

# Love and hatred: Changing relations between the city governments of Budapest and the national governments

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## Introduction

The present paper discusses the changing relationship between Budapest and the Hungarian national government over the past 130 years. According to the different political and economic circumstances in the country, alternation of love and hatred characterized this relationship. The fluctuations of the political mainstream on the level of the central government affect-

ed the financial, social and urban policies in the capital and had a strong impact on the trajectory of metropolitan development. Through the analyses of four distinctive historical periods we explain *why* in a political system the national government supported the development of the capital city by legal and financial measures, and why this behavior turned into clear hostility in another period. Finally, we forecast Budapest's development within a unified European urban space.

In many European countries, capital cities obtain particular local administrative and managerial functions. This is also true in the case of Budapest. In addition to the Local Government Act, there is a special law regulating the co-operation of the city of Budapest and the district governments within the city. Although the city has no privilege over the other local governments of the country, the latter tend to have a different opinion. In a centralized public administration system, vital political or financial decisions are made in the capital city. Other regions and cities in the country therefore feel a strong dependence on Budapest, although they in fact depend on the central government agencies located in the capital. This situation may generate animosity and jealousy toward the capital city. Such a country vs. capital city relation is especially sensitive in a small country like Hungary, where the capital city is the only large, international metropolis. Small and less populous countries are unable to develop a complete urban system. Either they have a strong medium-sized city network with no large metropolises (e.g. Switzerland, the Netherlands) or they have one single large city and a loose medium city network (e.g. Denmark, Hungary). The dominance of a monocentric or a polycentric urban structure is a function of the historical development of each country. It depends on whether the urban explosion following the industrial revolution led to the formation of an economically and politically centralized or decentralized urban network.

The only large city has been frequently seen as a strange element in the urban system of a given country. Metropolitan

lifestyle differs remarkably from that of other towns and cities. Most of the decision-making centers in politics and business are located in the metropolis, while foreign migrants and international cultural events are also concentrated there. In the period of nation-state building, the growing and strong capital was regarded with pride because it symbolized the success of the nation-state. Nowadays, when large cities convey mostly the effects of globalization and have a cosmopolitan local society and lifestyle, their national character is frequently questioned. The uniqueness of Budapest has always caused strong reactions in the nation's sentiments.

## Love and hatred in four periods

The four periods on which we focus are (table 1):

- The golden age of Budapest (1873-1918)
- The guilty capital (1918-1945)
- The socialist city (1945-1989)
- Budapest in the new democracy (1990s)

### The "golden age" of Budapest as the second capital of the Austro-Hungarian Empire (1873-1918)

The "modern" history of Budapest begins in the second half of the 19th century. In 1867, the conclusion of the Austrian-Hungarian Compromise established the political-economic foundations for the organization of the Hungarian nation-state. Alongside Austria, the Hungarian Kingdom became the co-leader of the Austro-Hungarian Empire, and the Austrian emperor was also elected King of Hungary. With the exception of foreign affairs, finance and defence, Hungary obtained legal autonomy. In line with the main European tendencies, the stabilization of the "new" nation-state required the reinforcement of its political and economic center. 1873 was the year of the unification of the three hitherto independent cities, Pest, Buda

**Table 1**  
Population growth in Budapest and in Hungary, 1870-2000

Year	Budapest	Country
1870	280,000	15,510,000
1890	506,000	17,464,000
1910	880,000	20,886,000
1930	1,006,000	8,685,000*
1941	1,165,000	9,316,000
1949	1,057,912	9,105,000
1970	2,001,000**	10,322,000
1990	2,017,000	10,375,000
2000	1,812,000	10,043,000

\* on the reduced territory (from 325,000 sq.km to 93,000 sq.km)

\*\* on the extended territory of Budapest with the industrial belt (Source: KSH).

and Óbuda, into one administrative unit: Budapest. In 1892, Budapest obtained the exceptional legal status of "capital city" and "royal residence" (fig. 1).

