

**Political servants, professional guardians, or both?
Political appointees in independent organizations
under the Fidesz-KDNP supermajority in Hungary
(2010-14)**

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Declaration

I hereby declare that no parts of the thesis have been accepted for any other degrees in any other institution. This thesis contains no material previously written and / or published by another person, except where appropriate acknowledgment is made in the form of bibliographical reference.

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Abstract

The most puzzling and unresolved issue surrounding political appointments is reflected in the normative tension between Weberian principles, on the one hand, and political leaders' increasing demand for professional responsiveness to political and policy needs, on the other. The intrigue of this debate is particularly relevant in light of the increasing depth, breadth, and frequency of political appointments in Hungary under the parliamentary supermajority of the second ruling Fidesz-KDNP government (2010-14). Yet, the extent to which political appointees act as political servants against professional norms, advice, or judgment, particularly in more politically independent organizations, and their larger implications for organizational change remains under-researched. In the endeavor to address this gap and motivated by the context of Fidesz-KDNP's political project of radical transformation, the dissertation departs from the normative debate and analyzes: *to what extent did political appointees in independent organizations of public interest serve the partisan agenda under the Fidesz-KDNP supermajority in Hungary (2010-14)? And how did they influence organizational change?* Firstly, it constructs and employs ideal-types of behavior, *modes of appointee behavior*, from Meyer-Sahling's modes of politicization (2008) and incorporates organizational change theory (Newman, 2000) to generate propositions about the likely level and nature of change. Secondly, it makes an empirical contribution by exploring the manifestations of appointee behaviour in two independent organizations, the National Bank of Hungary and the Hungarian Accreditation Committee. Data collection, synthesis, and analysis rely on a qualitative case study approach, process tracing, and two sets of triangulated data – elite interviews and document analysis.

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List of Abbreviations

CEE	- Central and Eastern Europe
ECB	- European Central Bank
ENQA	- European Association for Quality Assurance in Higher Education
ESCB	- European System of Central Banks
EU	- European Union
FEMA	- Federal Emergency Management Agency
FGS	-Fund for Growth Scheme
Fidesz	- The Hungarian acronym for the “Alliance of Young Democrats”
GDP	- Gross Domestic Product
HAC	- Hungarian Accreditation Committee
HE	- higher education
HEA	- higher education area
HEI	- higher education institutions
HÖÖK	- National Union of Hungarian Students
HUF	- Hungarian Forint (currency)
IMF	- International Monetary Fund
KDNP	- The Hungarian acronym for the “Christian Democratic People’s Party”
MAB	- Hungarian Accreditation Committee
MDF	- Hungarian Democratic Forum
MNB	- National Bank of Hungary
MRK	- Hungarian Rectors’ Conference
MSZP	- Hungarian Socialist Party
MTA	- Hungarian Academy of Sciences
NAV	- National Tax and Customs Administration
OECD	- Organisation for Economic Co-operation and Development
OH	- Education Authority (Hungary)
PBK	- Batthyány Society of Professors
PSZÁF	- Hungarian Financial Supervisory Authority
QA	- Quality Assurance
SIGMA	- Support for Improvement in Governance and Management (a joint initiative of the OECD and the European Union)
SZDSZ	- Hungarian Liberal Party
US	- United States (of America)
VET	- Vocational education and training

1 Introduction

“The current government has systematically undermined the system of checks and balances not only through legislation, the adoption of a new constitution, and frequent constitutional amendments, but also by filling key positions in independent state institutions with partisan or personal loyalists. By 2014, all major independent institutions were headed by such appointees [. . .]” (Kovács et al., 2015, p. 273).

Domestically and internationally held concerns about the rapid erosion of Hungary’s young democracy under the *Fidesz-KDNP*-led parliamentary supermajority (2010-14) were widespread (e.g., Brouillette, 2014; Scheppele, 2013; The long march, 2012; see also Kovács, 2015 for an overview of the criticism and its sources in the 2010-14 period). They dominated press headlines and analyses, motivating debates in academia and European Union institutions, triggering a string of civil protest movements, and were the subject of daily conversation in Hungarian society more generally. A dominant feature of this eroding democracy was the rampant appointment and installment of partisan allies and trusted loyalists across the state apparatus and, unprecedentedly, independent organizations of public interest (Kovács et al., 2015, p. 273).

On the one hand, politicization is a key aspect of governing tradition in Hungary, transcending regime changes and types throughout the country’s modern history. In Central and Eastern Europe (CEE), more generally, patronage and political appointments (Kopecky and Mair, 2011; Meyer-Sahling and Jáger, 2012) have been the *modus operandi* since the transition to democracy in the 1990s inherited from the one-party, nomenclature system under communism (e.g., Nunberg, 1999, Verheijen, 2001; Meyer-Sahling, 2008; Kopecky & Mair, 2011; and Meyer-Sahling & Veen, 2012). Evidence analyzed by Meyer-Sahling and Jáger (2012) in the case of Hungary indicate that political parties “reach into all institutional domains,” including the ministerial bureaucracy, non-departmental agencies, and executing institutions, and “into all policy sectors studied” (p. 163). Bozóki (2012b) describes Hungarian democracy as a partocracy which is “exclusively defined by the parties” in that the “concept of public good is subordinated to the interests of the parties” (p. 246; see also van Biezen, 2003). Indeed, as empirically underscored by Meyer-Sahling (2004), the political coloring of state administration regularly alternated with the election cycle—that is, the “senior bureaucracy ha[d] come to be dominated by officials whose tenure is bound to that of alternating government” (p. 98). On the other hand, during the *Fidesz-KDNP* administration from 2010 to 2014, the appointment and installment of partisan allies and trusted loyalists across the state apparatus and independent institutions, including the well-known cases of the Constitutional Court and Media Council,

deepened and broadened in scope. One example of this politicization momentum was the unprecedented application of political appointments to previously untouched independent organizations of public interest, such as the Hungarian Accreditation Committee.

In a situation of increasing political polarization between left and right political factions, Fidesz-KDNP came to power after eight years of Socialist-liberal government, garnering a two-thirds supermajority in Hungary's unicameral National Assembly in 2010. The victory was interpreted by the winning coalition as *carte-blanche* to radically reorient the political regime toward—what Prime Minister Orbán himself later termed as—an “illiberal democracy” (Prime Minister's Office, 2014) and forge a swell of accompanying policy reforms. Fidesz (the Hungarian acronym for the “Alliance of Young Democrats”) was founded in 1988 as a liberal youth movement during the transition from communism to democracy in Hungary in large part by university students in Budapest. Since its establishment, Prime Minister Viktor Orbán had been the leader of the party, which was gradually transformed *from a liberal to a conservative*, Christian-nationalist party in the 1990s (Lambert, 2016a)—“reconstruct[ing] the centre-right around its core ideas of conservatism and Christian Democracy, solidarity, family, nationhood and statehood” (Schöpflin, 2013, p. 15). Since the transition to democracy in 1990, Fidesz had enjoyed an important presence in Hungary's parliament, having served in opposition four times and as the ruling party three times (1998–2002, 2010–2014, and 2014 to present time of writing)” (Lambert, 2016a). KDNP (the Hungarian acronym for the “Christian Democratic People's Party”) was the junior coalition partner of Fidesz in parliament and had been in alliance with the latter since 2006. KDNP's roots date back to the German occupation of Hungary in the Second World War, but it was forced to dissolve in 1949 during the one-party communist regime. It formed again in 1989 and has participated in all National Assembly elections since then (Lambert, 2016b).

Several scholarly perspectives lend context to Fidesz-KDNP's politicization frenzy, highlighting the conditions that not only allowed for a wholesale shift in the ruling government's political coloring in 2010, but also for a unilateral regime change undertaken by Fidesz-KDNP from 2010 to 2014. Körösenyi (2015) identifies the period of Hungarian political life from 2006 onward—the period in which Fidesz-KDNP's electoral victory is rooted—as one of deconsolidation and political crisis. Its fundamental features included mutual contestation of legitimacy by the main political factions (MSZP/Socialist-liberals versus Fidesz-KDNP), confrontational politics, polarizing rhetoric, and individual political decision-making. Körösenyi observes that these factors culminated in “cracking the legitimacy of the regime” and in the “decomposition of the left's voter base” who largely migrated to the political right—to Fidesz and the far-right *Jobbik*

party from 2010 (Körösenyi, 2015, pp. 406-408)¹. Academic and Fidesz politician, György Schöpflin, also a member of the European Parliament's European People's Party, attributes the decline of the political left in Hungary to its deep roots in the communist nomenclature, lack of political redefinition, its associated adoption of the international and controversial "liberal consensus" which could "assure it a support base" that "reached beyond Hungarian society," its popular association with systemic corruption, and "economic mismanagement" (Schöpflin, 2013, pp. 16-18). Academic and liberal politician, Bálint Magyar, similarly admits the "responsibility of the socialist-liberal coalition in clearing the path to the building of [what he terms as] an autocratic regime" (Magyar, 2016, p. 26)². Schöpflin and Magyar allude to the idea that Fidesz—due in part to what they both term as the "cold civil war" in Hungary—was able to exploit and address the post-transition lack of consensus on a collective identity and value system (Magyar, 2016, p. 30; Schöpflin, 2013 p. 15).

Moreover, from a conservative perspective, the left's "espousal" of neoliberalism "allowed Fidesz to proclaim the importance of the state as an instrument of solidarity, redistribution and security" (Schöpflin, 2013, p. 17). Not unsimilarly, from a liberal perspective, the "reforms that would have made a rise in the standard of living [and "sustainable growth"] possible would have shifted precisely [the public servants and the growing petit bourgeoisie of the communist era] into a state of discomfort [. . .], which led to a policymaking culture of "extremes of painful inertia and neoliberal thrusts of zeal" under leftist governments (Magyar, 2016, p. 30). Thus, what was considered a dramatic decline in the political left's credibility and legitimacy, as well as widespread dissatisfaction with the post-transition status quo in governance and incoherent policies, presented ripe conditions for Fidesz-KDNP's two-thirds electoral victory in 2010. These factors, more importantly, legitimated Prime Minister Viktor Orbán's interpretation that the victory invoked "a mandate for a radical transformation" (Schöpflin, 2013, p. 18; also

¹ The first two periods of Hungarian political life post-transition, from 1989 to 1998, laid the groundwork for the unfolding political crisis from 2006—the period in which Fidesz-KDNP's electoral victory is rooted. These preceding periods were characterized by temporary and transitional political compromises in place of consensus, a multi-party system relying on "competitive" rather than "cooperative" strategies by the parties and grounded in a lack of trust between political actors, a paradoxical situation of democratic consolidation and increasing political polarization including politicization of public administration and civil society (see also Bozóki, 2012b, pp. 245-46), increasing corruption, and the rise of powerful and charismatic right and left party leaders (adversaries Viktor Orbán and Ferenc Gyurcsány) (Körösenyi, 2015, pp. 402-406).

² Examples of the left's "vulnerability," in Magyar's words, include the "loss of moral credibility [. . .] tactical mistakes in political strategy [. . .] widely experienced corruption [. . .] repeated austerity measures [. . .] mixed messages sent by conflicting government initiatives and programs, the stuttering and discontinued reforms of the major distributive systems, and the tragically discrediting impact of the socialist prime minister's [leaked] speech [in 2006 in which he admitted during a party conference that the political establishment had been lying] [. . .] the international economic crisis in 2008 [. . .] and the all-round sense of hopelessness and despair" (Magyar, 2016, p. 26; see also Bozóki, 2012b, pp. 243, 247-49).

Körösi, 2015, p. 408). Thus, Fidesz articulated and embarked on a project of nationalism, which appealed to a disenchanted electorate at a time of both political and economic crisis (post-2008 global financial crisis). In a now infamous speech he delivered in the summer of 2014 to a camp of supporters, Orbán acknowledged the nature of his political project:

“And so in this sense the new state that we are constructing in Hungary is an *illiberal* state, a non-liberal state. It does not reject the fundamental principles of liberalism such as freedom, and I could list a few more, but it does not make this ideology the central element of state organisation, but instead includes a different, special, national approach. (Prime Minister’s Office, 2014)”

The radical transformation involved the formulation, elaboration, and forging of a “national approach” to a whole host of governance and policy challenges. Major targets of reform included the economy, Basic Law (Constitution), Media law, the justice system, the electoral system, the tax system, secondary and higher education, the governance of religious establishments, small and medium-sized enterprises, local government and the public administration. One prominent example is Fidesz-KDNP’s departure from the liberal consensus and forging of a nationalist economic strategy. Prime Minister Orbán had repeatedly confirmed this new anti-status quo path in public addresses, including during the 25th Bálványos Summer Free University and Student Camp in Romania in 2014 and at the State of the Nation Address held in February 2015. Among his declarations were that the country “had let go of neo-liberal economic policy” (e.g., “letting go of the policy of austerity”) and that by 2014, Hungary had become “an economic success story” (Prime Minister’s Office, 2015), also citing China, Turkey, and Russia as examples of successful nations which are not western or liberal democracies (Prime Minister’s Office, 2014). He referred to Hungary’s “new direction in 2010” as the moment when the “new era of national politics began” (Prime Minister’s Office, 2015), including a rejection of foreign debt (Prime Minister’s Office, 2014). The discourse found fertile ground in the long-held, widespread disenchantment of the population with the swift transition to democratic governance and the foreign-sourced neoliberal economic policies which, in addition to having pulled the proverbial rug from under their feet, had simply replaced a socialist economic system dominated by other foreign powers. Tapping into this nationalist sentiment and thirst for radical change, Fidesz-KDNP used its two-thirds majority as *carte-blanche* to pursue a political regime change. Part and

parcel of this evolution was the installment of trusted political allies and loyalists to independent organizations of public interest³.

But what could these political appointments to independent organizations—otherwise designed to conduct policy decisions and implementation independently from the political executive and party politics—achieve and how? The dissertation endeavors to unpack this politicization phenomenon at an indepth, nuanced level through two comparative case studies—the *Hungarian Accreditation Committee* and the *National Bank of Hungary*—examining: (1) *to what extent did political appointees in independent organizations of public interest serve the partisan agenda under the Fidesz-KDNP supermajority in Hungary (2010-14)?* (2) *And how did they influence organizational change?*

With the application of ideal-types or *modes of appointee behavior*—drawing from Meyer-Sahling (2008)’s modes of politicization and borrowing from business management literature and organization studies the notion of *second and first order organizational change* (Bate, 1994; Newman, 2000) —the analyses comprise micro- and meso-level observations about: (a) the decision-making behavior of the main decision-making bodies in the two organizations; (b) individual behavior, namely of the appointed executive leadership and (c) analyses of the organization as a whole, including changes to organizational elements. Both organizations studied were independent, served the public interest in Hungary, and underwent an unprecedented level of politicization at the time of the study—the unprecedented appointment of an actual partisan in one case and the introduction of political appointments in the other. However, they differed in their mix of the modes of politicization at the decision-making and executive leadership levels and with respect to their organizational elements. With each case representing different positions along the politicization spectrum, they could be compared on the extent to which partisan considerations filtered through their respective behaviors and ultimately imprinted on organizational change. Moreover, each organizational case narrates the behavior of the appointed executive leadership and appointed decision-making collegiate (of which the executive leadership was a member) in a comparative perspective with their respective predecessors.

The National Bank of Hungary (MNB) is a formally independent organization but serves an important public function, with the primary objective of achieving and maintaining price stability in the national economy. The MNB was perceived as one of the few quintessentially “professional” institutions in Hungary’s highly politicized, post-transition policy environment. In

³ At the time of this writing, the Fidesz-KDNP coalition—still at the helm of government but having lost its supermajority after the 2014 elections—was still marching full steam ahead with its political reformism. Its uncontested political leadership and dominance was only more recently (and marginally) challenged by the far-right *Jobbik*.

