

**HOUSING POLICY – HOME BUILDING:
EVENTS AND EXPERIENCES FROM THE RE-
CENT PAST OF HUNGARY**

Theses of Doctoral (PhD) Dissertation

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1. INTRODUCTION

1.1. The timeliness and significance of the topic

Fundamentally two reasons and circumstances have inspired me powerfully to write this essay. First, being a public figure and a decision-maker (between 2001 and 2002 as Under-Secretary of State of the Prime Ministerial Office). I was involved in one of the most exciting periods of the housing policy. Consequently, I had the opportunity to get acquainted with not only the results and the “final product” but, experiencing the housing market and housing political happenings at very close quarters, I obtained both impressions and concrete information on the conditions and decision alternatives that promoted the birth of the relevant decisions. It was wholesome to experience what forces attempted to influence the accepted governmental decisions into what direction and with what an argument set during one of the most eventful and exciting periods of the housing market.

The other inducement to write this study was that I regrettably observed during my bibliographical research that the period starting from the transformation of regime in 1989/1990 has not been scientifically processed or fully presented in theoretical terms before this essay. Although a considerable number of matterful and thought-provoking writings have been published as the scientific evaluation of this period, no comprehensive work, especially one presenting and evaluating the events taking place after the turn of the millennium, has been prepared.

Nevertheless, significant studies have been published considering the analysis of the housing privatisation of the 1990s, the description of the social political mechanism of filtration or just the crisis of housing finance. Likewise, the various research institutional reports issued in this topic, as well as the relating statistical data and public opinion researches were also important inspiring works. Although I had the mosaics, a summarising study presenting and evaluating the housing policy of the past two decades was still missing.

Based upon the reasons and conditions detailed above, it seemed reasonable to prepare a comprehensive analysis of the transformation that had passed off from the early 1990s in economy and society, especially the housing market and housing political consequences. Furthermore, the essay has paid special attention to the home promotion programme realised within the Széchenyi Plan, its direct effects and after-life. This programme was born at the turn of the millennium but still has a considerable influence.

4.2. Scientific studies published in foreign languages:

Mádi László (2007b): Facts and Questions from the Recent Past of Regional Policy. Acta Beregsasiensis, 2007. VI. Évfolyam. Különkiadás. Kiadó: II. Rákóczi Ferenc Kárpátaljai Magyar Főiskola. 93-98. o.

4.3. Lectures:

Lakáskonferencia, 2003. 05. 14. (Szervező: TÁRSASÁG A LAKÁSÉPÍTÉSÉRT)

Lakáskonferencia, 2003. 12. 3. (Szervező: TÁRSASÁG A LAKÁSÉPÍTÉSÉRT)

Lakáskonferencia, 2005. 05. 31. Bér lakásépítés európai módon. (Szervező: TÁRSASÁG A LAKÁSÉPÍTÉSÉRT) Hotel Hélia.

Ingtalan Szakmai Konferencia, 2005. 11. 10-11. (Szervező: Ingtalanosok Magyarországi Érdekképviseleti Egyesülete) Sopron, Grand Hotel.

A bér lakásépítés jelene és jövője, 2006. 03. 09. (Szervező: TÁRSASÁG A LAKÁSÉPÍTÉSÉRT EGYESÜLET) Novotel Budapest Centrum.

4. THE AUTHOR'S PUBLICATIONS RELATED TO THE TOPIC OF THE DISSERTATION:

4.1. Scientific studies published in the Hungarian language:

Mádi László (2005a): Újévi remények. Lakástámogatási politika. Figyelő, Január 13-19. 15. o.

Mádi László (2005b). Otthonteremtés – múlt, jelen, jövő. Polgári Szemle, 2005/12. 6-14. o.

Mádi László (2005c): Korrekciós irányok. Célok és eszközök a lakáspiacon. Figyelő, Október 6-12. 19. o.

Mádi László (2006a): Göröngyös út. A lakáspiaci buborék veszélye. Figyelő, Január 26-Február 1. 21. o.

Mádi László (2006b): Otthonteremtés és társadalmpolitika. A Széchenyi-terv otthonteremtési programjának politikai céljai és hatásai. Esély, 2006/5. 43-54. o.

