local governments in some specific cases, but given the negative consequences of privatization and the decentralization of the state, the desired widespread entrepreneurial turn did not follow. Instead, urban rehabilitations catalyzed

gentrification – mainly in the inner city of Budapest – and contributed to the polarization of Hungarian society.

In Chapter 4 I focused on how Europeanization after Hungary's accession to the European Union in 2004 resulted in a specific way of institutionalizing urban rehabilitation, and how this process was influenced by the broader trends characterizing the liberal era. Intensifying uneven development, coupled with a rhetorically significant shift towards social sensitivity, resulted in mushrooming urban rehabilitation projects without a significant impact on social cohesion. However, the field of urban rehabilitation not only expanded, but became segmented as new socially sensitive models took shape.

The analysis in Chapter 5 pointed out that the ambiguities unleashed by Europeanization were further strengthened after the authoritarian turn in 2010, which was tightly connected to the global crisis of 2008-2009. Presently, at the end of a dominantly liberal period that started during the 1970s, urban rehabilitations are first and foremost techniques that help to contain the inherent social tensions caused by different rounds of uneven development in the last few decades. From this perspective the most important change in the concept of urban rehabilitation has been its exfoliation. Partly as a result of Europeanization, and partly as a reaction to its dysfunctions in the liberal period, urban rehabilitations were separated into "social urban rehabilitations" and other, implicitly non-social urban development practices. As the macroeconomic and political importance of the incoming EU funds increased after 2008, the field of urban rehabilitation was radically reshaped – but not compressed – amid a wider process of recentralization and nationalist anti-EU rhetoric. Under these circumstances some members of the field left it, while others found their new positions in a dominantly paternalist professional environment.

	Political economic context	Scalar restructuring	Changes in urban rehabilitation as a concept	Function of urban rehabilitation	Novelties in brokerage
Late state socialism (1970s-1980s)	Global crisis, emerging debt crisis in Hungary, slow liberalization	Selective decentralization	Urban rehabilitation against urban reconstruction	Experimental policy to overcome the crisis of state socialist construction and to tackle inner city decline caused by disinvestment	Redefining expert-state relations
Liberal era (1990s)	Transitional crisis, privatization, massive FDI inflow	Radical decentralization without financial resources	"Entrepreneurial" urban rehabilitation	Gentrifying key inner city areas mostly in Budapest	Mediating between Western ideas/actors, local market actors and new local governments
Europeanization (2000s)	EU transfers, spread of entrepreneurial practices, financialization	Growing impact of the European scale	"Social" and "function-enhancing" urban rehabilitation	Gentrification in more peripheral locations + counteracting polarizing tendencies through social urban rehabilitation	Mediating between EU bureaucracy, the state and the local governments
Authoritarian era (2010s)	Global crisis, deepening dependency coupled with nationalist wave	Recentralization on the national scale + anti-EU rhetoric	Paternalized social urban rehabilitation and implicitly non-social urban development	Social urban rehabilitation to tame local tensions mostly beyond Budapest	Orchestrating or surviving institutional restructuring after authoritarian turn

While the above mentioned historical junctures radically reshaped the political, economic and institutional perimeters in which urban rehabilitation works, there are also important continuities that characterize this same period. First of all, I want to highlight that these periods between the historical junctures are not eras with well-defined and strict boundaries, but rather epochal logics that for the sake of clarity I equate with certain decades. For example, there were liberal tendencies during state socialism, and Europeanization evidently did not stop after the authoritarian turn in 2010. I imagine these periods as different layers of a palimpsest that can be traced back from a contemporary vantage point. Furthermore, I also believe that without a serious historical analysis of their interrelations – how in certain epochs the characteristics of the former epochs started to function as building blocks in order to assemble new institutional arrangements – the recent political, economic and social processes would not be fully understandable. I think that the main contribution of this dissertation has been its analysis of the historical processes that led to the contemporary "palimpsest" of Hungarian urban policy making and "the urban" in Hungary in general.

Second, in spite of all the contradictions, tensions and ambiguities in these last five decades, urban rehabilitation has become a well-known, institutionalized policy which is carried over, defended and propagated by the members of the field of urban rehabilitation.