2010, the Fidesz-KDNP government acquired the parliamentary majority necessary to substantially deconstruct and reconstruct the institution, including through the unprecedented appointment of a trusted Fidesz program architect, in order to serve its agenda. The case study hinges on two governorships in a comparative perspective: (1) focusing on the first two years of György Matolcsy (2013-2014), who is here profiled as a partisan-based political appointee close to the appointing prime minister, Viktor Orbán; and (2) the last two years of the previous governorship of András Simor (2011-2012/13), who is here profiled as an open political appointee reportedly not close to the-then appointing prime minister, Ferenc Gyurcsány.

The Hungarian Accreditation Committee (MAB) is a statutorily non-profit organization whose functions serve the public interest, conducting ex-ante and ex-post evaluation of programs and institutions in higher education in Hungary. The case of political appointments to MAB is informative and interesting because it concerns a pivotal period in the agency's existence—the first round of political appointments in the organization's short history. The ruling Fidesz-KDNP government used its parliamentary supermajority to fundamentally restructure the de-jure parameters of the committee's role and self-determination, including through political appointments. The case study hinges on two presidencies in a comparative perspective: (1) focusing on the first two years of Ervin Balázs (2012-2013), who is profiled here as a bounded political appointee (recruited from within the organization); and (2) the last two years of the second term of György Bazsa (2010-2011), who is profiled here as a non-appointed and internally elected president.

The empirical analyses rely on a qualitative, process tracing approach aimed at re-constructing a narrative of appointee behaviour and corresponding organizational change. This level of nuance was important for an analysis reconstructing modes of behavior and how they reinforced or counteracted each other at individual and unit (micro) levels and influenced the organizational (meso) levels. To this end, data collection comprised expert interviews and content analysis. Expert interviews were conducted with organizational actors harboring keen insight on the period of study and organizational aspects important to the study (e.g., appointees, middle management, and policy experts among the organizations' ranks, including long-time/senior organizational actors), as well as with organizational outsiders who regularly interfaced with the organization during the study period. Content analysis focused on the organizations' documentation, other documentation treating external observations and examinations of the organizations, and press material.

This thesis therefore makes two key contributions: one empirical, the other theoretical. Firstly, the research questions driving this doctoral thesis were foremost motivated by the increasing scope and depth of politicization in Hungary under the Fidesz-KDNP supermajority from 2010-2014. The two cases studied were unprecedented in their level and manifestation of politicization. This project is the first academic exercise endeavoring to empirically examine—moreover, at an indepth level of analysis—the behavioral and organizational implications of this intriguing context of politicization. There is relatively little research being conducted in less democratically advanced contexts in Central and Eastern Europe, where politicization is comparatively high.

Secondly, this thesis is the first contribution adapting Meyer-Sahling (2008)’s modes of politicization to the construction of ideal types or modes of appointee behavior. The advantage of this approach is that it seeks to account for the complexity of political appointees’ backgrounds, in terms of career profiles and professional and non-professional affiliations. These present potential behavioral inputs which may encompass interests as well as values, either facilitating or filtering partisan considerations. Moreover, the theoretical framework herein makes an analytical link between these modes of behavior and the concepts of first order- and second order organizational change. The purpose is to convey the influence of political appointments on organizations in a manner which reduces conceptual complexity, moving beyond description and focusing on fundamental changes to an organization more holistically, in terms of comportment, legitimacy, identity, and future role in the policy field. This level of conceptualization is particularly instrumental in an empirical context of high polarization, supermajority, and radical transformation where opportunities for independent organizations to morph into political tools are high.

In so doing, the dissertation further invigorates longstanding debates in academia and in praxis about the normative implications of politicization—that is, the tradeoff between politicization and de-politicization. The most puzzling issue is the inherent tension between professional competence on the one hand, and political leaders’ increasing demand for institutional responsiveness to political and policy needs (which may not accord well with professional norms or interests), on the other. This tension is relevant in the case of the civil service or independent regulatory authorities and related independent organizations which have been delegated important public policy tasks. Consequently, with respect to civil service, the assumed virtues of the neutrality and merit principles are debated by scholars and practitioners. Similarly, in the case of independent organizations of public interest, the assumed virtues of de-politicized or

technocratic governance—assumed to be grounded in expert knowledge—are increasingly subject to mounting criticism, particularly in the era of rising populism following on the legacy of the 2008 global financial crisis, as well as the Eurozone legitimacy crisis.

The frequently cited Weberian model of bureaucracy emphasized a salient governing role for bureaucrats in terms of their competence and advantage over politicians in specialized knowledge (Weber, 1947; 1957; 1978). Similarly, the notion of delegating decision making and implementation to independent organizations of public interest outside central administration is also fundamentally based on the virtue of technocratic knowledge and its perceived necessity in a governance system inherently exposed to the political and policy uncertainties of election cycles. Conversely, a new wave of literature in the latter half of the 20th century, largely dominated by public choice scholars, paved the way for emphasizing and articulating the issue of administrative responsiveness to legitimate political authority. Moreover, since the 2008 global financial and Eurozone legitimacy crises, there has been increasing attention paid to critical perspectives from various scholarly disciplines challenging the decision-making influence granted to depoliticized technocratic institutions and actors in democratic settings. These critical perspectives tend to emphasize the dominance of small circles of politically distant and isolated elites in the decision-making of otherwise important areas of public life—systematically walled-off from more intensive public deliberation (e.g., Watson, 2012; Donmez & Zemandl, 2015).

But in the post-Cold War era, norms and standards of democratic governance promulgated by the European Union and other transnational institutions reflected the dominant conventional wisdom that the CEE countries' membership of the EU necessitated de-politicization and professionalization of public organizations (Goetz and Wollman, 2001; Meyer-Sahling, 2009a). Firstly, prior to the accession of CEE candidate countries to the European Union, the accession framework called for adherence to the principles of the “European Administrative Space”, as defined by the SIGMA (joint OECD-EU program) and the Madrid criteria of administrative capacity (Goran, 2009, pp. 111-112; Meyer-Sahling, 2009a, pp. 11-12). The latter package of principles inherently reflects the Weberian model of administration, also emphasizing the strict separation between the political appointees in the administration and civil service employees. Even beyond the realm of central public administration and arms-length agencies, the Europeanization of public policies was inherently coupled with notions of institutional independence and, by extension, de-politicization. This is demonstrated in the two case studies comprising the dissertation. Two functionally and structurally dissimilar European-level organizations—namely the European Central Bank and the European Association for Quality

Assurance in Higher Education—both voiced their criticism of encroachments on the independence of their respective national-level member organizations. The view that deeply entrenched politicization remains a challenge to effective democratic governance in the CEE region is not confined to policymakers at transnational level, but shared among scholars, particularly in the field of comparative public administration in Europe (e.g., see contributions from Meyer-Sahling, 2009a; Verheijen, 2007a; 2007b). For example, it was argued that CEE countries must first institute a “well-functioning democratic tradition” (Dreschler, 2005, p. 101; see also see Pollitt et al., 2008/2009), de-politicizing and stabilizing their administrations before introducing flexible governance arrangements, such as New Public Management (Goran, 2009, p. 114; see also Gajduschek, 2007 for an overview).

The widespread politicization under Fidesz-KDNP in Hungary—often associated with the erosion of democracy in Hungary toward a more “illiberal” form of democratic governance—is not only a testament to the amplified relevance of these normative debates, but to the importance of empirically informing them. However, the field of politicization research has not sufficiently investigated the phenomenon’s implications for organizations tasked with deciding or implementing important policies. This presents an opportunity to further enrich a largely normative debate by contributing to a more precise and nuanced understanding of whether and how politicization potentially affects the lives of organizations whose policy function deeply concern a society of Hungarian tax payers and policy consumers, particularly in a situation of democratic backsliding.

Moreover, this dissertation departs from the perspective that it is particularly important to investigate these dynamics in organizations which experienced unprecedented levels and manifestations of politicization in the highly politically polarized context featured here. After all, if the institutional features of these independent organizations initially entailed insulation from partisan influence and breaks on being used as political tools, then the political context of supermajority and “radical transformation” in Hungary necessitates a deeper understanding of *what* organizational politicization can achieve and *how*. In the endeavor to address the gap, this doctoral thesis analyzes the actual behavior of political appointees within the context of the Fidesz-KDNP supermajority. In so doing, it aims to enlighten ruminations about the ills and virtues of politicization in Prime Minister Orban’s Hungary and calls for the broader application of the theoretical and empirical insights gained. Such insights are particularly timely in an era of rising political polarization across member states of the European Union and United States.

This dissertation argues that the extent to which appointee behavior and organizational changes reflected partisan agendas under the Fidesz-KDNP supermajority were multifaceted and dynamic processes in the two independent organizations studied. These dynamics varied in the two cases because political appointee behavior and subsequent organizational changes depended on: (1) differences among appointees in their ranking of partisan, professional, and organizational goals; (2) whether the professional cadre had remained relatively intact versus significantly disrupted through new recruitments, promotions, and exits; and (3) whether the influential figures in (middle) management actively welcomed and/or facilitated second and first order changes in line with Fidesz-KDNP's overarching political project.

The dissertation develops as follows. Chapter 2 on the literature, theory, and methods presents the building blocks of the doctoral thesis which culminate in the empirical case studies of the third and fourth chapters. Chapter 3 is an empirical analysis of the extent to which and how the partisan agenda was manifested at the National Bank of Hungary following new appointments to the monetary council in 2011 and 2013, including the partisan appointment of Governor György Matolcsy. This is followed by Chapter 4, an empirical analysis of the extent to which and how the partisan agenda was manifested at the Hungarian Accreditation Committee following the new appointment regime in which half of the main decision-making body's membership, including the bounded appointment of Ervin Balázs to the presidency, was selected by the relevant ministry. Finally, chapter 5 culminates in the elaboration of the main arguments, concluding remarks about the macro-level implications for democratic governance in general, and a discussion of the opportunities for further advancing the research in political appointments.

2 Literature, theory, and methodology

The aim of the second chapter is to present the fundamental building blocks of the doctoral thesis which culminate in the empirical case studies of the third and fourth chapters. The chapter evolves in three parts: (1) a literature review treating political appointments and their behavioral and organizational implications; (2) a theoretical framework comprising *modes of appointee behavior* and subsequently linked to conceptualizations of *organizational change*; and (3) a presentation of the qualitative case study design and methods employed, namely process tracing and content analysis.

2.1 Literature review

The central questions driving this doctoral thesis are: *to what extent did political appointees in independent organizations of public interest serve the partisan agenda under the Fidesz-KDNP supermajority in Hungary? And how did they influence organizational change?* In that vein, the literature review briefly defines and conceptualizes the practice of *political appointments* as a form of politicization and, secondly, reviews the existing literature illuminating the behavioral and organizational implications of political appointments.

2.1.1 Political appointments as politicization

Firstly, the phenomenon of political appointments is introduced and elaborated, briefly reviewing conceptualizations of politicization in the literature. There are three aspects which are important in the context of the dissertation's goals. Firstly, it is important to clarify that most literature in the political sciences treating politicization is concerned with a *principal-agent* notion of the phenomenon, i.e., the authority of political actors and political institutions over the bureaucracy or agency (Calvert, McCubbins & Weingast, 1989; McCubbins, Noll & Weingast, 1987; McCubbins & Schwartz, 1984; Moe, 1982; 1985, 1989, 1997; Weingast, 1984; Weingast & Moran, 1983). Other scholars also emphasize and treat the political influence of external special interests over the bureaucracy (Furlong, 1998; Waterman & Rouse, 1999)—also known as “agency capture” (see an overview in Moe, 1997, pp. 462-63). This latter dimension is not central to the scope or interests of this project, which is otherwise concerned with the principal-agent understanding.

Secondly, literature in the field of public administration, focused on the organizational design of organs of public administration and administrative behavior, treats the phenomenon of politicization as the political executive's or ruling government's control over personnel policies and practices, *as well as* the modification of structures and roles (e.g., Aberach & Rockman, 1987;

Bekke & van der Meer, 2000; Meyer-Sahling, 2004; Peters & Pierre, 2004; Suleiman, 1984). Relatedly, these conceptions are used in the literature dealing with government-political control over independent regulatory agencies (e.g., Verhoest Van Thiel, Bouckaert & Laegreid, 2012, p. 9), which are functionally closer to the two independent organizations covered in this thesis. With regard to the former variant, in their volume comparing the politicization of public service in industrially advanced countries, Peters and Pierre (2004) refer to the phenomenon as: “the substitution of political criteria for merit-based criteria in the selection, retention, promotion, rewards, and disciplining of members of the public service” (p. 2). The dissertation is concerned with this manifestation of politicization, but limits the focus to *political appointments*, in terms of selection, retention, promotion, and disciplining of members at the highest level of executive management in independent organizations following elections or changes in political leadership. As much of the influential literature on political appointments is set in the context of policymaking in the United States, its analyses are typically focused on the peculiarities of the executive branch/presidency and Congress—the political actors treated as the principal (e.g., Moe, 1997; Mueller, 1997, 2003; Wintrobe, 1997). In adapting the concept of “principal” to the Hungarian setting, where the central government is comparatively strong and has a monopoly over political appointments, this dissertation understands the role of principal to be occupied by the minister(s) and the prime minister.

Thirdly, the various literatures treating political appointments largely understand the appointer-appointee relationship as one inherently grounded in the desire for political control and, thus, the reliance on trust. But this emphasis on control and trust does not necessarily mean that appointee selections are based on explicitly and solely partisan or political criteria. In other words, as theorized by Meyer-Sahling (2008), there can be different *modes of politicization*. That is, appointees may be recruited from the party-political network (partisan mode), but also from non-political (open mode) or even intra-organizational (bounded mode) settings. The inherent implication for this dissertation is that appointee behavior or deference to the principal’s political will may manifest itself differently depending on the setting from which the appointee was selected. These distinct politicization types per Meyer-Sahling (2008) are part and parcel of the theoretical framework presented later and have been mapped and analyzed in the two Hungarian case studies comprising the dissertation.

2.1.2 Literature on political appointments

This doctoral thesis aims to empirically explore to what extent political appointees in two independent organizations of public interest in Hungary from 2010 to 2014 served the partisan agenda as manifested through organizational changes. Several strands of literature in the fields of political science, organization studies, and management theory are both theoretically and empirically informative in this respect. Although the case studies in this dissertation focus on independent organizations, the rich literatures on civil service and bureaucracy offer insightful perspectives articulating the oft-cited normative dichotomy of politicization, on the one hand, and diametrically opposed professional autonomy, on the other. This conceptual dichotomy between politicization and professionalism is also relevant in the case of other independent organizations serving the public interest, such as independent regulatory agencies and central banks, because they are assumed to be or have been touted as serving a comparatively de-politicized agenda thanks to their highly specialized policy expertise and relative autonomy from the central public administration.

The politicization of organizations serving the public interest—be they organs of central public administration or more independent agencies and institutions—is a widely debated and studied phenomenon in social science research. The most puzzling issue is the inherent tension or tradeoff between *professional competence*, on the one hand, and political leaders' increasing demand for institutional *responsiveness* to political and policy needs—which may not accord well with professional norms or interests—on the other. This tension is pertinent in the case of the civil service or independent regulatory authorities and related independent organizations who have been delegated important public policy tasks. Consequently, with respect to civil service, the assumed virtues of the neutrality and merit principles are debated by scholars and practitioners. Similarly, in the case of independent organizations, the assumed virtues of de-politicized and technocratic policymaking and implementation grounded in the rational superiority of policy expertise are also subject to critique. At the same time, the field of politicization research, and that of political appointments more particularly, has not sufficiently investigated the phenomenon's implications for organizations tasked with deciding or implementing important policies. In light of the increasing breadth and depth of politicization in Hungary under the Fidesz-KDNP supermajority, this presents an opportunity to further enrich a largely normative debate by contributing to a more precise and nuanced understanding of whether and how politicization potentially affects the lives of organizations whose policy function deeply concern a society of Hungarian tax payers and policy consumers, particularly in a situation of democratic backsliding.