The establishment of Budapest as the institutional national center of Hungary served as a framework for the modernization of the capital. The development of Budapest became a "national issue." As the second capital of the Empire, it was faced with competition with Vienna to become the leading regional center of South-Eastern Europe. Following the Compromise, one of the main ambitions of the new national government was to improve the capital's economic position and to



**Fig. 1:** Location of the capital of Budapest in the Austro-Hungarian Empire.



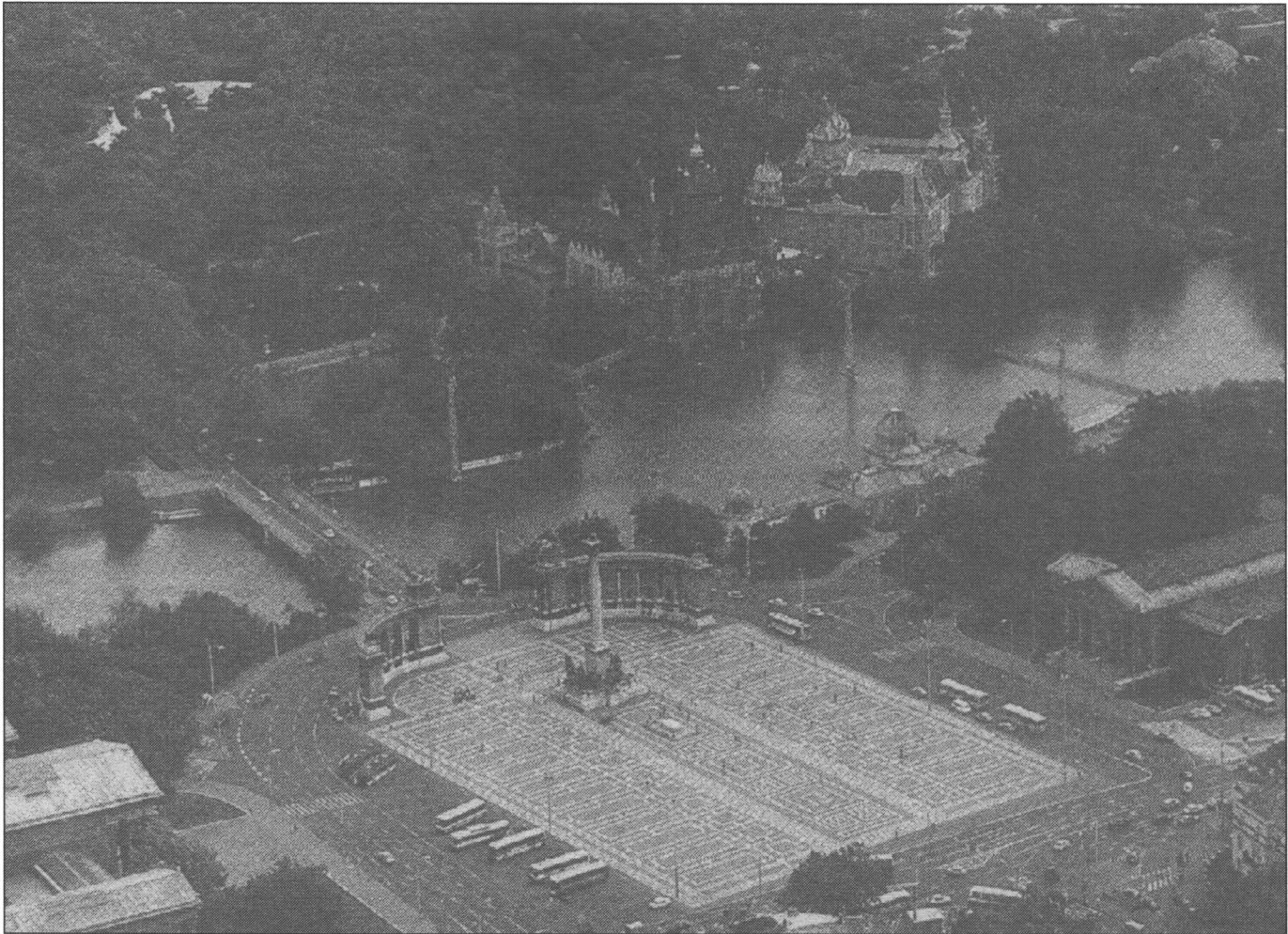
Fig. 2: Budapest – Andrassy.