Mádi László (2006c): Gazdaságpolitikai dilemmák: felzárkózás vagy lemaradás. Polgári Szemle, 2006/11. 14-20. o.

Mádi László (2006d): Szabolcs-Szatmár-Bereg megye felzárkózik? Tények és folyamatok 1990-től napjainkig. Gazdaság és Társadalom, 2006/1-2. 149-176. o.

Mádi László (2006e): Gazdaságpolitikai dilemmák: felzárkózás vagy lemaradás. Válogatás a 44. közgazdász-vándorgyűlés előadásából. Szerk.: Halm Tamás. Nyíregyháza, 2006. 141-149. o.

Mádi László (2006f): Kiszámíthatatlanul. Az otthonteremtés múltja és jövője. Figyelő, Augusztus 31.- Szeptember 6. 21. o.

Mádi László (2007): Megállni a lejtőn. Figyelő, 2007. Március 8-13. 27. o.

1.2. Purposes, hypotheses

On the basis of the above, the primarily purpose was to summarise and thoroughly examine the aims, tools and results of the domestic governmental housing policy in the period from 1990 up to this day in a historical approach. Within this field, owing to my personal concern and its housing political significance, the research focused on the housing programme developed under the Széchenyi Plan, and presented its novelties and effects.

The fundamental hypothesis of the essay is that the home building programme created by the Orbán Government was “at the right time in the right place”, as the conditions necessary for the realisation of the programme were ensured. To study this scientific assumption, I had to consider and analyse all the necessary conditions facilitating and justifying this considerable housing political intervention of the state. A further hypothesis is that despite its smaller and larger defects and deficiencies, the programme was successful regarding both the development and mobilisation of the housing market, and the whole economy. Furthermore, our assumption also suggests that this had considerable positive consequences considering the social effects, too.

Since the model developed in 2000 actually came to an end by the end of 2003 or only certain parts of it have remained, the research could even subsequently evaluate it. The economic political conditions and endowments have changed unfavourably, so the wave of governmental restrictions reached the housing policy, too. (This, of course, does not mean that the development of the housing support system would have stopped in other respects.) Nevertheless, the selection and scheduling of restrictive steps is also an exciting topic to be studied, not in the last place because, besides processing the experiences, the formulation and discussion of the conclusions can also be considered of key importance.

According to our hypothesis, the restrictive measures taken since 2003 have caused considerable changes on the market of new flats not only in quantity but structure (for instance, in the size and location of flats), too. At the same time, the conditions also show that the nearly ideal facilities of the turn of the millennium underwent really serious negative changes in 3-4 years' time. Consequently, according to our hypothesis, the economic political circumstances are of determining importance with respect to the housing policy and the important changes made in the housing policy. Therefore, we must face such an interaction that while the favourable economic and housing market situation facilitates or incites the state intervention, the expansive governmental measures related to the housing market also have serious economic and social influences and consequences. Obviously, these relations may be true in the case of a negative scenario, too.

1.3. Content, methods and justification of research

After a brief theoretical and historical introduction, the essay concentrates on the housing market developments and housing political decisions since 1990. The theoretical introduction consists of four units.

Firstly, Chapter 1 takes each feature characterising the house as a commodity and the housing market in turn. Owing to these attributes (necessity and capital at the same time, individual appearance, immovable, rarely traded, inelastic supply, high transaction costs of sale, especially long durability, etc.) the operation of the housing market considerably differs from the market mechanism of other commodity types. The dissertation pays special attention to the presentation and analysis of the housing support models and trends, and the brief introduction of the international technical literature, primarily studying the housing market characteristics of the members to the European Union.

Since relations are an interesting topic and have been ignored or not realised by the technical literature, relations with economy are revealed and presented in a separate subchapter. The relating research hypothesis was that the possibilities and the realisation consequences of the housing policy were in a very close and strong relationship with the main characteristics of the economy. Therefore, the economic situation is partly a precondition for the realisation of a desirable housing policy, but at the same time it can be declared that the decisions affecting the governmental housing market also have serious economic effects.