Before embarking on the theoretical and empirical journey this question inevitably entails, the present section will take stock of the existing scholarly literature treating politicization, namely its implications for appointee behavior and organizations. The aim is to inform the dissertation's position in the literature, as well as the construction of the theoretical framework guiding the research. What follows is a review of the scholarly literature on political appointments and appointee behavior, which spans various sub-fields of political science as well as management theory (i.e., classic bureaucratic theory, comparative public administration, delegation studies, and public choice/principal-agent theories). In conclusion, I will discuss this project's position in the literature.

2.1.2.1 *Perspectives on appointee behavior*

The following sub-section culminates in a review of the scholarly literature treating expected and actual political appointee behavior. However, the discussion gradually builds from a presentation of the historical predecessors of this research, namely early endeavors by political reformers to problematize politicization and reduce clientelism and patronage in governance; the role of Weber's rational-legal type of bureaucratic organization in normalizing meritocracy and de-politicization in the twentieth century; research on the link between meritocratic recruitment, reduced opportunities for corruption, and improved economic performance; and critical perspectives challenging de-politicization, including the Public Choice strand of scholarship. Doing so puts the aims of the dissertation in historical context, in terms of the politico-professional dichotomy and particularly for those readers who may not be well-versed in the general topic.

Firstly, in order to understand the crux of the research and debate on political appointments, including the motor behind the drive toward *de*-politicization or the delegation of policy decisions and implementation to independent organizations, it is useful to briefly review both historical and theoretical developments. These reflect a growing consciousness about the wider implications of political patronage. In other words, it sets the scene of normative dichotomy between politicization, on the one hand, and professional autonomy, on the other. Actual historical trends were a precursor to twentieth century theorizing. Historical examples of the transition to de-politicization and the emergence of merit-based bureaucracy include Hohenzollern Prussia (1640-1786), France of Louis XIV (1638-1715) and, most notably, Britain's Northcote-Trevelyan Report (1854) and the Pendleton Act (1883) in the United States (overview in Nistotskaya, 2009, pp. 11-12). The nineteenth century American Progressivists believed that meritocratic recruitment and predictable bureaucratic careers would increase

administrative competence and improve bureaucratic output. Reformers emphasized the “non-partisan” pursuit of the “public interest” (Nistotskaya, 2009, pp. 11-12; Wilson, 1887). In other words, separating the administration from political influence would reduce opportunities to propagate patronage⁴ and clientelism⁵—practices where personal relationships, loyalty, and an “exchange of favors” logic drive politico-administrative relations and government activity. Patrimonial systems tend to encourage discrimination due to their clientelistic nature; when a political system is based on personalized exchange relationships, “what happens when one of the parties has nothing to trade?” (Brinkerhoff & Goldsmith, 2002, p. 8). The gravity of these manifestations of inequality becomes increasingly salient as “societies grow larger and more complex”—as “people’s unequal standing before government . . . becomes an important moral and political question” (Brinkerhoff & Goldsmith, 2002, p. 8).

These historical developments and their implications are important for linking contemporary debates about de-politicization as a recognized principle of modern governance. Originally, classic bureaucratic theory framed the normative claims about how bureaucracies should be organized, particularly in industrializing countries, and the role of specialized knowledge in this endeavor. One of the founding theories (if not *the* founding theory) of bureaucracy, Max Weber’s propositions of a *rational-legal type of bureaucratic organization*, prescriptively delineated and conceptualized the conditions for a de-politicized bureaucracy. Building on his observations of evolving bureaucratic structures and intuitive reasoning, Weber proposed that the superiority of bureaucratic administration lies in the role of technical knowledge and is composed of the following building blocks: establishment and delineation of official functions bound by technical rules and norms, offices organized according to principles of hierarchy and accountability, separating the administration from ownership of the means of state production, adherence to reporting and formulating all acts and rules in writing, and maintaining the impersonality of the right of office (independent from political personality). Within this framework, civil servants are selected according to technical qualification, appointed on the basis of this *merit* (*not elected or politically selected*), expected to avoid acting as personal servants to political superiors, and should be compensated with financially rewarding, secure, and predictable careers (Weber, 1947; 1952; see also Hill, 1993). Weber professed that this model was, therefore, capable of “attaining the

⁴ *Patrimonialism*: when the administrative personnel is appointed by and responsible to the top leader (Weber, 1947; Brinkerhoff & Goldsmith, 2002, p. 6).

⁵ *Clientelism*: “. . . refers to a complex chain of personal bonds between political patrons or bosses and their individual clients or followers. These bonds are founded on mutual material advantage: the patron furnishes excludable resources (money, jobs) to dependents and accomplices in return for their support and cooperation (votes, attendance at rallies). The patron has disproportionate power and thus enjoys wide latitude about how to distribute the assets under his control. In modern politics, most patrons are not independent actors, but are links within a larger grid of contacts” (Brinkerhoff & Goldsmith, 2002, p. 2).

highest degree of efficiency” and was superior in terms of precision, stability, discipline, and reliability (Weber, 1952).

Thus, the Weberian model of bureaucracy emphasized a salient governing role for bureaucrats in terms of their competence and advantage over politicians in specialized knowledge. Weber maintained that a patrimonial system is inferior to the rational-legalistic bureaucracy in terms of capitalist development because it is subjective and changeable, whereas the latter is “calculable” and leads to a form of governance more conducive to investment (Brinkerhoff & Goldsmith, 2002, p. 8). At the same time, Weber’s rational-legal type of bureaucratic organization accounted for the problematic nature of *information asymmetry*—a source of government inefficiency in which the civil service has an informational advantage over the political leadership, i.e., the uninformed or under-informed generalists. In other words, *technocracy*—referring to a “system of governance in which technically trained experts rule by virtue of their specialized knowledge and position in dominant political and economic institutions” (Fischer, 1990, p. 17; Meynaud, 1969) —risked confining decision-making to a elite group of actors who “stand above the political process” (Fischer, 1990, p.24). If the bureaucrat has the advantage in carrying out policies and, therefore, possesses the power to mislead the politician or sabotage his plans, then how can the politician ensure that the bureaucrat will fulfill his expectations? Weber’s rational-legal type of bureaucratic organization deals with this inefficiency by allowing the bureaucracy to build professional competence, while subjecting this advantage to political authority (Weber, 1947; 1978). In essence, the ideal type is a legal system of functional separation and checks and balances between the spheres of administrative professionals, on the one hand, and political actors, on the other.

Similarly, the notion of delegating decision making and implementation to independent organizations of public interest outside of central administration is also fundamentally based in the supposed virtues of politically independent, expert knowledge and its perceived necessity for effective governance. As Thatcher notes with regard to his research on independent regulatory authorities in Europe, delegation is fundamentally concerned with giving such organizations—which are organizationally separated from elected politicians and whose decision-making members are politically appointed—a set of legal powers (Thatcher, 2002, p. 958). Thus, this institutional design allows for greater autonomy and independence than otherwise experienced in the traditional central bureaucracy. The logic behind delegation is similar to meritocratic recruitment in that there is an inherent normative trust in specialized knowledge and long-term policymaking formally separated from the myopia of political executives. For example, in his review of the studies examining credibility and political uncertainty in delegation practices,

Giraldi (2007) explains that "delegation to independent central banks has been seen as a solution for increasing the credibility of monetary policy commitments; similarly, there is a prevalent assumption that delegation to independent regulatory agencies can be a means to making regulatory policies more "credible" because "the preferences of policy-makers may not be consistent over time" which creates an inherent temporal conflict between the announcement of the policy and its eventual implementation (Giraldi, 2007, pp. 306-07; see also Barro & Gordon, 1983; Bernhard, Lawrence, Broz & Clark, 2002, p. 705). Moreover, due to the inherent political uncertainty of electoral democracy, there is alternation in government and a subsequent change in policy preferences. This supposed credible commitment problem necessitates "insulating policy from politics," thus "increase[ing] the duration" of policy credibility—a "desirable outcome from the point of view of incumbent policy-makers" because it "limits the possibilities of control of all policy-makers" (Giraldi, 2007, p. 311). As such organizations are tasked with highly specific policy tasks, they have been deemed to necessitate a professional cadre of policy experts who have often been normatively characterized as the apolitical counterweight to politicization in democratic settings (e.g., see overview in Radaelli, 1999).

On the one hand, there is considerable empirical research on the "welfare-undermining effects of the politicians' self-interest," treating the dangers of "political opportunism" (e.g., North, 1981; North and Weingast, 1989; Miller and Hammond, 1994; Miller, 2000; Nistotskaya, 2009). Since the late 1980s, there is a growing literature on the causal relationship between *bureaucratic quality* and *macro-efficiency* in policy output (e.g., Doig, 1988; 1990; Miller, 1989; Erie, 1992; Jonnson & Libecap, 1994b; Keefer & Vlaicu, 2008). Through comparative research, major strides were made in linking de-politicization to macro-efficiency in developing countries. Both scholars (e.g., Amsden, Kochanowicz & Taylor, 1994; Nelson, 1994; Evans, 1995; Evans & Rauch, 1999) and international organizations (e.g., see introductory chapter with reference to OECD and EU) argue that economic development necessitates stable and professional administrative systems. In studying civil service institutionalization in 144 U.S. cities from 1902 to 1931, Evans (1995) argued that long-term career prospects offered by a de-politicized system reduce bureaucrats' incentives to seek quick returns from corruption and could counter politicians' tendencies to prioritize spending for policies that produce immediate (rather than long-term) benefits (pp. 968-971). Indeed, Heywood and Meyer-Sahling (2008)'s more recent research on Poland analyzes a strong link between political appointments and corruption in the ministerial bureaucracy. Evans and Rauch (1999) emphasize the importance of meritocratic recruitment and predictable career ladders for economic growth in newly industrialized economies. They argue that these factors

increase competences in the long-run, reduce the appeal of quick corrupt practices, and motivate bureaucrats. Thus, entrepreneurs will be more likely to engage in long-term investments in countries where the administration is dependable, predictable, competent, and committed for the long-term. In his study of political control and bureaucratic performance, Lewis (2008) found that careerist-run programs as compared to those run by political appointees receive higher performance grades (see also Gallo & Lewis, 2012). These theoretical and empirical contributions strongly suggest that organizations based on meritocratic recruitment and credible technocratic careers of the highest level officials demonstrate superior policy competence and longer-term commitments beyond the election cycle.

On the other hand, those who confront these critical perspectives on politicization emphasize bureaucrats and technocrats as posing a challenge to “the pursuit [of] legitimacy” in a democracy (Mosher (1968; Randall, 1979; Nathan, 1983; Wood and Waterman, 1994; Maranto, 1998; 2002; Matheson et al., 2007; Villalobos & Vaughn 2009). Mosher (1968, p. 3) captures this conundrum in a single question: how can a professional civil service be made compatible with democracy? Similarly, Wilson (1993) argues that incoming governments have a reasonable incentive to distrust the reliability of inherited senior officials because their careers are associated with the former regime. The supposed value of a politicized bureaucracy has also been empirically studied (Randall, 1979; Nathan, 1983; Wood and Waterman, 1994; Maranto, 1998; 2002; Matheson et al., 2007; Villalobos & Vaughn 2009). For example, discussing politicization at the federal level in the U.S., Maranto (2002) challenges the assertion that “public bureaucracies staffed by tenured officials serving for long periods [necessarily] maximize expertise and minimize political interference in service delivery” (p. 187). He argues that twentyfirst-century government requires considerable expertise, political appointments are transparent, and “evidence suggests” that political appointees are “usually qualified” and are also adept at political navigation (p. 187).

From the 1950s, Weber’s prescriptive propositions regarding bureaucratic organization fell increasingly under attack by a new breed of political scientists who vilified both the inefficiencies of government growth and bureaucrats’ role in the phenomenon. This new wave of literature paved the way for emphasizing and articulating the issue of administrative responsiveness to legitimate political authority. Thus, this scholarly tradition could serve as legitimization for the practice of politicization and, in fact, did serve to rationalize “neoliberal” public administration reforms from the 1980s. Public Choice scholars began to analyze politico-administrative relations and subsequent policy outcomes through the lens of economic theory and methodology (Arrow, 1951; Downs, 1957; Buchanan and Tullock, 1962;; other major contributors include Niskanen,

1971; Dunleavy 1991). Public choice perspectives are predicated on three sets of fundamental assumptions. Firstly, bureaucrats seek a bigger discretionary budget (Niskanen, 1971, 1973) and influence on public policy, power, and utility (Downs, 1957; Breton and Wintrobe, 1975). Secondly, bureaucratic sources of power include information asymmetry, agenda control (controlling voter or formal decision-making outcomes by specifying alternatives), and selective efficiency (i.e., being inefficient at what they don't want to do). And finally, political masters can limit bureaucratic power through authority (e.g., power of appointment), administrative competition, trust or loyalty (e.g., appointing bureaucrats whose careers are tied to theirs) and incentives (e.g., payment schemes) (Wintrobe, 1997).

The *principal-agent* strand of public choice literature deals with how the *principal* or political authority can use outcome-based incentives to control the actions and behavior of the bureaucratic *agent*. The purpose is to harmonize the agent's actions with the principal's interests and to ensure more efficient outcomes. Despite its normative agenda, this literature nevertheless offers groundbreaking insights on both theoretical and empirical fronts into the likelihood that appointed agents will align with partisan agendas in their organizational capacities. A fundamentally rational choice approach, one element of principal-agent theory concerns *ex-ante* controls which focus on the principal's power to delegate authority to an agent⁶ (e.g., Epstein and O'Halloran, 1999; Huber and Shipan, 2002; for an overview, see also Moe, 1997, pp. 466-72) and the principal's power of political discretion in appointing the agent (e.g., Calvert, McCubbins & Weingast, 1989; Moe, 1982; Weingast & Moran, 1983). For example, Moe (1982) argued that the power of presidents to appoint senior bureaucrats was a mechanism of principal influence over regulatory performance (pp. 198, 200, 221). Weingast (1984), testing the "necessary role of Congress in the regulatory policymaking system" (p. 183), argues that "Congress determines which views are represented" in the development of regulatory programs through the control of appointments (p. 156). In a similar vein, Calvert et al. (1989) are concerned with the question of whether the electoral constraints faced by politicians extend to decision-making by bureaucrats, but the "most important result of [their] analysis is its demonstration of the role of the appointment process in influencing ultimate policy choices" (p. 604). They argue that the legislature can "influence the later goals of the agent or the set of feasible choices available to the agency" (p. 604).

⁶ "Degree of policymaking discretion" (Meyer-Sahling, 2004, pp. 73-75).

It is important to note, however, that these empirical observations are derived from the US federalist system of governance. In this context, an appointee may be accountable to multiple principals, particularly when different political parties control the executive and Congress, and subject to a particular set of institutional constraints (Peters, 2004; Rose-Ackerman, 2017). Thus, it could be argued that the extent of partisan-friendly behavior on the part of political appointees would be comparatively more constrained in the U.S. context than in parliamentary systems, such as in Northern, Western, and Eastern Europe. However, studies on politicization in other political and governance contexts have yielded similar conclusions about the objectives of political appointments, strongly suggesting that appointees are more likely than not to represent and deliver on their principals' policy and governance goals. In their volume comparing the politicization trends across industrially advanced European countries, as well as Canada, New Zealand, and the U.S., Peters and Pierre (2004) assert that elected politicians are "investing greater time and energy" in such politicization methods as political appointments in order to ensure that there is "compatibility with their own partisan and policy preferences" (p. 2). As Peters (2004) further assessed in the case of the U.S.: "the conduct of politicization in American government is different, but the general question of how political leaders can control civil servants is the same" (p. 136; see also Devins & Lewis, 2008). The implication is that politicization sows political dividends. More specifically, politicization is one method of exerting "control" over not only state bureaucracies, but also autonomous and quasi-autonomous organizations. Political appointments are part of the "standard repertoire of these reactions to enhanced autonomy" and as a "means of ensuring that these organizations comply with the wishes of the sitting government" (Peters & Pierre, 2004, p. 3). For example, in the case of central banks, Enns-Jedenastik (2013)'s thirty-country study demonstrates that a governor's political affiliation is a statistically significant and substantially important factor in retaining the governorship.