enhance its urban landscape. As a result, Budapest fell into line with the other major European capitals which, in the second half of the 19th century, owed their urban restructuring to the voluntary intervention of their central governments. Just as in Vienna, Brussels or Rome, the urban development of Budapest followed the concepts and methods of Haussmann's *grands travaux* in Paris.

The *grands travaux* resulted in urban structures similar to those in Paris (or Vienna). They embraced the opening of a large avenue (Andrassy út, part of the UNESCO World Heritage) and of two circular boulevards with homogenous housing construction, the rearrangement of the most ancient part of the city, the opening of large public squares, and the construction of high-prestige buildings to lodge new public institutions (figs. 2 and 3). They also comprised the development of basic infrastructure such as public transportation and sewage systems. The works were organized and in large part financed by the "Committee for Public Works," a special public institution for the construction and the embellishment of Budapest. Created in 1870, the committee was headed, in the first period, by the Prime Minister himself. The operations were financed through the "monetary fund" of the committee, based on long-term credit received from the central budget as well as on its right to manage the expropriations on the land concerned by the constructions. Furthermore, the strong overlap between

the economic and political élites of Budapest and those of the country facilitated the involvement of "private" investors, especially in the construction of buildings along the main roads. (And it also led to an increase of speculative investment in land ...). To complement this, alongside urban constructions, the central government highly subsidized the establishment of new industries and financial institutions in Budapest.

By the turn of the century, the dominant and exclusive position of Budapest in the country was manifest at all levels. Between 1870 and 1910, the capital underwent unique urban growth: from 300,000 up to 900,000 inhabitants, becoming from the 16th the 8th largest city in Europe. After the Compromise, it was an increasingly important destination of foreign capital investment, issued especially from the other parts of the Empire. The result was the multiplication of banks and financial institutions: while in 1879, there were 7 banks that had survived the economic crisis, their number increased to 64 by 1896. Foreign investments in industrial production brought modern technologies to the dominating food and metal industries. The establishment of new factories played a role in the appearance of the first industrial suburbs around the capital. Beside economic concentration, basic differences between social and cultural structures of the country and of the capital also help explain the unique position of the latter. The population of Budapest included a high share of foreigners, attracted



**Fig. 3:** Budapest – Heroes Square.

by the new economic potentials of the city. This population represented the values of “modern” urban society.<sup>1</sup> They made up the basis of the new economic élite as well as the majority of the employees in the new economic sectors (finance, trade, industries). The Jewish population had an important share: 23 percent of the total population in 1910. Because of its openness to foreign influences, Budapest became an increasingly multicultural metropolis: an “alien” big city among other Hungarian cities retaining traditional values and social structures.

Budapest was managed by a singular administrative mechanism, different from that of other towns and cities, offering a legal framework for the direct intervention of the central government. The position of the mayor was divided into two functions: the professional mayor (*polgármester*), elected by the municipal assembly from among its members, and the principal mayor (*főpolgármester*), a political position, chosen from three candidates appointed by the King. The latter had to ensure the permanent dialogue between the city and the central government, but had only a limited role before World War I. Thanks to the above-mentioned overlap between the country’s and the capital’s political and economic élites, the assembly of Budapest was almost permanently in political alliance with the central government (often, the same persons were present in both bodies). Somewhat paradoxically, the common objective of this alliance, i.e. to develop the capital, led to the increasing

financial and political autonomy of the city.