When studying this hypothesis, the essay specially discuss the relationship of the housing policy with the economic growth, the employment, the state financial balance, the personal credit portfolio, as well as the import. Here primarily the directions and complexity of the relations are highlighted, while the quantitative research experiences of the domestic housing political decisions are taken into account based upon the available studies and data of Hungarian research institutes.

This essay pays special attention to the examination of the multiplicative effects of housing market decisions, and not only in the field of economy in the narrower sense. Consequently, a separate subchapter briefly presents demography, mobility and filtration, and presents the interactions of these fields with the housing market. The social changes occurring in our country exert a considerable influence on the demand on the housing market and indirectly on the housing policy, too. The changes in the average number of children, the decrease in the number of marriages, the spreading of the single way of life, the deteriorating mortality statistics of middle-aged men, as well as the change in mobility between towns and villages have significant consequences on the housing policy.

Regarding the information basis, the research has used several alternatives. By systematically processing the available governmental documents and legislative background, it has attempted to survey this period and at the same time draw lessons and conclusions on the basis of the experiences explored. Therefore, the

stances, the governmental housing policy of today should be supervised in general.

Obviously, any opinion and suggestion showing into the future can be made a subject to criticism and be supplemented. Still, I am convinced that we have reached our aim even if our essay is suitable as a basis for discussion or can be interpreted as a small contribution to in this extremely complex and important topic. It is a great leap forward! What is more, we can draw the attention on the studying of an especially exciting but unexplored period, whose home-building experience would at the same time serve as an important guidance for future housing political decisions, too. The past period also proves that a complex programme can have a significant effect not only in the housing sector but in other economic and social fields, too.

The analysis of the statistics and events discussed in the essay show that political discontinuity, the basic differing of different housing policies induced and artificially held back housing political cycles. A long-term housing programme and consensus in the fundamental principles would probably have resulted in less upheaval, better plannability and a more effective allocation of public funds. And not in the last place, it would have led to prosperity similar to the Western housing market cycle, lasting minimum 7-8 years. Of course, a proper housing policy itself is not enough for this. A housing policy embedded in an appropriate economic policy and having a proper governmental weight and interest enforcement ability would be required.

Many people deem economic policy at least as much an art as a science. Since housing policy is of outstanding importance within the economic policy for men and families regarding both the depth of its effect and its temporal consequences, the decisions passed in this field are also determining. Nevertheless, the question of timing, the selection of the tools to be applied should be studied separately with respect to their economic and social effects. Therefore, in the future all researchers and decision-makers should be aware of the housing political experiences and conclusions of the recent past. This essay has wished to help with this task.

3. CONCLUSIONS AND SUGGESTIONS

Hereinafter let us discuss what conclusions and suggestions the processing of the past happenings gives reasons for regarding the future. These partly mean the demand for changes in attitudes, but they also give some advice for the specification of the applied devices and the successful housing policy.

1. *The essay expressly draws the conclusion that thorough and complex examination of the home building (housing policy) is only possible together with the economic and social consequences.*
2. *The knowledge, mapping and analysis of the interrelations of the housing policy and demography in the broad sense should in any case be studied.*
3. *The tool set of the state housing political should be simplified, and the strategy, the place and role of the state should be specified with proper professional and political consensus in the operation of the housing market.*
4. *The current supporting policy, which promotes nearly exclusively the building and sale of small flats in terms of both the value limits and the flat sizes, seems intolerable.*
5. *Further researches are needed to answer the question what has happened to the 150.000 flats and houses for which building permits were requested but no occupancy licences were issued.*
6. *The tendency showing a clear and considerable decrease in the size of GDP-rate flat expenses gives cause for serious alarm.*