This field itself has been expanding throughout the last five decades, while its practices became both professionalized and much more complex. This is very similar to how James Ferguson described the expansion and strengthening of the bureaucratic field in Lesotho as a result of years of planning and implementing development projects (Ferguson, 1997). Seen from that perspective, the history of urban rehabilitation in a country of the former Second World can be understood as a particular case of the wider global history of development projects around the world, which are usually analyzed through empirical cases from the Global South. Through this comparison it is more understandable why at certain points of this history urban rehabilitation as a concept "failed forward". Even though it could never have a truly transformative effect on poor people, it did transform urban spaces, institutional relations and expert practices. I claim that the practice of the brokers who were the vehicle of this history of urban rehabilitation in Hungary was both structured by the unfolding history of capitalist uneven development, and had a structuring effect on the institutional, political and social specificities of urban policy making.

This is an insight that I usually miss from local (or international) mainstream discussions about urban rehabilitation. It seems as if there is an ever-reemerging optimism of the "dev-world" (or in my case, of the urban rehabilitation field) coupled with a certain historical amnesia which makes it impossible to learn from historical failures and cyclically reemerging contradictions. As if the most consistently present element in the history of urban rehabilitation would be its inability to become a truly transformative policy.

This leads to the final topic that I want to touch upon: the political implication of my dissertation. As I have noted earlier, I position this research as a piece of critical urban scholarship. However, I am not siding with the more pessimistic, Frankfurt School type of critical theory on the issue of the possibility of changing systematic dysfunctions (cf. N.

Brenner, 2009). Rather, I sympathize with critical approaches that take seriously Marx's eleventh thesis on Feuerbach, which states that "[t]he philosophers have only interpreted the world in various ways; the point, however, is to change it". In other words, even if a policy described as potentially counteracting uneven development on the urban level has failed to achieve its transformative function for decades, it does not mean that the story ends here. An important political question following a study like this would be the same as James Ferguson borrowed from Lenin in the epilogue of his famous book: what is to be done?

I want to highlight some of the contributions of my dissertation from this perspective. Through a historical study I showed both the long-term processes that led to contemporary cityscapes and policy landscapes, and that several motifs of contemporary processes are not without precedent. I also analyzed how "global" political economic forces intersect with the "local" institutional architecture, and how changes in the latter are always shaped by the former. I believe that these insights reveal that short-term, radical changes originating from the field of urban rehabilitation (or from another narrow institutional or social space) are unlikely, unless there are parallel catalyzing alterations within the structural context. This conclusion is similar to the somewhat utopian argument built up by David Harvey, in which he proposed a "co-revolutionary" political struggle against neoliberal capitalism (Harvey, 2010). The core of this argument is that smaller parallel changes in different spheres of society are necessary for larger, systemic changes.

Another related conclusion is that individual and institutional actors do have agency. For example, the way Szelényi and Konrád laid the foundation of Hungarian urban sociology in the 1970s, or how some young architects turned against state socialist modernism in the 1980s, were foundational for the future path of urban developments in Hungary. However, it seems to be a crucial question whether these actors were aware of their agency, and more

importantly, how exactly they imagined their potential role. I think that in general the members of the field of urban rehabilitation have a rather narrow frame of reference, which does not seriously take into account the structural context in which they have to operate. In other words, if these actors would pay more attention to the cyclical and linear logic of the structural factors shaping the opportunity structure of their practice, then progressive outcomes would be more likely. This may sound very naïve, but I think ultimately it leads to the question of how progressive policy making, left-wing politics and critical academic scholarship relate to each other. I believe that it is essential to make the boundaries between these spheres more porous in order to get closer to any version of the co-revolutionary strategy, which also means a democratic re-politicization of the field of urban rehabilitation.

For that matter, the former Second World – together with the First – could possibly learn a lot from the "Third World". I showed through several examples that the critical scholarship on global development projects –typically carried out in (post-)colonial settings – may be very informative for observing development projects in post-socialist settings. This insight resonates well with the theoretical efforts that try to combine post-socialist and post-colonial scholarly literature (e.g. Chari & Verdery, 2009). However, from a world-system perspective a disclaimer is needed. While the general logic of modernist developments (cf. Scott, 1998) and some similarly general logic of bureaucratic institutions may look very similar when we compare post-colonial and post-socialist contexts, there are important structural and historical differences between the peripheral and semi-peripheral positions (e.g. the issue of race, or the proportion of external and internal experts in development projects). Nonetheless, in my view connecting the issue of post-socialist urban rehabilitation to the wider history of global development projects is a good starting point to re-politicize its praxis.

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