The Budapest Municipality was rather limited in its means in the first decades following the Compromise. It only had fairly meager real estate possessions and other revenues, and its main duty was to maintain public infrastructure. The growth of the city, however, raised the problem of social welfare and led to the appearance of the first social movements. As in other major European cities, social housing became a crucial question in Budapest at the turn of the century. This was a new challenge for central policies that used to seek exclusively the economic growth and showcase-like representative development of the capital. The new mayor, appointed in 1906 as a compromise between the social democratic and liberal forces in the capital, introduced radically new policies. With the financial support and guarantee of the central government, he launched a long-term credit policy. The city gradually “communized” (bought from the private owners) the companies managing key public utilities (Gas and Electric Railway Company) and main public services (for instance, the Municipal Bakery). In line with social policies, it realized a complex housing program, creating 5,000 new flats between 1909 and 1913. By the end of the “modernization” period of Budapest, thanks to its new acquisitions, the city had become a significant economic power, able even to sustain – up to a certain limit – political opposition *vis-à-vis* the central government.

## The guilty capital (1918-1945)

The end of World War I transformed the political and geographical structure of Hungary. The Empire's defeat led to the isolation of Hungary in Europe. The 1920 Versailles Peace Treaty cut off two thirds of the country's territory and population. In 1918 and 1919, Budapest was the venue of two revolutions: the first one proclaimed the Republic of Hungary, the second one established a soviet republic. In 1920, the Hungarian Kingdom was restored, led by the Regent Horthy. The conservative right-wing administration of the 1920s turned gradually into an authoritarian, extreme-right political system in the second half of the 1930s. The political course of the whole interwar period was determined by the objective of reclaiming the territorial loss of the nation-state.

The geopolitical position of Budapest underwent a twofold transformation. Since the collapse of the common market of the Empire had deprived it of its regional role in South-Eastern Europe, its international weight decreased, yet its central importance *within* the diminished country gained in emphasis. In 1920, it accommodated 12 percent of the total population, compared to the 5 percent in 1900. Before World War I, 30 percent of the national industrial production was concentrated in the capital: this ratio rose to 50 percent over the period between the two world wars. Since the Versailles Peace Treaty detached the majority of Hungary's main secondary cities (Subotica, Bratislava, Timisoara, etc.), the concentration of the urban population also increased. The capital was the only city to manifest considerable economic dynamism even during the world crises. Immigration, coming to a large extent from the detached regions, also induced urban growth in the surrounding townships, which grew faster than any other city in the country, including the capital itself. The capital maintained its modern metropolitan society, unique in Hungary, with its high share of Jewish population (20 percent).

The nationalist political régime treated Budapest as the "guilty" city, because of its cosmopolitan values, the high number of blue-collar workers and Jewish population, and also because of two revolutions having taken place in the capital. By the 1930s, a continuous industrial suburban belt had formed around Budapest. Because of governmental fear of the "red capital," all attempts to create an administrative relationship between the suburbs and the city failed.

The central government made efforts, although with rather limited success, to add weight to the secondary cities of the country (Debrecen, Szeged, Pécs), by sustaining the development of their infrastructure. In the capital, large public development projects were cancelled almost without exception, limited to some new institutions, remaining urgent works and to plans. The majority of the urban constructions in the period consisted of housing development, realized by the private sphere. Social housing policies were reduced to urgent constructions for new immigrants. Apart from political reasons, the economic crisis also explains the reduction of public intervention.

But Budapest was not a mere "enemy" of the nation. Thanks to its remaining international reputation, it was the only city through which the cultural and political identity of the "new" Hungarian Kingdom could be represented on a European level. Accordingly, some urban development projects were launched to enhance the cultural-scientific functions of the city, for example the construction of the "Forum" in the city center or of a new university campus in the southern part of the capital. None of these, however, proceeded beyond the planning phase.