The studying of data shows that while the housing expenses indicated a 2005 GDP-rate annual 1.45, then two years later, in 2007 it stands a fair chance that this statistical index number, which is maybe one of the most important statistical data in housing policy, falls below 1.00. And although in the second half of the 1990s this unfavourable situation continuously characterised the Hungarian conditions, the present situation seems perhaps even more favourable in terms of the housing policy. The reason for this is that this bad statistical index-number should also be accompanied by the typical tendencies of today such as the mass bankruptcy and liquidation proceedings of Hungarian building industrial companies, the increasing concentration of the building industry, the increasing indebtedness of the population, the 25% decrease in the number of new flats within 2 years, and the uncertainty overtaking the economic actors. Consequently, it can be stated without exaggeration that the position of the sector is critical on the whole. Under such circum-

purpose was not only to process the completed and published legal provisions on the housing policy. When preparing the study and surveying the whole of the decision processes, the limits of the question to be studied during the research extended from the seeking of alternatives to the monitoring control of the final decision. This was mainly possible in the period starting from 2000. However, this period limit favourably coincided with the birth of the new housing policy, the launching of the home building programme announced by the Orbán Government.

This aim was promoted by not only the written technical documentation but also the conversations and notices with decision-making specialists (ministry decision supporters, politicians generally passing the decisions, and researchers affecting, or later examining and evaluating the concepts and regulators). This oral information source largely promoted the clarification of the background motives of the events, and the understanding of intentions and strategic considerations behind the decisions.

Besides collecting the legislative environment and the personal opinions with the decision-makers, I also relied upon the relevant studies of outstanding Hungarian researchers of the housing policy as a compass during the chronological processing. Besides the written documents, the personal interview also played an important part, thanks to which I got acquainted with the opinion and suggestions of a number of domestic theoreticians considering the evaluation of the resolutions of this period.

One cannot ignore the information obtained by the collection and analysis of the statistical background of the housing market either. This data collection has been supplemented by the processing of the credit and economic statistics, and other data and researches of the Hungarian National Bank. The statistics and forecasts prepared by research institutes in this topic, and the important public opinion researches mapping the population's intentions were also useful.

The dissertation has discussed the historical order, the introduction of concrete tools, and regarding their modification, the evaluation of these tools, too. The reason for this is that, besides processing this topic, the dissertation aims to express such experiences and conclusions during the analysis and survey of the events that may serve as a useful guide for the elaboration of the housing policy of the future.

2. RESULTS

Obviously, the period under study cannot be considered homogeneous; and thus no “unstressed” summary of this period can be prepared. The home promotion programme that was born at the turn of the century and announced in the Széchenyi Plan of the Orbán Government (1998-2002) pre-offered the point of comparison from whose point of view an exciting and wholesome summary could be made. It is all the more the case because, as opposed to the housing political decisions passed before and after it, this set of legal provisions and measures aimed at the complex application of housing political tools.

Beyond this endeavour, the studies clearly show that the housing political programme of the then Government fitted into the economic and social political attitude of the whole system of government well; what is more, considering the total governmental work, it could be deemed as highly stressed. Therefore, despite the lack of an individual ministry and given the knowledge of the results of the realisation of the home promotion programme, it can clearly be stated that this is the only government and the only governmental period since the transformation of regime that has been the most progressive and the most effective in terms of the housing policy. Besides the insufficiency of scientific researches, this aspect also played a role in selecting the topic for the dissertation. Nevertheless, the evaluation of the events may not ignore an important condition: regarding the circumstances, in the year 2000 the conditions were disposable in a unique way, too; consequently, the realisation of a more expansive and ambitious housing political turn encountered no serious difficulties. This not only refers to the favourable budgetary condition or the lack of the well-known restrictions of the European Union, but a far more complex system of conditions could be observed in this period. These conditions and characteristics facilitated and incited the housing political intervention in nearly all cases. Since a lot of them have not existed any longer after 2002, it is well worth listing them briefly.

1. *The establishment of the mortgage loan system provided safe credit facilities to the financial institutions.*
2. *A decrease, the acceptable of nominal and real interests.*
3. *The reduction of and the plannable, calculable change in inflation.*
4. *The financial institutions had considerable free and long-term sources, and the provision of home credits was considered profitable.*
5. *An appropriate credit solvency and the manifesting credit demand of the demand side.*

portant organisational step resulted in no breakthrough in the Hungarian housing and building affairs. Besides the slight budgetary restrictions, the years passed since then bear the marks of uneventfulness and drifting in the housing policy, as well as the end principle and insignificance in terms of the operation of the whole Government.