With regard to Central and Eastern Europe, the growing evidence suggests that political parties and politicians, while still using appointments to reward their supporters, are primarily interested in enhancing political control over the policymaking process and implementation (e.g., Kopecky & Spirova, 2011; as well as Kopecky, 2008; Kopecky, Mair, Spirova, 2012; Meyer-Sahling & Jäger, 2012; Meyer-Sahling & Veen, 2012). In the words of Meyer-Sahling and Veen (2012), political appointments in this region are a "mode of governing" (p. 2). Recent data shows that political appointments in Hungary are primarily associated with the pursuit of control over coordination and control of preparation and content of legislation, implementation, and information flows (Meyer-Sahling & Jäger, 2012). In the 1990s, politicians had relied on the

administration's role in the development of political decisions and policies in transition to a liberal democracy in Hungary. This level of dependence combined with the deeply politicized nature of the administration suggests that politicians were more interested in working with officials who harbored their ideological positions and could be trusted to respond to their expectations, rather than relying on the experience of the "old guard" (György, 1999)⁷.

Politicization is motivated by the principal's aim to ensure the pursuit of certain goals—be they inherently political, oriented toward policy outcomes, or concerned with the management of governance (Kopecky & Mair, 2011, p. 8; Meyer-Sahling & Jäger, 2012). This hinges on the principal's trust in the agent and the agent's loyalty to the principle. The principal is therefore less incentivized to replace an inherited agent if he or she can trust that agent (e.g., see Meyer-Sahling, 2004, pp. 75-78).

Comprehensive, empirical studies comparing political appointments across different organizations in terms of the mechanisms of political control (e.g., Wood and Waterman, 1991) and actual independence from executive government (e.g., Devins and Lewis, 2008) have underscored that political appointees are rather likely to represent partisan agendas. The former study concluded that "at certain times in the cycle of U.S. politics, responsiveness permeates the U.S. bureaucracy" (Wood and Waterman, 1991, p. 823). More specifically, the researchers found that in five out of the seven programs studied, "agency outputs shifted immediately after a change in agency leadership" (p. 822). In the latter cross-organizational study, "party polarization translates into party loyalty, meaning independent-agency heads from the President's party are less likely to disagree with the President" (Devins & Lewis, 2008, p. 462). Moreover, "independent-agency heads are especially likely to support the priorities of the political party they represent," i.e., when the Presidency and Congress are dominated by the same party (p. 492).

Similarly, studies on the appointments and turnover of central bank governors have indicated that there is a correlation between looser monetary policy and political alignment between central bank decision-makers and their principals in Germany and the US--i.e., government and the legislature (e.g., Vaubel, 1997; Falaschetti, 2002). Chang (2003) contends that: "by appointing the appropriate members, the president and Senate basically keep the Fed in line with their preferences while still allowing for the Fed's freedom on a day-to-day basis" (Change, 2003, p. 5).

⁷ A similar situation is observed in other CEE countries, such as Poland (Torres-Bartyzel & Kacprowicz, 1999). Furthermore, Rouban (2007) notes that even in Western Europe the separation principle has never been entirely enforced owing to the "increasing complexity of the welfare system and public interventionism." It has become nearly impossible to distinguish the decision from its implementation, with almost all administrative issues translatable into political ones (p. 203).

Other contributions either challenge the assertion of partisan behavior (Berger and Woitek, 1997) or demonstrate correlations between lower inflation and the appointment of former central bank professionals (Göhlmann & Vaubel, 2007) or between increases in inflation and the replacement of central bank governors with representatives of government bureaucracy (Vuletin & Zhu, 2011). Adolphe (2013) furthermore demonstrates that the influence of "shadow principals" from partisan government and financial sector (even in countries with independent central banks) frames the career incentives, beliefs, and behavior of central bankers and, thus, explains "substantial differences" in monetary policy decisions and outcomes. Therefore, the latter contributions examining political appointee behavior demonstrate that political appointees do play a decisive role in furthering the partisan agenda, particularly when the executive and legislature are of the same political coloring. Nevertheless, other research contributions point to the influence of additional principals and career backgrounds in nuancing behavioral outcomes.

In a similar vein, in the case of Hungary, Meyer-Sahling and Jáger (2012) emphasize that, regarding selection criteria used to appoint individuals to administrative posts, it is "more suitable to speak about a combination of criteria"—that is, political, professional, and personal allegiance (p. 180; also Gajduschek, 2007 on the civil service). They found that professional skills and political loyalty tend to be considered as a package, while personal connections are secondary criteria in appointment decisions (p. 180). Collectively, the contributions reviewed above suggest that: political appointments are instrumental in advancing politically expected changes and/or reforms to policy, policymaking processes, organizations, and party interests more generally; political appointees themselves have more complex profiles than their mere partisan-political qualifications would otherwise suggest, potentially framing behavior; and tenured professionals are not necessarily apolitical in their behavior, even if there is considerable research supporting the link between meritocratic recruitment and conventionally desired economic performance. The implication for this dissertation is that political appointee behavior can be rather nuanced and complex. The question is not whether political appointees represent partisan agendas, but rather which aspect(s) of the partisan agenda they advance, when, and how.

2.1.2.2 Organizational implications of political appointments

One aspect of the research questions treated in this dissertation concerns political appointee behavior, but the other casts the net wider and is interested in its consequences for the organization and its constituent elements. The vast literature on *comparative public administration* is concerned with systematic and comparative analysis of factors influencing the internal dynamics of organizations, as well as how different organizational structures and behaviors affect

outcomes for society (Pierre, 1995; 1998). Due to the complexity of comparing vastly different administrative systems across countries—and the alphabet soup of variables this inevitably entails, the field has been rather unsuccessful in producing grand theories. It has instead resorted to middle-range theorizing (Heady, 2001), including codifying, classifying, and understanding the structural or behavioral phenomena of public administration (Brans, 2007). These include attempts to codify politico-administrative relations, as well as the impact of politicized personnel policies and practices on the compositional and behavioral aspects of organizations (e.g., Downs, 1967; Aberbach, Putnam, & Rockman, 1981; Verheijen, 1999; Aberbach and Rockman, 2000; Bekke & van der Meer, 2000; Peters & Pierre, 2004; Kopecky, Mair, & Spirova, 2012).

Existing reviews of the literature on comparative public administration acknowledge the importance of uncovering the effects of politico-administrative relations. Firstly, they impact the internal dynamics of bureaucracies and carry inevitable implications for civil servant behavior in the policymaking process (Brans, 2007, p. 280). Secondly, they can be instrumental for informing normative debates on institutional designs aimed at striking a balance between electoral mandates and professional policymaking, minimizing the “negative effects of conflicts over power and policy” (including inertia and policy failure) (Brans, 2007, p. 278; Peters, 1988, p. 178). But there have been few if any endeavors to employ concepts and classifications more systematically to empirical research linking politicization and its organizational implications.

Existing studies examining the link between political appointments and organizational management (e.g., Gallo & Lewis, 2012; Lewis, 2008; Heywood & Meyer-Sahling, 2008; Zemandl, 2013), including in a pilot study conducted by the author of this thesis (Zemandl, 2013), indicate that politicization alters the organizational environment, including the behavior and incentives for both appointees and existing organizational staff. It affects the *morale, tenure, and incentives* of career officials, as well as influences the *types of people* who run government (e.g., Gallo & Lewis, 2012; Lewis, 2008). Firstly, it *hinders the recruitment and retainment of high quality civil servants* because the highest paying jobs with more policy influence may be inaccessible to them. Therefore, politicization *reduces the incentives to develop expertise* (Lewis, 2008, pp. 143-145). The same conclusion could be drawn in the case of appointees because their jobs are normally short-lived, rendering acquired expertise potentially irrelevant (e.g., Heywood and Meyer-Sahling, 2008). These factors have great potential to lower administrative performance.

Secondly, politicization can lead to increased *turnovers in management*, resulting in *leadership vacuums, mixed signals about goals, and interruptions to the agency's commitment to reform* (e.g., Hecl 1977; Boylan, 2004; Lewis, 2008; O'Connell 2009; Gallo & Lewis, 2012). It also means that frequent turnovers

and deep politicization can result in the need to “*re-establish routine channels of cross-ministerial coordination and consultation*,” as well as *considerable timespan being allocated to learning the workings of a ministry* (Heywood & Meyer-Sahling, 2008, p. 55). This impact is particularly salient in cases where the organization suffers *significant losses in middle management* (e.g., heads of department, unit) or recruits a *high volume of young and relatively less-experienced personnel* (Zemandl, 2013). This inevitably entails losses in time allocated to policies, as well as high training costs following turnovers. Thirdly, appointees may be limited by *little relevant experience*. In reference to Lewis’s (2008) case study of FEMA, it seems that appointees with *little policy experience* “are at a disadvantage understanding [the] system well enough to implement it effectively” (p. 171). Moreover, appointees “average fewer years of public management experience and fewer years of federal government experience overall” relative to careerists (Gallo & Lewis, 2008, p. 222; also Aberbach and Rockman, 2000; Lewis, 2008; Maranto, 2005). Heywood and Meyer-Sahling (2008) claim that, in the case of Poland, politicization can lead to *losses in bureaucratic, policy, legal, and accumulated expertise*.

However, incoming appointees may bring new tidings, “*counteracting inertia, bringing energy and vision, and introducing new and useful information* into a stale and insular decision-making environment” (Lewis, 2008, p. 146). In addition, *some appointees have the political leverage to facilitate effective management* (e.g., securing budgets, changing laws, building coalitions, etc.) (p. 169). But while Heywood and Meyer-Sahling (2008) acknowledge that politicization can *entail gains in political skills*, they also note that politicization can *facilitate “unregulated and spontaneous” inputs of information for policymaking* (p. 21). Finally, while appointees with more “politically motivated approaches” may demonstrate more policy activism, they may do so at the “price of receiving fewer signals from the ministry’s immediate policy environment,” i.e. “political appointees ‘*crowding out*’ *initiatives from below*” (p. 51).

Fourthly, politicization can lead to *institutional instability*, meaning new policy and management approaches have short lifespans and frequently change. For example, in terms of vertical and horizontal inter-ministerial coordination, politicization can strengthen it because “commitment by senior officials to the governing parties’ programme serves as the cement to hold the government apparatus together” (Meyer-Sahling, 2008, p. 54), but it can also result in personalized and, therefore, *short-lived forms of coordination and control* (pp. 55, 61). Thus, it *prevents the institutionalization of processes and mechanisms in policymaking* (Heywood & Meyer-Sahling, 2008, p. 61). Finally, the author of this thesis also identifies the potential *redistribution of policy preferences* within an organization and, therefore, the *disruption of relationships with outside interests and the*

formation of advocacy coalitions (Zemands, 2013). While these contributions are empirically revealing, there is little theoretical endeavor to transcend these micro observations and to depict the phenomena at a higher level level of conceptualization. At present, there is no published theory systematically linking political appointments and their organizational consequences. The case of the Fidesz KDNP supermajority in Hungary—given the magnitude of the political project at stake—presents a unique opportunity to make advances in this area.

2.1.3 Contribution to the literature

This doctoral thesis makes two key contributions: one empirical, the other theoretical. In the first place, the research questions driving the project were foremost motivated by a specific national and temporal context—that of the increasing scope and depth of politicization in Hungary under the Fidesz-KDNP supermajority from 2010-2014. The two cases of politicization studied in this thesis were unprecedented in their level and manifestation of politicization—the unprecedented appointment of an actual partisan in one case and the introduction of political appointments in the other. This thesis is the first academic exercise endeavoring to empirically examine the behavioral and organizational implications of this intriguing example of politicization, particularly in the given national and temporal context which had received considerable media attention. Therefore, it offers a unique national and temporal context relative to the existing research contributions on political appointments—the majority of which investigate advanced, industrialized democracies. There is relatively little research being conducted in less democratically advanced contexts in Central and Eastern Europe, where politicization is comparatively high.

Taking for example Devins and Lewis (2008)'s finding that, due to high party polarization, appointed independent-agency heads from the President's party are less likely to disagree with the President, it is notable that many of these contributions originated in studying the U.S. federal system of checks and balances. One interesting question is to what extent in the Hungary of the Fidesz-KDNP supermajority—a situation of high party polarization and comparatively stronger executive control—we could assume a similar pattern and in which ways this particular political and governance context yields different findings. Devins and Lewis (2008)'s findings strongly suggests that agreement between appointer and appointee is highly likely, but the questions of where political appointees lie on the politico-professional spectrum and under what conditions remain under-explored in most national contexts, let alone in Hungary under the

second Fidesz-KDNP administration. Meyer-Sahling's (2008) quest to classify political appointment types accounting for dissimilar appointee profiles and backgrounds, as well as empirical observations by Meyer-Sahling and Jáger (2012) regarding the multifaceted selection criteria involved in appointments, underscore this further. Meyer-Sahling and Jáger (2012) contend that it is not easy to disentangle political and personal criteria. Yet, the author of this dissertation assumes that, for two reasons, personal and political loyalty can be synonymously treated in the case of Hungary. Firstly, informal relations between appointer and appointee are very common. Secondly, the party system in Hungary relies heavily on social networks. Thus, more specifically, the question is whether and to what extent a partisan appointee would necessarily toe the partisan line. Conversely, a related question is whether and to what extent an internal appointee who is promoted from within the ranks of the organization ("bounded" appointment per Meyer-Sahling) acts as the partisan versus the professional guardian. The existing literature has thus far scarcely ventured into empirically examining the behavioral and organizational implications of more complex and nuanced appointee profiles (e.g., Adolphe, 2003; Lewis, 2008).

On the theoretical front, this thesis is the first contribution which adapts Meyer-Sahling (2008)'s nuanced conceptual toolkit of *modes of politicization* to the construction of ideal types of appointee behavior. The advantage of this approach is that it seeks to account for the complexity of political appointees' backgrounds, in terms of career profiles and professional and non-professional affiliations, contextualizing and framing behavior and encompassing interests as well as values. It offers propositions about different behavioral profiles of political appointees, which will be referred to as *modes of appointee behavior*. Moreover, the theoretical framework herein makes an analytical link between these modes of behavior and the concepts of *first order* - and *second order organizational change* in order to convey the influence of political appointments on organizations in a manner which reduces conceptual complexity. As such, the contribution departs from the comparatively more descriptive exercises in the existant literature discussed in the previous subsection. Instead, this dissertation conveys the organizational consequences of political appointments at two levels of change: (1) expected incremental change (first order) or (2) as manifestations of a fundamentally more profound revision of the organization (second order). This entails delving into responses and adaptations to politicization at individual and sub-unit levels, understanding the organization beyond immediate policy output and, instead, as an important actor in the policy environment, in terms of comportment, legitimacy, identity, and future role in the policy field. The level of conceptualization is particularly instrumental in an

empirical context of high polarization, supermajority, and radical transformation where opportunities for independent organizations to morph into political tools are high.

Notwithstanding, while this dissertation produces insightful observations, discussions, and conclusions which can feed into normative deliberations, it is *not* a normative project. It does not aim to argue in support of a position along the politico-professional spectrum. And as such, it does not offer recommendations to the scholarship of public administration for institutional design striking a balance between electoral mandates and professional policymaking. The democratic backsliding under the Fidesz-KDNP supermajority does not in any case offer a context conducive to such exercises—certainly not when laws concerning public institutions are rapidly changed with little to no consultation of the opposition and stakeholders. But by no means does the analytical approach taken by this dissertation undermine the value of its contribution, which normative exercises can draw from. By focusing on the various affiliations of political appointees, it conceptually grounds the analysis in the motivations for and actual type of behavior along the politico-professional spectrum, rather than in the assumed nature of the *roles* of the appointees (e.g., Aberbach, 1981). It is argued that these affiliations, which can be numerous and extend beyond the immediate organization, frame behavior in terms of the interests and values inherently rooted in those affiliations. In this way, it offers a conceptualization of appointee behavior which can be applied to a variety of organizational types—be they organs of central public administration or arms-length autonomous organizations with public functions. Thus, more fundamentally, normative debates can account for the role of social networks (political, professional, etc.) in influencing appointee behavior beyond strict role definitions. In addition, the incorporation of levels of organizational change can supply normative discussions with perspectives on the relative importance of change phenomena in organizations and their policy environment. In this vein, the following section delves further into these theoretical building blocks.