After World War I, the city of Budapest, dominated by the liberal *grande bourgeoisie* and the social-democratic forces of the previous period, found itself in opposition to the conservative government. During the 1920s, the fiscal power of Budapest was still on the increase, as communization of public ser-

vice companies continued and the proper income of the city increased. To reinforce control over the "red capital," the central government gradually curtailed the capital's liberties. A succession of legislative measures concerning public administration considerably weakened the Municipal Assembly. The number of its elected members was reduced in favor of those nominated by the state. By the 1930s, all leaders of the City Hall as well as those of the major municipal companies and agencies were either nominated by the regent, or their election had to be directly approved by the national government. As a "last step," at the beginning of the 1940s, all Jewish functionaries and members of the assembly had to be replaced by Christians. Though its legal status was never suspended, by the beginning of the Second World War the city management had become almost completely subordinated to governmental control.

## The socialist city (1945-1989)

After World War II, the gradual take-over by the Communist party was achieved by reforms that erased political pluralism, local autonomy, private and "decentralized" public property and other means of non-central decision making. Budapest lost its "local government" status and its management was absorbed in the hierarchy of state administration. Nationalization of land and real estate invested the government with a dominant and almost exclusive role in urban development. Urban planning became part of the central economic planning system. Since external relations were under party and government control, the international functions of Budapest – already much reduced during the inter-war period – were completely erased.

The multiplication of centralized state institutions further increased the concentrating effects of Budapest within the country. The one-party system obviated the need to consider the expectations of voters, and allowed the state to neglect the wishes of those living in regions disadvantaged by central policies. Mass industrialization of the 1950s and 1960s focused on areas with existing industrial traditions and on the new socialist towns. Hence, Budapest was highly supported by these policies. Migration from rural regions generated a new dynamism of urban growth in the capital: during these decades, the population increased by more than 10 percent. The capital was considered the main stronghold of the working class. In 1950, to empower the "red capital," the industrial suburbs were integrated within the administrative boundaries of Budapest by an arbitrary legislative measure.

In spite of homogenizing policies, Budapest retained its exclusivity and modernity compared to the rest of the country. The 1956 revolution broke out in Budapest, also illustrating the persisting tradition of the opposition of the capital to the national government. These events brought social and urban problems to the forefront of the attention of the state. Furthermore, contrary to the officially pronounced situation, the capital continued to present a unique social composition, concentrating the majority of the country's political élite and intelligentsia. Since the 1960s, the de-concentration of industries strengthened the tertiary character of the capital. By the 1980s, Budapest became the sole post-industrial city in Hungary, with an economy increasingly open to international influences.

In the 1950s, the spatial development of Budapest was entirely subordinated to "state-building," i.e. to the creation of new institutions (party and ministry headquarters), and to heavy industrialization. Central policies did not take into consideration the social and spatial-structural aspects of urban development. The development of infrastructure and housing came to a standstill, the newly incorporated suburbs remained isolated from the physical structures of the city. Strategic urban plan-



**Fig. 4:** Budapest – Housing estate.

ning reappeared from 1960 as a result of an acute shortage of housing in the capital as well as in other cities. The mass construction of large prefabricated housing estates followed, peaking during the 1970s. Budapest received a dominant share of these investments. Large housing estates were conceived as new sub-centers created on empty areas on the peripheries of the capital (fig. 4). Hence, housing construction was complemented by the development of basic utilities and services. Apart from these compact programs and some isolated projects, strategic urban planning did not exist. The chronic financial deficit of the state (the inefficient state-owned economy needed constant injections from the central budget) prevented any intervention in persisting urban problems, like the renewal of the historical neighborhoods or the improvement of infrastructure in the rest of the city.