The analysis of the housing market happenings of the past two decades is especially instructive. It can be seen that nearly everything is related to each other, and so decision-makers are to act very cautiously both regarding the applied measures and the scheduling. Moreover, we need a housing promoting model that remains stable and reliable under restrictive fiscal political circumstances at least regarding the key parameters. It is essential since reliability is perhaps the most important requirement in this field.

The decision passed in the spring of 2002 and determining a low interest ceiling with a 20 years' guarantee can be considered as slap-dash and exaggerated, although then one could not expect the economic political turn executed in the second half of the year or the soaring of the inflation. As a deficiency, let us mention that the programme for the restoration of old blocks of flats had no set of criteria determined preliminarily on the basis of which it could be determined which flats should not be renovated and what order would be reasonable for the flats to be renovated in accordance with the social and technical properties. In terms of economics, restoration is only rational if the value of the renovated flat increases by at least the amount of the renovation costs. When spending public funds, this thumb-rule should also be considered. In lieu of renovations, perhaps there is another alternative that reaches the aimed social target with lower expenditures. However, the government should have thought not only in the buildings but the complex entirety of the residential environment and its long-term goals should have taken into account when passing decisions on restoration. It is also objectionable that the qualitative aspects regarding the materials and the execution were not prescribed and controlled with sufficient power and efficiency in the case of newly built flats. The requirements of the 21st century should have been enforced with special emphasis on grounds of both environmental aspects and the need for ensuring appropriate life quality for the buildings and flats in the long run. The control work carried out by the building authority has never been properly organised and operated.

9. *Owing to the budgetary conditions and the turning of the former decreasing inflation, the fiscal restrictions following the change of government (2002) were not appropriately prepared and thought over with respect to the operation of the housing market.*

Looking backwards, it can definitely be stated that the period of the Medgyessy Government (2002-2004) was the period of unpredictability and conceptlessness considering the housing policy. This statement is true despite the fact that it was the period when the sector had a separate governmental commissioner, and large efforts were made to elaborate a long-term housing programme. Although there were positive measures aiming to develop and extend the tool system during and following these years (see the most significant step known as the Nest-Building Programme, or the increasing of the social housing subsidy amounts several times), most of these measures cannot be considered as well-thought and well-founded regarding their effects and concept. Although from a certain aspect the brief period after 2004 can be evaluated as outstanding regarding the work of the Government (especially the establishment of an individual government office), this im-

6. *The existence of the concrete (budgetary, political and other) conditions for state intervention to incite home building.*
7. *The bank market is characterised by a competitive environment.*
8. *A low number (portion) of vacant flats, and the numerosity of households considerably increases.*

However, let us outline the key lessons, opinions and conclusions determined in the essay and affecting the housing policy of the past 20 years:

1. *Tenement flats were privatised to an excessive extent, with no clear definition of proper professional principles in the 1990s.*

Consequently, local governments had no sufficient number and appropriate structure of real estates left for social tenement flats in many towns and villages. (Besides their number, difficulties have arisen because these remaining local governmental real properties are located not in a concentrated manner but sporadically, and thus their maintenance and operation is inappropriate and inefficient) As for the other side, although getting an individual flat, a high number of people were unable to cover not only the maintenance and renovation of the buildings but even the overhead expenses of their flats. No professional set of aspects was clearly defined regarding the principles of privatisation either at national or metropolitan level. Then the state had to assume and compensate the negative consequences, or at least a part of them, by spending further public funds. (See for example the necessity to launch the programme for old blocks of flats and the tenement flat building programme, or the compulsion of the local governments and the government to allocate considerable state funds to the needy for the maintenance of flats and loan recovery as a social support.)

2. *The privatisation of tenement flats was burdened with lots of unfairness.*

Citizens living in municipal tenement flats, especially the tenants of real estates of a higher value and better condition were in an advantageous situation. Therefore, mainly the provincial people, particularly those living in villages were at a disadvantage. Moreover, as the surveys conducted by the State Audit Office have also pointed out, the municipal revenues from the sale of tenement flats were not returned into the real property sector, into the restoration, modernisation of the remaining municipal tenement flats despite the legislative provision. A considerable part of today's housing market problems is rooted in the then decisions: let us mention the lack of tenement flats, their uniquely

low number in international terms, or the burning restoration demand of prefabricated flats.