2.2 Theoretical framework

This section presents the theoretical framework comprising: a discussion of the core assumptions underpinning the framework, the construction of the *modes of appointee behavior*, a conceptualization of *organizational change*, and the matrix linking modes of appointee behavior to corresponding levels of organizational change. The theoretical framework presented below draws from Meyer-Sahling (2008)'s modes of politicization, particularly well-suited to treating the Hungarian case. This is not to suggest that the framework is only applicable to one national context. Rather, the analyses emerging from the Hungarian case offer a valuable comparative perspective for discussions regarding other Central and Eastern European cases, as well as cases in more advanced democratic settings. The project proposes an analytical perspective, ideal types of behavior, and basic propositions of how appointees may influence the organization at two different levels of change.

2.2.1 Modes of appointee behavior

Firstly, the analytical perspective of this dissertation is predicated on the assumption that actors possess a complex set of goals. While the principal-agent dichotomy is conceptually parsimonious and straightforward, it is unlikely that politicization is a zero-sum game. As the literature review highlighted, it would be naïve to suggest that appointees are inserted into organizations as pre-programmed agents whose loyalty and interests are tied exclusively to those of the political principal. Appointees may very well have allegiances to other political communities, policy and professional organizations, value systems, and other social constructs than to the principal himself or the ruling government's party. This is not to suggest that appointees are irrational—that it is *not* in their calculated interest to act responsively vis-à-vis the principal. Rather, the underlying assumption at the core of this theoretical framework is that the appointees' interests and loyalties are *not bound exclusively* to the principal.

Therefore, in order to account for greater complexity, the framework's core assumption relies on a less constraining and more open understanding of behavior derived from an old classic of organizations theory, *Inside Bureaucracy* (Downs, 1964), which offers a theory of bureaucratic decision-making, accounting for the possibility that actors don't necessarily obey or agree with their appointers. It allows us to understand political appointees as complex individuals with less clear-cut motivations than principal-agent arguments may have us believe. According to Downs (1964), officials are motivated by their self-interest "at least part of the time," which leaves room for altruistic goals (p. 4). Officials are indeed "utility maximizers" because they seek efficiency in

the pursuit of goals. But this involves a complex set of goals, including power, income, prestige, security, convenience, and loyalty—whether to an idea, an institution, or the nation (p. 4). This has two important implications for the theoretical framework. Firstly, actors' utility maximization can also be manifested through more principled goals. Secondly, an individual's decision-making calculus will involve many motivational factors, not just loyalty to a principal or unbroken interest in maintaining the position to which he or she is appointed.

This more complex understanding of human motivation opens up the possibility for different behavioral patterns. Before presenting the *modes of appointee behavior*, a brief discussion of the concept of “loyalty” is warranted given Downs' (1964) reference to the term *and* its use in the literatures on political appointments. With regard to the latter, the act of appointing a trusted agent to ensure control in achieving politically desired ends is inherently about an expectation of loyalty, but this concept of loyalty is a rather personal variant. In other words, the principal places their trust in a particular agent. However, Downs' reference to the term embodies the notion that individuals are also loyal to abstract conceptions. The theoretical framework presented below understands loyalty from both of these perspectives, since they are by no means mutually exclusive and can be quite complementary in a framework which treats individuals as possessing a complex set of goals.

Meyer-Sahling (2008)'s modes of politicization are instrumental here. We already know from the literature that appointees and careerists with specialized expertise typically have different backgrounds and qualifications (e.g., Aberbach and Rockman, 2000; Gallo & Lewis, 2008; Lewis, 2008; Maranto, 2005) and, thus, influence agency performance in different ways (Gallo & Lewis, 2008; Lewis, 2008). Because Meyer-Sahling (2008)'s modes of politicization reflect different biographic profiles in terms of career pathways and organizational affiliations—framing likely goals and loyalties—they can help us determine, identify, and characterize likely behavioral patterns. Each of these modes would generate a different type of behavioral pattern—what will be called *modes of appointee behavior* per this dissertation. Thus, there are three modes of appointee behavior corresponding with Meyer-Sahling's modes of politicization: partisan mode, professional mode, and organizational mode.

The partisan mode of politicization reveals affiliation to political settings, e.g., government posts, parliament, political parties, and organizations linked to governing parties. In situations where appointees demonstrate through the history of their actions an affiliation with the governing party/coalition and its policy preferences, the expectation is that the *partisan mode of behavior*

would dominate. An appointee serving the political function would be expected to *prioritize* through their actions the ruling party's or coalition's political platform and agenda over the professional community's interests and values as well as the politicized organization's existing stated goals (i.e., stated goals at the time of appointment).

The other two modes of politicization—open and organizational—are, at least in their pure form per the ideal-types, the non-partisan variants of the three types of political appointments. The case of open politicization entails affiliation to the private sector, academia, NGOs, interest groups, or public organizations outside the core ministries. These affiliations could be to organizations and groups relevant to the policy area of the organization in question, especially assuming that the ruling government would want to ensure control over policy and implementation by entrusting agents who are competent in the policy area in question. This refers to the ideal-type of the *professional mode of behavior*. But in situations where appointees are *not* affiliated with the relevant professional community, but to another professional community, the term “*other*” *professional mode of behavior* is used.

The definition of “professional community” as it is understood in the frame of this dissertation borrows from Haas (1992)’s conceptualization of “epistemic communities.” It is not within the limits of this thesis to entertain an extensive discussion about the conceptual differences between technocracy, bureaucracy, and epistemic community (e.g., Radaelli, 1999). Rather, there are two aspects to take into consideration with regard to the choice to rely on Haas’s definition of epistemic communities. Firstly, this thesis employs the term “professional” as a catch-all phrase for technocrats, bureaucrats, and epistemic community members alike because it is fundamentally based on examining behavior along the politico-professional spectrum as discussed in the literature review. Secondly, in relation to the first aspect, Haas’s definition is sufficiently broad enough that it accounts for both domestic and international policy professionals and experts, since policies covered in this thesis (and generally in member states of the European Union—to which Hungary currently belongs) necessarily have an international or transnational dimension. Thus, a professional community herein refers to: “a network of professionals with recognized expertise and competence in a particular domain or issue-area” (Haas, 1992, p. 4). As such, the assumption is that members of a professional community have: “a shared set of normative and principled beliefs” guiding the “social action of community members;” “shared causal beliefs” about problems, actions and, outcomes; “shared notions of validity” or “internally defined criteria for weighing and validating criteria;” and “common practices associated with a set of problems to which their professional competence is directed”

(p. 3). The professional community is not a primary object of analysis in this thesis; rather, it is a contextual setting and it is the member(s)' affiliation to that setting which is important here.

Therefore, in situations where appointees demonstrate through the history of their actions an affiliation with a professional community directly relevant to the organization, the expectation is that the professional mode of behavior would dominate. An appointee serving the relevant profession would be expected to *prioritize* that epistemic community's interests, ideas, and values over the partisan agenda. Secondly, insofar as the organization under study serves the aims of the professional community, the appointee will be loyal to it. Moreover, unlike in the case of the partisan mode of behavior, an open appointee's prioritization of the partisan agenda would be checked by their professional affiliation. For example, if one's livelihood and career trajectory has been tied to a specific professional community throughout several years, then it is expected that income or even acquired prestige is an important factor behind their prioritization of that professional community. The same can be assumed about one's affiliation to a political party or political setting. With regard to *other* policy-professional modes, actors would demonstrate priority to other professional communities which are not immediately relevant to the organization in question. In other words, those actors would prioritize their own professional community over that of the relevant one and the organization's goals.

The case of bounded politicization entails affiliation to the organization in question. Political appointees may have been affiliated with the organization in question at one time or another, but a bounded appointee would have been recruited *from within the ranks of the organization at the time of appointment*. Thus, it is assumed that the appointee would be well positioned to identify with and *prioritize* the organization's existing goals. If he or she doesn't, then another behavioral mode is dominant—either professional or partisan (or both)—vis-à-vis the organizational. But in situations where appointees demonstrate through the history of their actions an affiliation with the organization at the time of appointment, the expectation is that the *organizational mode of behavior* would dominate. Moreover, unlike in the case of the partisan mode of behavior, a bounded appointee's prioritization or accommodation of the partisan agenda would be checked by their organizational affiliation.

Some may find the distinction between the professional and organizational modes conceptually troubling. This dissertation understands the organizational mode as a subset of the professional mode, on the one hand, but nevertheless conceptually different, on the other. Independent organizations as they are understood in the context of this project are autonomous actors, even

within the environment of their professional community. That is, the autonomy of an organization is also based on its organizational culture or “character” which distinguishes it from other organizations in the same professional community and from other bureaucratic and political actors (Yesilkagit, 2004, p. 532). In this sense, organizational culture can be understood as the set of goals, missions, practices, and structures particular to that organization’s functioning. The following table presents the modes of appointee behavior and the modes of politicization from which they are conceptually derived.

Table 1: Modes of appointee behavior corresponding with modes of politicization

Modes of politicization (Meyer-Sahling, 2008)	Corresponding modes of appointee behavior
Partisan	Partisan
Affiliation to political settings, e.g., government posts, parliament, political parties, and organizations linked to governing parties.	Appointee demonstrates through the history of their actions an affiliation with the governing party/coalition and its policy preferences and would prioritize through their actions and decisions the ruling party’s or coalition’s political platform and agenda over the professional community’s interests and values and the politicized organization’s existing goals.
Open	Professional
Affiliation to the private sector, academia, NGOs, interest groups, or public organizations outside the core ministries.	Appointee demonstrates through the history of their actions an affiliation with a professional community directly relevant to the organization and its policy preferences and would prioritize through their actions and decisions the community’s interests, ideas, and values over the partisan agenda.
Bounded	Organizational
Affiliation to the organization under study.	Appointee demonstrates through the history of their actions an affiliation with the organization (at the moment of appointment) and would prioritize through their actions and decisions the organization’s existing goals over the partisan agenda.

It is important to note that ideal-types are not empirically zero-sum portraits or categorizations of reality. They are conceptual generalizations that help reduce complexity in understanding the empirical world. Thus, these modes of behavior are not mutually exclusive, nor are they exhaustive. They serve as analytical templates which can be applied to specific organizational cases. Each case study may lead to the identification of additional modes of behavior or to the

specifications of existing ones. Moreover, an appointee may hover somewhere between two or more modes of behavior, as already suggested in the literature review, e.g., “some individuals may be both linked to parties and be experts in a domain” (Thatcher, 2002, p. 959). In embracing this conundrum, this thesis aims to: (1) map the spectrum of modes of behavior exhibited by one individual and, thus, (2) identify the dominant mode. The succeeding discussion presents the concept of *organizational change* as an analytical tool for exploring how the organization and its aggregate units change upon the insertion of the three types of appointees delineated above.

2.2.2 Organizational change

As a way to understand and conceptualize what changes in an organization in a context of different political appointment types, borrowing from business management literature, this thesis understands the notion of organizational change along two levels: first order and second order. *First order* changes entail “adjustments in systems, processes, or structures” but “not involve fundamental change in strategy, core values, or [organizational] identity” (Newman, 2000, p. 604). These changes are designed to support organizational continuity and order (Bate, 1994, p. 33). *Second order* change is “transformational, radical, and fundamentally alters the organization at its core” (Newman, 2000, p. 604). These changes entail transforming the nature of the organization (Bate, 1994, p. 33).

How can first and second order changes be identified empirically? Scott (2003)’s definition of “organization” comprises dimensions or “elements” which are instrumental here. On the most basic level, in addition to their *environment*, organizations are comprised of *social structures*, *social participants/actors*, *goals*, and *technologies* (e.g., knowledge and skills, processes) for conducting work. It is assumed that agent behavior will impart influence on any one of these elements at any given time. For the purposes of this thesis, changes in social structures, technologies, and the normal flux in social participant numbers are categorized as first order changes. Second order changes are fundamental changes in organizational goals and major upheavals in the number and composition of the types of social participants—in terms of their qualifications and affiliations—following the insertion of a new political appointee into the organization. With respect to the latter, major upheavals or turnovers in the number and composition of social participants constitute a second order change because they can disrupt the organization at its core, given that organizational culture, identity, and even formulation of goals depends on the coordination of social participants. A new and comparatively large wave of social participants can alter the existing equilibrium. Changes to any of the four elements elaborated above can affect the

organization vis-à-vis its *environment*—for example, in terms of its communications, identity, credibility, and legitimacy.

2.2.3 Linking appointee behavior and organizational change

It is assumed that if the principal politicizes, the new inputs alter the elements of the organization and, thus, reigns in first and (possibly) second order changes. First order changes—being that they are ongoing throughout an organization’s lifetime—are expected in any scenario. However, given the high likelihood that principals politicize in order to wield enhanced control over policymaking, implementation, and governance processes (e.g., Peters & Pierre, 2004; Kopecky, Mair, & Spirova, 2012) and evidence that there are upsurges in first order changes following political appointments (e.g., Heywood & Meyer-Sahling, 2008; Lewis, 2008; Zemandl, 2013), it is argued here that *surges in first order changes* following on the insertion of a political appointee(s) are expected regardless of the mode of politicization and mode of appointee behavior. The *presence or absence of second order changes* is the key variable differentiating the nature of influence of the different modes of appointee behavior. In sum, it is about political goals and actions, on the one hand, and varying manifestations and degrees of organizational change, on the other. Which levels of organizational change are most likely under a given mode of appointee behavior? The following table presents the relative scenarios of change emerging from pairing each mode with the situations of second and first order change.

Table 2: Modes of appointee behavior and corresponding scenarios of organizational change

Mode of appointee behavior	Scenarios of organizational change
Partisan mode	<p>Second order change expected and will correspond with partisan agenda; a surge in first order change expected following on the insertion of political appointee(s):</p> <ul style="list-style-type: none"> Organizational continuity, including goals, autonomy, political independence, and culture, will be perceived as a hindrance to the partisan agenda of the ruling government rather than an asset. Therefore, second order changes are not only expected in this scenario, but are expected to correspond to the ruling government's partisan agenda and, as such, be rapidly implemented in the interest of the election cycle. A surge in first order changes is expected alongside the second order changes.
Professional mode	<p>Second order change likely but will align with interests, ideas, and values of professional community; a surge in first order change expected following on the insertion of political appointee(s):</p> <ul style="list-style-type: none"> Organizational continuity including goals, autonomy, political independence, and culture, will rather be perceived as an asset to the professional community. Therefore, it is more likely that any second order change will correspond to and be more aligned with the existing agenda of the professional community in which the organization is embedded. A surge in first order changes is expected in any case.
Organizational mode	<p>Second order change unlikely; a surge in first order change expected following on the insertion of political appointee(s):</p> <ul style="list-style-type: none"> Organizational continuity, including autonomy, political independence, and culture, will be deemed important in its own right. Therefore, second order changes are unlikely in this scenario but, if they do occur, are more likely to do so gradually and to correspond to the existing internal goals and culture of the organization; as well as the professional community's interests, ideas, and values and, thus, least likely to correspond to the ruling government's partisan agenda. A surge in first order changes is expected in any case.

There are a number of conceptual aspects which warrant some discussion. Firstly, it is important to clarify that the partisan mode of behavior can manifest itself in direct and indirect forms.

Direct political influence means that the principal influences the agent through direct and explicit communication, implying incidents of interference once the agent's mandate and work is underway. For example, per the case studies of this dissertation, political interference could manifest itself as pressure to decrease interest rates, to accredit an institution or reduce the

amount of accreditation, or to manage an organization a certain way. In a situation of *indirect* influence, on the other hand, the principal would select an agent with similar political points of view or ways of thinking. This implies that the principal doesn't have to instruct the agent because he or she is more likely to behave in an accommodating way with respect to the aims of the principal.