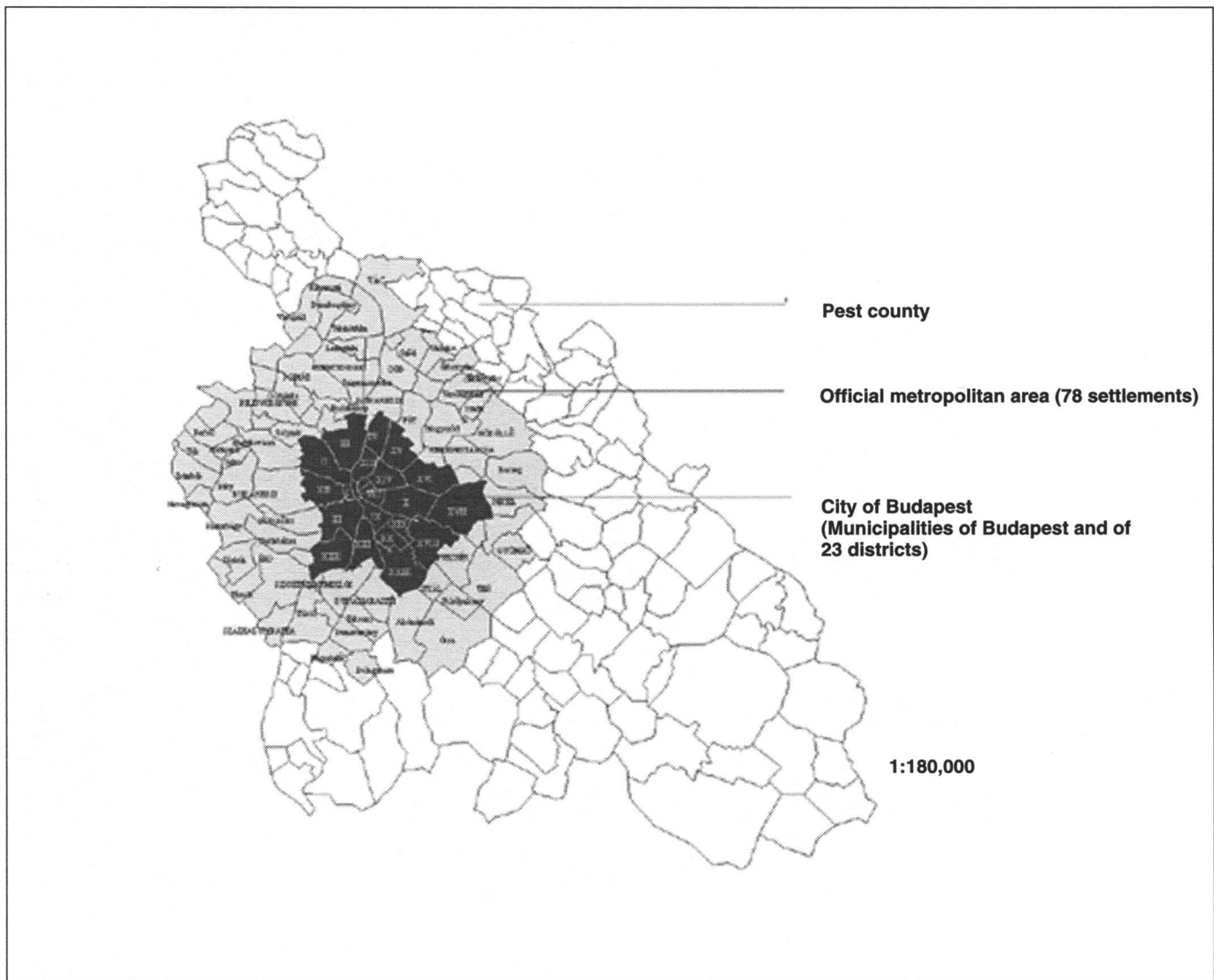
### **Love and hatred in the new democracy (the 1990s)**

After the 1989 political transition, Hungary returned to a pluralist parliamentary system and an economy open towards international influences. Beside the transition, the effects of globalization intensified the retreat of the state from the management as well as the urban development of Budapest. The successful economic restructuring and the increased political indepen-

dence of the latter gave rise to the now “traditional” conflicts between the capital and the central government. Unlike in the earlier historical periods, during the 1990s the two “sides” occupied almost equal positions.