3. *The consolidation of special state-supported credits inherited from the socialist era was definitely successful in 1990.*

Including alternatives and satisfying the constitutional criteria, too, in most cases these credits were free from problems (some of these debtors have been unable to settle their debts up to the present, despite several state attempts to provide assistance). In the aggregate, a most favourable situation had evolved for an increased state intervention by the end of the nineties. Decreasing and relatively low inflation, permanently positive real wages, minimal personal credit burdens, necessary bank liquidity, accumulating need for restoration and moving, and the proper status of the Hungarian state budget: these were the most important conditions that facilitated and incited the launching of the home promotion programme fitting into the Széchenyi Plan.

4. *Our basic research hypothesis regarding the home promotion programme announced by the Orbán Government in 2000 was verified.*

The housing market statistics reflect a most striking expansion not only in terms of the construction of new flats and the turnover of used flats, but also in the field of flat extensions and modernisations. As a tool of the anticyclic economic policy declared by the Government, the surveys of the research institutes also confirm that the housing program, both directly and as a result of multiplicative effects, exerted a considerable influence on the economic development, the increasing of the level of employment and the production of the domestic building industrial small- and medium-sized enterprises.

5. *As a result of the political and economic political turn of 2002, owing to the changed conditions the housing programme of the Széchenyi Plan proved to be unmaintainable.*

Above all, the interest rates running high because of the soaring state budgetary deficit and deteriorating foreign judgement left the budget with a non-financable and thus unsolvable task owing to the striking growth of interest subsidising burdens. And deciding upon the hypothetical question whether the home-building system could have continued with no significant adjustments in the case of a disciplined fiscal policy and permanently decreasing inflation would require further researches.

6. *The construction of new flats, as a key index number of the housing policy, shows that the number of occupancy permits increased year by year between 2001 and 2004, and their number in total doubled.*

However, this spectacular rise had unambiguously ended in decline by 2005-2007. Therefore, taking the international examples into consideration, the prosperity period of the Hungarian housing market of the recent past can be deemed as extremely short. In highly developed states the real estate and housing market booms generally last for over 7-8 years, a real property investment is a long-term business that is capital-intensive and moves a mass investment. Furthermore, these launched developments have a large inertness, too, since investors are rather careful, conservative. Consequently, the restrictive package unforeseeably destroying the system of the Orbán Government and offering no real perspective to those affected can be considered as inconsiderate. Let it be said in the defence of the socialist governments, after 2002 the macroeconomic circumstances, which were present at the turn of the millennium for the operation of a successful home-building programme, fundamentally changed. (Low inflation of a decreasing tendency, increasing real wages, an acceptable level of state budget deficit, etc.) The building industrial market concentration becoming more and more intense in recent years, together with the considerable expansion of foreign firms, and the chain debts becoming mass can also largely be led back to these fiscal restrictions. Therefore, the prosperity effectively promoted by the state in the first years of the new millennium came to an end artificially owing to the restrictive governmental interventions in 2003 and the following years.

7. *After 1999 the increasing number of building licences was followed by the increase in occupancy licences only with a slight temporal shift.*

First this delay took place after a period slightly exceeding one year, but, probably in parallel with the activation of business organisations, the proportion of flats constructed with no prefabricated elements was continuously growing during this period, and this temporal shift appeared sooner, practically in one years' time. The same is true for the decrease, too, which in the case of building licences occurred after the peak year of 2003, while regarding the occupancy permits, following 2004. And although their numbers do not equal, but the rates of increase and decrease generally proved corresponding. Consequently, given the knowledge of these data, a hypothesis is also worded. Namely, the changes in the number of occupancy permits shows a shift both in terms of tendency and portion that could be observed in the case of the shift of building permits one year earlier.

8. *Although the housing programme specified in the Széchenyi Plan was thoroughly prepared and monitored, several mistakes occurred and deficiencies can be found.*