Secondly, as incoming appointees are inserted into an existing organizational culture, it is worth to briefly reflect on existing organizational actors and how they may or may not respond to the newcomer. It is plausible that at least some actors share affiliations, interests, or values with incoming appointees. For example, actors may know each other from the professional community, and they may be former colleagues with shared organizational affiliations. On the other hand, incoming appointees may be rather unfamiliar or unknown to existing organizational colleagues. Nevertheless, it can be assumed that actors who are already embedded in the organization in question are initially better placed to identify with and defend the organization's continuity. We know from the existing literature that they possess and harbor the institutional knowledge specific to the organization that an appointee is most likely to lack in the beginning (e.g., Lewis, 2008; Heywood and Meyer-Sahling, 2008; Zemandl, 2013). This attribute could be an important socializing agent (e.g., Adolphe, 2013), but is probably (comparatively) muted in situations of bounded politicization.

2.3 Case study design and methods

The final part of this chapter departs from theory and presents the nuts and bolts of the empirical analysis. It details case selection and design, the method of data collection, and the use of process tracing in drawing the empirical analysis, including the specific coding and interpretive techniques employed. The first section treats the qualitative case study design, while the second section provides an overview of the methods and interpretation.

2.3.1 Qualitative case study design

The empirical analyses in this thesis are constructed around two comparative and qualitative case studies treating the period of the Fidesz-KDNP supermajority in Hungary from 2010 to 2014: the *Hungarian Accreditation Committee* and the *National Bank of Hungary*. The National Bank of Hungary (MNB) is a formally independent organization but serves a very important public function, with the primary objective of achieving and maintaining price stability in the national economy. The MNB was perceived as one of the few quintessentially professional institutions in Hungary's highly politicized, post-transition policy environment. In 2010, the Fidesz-KDNP government acquired

the parliamentary majority necessary to substantially deconstruct and reconstruct the institution, including through the unprecedented appointment of a trusted Fidesz program architect, in order to serve its agenda. The case study hinges on two governorships in a comparative perspective: (1) the first two years of György Matolcsy (2013-2014), who is here profiled as a partisan-based political appointee close to the appointing Prime Minister Viktor Orbán; and (2) the last two years of the previous governorship of András Simor (2011-2012/13), who is here profiled as an open political appointee reportedly not close to the-then appointing Prime Minister Ferenc Gyurcsány.

The Hungarian Accreditation Committee (MAB) is a non-profit organization whose functions serve the public interest, conducting ex-ante and ex-post evaluation of programs and institutions in higher education in Hungary. The case of political appointments to MAB is informative and interesting because it concerns a pivotal period in the agency's existence—the first round of political appointments in the organization's short history. The ruling Fidesz-KDNP government used its parliamentary supermajority to fundamentally restructure the de-jure parameters of the committee's role and self-determination, including through political appointments. The case study hinges on two presidencies in a comparative perspective: (1) the first two years of Ervin Balázs (2012-2013), who is profiled here as a bounded political appointee; and (2) the last two years of the second term of György Bazsa (2010-2011), who is profiled here as a non-appointed and internally elected president.

The case studies comprise micro- and meso-level observations and analysis concerning: (a) the decision-making behavior of the main decision-making bodies in the two organizations, including of key organizational units which exercised considerable influence over the decision-making bodies; (b) individual behavior, namely of the appointed executive leadership and (c) analyses of the organization as a whole, including changes to organizational elements. Case selection was based on the following factors: (1) both organizations were independent, served the public interest in Hungary, and underwent an unprecedented level of politicization at the time of the study; (2) but differed in their mix of the modes of politicization at the decision-making and executive leadership levels; (3) and fundamentally differed in their organizational elements, namely structures, social participants, technologies, and goals, including policy functions.

With regard to the first factor, *organizations of public interest* are organizations whose activities are understood to benefit the public in general. There are contestations in the literature regarding conceptions of the public interest and the distinctions between “public” and “private”

organizations more generally (e.g., Blau and Scott, 1962, Mitnick, 1980; Perry and Rainy, 1998). However, what was important in terms of case selection for the purposes of this thesis was that the decision-making bodies and executive leadership of these organizations were *politically* appointed. This factor already implies something fundamentally *public* about the organizations' function, despite their statutory independence. Moreover, though organizationally separated from government bodies, these organizations were legally mandated policy-making (Hungarian National Bank) and implementation powers (both organizations) and were accountable to political actors. Given the context of the Fidesz-KDNP supermajority from 2010 to 2014—in which the ruling coalition in the National Assembly and its government effectively enjoyed *carte-blanche* in policymaking and implementation, respectively—it was important that the organizations selected for the study would have undergone an unprecedented and particularly marked level of politicization. In the case of the Hungarian National Bank, a devout partisan and key party architect had been appointed as governor in 2013 for the first time in the bank's post-transition history. In the case of the Hungarian Accreditation Committee, for the first time in its more than twenty-year history, the agency had become the target of political appointments in 2012.

Why are these junctures in the organizations' respective histories important? At this time, there was considerable media attention in Hungary being paid to the Fidesz-KDNP coalition's substantial reorganization of the state bureaucracy, as well as the populating of more independent organizations with political appointments, including the media authority, the constitutional court, and the organizations analyzed in this thesis. The research question, which is fundamentally concerned with the extent to which political appointees served the partisan agenda, was framed by this context. Therefore, the examination of relatively independent organizations whose recent politicizations stood out lent importance to the question. The literature and conventional wisdom tell us that political appointments are a way for politicians to guarantee control over an organization. But to what extent is that control guaranteed in an independent organization, even in a context of highly politicized governance?

Relatedly, it was important that the two cases contributed to the generalizability of the analytical propositions. In order to analyze how different modes of *appointee behavior* filtered or amplified the advancement of partisan agendas inside the organization it was important to compare cases where different modes and/or compositions in the modes of *politicization* were shown to dominate. The two cases represented fundamentally different compositions in the modes of politicization. With respect to the Hungarian National Bank, the politicization logic was primarily a mix of the partisan

and open modes at the level of the monetary council, with the the governor being a partisan appointment. With respect to the Hungarian Accreditation Committee, the politicization logic was a mix of the bounded and open modes at the level of the plenary, with the president being a bounded appointment. With each case representing different positions along the politicization spectrum, they could be compared on the extent to which partisan considerations filtered through their respective behaviors and ultimately imprinted on organizational change. Moreover, each organizational case recounts the behavior of the appointed executive leadership and appointed decision-making collegiate (of which the executive leadership was a member) in a comparative perspective with their respective *predecessors*. In this way, leadership behavior and organizational change could be analyzed across two categories of time and phenomena: (1) the two years *before* the political appointments made by the Fidesz-KDNP supermajority and (2) the two years immediately *after* the appointments were made. Analyzing across a timespan of four years per organization was also relatively feasible given constraints in time, resources, and informant access (particularly with respect to the Hungarian National Bank). The organizations furthermore differed in terms of policy sector, size and structure, and goals/missions. This was important for transcending local specificity—that is, the organizational context—and for drawing generalizable conclusions given the special national and political context.

Per Yin (2003), a case study design should be considered when the focus of the study is to answer *how* and *why* questions. The questions guiding this thesis are inherently *how* questions: *to what extent did political appointees in independent organizations of public interest serve the partisan agenda under the Fidesz-KDNP supermajority in Hungary? And how did they influence organizational changes?* The thesis itself, as illustrated in the presentation of the theoretical framework, is grounded in the notion that individuals harbor and act on a complex set of goals. Therefore, with regard to the first question, analyzing appointee behavior along a spectrum and unpacking or mapping different ideal-types of behavior necessitated tracing a concert of actions that interacted in a complex way. That is, the project is fundamentally concerned with piecing together *how* an appointee behaved in a given organizational and temporal context. The second question is fundamentally a related *how* question. Secondly, there were a number of contextual conditions which were relevant to the phenomenon under study—the behavior of political appointees. Most importantly, these included the national political context and the multitudinous affiliations of appointees and organizational actors—many of which were outside the boundaries of the organization. While the two organizational cases were embedded in the same national political context, their policy contexts differed. The policy context is important because the theoretical framework is underpinned by the assumption that appointees

are driven by a complex set of goals, including power, income, prestige, security, convenience, and loyalty (to an idea, an institution, or the nation)—all of which can be linked to affiliation with a party-political network, professional/epistemic community, other civic or leisurely engagements, or particular organizations. For example professional or epistemic communities exhibit different constellations of actors, relationships, and goals, which are argued to be important factors influencing appointee behavior. Moreover, it is nearly impossible to examine and analyze an organization divorced from the policy environment which it shapes and by which it is shaped. As a consequence, the boundaries were not clear between the phenomenon and context.

2.3.2 Methods and interpretation

The empirical analysis relies on a qualitative, process tracing approach aimed at re-constructing a narrative of appointee behaviour and corresponding organizational change. This approach allowed for the richness and nuance of detail which survey or quantitative methods would not have been able to uncover. This level of nuance was important for an analysis reconstructing modes of behavior and how they reinforced or counteracted each other at individual and unit (micro) levels and influenced the organizational (meso) levels. To this end, the analyses are based on content analysis of interviews and documents and the subsequent reconstruction of events through process tracing. Data collection comprised expert interviews and content analysis. Expert interviews were conducted with organizational actors harboring keen insight on the period of study and organizational aspects important to the study (e.g., appointees, middle management, and policy experts among the organizations' ranks, including long-time/senior organizational actors), as well as with organizational outsiders who regularly interfaced with the organization during the study period. Content analysis focused on the interview material, the organizations' documentation, other documentation treating external observations and examinations of the organizations, and press material.

According to Bennett and Checkel (2015), process tracing is an “analysis of evidence on processes, sequences, and conjunctures of events within a case for the purposes of either developing or testing hypotheses about causal mechanisms that might causally explain the case” (p. 7). In the language of variables, then, appointee behavior is the causal mechanism linking political appointments and organizational change. A key assumption underlying this project is that political appointments themselves potentially represent *a* factor in organizational change—among potentially other concomitant factors. However, this doctoral thesis does not claim that political appointments are the dominant factor in organizational changes or that competing or

complementary explanations for those changes are irrelevant and unimportant. Rather, it is an exercise in unpacking and reconstructing the *nature* of the *actions* appointed figures performed in the two organizational cases within the given political context. In other words, it is an exercise in *profiling* political appointee behavior on the basis of information concerning background and affiliations and, importantly, making sense of the *role* these behavioral types (or hybrids thereof) played in organizational changes or continuity. Nevertheless, tracing behavior implies an exercise in causal inference and explanation; for this, process tracing is a useful practice because it represents the unpacking of an empirical black box, dissecting complex events and reconstructing them into digestible parts and steps within boundaries of time and space. The techniques employed in tracing the events and processes of appointee behavior and their implications for the organization are summarized in greater detail further below.

Elite interviews were highly instrumental in capturing information and nuance of detail which would have been very difficult or impossible to obtain any other way. The questions were semi-structured and the interviewing style open-ended. The purpose was to capture what different appointees and other actors emphasized and considered salient with regard to the political appointments, as well as corresponding behavior of political appointees and other organizational actors, the organization's goals and operations, and on the relevant policy environment more generally. Close attention was also paid to how appointees' goals and loyalties were understood and depicted by interviewees; these statements also served as indicators of appointees' affiliations. All interview material contained in this thesis is treated with strict confidentiality and anonymity. Interview partners were assigned codes, which accompany any material cited from the interviews in the empirical chapters.

The elite interviews were further supplemented and triangulated with the analysis of available documentation, including the organizations' key documents and communications (e.g., annual reports, official statements, meeting minutes), documents and statements concerning the organizations from their respective European-level "parent" organizations (e.g., the European Central Bank and ENQA), public statements made by representatives of Fidesz-KDNP, and press material. Documents were useful for identifying political and related policy statements, reflecting a particular party/political position written by appointees or published by the politically aligned organizations with which they were openly affiliated. These were retrieved from organization websites, press releases, through interviews published in the media, and other publically available documentation. For example, in the case of MAB, examining the statements made by the presidents was useful because, in both the pre- and post-politicization periods, the

opinion of the president was decisive in plenary decision making. Any source, including interview transcripts, originally written in Hungarian was translated into English by the author of this dissertation.

The research material was subsequently coded using *QSR International NVivo* coding software with categories of codes reflecting the various elements of the theoretical framework. There were primary codes established for each of the three modes of behavior, organizational elements, as well as for partisan agenda, and goals of the professional community. Each of these primary codes also had secondary codes, usually identified through inductive means, which helped to categorize specific themes and situations or stories. Often, an interview response or text in a document would be labelled with a mode of behavior code, as well as an organizational element (including “organizational goals”) code and either the partisan or professional community goal code. That way, a link was established between the mode of behavior and organizational change (or continuity). The modelling feature in *NVivo* was used to simultaneously map out how the codes related to each other and, most importantly, how the coded sources reflected the theoretical framework. This was mostly useful for systematic review of the coded material. The coded interview quotes and document excerpts could be conveniently reviewed through code lists, where all coded material under one code appeared. Each of these codes lists went through several review cycles, and this iterative process led to the gradual re-construction of events and observations and sometimes to the re-assessment and re-coding of material.

It is also important to note how the following aspects of the study were determined and managed: the mode of politicization of the appointees studied, interpretation and coding of their behavioral mode, and coding of organizational change. With regard to the mode of *politicization*, an appointee was determined to be partisan if they had employment history and affiliation with political settings, in this case directly linked to the Fidesz-KDNP coalition apparatus, e.g., government posts, parliament, political parties, and organizations linked to the ruling coalition. An appointee was determined to be an “open” or “professional” appointee if they had employment history and affiliation with the private sector, academia, NGOs, interest groups, or public organizations outside the core ministries. Finally, an appointee was determined to be a bounded appointee if they had been directly promoted from within the organization and were thus employed by or serving the organization at the time of appointment. Appointees who had served or been employed by the organization during an earlier period in their careers but not at the time of appointment (which was sometimes the case with monetary council appointees at the MNB) were not considered bounded appointments. Many of these appointments could be

considered hybrid appointments, meaning that more than one mode of politicization could apply. This was incorporated into the analysis. In situations where the person was a known and active partisan, as was the case with Governor Matolcsy of the MNB, the partisan mode of politicization was most applicable, particularly since he was a close aid of the prime minister and a member of his cabinet. Therefore, he was directly recruited from the party-political network, despite his knowledge in economics and finance. Conversely, in the case of MAB, President Balázs had been directly promoted from vice president to president of the organization at the time of the appointment, which rendered the bounded mode of politicization the most applicable label. With regard to determining the mode of appointee *behavior*, actions and statements of the executive leadership and decision-making bodies (often influenced by the executive leadership) were coded to reflect either the partisan agenda (which could be traced to official government statements and statements made in the press), professional community goals (which could be traced to statements made in the press and interview responses), or organizational goals (could be traced to organizational documents and interview responses). In situations where the goals could be categorized under more than one label, the nuance was incorporated into the analysis.

The corresponding influence on *changes to organizational elements* were then coded according to indicators of change (Scott, 2003). Changes to social structures namely entailed changes to hierarchical arrangements and organizational units that “frame, govern, and guide behavior” (Scott, 2003). Changes to technologies entailed changes to knowledge/skills and processes. At the level of second order change, transformations in organizational goals entailed reformulations of goals, objectives, and strategy; whereas changes in social participants constituted major turnovers in professionals/staff, including a marked change in qualifications across the organization, attitudes toward and socialization into the organization, and the infiltration of influence from different affiliations or loyalties. Interview material was particularly insightful with regard to this latter element.