The economic rise of Budapest was based on radical privatization and on the strong presence of foreign investments. Restoration of private and municipal land and real estate properties helped to re-establish multi-actor urban planning operating under market conditions. Thanks to its strengthened economic connections, Budapest regained its international functions and re-integrated into the European metropolitan system. It became a gateway city linking Western Europe to South Eastern and Eastern Europe and is competing with Vienna and Prague to become a Central European sub-center.

The 1990 Act on Local Governments re-established the fiscal and political autonomy of municipalities. Despite administrative decentralization, the central government continued to control local governments through fiscal redistribution. Budapest has once again become a “special case.” Following the Act, it is managed by a two-tier system, where the districts obtained a strong autonomy *vis-à-vis* the city (i.e. the central municipality of Budapest). Furthermore, the suburban townships have no administrative relationship with the capital. The management of the Budapest metropolitan area is therefore full of contradictions produced by the dispersed structure of local



**Fig. 5:** Budapest – Metropolitan area.

powers and the lack of any overarching regulation (fig. 5). Conflicts are often re-interpreted in terms of party politics and provide opportunities for intervention by the national government.

The 1990s marked a deep urban restructuring in Budapest, comparable to its “golden age” at the turn of the 19th and 20th centuries. The urban economy rapidly overcame the transition crisis.<sup>2</sup> Thanks to its capacities in R&D, highly qualified manpower and attractive urban environment, the city concentrated 60 percent of all foreign capital investments directed to Hungary. Unemployment was kept at a low level and Budapest’s economy has produced a 8-10 percent yearly growth of GDP (double the national average) since 1996.

Economic success was not accompanied by adequate public investments and social policy. Social housing was suspended for years. Whereas the population of Budapest has by far the highest average income in the country, one should not forget the presence of marginalized elderly people, ethnic minority groups and homeless people. Due to suburbanization and the natural decrease of its ageing population, the city lost 10 percent of its population (200,000 people) between the 1990 and 2001 Censuses.

The 1990s were characterized by a gradual separation of

the city budget from the national one (during state socialism, almost the entire urban development fund was distributed from the national budget). Local revenues, based on local taxes and real estate properties, obtained a decisive role in the city’s budget. In the course of this process, the vestiges of governmental fiscal control repeatedly gave rise to political tensions on both sides.

Before 1991, personal income tax remained entirely at the disposal of the community where it was collected. Since that year, a larger and larger portion of the income tax was levied by the central budget for fiscal compensation between the municipalities – and also for stimulating them to introduce local taxes. In 2000, the share of the income tax remaining for the local governments dropped to 5 percent. As 40 percent of the national income tax is collected in Budapest, the increased centralization of these revenues diminished the city’s resources perceptibly.

Another conflict came from the legal responsibility of local governments, including the city of Budapest, to manage basic public services, like schools or hospitals. The running costs of these institutions are, in theory, covered by the national budget or the social security fund, but in reality, these only cover 70-75



**Fig. 6:** Budapest – National Theater.

percent of the costs – the remaining part has to be financed by the municipal budgets.

Conflicts between the central government and the capital are also manifest in political party preferences. In the four free elections since 1989, Budapest has always voted for the center-left (socialist and liberal) parties both in the parliamentary and the city council elections. Since 1990, Budapest has had a liberal mayor. Consequently, left-wing governments “like” the city, right-wing governments show some animosity. Furthermore, the majority of Budapest’s suburban townships (in Pest County) vote for the center-right parties, increasing the difficulties of coordinated development at the metropolitan level.

The national budget no longer supports social housing, public housing stock having been transferred to the district municipalities. Budapest is also excluded from the financial support of the Regional Development Fund, which finances the compensation and adjustment of regional differences. The central government continues to promote large infrastructure development schemes, mostly in urban transportation, like the construction of new bridges, or the completion of the motorway ring around Budapest. The construction of a new campus for

the Faculty of Sciences of Budapest University, a Science and Technology Park or the cultural complex of a new neighborhood still under construction, called the Millennium City Center (where the new National Theatre is already completed) also enjoy government subsidies (fig. 6). These developments may result in a new dynamism on the southern part of the banks of the Danube, currently dominated by brown-field areas.