The research questions driving this doctoral thesis were foremost motivated by the increasing scope and depth of politicization in Hungary under the Fidesz-KDNP supermajority from 2010-2014. The two cases studied were unprecedented in their level and manifestation of politicization. This project is the first academic exercise endeavoring to empirically examine the behavioral and organizational implications of this intriguing context of politicization. On a theoretical level, it is also the first contribution adapting Meyer-Sahling (2008)’s conceptual toolkit of modes of politicization to the construction of ideal types of appointee behavior,

accounting for the role of political appointees' backgrounds in framing behavior. The thesis also draws an analytical linkage between these modes of behavior and the concepts of first order and second order organizational change. This entails delving into responses and adaptations to politicization at the micro and meso levels, understanding the organization beyond immediate policy output and, instead, as an important actor in the policy environment, in terms of its credibility, legitimacy, identity, and future role. To that end, the detail-intensive practice of process tracing, underpinned by the content analysis of interview material and documentation, is useful because it represents the unpacking of an empirical black box, dissecting complex events and reconstructing them into digestible parts and steps. This endeavor thus culminates in the following two chapters, presenting the cases of the National Bank of Hungary and the Hungarian Accreditation Committee.

3 Political servants, professional guardians, or both? The case of the National Bank of Hungary

The National Bank of Hungary (MNB), unlike the far younger Hungarian Accreditation Committee, has been part and parcel of Hungary's dynamic twentieth and early twenty-first century history. While its roots extend as far back as the Hapsburg Empire of the nineteenth century, its first "independent" form was established in post-World War One 1924. Since then, the organization has been both shaped by and served—through various redefinitions of its missions and functions—a succession of different governance regimes and eras in political-economy, including the inter-war period and global Great Depression, the single-tier banking system and nationalized economy of the Soviet era, the transition to free market capitalism and democracy from the late 1980s⁸, and Hungary's accession to the European Union in the 2000s with the expectations of eventual Euro adoption (Magyar Nemzeti Bank, n.d.a).

From this historical perspective, the latest redefinition of its missions and functions under the Fidesz-KDNP supermajority is yet another link in a long chain of events. But viewed from the perspective of a shorter-time horizon—that is, within the context of the post-transition era—the MNB's metamorphosis from an "independent" central bank per western norms to a mega institution perceived by critics of the government as serving a nationalist partisan agenda merits closer examination of its political appointment practices and subsequent implications. Unlike the other case study featured in this dissertation, the National Bank of Hungary is accustomed to political appointments. But the Fidesz-KDNP supermajority presented a unique opportunity to capitalize on the practice, in terms of the scope and depth of political appointments, as well as reinventing the organization more holistically through new legal conceptualizations of its role, changing governance mechanisms, and a new appointment-dismissal regime at the decision-making level.

The case study of the Hungarian National Bank hinges on two governorships in a comparative perspective: (1) the first two years of György Matolcsy (2013-2014), who is here profiled as a *partisan appointee* close to the appointing Prime Minister Viktor Orbán; and (2) the last two years of the previous governorship of András Simor (2011-2012/13), who is here profiled as an *open appointee* reportedly *not* close to the-then appointing Prime Minister Ferenc Gyurcsány. It also draws on older historical insights to lend further context. The chapter treats three units or levels of analysis: individual behavior, units within the organizational hierarchy, and organizational. Firstly, it focuses on the statements and actions of the MNB's supreme decision-making unit, the

⁸ e.g., a two-tier banking system was introduced in Hungary in 1987

monetary council, including those of the governors and deputy governors (executive board). It also treats the core policy staff and middle-level management⁹ in the core policy areas of the central bank¹⁰. Middle-level management was a bridge between the Executive Board and the core policy staff or the policy experts and analysts at the lowest rungs of the hierarchy. Thus, the examination of this organizational unit was important for better understanding how appointee behavior was reflected across the organization.

Interviews were conducted with former and current insiders of the MNB. “Insiders” here refers to any individual who was employed at the MNB either at the top-level of decision-making (monetary council, executive board), middle-management, or lower expert/analyst-levels. The identities of the interview partners have been kept strictly confidential, coded as either former insiders (FI) or current insiders (CI). Former insiders (FI) had left the bank by the summer and autumn of 2013, whereas current insiders (CI) were still employed during that period. The interviewee profiles themselves reflected a mixed profile of policy preferences, i.e., those more openly sympathetic to a traditional, “orthodox” central banking approach versus those more openly sympathetic to the new, “unorthodox” approaches of the Fidesz-KDNP ruling government. The questions were semi-structured and the interviewing style open-ended. The purpose was to capture what different interview partners emphasized and considered salient in terms of the MNB’s goals, functions, and culture under Governor Simor and changes under Governor Matolcsy during the ruling Fidesz-KDNP government, including the corresponding effects on the behavior of organizational actors and the bank’s policies and management. Examined documentation included the MNB’s annual reports from 2011 to 2014, time-series data on monetary council decisions, minutes of the monetary council meetings, the curriculum vitae or written biographies of monetary council members, including the governor and deputies, official opinions of the European Central Bank, and press coverage available online. Opinions of the European Central Bank and press coverage were important for countering the potential bias of insider knowledge.

This chapter proceeds in two overarching parts. The first part will present the recent historical context, chronicling the MNB’s legacy of professionalism throughout the 2000s and its metamorphosis under the Fidesz-KDNP supermajority. The second part comprises the first and most substantive core of the analysis; it maps out the behavioral modes of the executive board

⁹ Middle level management refers to positions below the executive board (excluding the director general), i.e., executive directors, directors, and heads of department.

¹⁰ Core policy areas include monetary policy, financial analysis, financial stability. The study excludes operational departments, such as IT or HR and does not directly deal with units resulting from the MNB’s merger with the Hungarian Financial Supervisory Authority/ PSZÁF.

and monetary council (as compared to their predecessors) and the corresponding first and second order changes in the organization.

3.1 *The MNB's legacy and metamorphosis*

This first part of the case study chronicles the MNB's legacy as a rare island of professionalism in Hungary's highly politicized public sphere and its perceived political metamorphosis. This is important because the chronicle of its politicization under the Fidesz-KDNP supermajority is rooted in a larger story about the changing nature of the institution itself *and* debates concerning macroeconomic management more globally. This prelude will also serve to illustrate some aspects of the organization's status quo prior to the politicization of 2013, which effectively began in 2011 with new Monetary Council appointments, but was more pronounced in 2013 with further appointments, including the new governor. Before presenting these background details more particular to the analysis, a brief description of the MNB as an organization, including its function missions, general tasks, and transnational affiliation, is warranted.

In legal terms, the National Bank of Hungary is a formally independent organization but serves a key public function. Its operations are regulated by a separate legal text adopted by Parliament, known as the *Act on the Magyar Nemzeti Bank*. Namely, its primary objective as laid down in Article 3 of the Act is to “achieve and maintain price stability” in the national economy (2011. évi CCVIII. törvény a Magyar Nemzeti Bankról (Trans.); 2013 évi CXXXIX törvény a Magyar Nemzeti Bankról (Trans.)). Although the MNB is considered a “business entity” and “company limited by shares,” it is the Hungarian State who enjoys sole shareholder status and, as such, is represented by “the minister responsible for the state budget” (Magyar Nemzeti Bank, 2011, p. 11; Magyar Nemzeti Bank, 2014a, p. 11).

As a secondary objective provided in Article 3 of the Act, the central bank is also expected to “support the economic policy of the Government” but without compromising its primary objective (2011. évi CCVIII. törvény a Magyar Nemzeti Bankról (Trans.)). From 2013, with the MNB's absorption of the Hungarian Financial Supervisory Authority (PSZÁF), the MNB's functions expanded to include macroprudential supervision. The secondary objective in the MNB Act was amended to include that “the MNB shall support the maintenance of the stability of the system of financial intermediation, the enhancement of its resilience, its sustainable contribution to economic growth; furthermore, the MNB shall support the economic policy of the government using the instruments at its disposal.” (2013 évi CXXXIX törvény a Magyar Nemzeti Bankról (Trans.)).

But what is the nature of the MNB's independence? How does it perform its public function so-called *independently*? Formally, as laid down in Article 1 of the Act, this notion of independence prohibits the central bank from “seek[ing] or tak[ing] instructions from the Government, or the institutions, bodies or offices of the European Union, with the exception of the European Central Bank [. . .]¹¹, or from the governments of Member States or any other organization or political party” (2011. évi CCVIII. törvény a Magyar Nemzeti Bankról (Trans)). With the expansion of the MNB's policy scope from 2013, the MNB became a member of the European System of Financial Supervision and, thus, was obligated to perform tasks “arising out of the scope of” the various authorities and bodies within that framework (2013 évi CXXXIX törvény a Magyar Nemzeti Bankról (Trans.)). That is, the organization is bound by the community of European central banking and financial supervision. Thus, the nature of its independence rather concerns independence from the world of domestic and transnational political deliberation and influence, as well as special business interests, not from its professional obligations derived from membership of the European System of Central Banks and European System of Financial Supervision.

In this way, the MNB's governance structure and decision-making processes are governed by law, that is the MNB Act, the MNB's Statutes, the bank's Organizational and Operational Rules, and “rules of procedure” formulated by its various decision-making bodies, i.e., the monetary council, the executive board, the supervisory board¹² and, as from 1 October 2013, the financial stability council¹³ (Magyar Nemzeti Bank, 2013a, p. 12; Magyar Nemzeti Bank, 2014a, p. 14). In accordance with the study's scope, the composition and function of the monetary council and the executive board are briefly presented. As the “supreme decision-making body” of the MNB, the monetary council is comprised of “the Governor of the MNB, as the Chairman of the Monetary Council, the Deputy Governors of the MNB and additional members elected by the Parliament for six years” (Nemzeti Bank, 2013a, p. 12; also Magyar Nemzeti Bank, 2011; Magyar Nemzeti Bank, 2012a; Magyar Nemzeti Bank, 2014a). Prior to 2013, the monetary council was limited to four additional members (Magyar Nemzeti Bank, 2011, p. 11), but, from 2013, it was bound by at least five and at most nine members (Magyar Nemzeti Bank, 2013a, p. 12; Magyar

¹¹ Per the MNB's membership in the European System of Central Banks

¹² The Supervisory Board, which is “responsible for the continuous supervision of the MNB on behalf of the owner”—excluding the MNB's basic tasks, “its actions as a resolution authority and its supervisory activity,” its actions as a resolution authority and its supervisory activity, or the impact of such on the MNB's profit and loss”—remains outside the scope of this study (Magyar Nemzeti Bank, 2013a, p. 15).

¹³ The Financial Stability Council, responsible for decisions concerning “oversight, macroprudential tasks and resolution authority duties, as well as prudential supervision,” (Magyar Nemzeti Bank, 2013a, p. 12) remains outside the scope of this study.

Nemzeti Bank, 2014a, p. 13). Since the MNB Act of 2011, the executive board bears the responsibility for implementing the decisions of the monetary council, as well as the financial stability council from 2013; it comprises the Governor (as Chairman of the Board) and the Deputy Governors (Magyar Nemzeti Bank, 2012a, p. 13; Magyar Nemzeti Bank, 2014a, p. 14).

3.1.1 MNB's legacy of professionalism

The Hungarian National Bank is often perceived as one of the few quintessentially professional institutions in the highly politicized, post-transition policy environment. This narrative is repeatedly emphasized by both current and former insiders, as well as press accounts e.g., a Reuters account of governor Matolcsy's first days in 2013 characterized the institution as having been a "top workshop for economic analysis in Hungary" (Than & Peto, 2013).

As recounted by a former insider from the 1990s, the MNB of the transition period was a characteristically different organization. It reportedly functioned rather like another public institution, "very bureaucratic, legalistic" with "very limited economic analysis" and did not have much "contact with other central banks" (FI7). But it underwent a fundamental transformation in the late 1990s and early 2000s under then-governor György Surányi (1995-2001). Appointed by Prime Minister Gyula Horn, who brought several "pragmatic problem solvers" into his administration in the mid 1990s to deal with uncontrollable economic debt (Inglot, 2003, p. 227; also Balogh, 2009), Governor Surányi was widely credited with taming inflation and "played a key role in transforming the National Bank of Hungary into a truly independent central bank" (Kopits, 2014, p. 104). He reportedly boosted the bank's formal and functional independence from the government's political discretion by distancing himself from the government's weekly cabinet meetings, "transforming [the bank] into an internationally recognized center of applied macroeconomic research," and initiating a "collegial decision-making structure" (Kopits, 2014, p. 104). In addition, he reduced staff and raised the competitiveness of salaries against the private sector. This also entailed hiring "many, western trained economists," and the institution came to be viewed as an "equal partner with most western European central banks," changing its professional face (FI7). It was under Governor Surányi that the MNB became a much coveted destination for graduating university students (FI7; CI4).

More contextually, it is important to note a number of patterns concerning the MNB's governance throughout the 2000s which contrast with the magnitude of the changes under Fidesz-KDNP. Firstly, as several interviewees elaborated, the nature of appointments are such that the governor typically enjoys only a short honeymoon period of perhaps one to two years—

meaning that the majority of his or her term will be spent in opposition vis-à-vis a new government or prime minister (CI4, also FI2; FI3). Another interviewee observed that, the three previous governors (including the Fidesz-appointed Zsigmond Járai), “decidedly forced themselves into forming opinions” (FI5) vis-à-vis government. In other words, conflict is built into the system and it is to be expected (FI5). What is interesting is that even Governor Simor and his nominator, the-then MSZP/Socialist Party) Prime Minister Gyurcsány, “were not necessarily on good terms,” while Governor Simor and Gyurcsány’s successor from the same party, Gordon Bajnai, were reportedly closer (CI4; FI2; FI5). With Matolcsy’s appointment, however, the honeymoon period experienced an unprecedented extension, given Fidesz-KDNP’s supermajority electoral victory in 2014—in which Orbán remained prime minister—and the well-known closeness between Orbán and governor Matolcsy.

Moreover, it is noteworthy that former insiders referred to past events—even prior to the Fidesz-KDNP supermajority—which demonstrate that the institution was politically inconvenient from the perspective of the political establishment—be it “right” or “left” (FI4; FI3). One illustrative example is the attempt by the socialist-liberal government of former Prime Minister Ferenc Gyurcsány to reform the Monetary Council through a new MNB Act, which, among other modifications, increased the number of monetary council members—even against the official opinion of the ECB (Baksa & Dudás, 2010). One interviewee recounted the nature of this “huge intervention”:

“[. . .] they appointed four people and just changed the proportion of [politically] left and right voters of the council. So, we can say that this quite . . . general phenomenon in Hungary that the central bank’s independence is quite frequently offended by the government. So, there is no change in that” (FI3).

Another interviewee had observed that governments “would always prefer a stronger trust and loyalty [. . .] to the government itself” and that “it’s up to the [appointed leadership] how they reflect on that” (FI2). While it is no small detail that previous governments and parliaments tried to influence the institution through different methods, one interviewee offers the caveat that: “[t]he Socialists. . . respected the institution as a club of wise people” who “didn’t like [our] messages, but at least they were ready to listen” (FI4). In the end, it was the ruling Fidesz-KDNP government from 2010 who acquired the parliamentary majority necessary to substantially deconstruct and reconstruct the institution, including through a quintessentially *partisan* political appointee, in order to serve its agenda. This background is the linchpin of the unpacking of an unprecedented politicization that is to follow—that is, the government’s conflict with Governor

Simor's leadership, Governor Matolcsy's subsequent appointment, and the new leadership's policy agenda, decision-making, and management style.