These investments are characterized by the lack of cooperation between the state and the local authorities. Political tensions are manifest in frequent budget cuts. While the city often takes the opportunity to blame the national government for shortcomings in urban services, in actual fact, large financial assets, real estate properties and sizeable local taxes yield significant local resources for Budapest. Central subsidies therefore play a less crucial role for the municipal budget than stated by the city officers.

The city employs a neo-liberal economic policy. This comprises attracting foreign investments, encouraging the economic elite to settle down in the city as well as supporting local capital accumulation. It is less sensitive to social solidarity, to issues of urban poverty, disadvantaged minorities or social housing.



## Conclusion

Over the past 130 years, a dichotomy of "openness" and "closedness" characterized the main trends in Hungarian politics. National governments either supported "modernization" by opening the country towards foreign, especially Western, influences or tried to rely on internal potentials, emphasizing national traditions and values. The prevailing standpoint of the government in power was influenced by its socio-political background and by its approach to the rural vs. urban dichotomy. Governments marked by "openness" policies have always sustained the economic and urban development of Budapest. Governments following "closedness" policies tend to bestow privileges on rural and small town areas.

It is difficult to formulate a well-balanced national urban policy. In Hungary, centralization of local resources and their redistribution from the central budget has always been a traditional method for adjusting regional differences. Hence, even rich and powerful Budapest had to rely on state subsidies to maintain and develop its sizeable infrastructures. While redistributing the budget, national governments also need to take into consideration that half of the country's population lives in medium-sized and small towns and 30 percent in rural communities, who are also in need of governmental support. Especially in the countryside, infrastructural development was seriously neglected during the socialist era and nowadays there is an enormous demand everywhere for investments in infrastructure.

The size of Budapest is not the only reason for special treatment by national urban policy. During its history, Budapest represented a more advanced stage of urban development than any other urban agglomerations in the country. The great population growth following the industrial take-off took place in Budapest between 1870 and 1910, while in the other cities only 80 years later. Suburban development started around Budapest after 1870, while around secondary centers only after 1950. The tertiary and quaternary economy started to become dominant in Budapest in the 1970s, while in other cities only 20 years later. Furthermore, cosmopolitan and metropolitan lifestyles are unknown outside Budapest: the second largest town has but 200,000 inhabitants. In Budapest, everything happens in a different way than elsewhere in the country. Since its creation in 1873, Budapest is the symbol of modern Hungary. This position may invite admiration, respect, curiosity, jealousy – or rejection, suspicion, hostility: the capital city is often judged in a sentimental fashion. Fear of modernization and its "consequences" is frequently hidden behind anti-Budapest feelings and declarations.

The cornerstone of Hungarian regional policy has always been to level the gap between Budapest and the less developed regions and cities. Regional planners have to admit now that urban competitiveness in Hungary cannot be judged without being compared to other European countries. The success of Budapest in the competition of European metropolises is an important challenge for the whole country, and therefore

it needs nationwide support. The capital has a favorable international geopolitical position. Two emerging dynamic economic axes of Europe intersect here: one leading from Northern to Southern Europe (Copenhagen, Berlin, Prague, Budapest) and another, relating Southern European cities (Barcelona-Lyon-Milan-Munich-Vienna-Budapest). Within Hungary, there is no functional competition between Budapest and the other cities. Medium-sized cities need a non-metropolitan type of infrastructure and institutional development. Since the 1980s, there is a concentration process of modern economy and economic decision making into large urban regions all over the world. It would not be wise if central policies failed to seek to integrate the only large metropolitan region of Hungary into these global processes.

## Notes

1. In Hungarian terminology, the modernization of society during the 19th century is referred to as *polgárosodás* (becoming bourgeois).
2. Transition crisis: the sudden switch from a state-controlled economy to the market competition resulted in an economic crisis in every post-socialist country.

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