3.1.2 MNB's metamorphosis under Fidesz-KDNP

As a peripheral European country set for eventual Euro adoption, Hungary had, until the Fidesz-KDNP government of 2010-2014, yielded to widely accepted macroeconomic orthodoxy. This central banking culture, which includes the primacy of price stability and upholding institutional independence, remained largely unquestioned and taken for granted throughout the first decade of the twenty-first century. But as noted in a joint working paper co-written by the author of this dissertation: "the global financial crisis of 2008 which eventually engulfed Hungary—and a landslide election victory for Fidesz-KDNP to boot—was a game changer" (Donmez & Zemandl, 2015, p. 10). The largescale material consequences of so-called orthodox monetary and banking policies were reflected in the plight of struggling, debt-ridden households who had taken on foreign loans denominated in Swiss francs. The new ruling government capitalized on "the occasion to bring the virtues of orthodoxy to a debate and to exercise unprecedented political power over financial institutions," including the MNB (Donmez & Zemandl, 2015, p. 10; also Johnson & Barnes, 2015). According to the assessment of Johnson and Barnes (2015), Prime Minister Orbán's government deliberately pursued a paradigm of "financial nationalism" in order to "promote the nation's unity, autonomy, and identity" by (among other measures), "undermining the MNB" (pp. 536, 547-49)

There were five fundamental changes concerning the MNB's objectives and structure during the period of study framed by the context outlined above: (1) amendments to the MNB Act which carried important implications for institutional and decision-making independence; (2) new monetary council appointments in 2011 and 2013; (3) a merger with the Hungarian Financial Supervisory Authority (PSZÁF) in 2013, which also carried important implications for the bank's independence; (4) as a result of the latter changes, a new management regime involving a substantial organizational restructuring and changed patterns in personnel profiles; and (5) as a result of the leadership change and the new Act, a new policy paradigm reflecting the ruling government's partisan agenda. The first issue regarding amendments to the MNB Act is covered briefly from the next paragraph but does not play a role in the second part of the empirical analysis concerning the modes of appointee behavior. The second issue regarding the monetary council appointments is briefly summarized in this section and covered in extensive detail in the second part, while the merger, new management regime, and new policy paradigm

are also covered in the second part. However, as it was an important milestone, the merger between the MNB and PSZÁF is treated in the analysis, but plays a minor role in the study due to time constraints.

Firstly, amendments to the MNB Act CCVIII of 2011 and their implications for organizational independence, particularly in light of the merger with PSZÁF, triggered conflicts between the MNB and the transnational European Central Bank. It can indeed be argued that the ECB and its various sub-institutions are not comprised of apolitical technocrats—that they are in reality also subject to various sources of political influence and special business interests. Nevertheless, the ECB’s input and the drawn out legal wrangling between it and the government reflect Fidesz-KDNP’s endeavor to pull the institution closer to its political will against largely unquestioned western, neoliberal norms of central bank independence. It illuminates the bank’s strategic importance from the ruling government’s point of view and the nature of the pressure political appointees would be subjected to—a backdrop to eventual political appointee behavior and organizational transformation.

Prime Minister Orbán’s cabinet supported “closer coordination” between the government and the bank (Reuters & Suoninen, 2012). Amendments to the MNB Act were one manifestation of this agenda. The ECB had been issuing critical legal opinions¹⁴ regarding the proposed changes, and, as a result, there were ongoing exchanges between the government and ECB about provisions which were judged to threaten the MNB’s independence. It is also noteworthy that, in the frame of these interactions, the government was represented by the Ministry for the National Economy, whose minister at the time was György Matolcsy, the eventual political appointee who would replace Governor Simor at the MNB.

The examples abound, but—in the interest of this dissertation—the following points of conflict between the ECB and MNB stand out: compositional changes in the monetary council, dismissal of the monetary council members and replacement of the governor, remuneration, personnel hiring, the personal independence of the governor and other monetary council members, and operational independence. In its reviews of the amendments, the ECB regularly identified and cited the numerous opportunities for political influence and subsequent threats to central bank independence, forcing the ruling government to make changes to the legal drafts (European Central Bank, 2011; Draghi, 2011; Constancio, 2012a; Constancio, 2012b).

¹⁴ Per: Articles 127(4) and 282(5) of the Treaty on the Functioning of the European Union and the third indent of Article 2(1) of Council Decision 98/415/EC of 29 June 1998 on the consultation of the European Central Bank by national authorities regarding draft legislative provisions (Constancio, 2012b).

For example, one source of tension between the ECB and government concerned the latter's proposal to vary the number of monetary council members by increasing the *non*-executive members of the council (i.e., members in addition to the governor and deputies), which would have effectively increased the government's opportunities to appoint pro-coalition policy sympathizers who could then outvote theoretically more critical executive members, i.e., Governor Simor and his two deputies (European Central Bank, 2011). In the end, the ECB's subsequent legal opinion of 28 June 2012 lauded the government's response of limiting the margin "by less than a two-to-one ratio" of non-executive members to executive members and for "not [increasing] the size of the Monetary Council during the term of the current MNB Governor" [András Simor] (Constancio, 2012b). As another perceived affront to independence, the draft law included a provision that the executive board's meeting agenda be forwarded to the government. The ECB requested clarification "to avoid the impression that the Government actively takes part in Executive Board decision-making" (Constancio, 2012b). By 2012, this requirement, as well as the right of the government's representative to be present at monetary council meetings, was repealed from the draft law (Constancio, 2012b).

Secondly, the Monetary Council's membership composition was transformed with two rounds of appointments in 2011 and 2013. In the lead up, however, it is not a negligible detail that Governor Simor was subject to regular "attacks" from the Fidesz-KDNP faction in parliament and ruling government (Simon, 2010; Friderikusz, 2014; Kerényi, 2014; Totális háború, 2011; also MTI, 2011). These attacks materialized as scrutiny of Simor's offshore investments in Cyprus, criticism "for being slow to reduce interests rates," and for not having done "enough to stem the spread of foreign-currency loans," calls by Prime Minister Orbán and cabinet members for his resignation, which Governor Simor deflected, and an eventual salary cut which was criticized by the ECB as threatening independence unless it was applied to Simor's successor(s) at the start of a new term (Simon, 2010; also Johnson & Barnes, 2015).

In 2011, the mandates of four non-executive monetary council members—who had been appointed in 2005 during the previous left-wing ruling coalition—had expired, and the Fidesz-KDNP ruling coalition appointed four new members (see table below: "Changes to the MNB Monetary Council in 2011"). Moreover, prior to term expirations of the outgoing members, Fidesz-KDNP altered central bank legislation to reflect a new appointment process, in which parliament would hold the right to appoint all four external members, rather than sharing this right with the central bank, as had been the previous practice (Johnson & Barnes, 2015, p. 548).

In 2013, with the expiration of Governor Simor's and Deputy Governor Ferenc Karvalits' mandates, the resignation of Deputy Governor Julia Király, as well as the unprecedented appointment of an additional deputy governor, the monetary council underwent another substantial compositional change (see table below: "Changes to the MNB Monetary Council in 2013"). The following tables categorize each appointee as either outgoing, incoming, or remaining (remaining is indicated with gray highlights) and indicate the corresponding mode of politicization. The 2005 and 2007 appointments were manifestations of open politicization, while the 2011 and 2013 appointments comprised partisan and open appointments and included one bounded appointment. The governors and deputy governors (i.e., chairman and deputy chairman of the monetary council) are listed before all other members. Subsequent members are listed in alphabetical order by family name.

Table 3: Changes to the MNB Monetary Council in 2011

Changes to the MNB Monetary Council in 2011			
Member	Mode of politicization	Outgoing	Incoming
<i>András Simor</i> , governor, chairman of the Monetary Council	Open		
<i>Ferenc Karvalits</i> , deputy Governor, deputy chairman of the Monetary Council	Open		
<i>Júlia Király</i> , deputy governor, member of the Monetary Council	Open		
<i>Tamás Bánfi</i> , member of the Monetary Council	Open	Termination March 2011	
<i>Péter Bihari</i> , member of the Monetary Council	Open	Termination March 2011	
<i>Csaba Csáki</i> , member of the Monetary Council	Open	Termination March 2011	
<i>Judit Neményi</i> , member of the Monetary Council	Open	Termination March 2011	
<i>Andrea Bártfai-Mager</i> , member of the Monetary Council	Partisan		Start March 2011
<i>János Béla Cinkotai</i> , member of the Monetary Council	Open		Start March 2011
<i>Ferenc Gerhardt</i> , member of the Monetary Council	Open		Start March 2011
<i>György Kocziszký</i> , member of the Monetary Council	Open		Start April 2011

Source: Magyar Nemzeti Bank (n.d.i); Magyar Nemzeti Bank (n.d.j)

Table 4: Changes to the MNB Monetary Council in 2013

Changes to the MNB Monetary Council in 2013			
Member	Mode of politicization	Outgoing	Incoming
<i>András Simor</i> , governor, chairman of the Monetary Council	Open	Termination March 2013	
<i>György Matolcsy</i> , governor, chairman of the Monetary	Partisan		Start March 2013
<i>Ferenc Karvalits</i> , deputy governor, deputy chairman of the Monetary Council	Open	Termination March 2013	
<i>Ádám Balog</i> , deputy governor, deputy chairman of the Monetary Council	Partisan		Start March-April 2013
<i>Júlia Király</i> , deputy governor, member of the Monetary Council	Open	Termination April 2013	
<i>Ferenc Gerhardt</i> , deputy governor, member of the Monetary Council	Open		Appointed to deputy governor April 2013
<i>László Windisch</i> , deputy governor, member of the Monetary Council	Bounded		Start October 2013
<i>Andrea Bártfai-Mager</i> , member of the Monetary Council	Partisan		
<i>János Béla Cinkotai</i> , member of the Monetary Council	Open		
<i>Csaba Kandrács</i> , member of the Monetary Council	Partisan		Start September 2013
<i>György Kocziszký</i> , member of the Monetary Council	Open		
<i>Gyula Pleschinger</i> , member of the Monetary Council	Partisan		Start March 2013

Sources: Magyar Nemzeti Bank (n.d.i); Magyar Nemzeti Bank (n.d.i)

The second part of the analysis, which follows below, delves deeper into the compositional changes otherwise presented in rather nominal terms in the preceding tables. It analyzes the appointees' backgrounds and profiles, in terms of qualifications and affiliations, and proceeds to re-construct behavioral patterns and associated events in organizational transformation. Thus,

the following is a case study of the MNB structured around mapping the three modes of behavior in the context of the monetary council compositional changes (2011-14).

3.2 *Modes of appointee behavior at play*

This part of the chapter maps out the prevalence and manifestation of the partisan mode vis-à-vis the other modes in three overarching sections. Given the detailed analysis to follow, some foreshadowing of the main conclusions can help in seeing the forest from the trees. In the case of the MNB, partisan goals were the main points of reference, while professional goals and judgment were framed by the latter. Appointees primarily served the partisan agenda, realigning professional and organizational goals accordingly. As expected, the dominance of the partisan mode of behavior was not least of all due to the marked partisan affiliations to the Fidesz-KDNP ruling government of the 2011 and 2013 monetary council appointees—notably that of Governor Matolcsy who had been the architect of Fidesz’s economic policy as minister. The opportunities for politicization to wield second order organizational change were realized through appointee behavior at the monetary council reflecting government friendly policy decisions, the executive board’s new management regime based on loyalty and hierarchy, which included the rebuilding of a professional cadre accommodating of the new policy direction, and a swell of first order changes.

As expected, the organizational mode of behavior was the weakest, due to changed organizational goals, mutating organizational ethos (second order changes), and a major shift in organizational structures, processes, and practices (first order changes). The professional mode of behavior at the level of Governor Matolcsy’s executive board and 2011/2013 monetary council accommodated the partisan agenda, while professional judgment and practices among the professional staff were nevertheless able to endure but also accommodated the new policy and governance frameworks. The first section below is an empirical analysis of the presence and manifestation of the partisan mode of behavior.

3.2.1 Analysis of the partisan mode of behavior

The case of the MNB demonstrates a dominant partisan mode of behavior vis-à-vis the other two modes. Firstly, governor Matolcsy, his deputies, and the 2011/2013 monetary council appointees sympathized with Fidesz-KDNP’s economic policy goals. Secondly, their partisan mode of behavior was manifested at the operational level in the form of: the unhindered implementation of Fidesz-KDNP’s unorthodox central banking policy, a new management regime based on loyalty and hierarchy, as well as discordant internal coping strategies involving

the voluntary exits of respected policy professionals and both active and passive accommodation of the partisan agenda. The domination of the partisan mode of behavior corresponded with a swell of second order and first order changes that manifested as a major revision of the organization.

3.2.1.1 *Political affiliations and policy preferences*

Since political appointments to the MNB are not a new phenomenon *and* macroeconomic policies are subject to continuous political contestation (with central banks contributing material to the debate), the political affiliations and policy preferences of outgoing and incoming appointees were more distinctly apparent and numerous as compared to those of plenary members in the case of MAB. This indirect manifestation of politicization is most readily observable with respect to: (1) monetary council members' affiliation with the ruling coalition and its key politicians, as well as by (2) the mapping of economic policy preferences of Governor György Matolcsy vis-à-vis those of his predecessor, former governor András Simor.

In the first case, political sympathies can be traced to biographic profiles, in terms of whether the appointee had held posts in government, had served a political principal, or had been a member of parliament, political parties, and organizations linked to governing parties. In the second case, public statements reveal whether and to what extent appointees sympathize with and support the ruling government's policies. Although the national government cannot decide monetary policy, the governors' or other monetary council members' statements with regard to economic policies more generally are indicative of preferences in policy direction.

Interviewees insisted that political considerations, if not outright political affiliation, were always behind governor nomination and appointment processes in Hungary (CI3; CI4; FI1; FI3; FI5)—e.g., to make sure that he had the “right political affiliation” but could *also* be “[sold . . .] to the public and to the outside world and to foreign investors” as a “professional” (FI1; also CI4). As one interviewee had observed with regard to several governorships, “it wasn't necessary” that “the person be really partisan, but you could tell in the case of each governor with which political party or political leaning he was associated” (CI4). Another interviewee offered a less nuanced perspective: “[T]he governor and the deputy governor [are] very near to the politics. So, therefore, it is a political job anyhow” (CI3). Nevertheless, the appointment of Matolcsy is unprecedented from the point of view of his comportment as a politician—not only in terms of his outright party membership and affiliation, but also as a strategic political figure within the Fidesz party itself.

The following tables present the known political affiliations and ties of appointees to the MNB's monetary council in two separate periods: 2005/2007, which is based on the membership composition on the eve of the changes in 2011; and 2011/2013, which is based on the membership composition per Fidesz-KDNP's new appointments.

Table 5: Political affiliations of the appointees to the MNB's monetary council (2005 and 2007)

Political affiliations of the appointees of the MNB's Monetary Council (2005 and 2007)	
Member	Political affiliation/ties
<i>András Simor</i> , Governor, Chairman of the Monetary Council	None listed
<i>Ferenc Karvalits</i> , Deputy Governor, Deputy Chairman of the Monetary Council	<ul style="list-style-type: none"> • Fidesz, economic policy expert (1989-1994) • Spouse, Zsuzsanna Szelényi, member of National Assembly representing Együtt from 2014 • Reportedly had close ties to MSZP/Socialist party • Former colleague of Gordon Bajnai, a former MSZP/Socialist party prime minister of Hungary, 2009-2010
<i>Júlia Király</i> , Deputy Governor, member of the Monetary Council	None listed, but supposed sympathies to SZDSZ/liberal party
<i>Tamás Bánfi</i> , member of the Monetary Council	None listed
<i>Péter Bihari</i> , member of the Monetary Council	None listed
<i>Csaba Csáki</i> , member of the Monetary Council	None listed
<i>Judit Neményi</i> , member of the Monetary Council	Management position at Ministry of Finance during MDF (Hungarian Democratic Forum)-led ¹⁵ government (1992-1994)

Sources: Publicly available curriculum vitae and biographies, as well as media content (Budapest Corvinus Egyetem, n.d.a; Budapesti Corvinus Egyetem, n.d.b; Curriculum vitae Péter Bihari, n.d.; European Bank for Reconstruction and Development, n.d.; Fordulat az SZDSZ-nél, 2008; Karvalits Ferenc: jegybankár, a Magyar Nemzeti Bank alelnöke, n.d.; Pénzügykutató Zrt., n.d.; Simor András életrajza, 2007)

Two patterns are observable with respect to the political profiles of appointees in 2005 and 2007. Firstly, two-thirds of the members have comparatively apolitical career profiles, although an additional member was reportedly “closer” to SZDSZ/liberal party (Fordulat az SZDSZ-nél, 2008). Secondly, only two out of the seven members have had known political affiliations and ties. Former deputy governor Ferenc Karvalits had been associated with left-leaning parties. Otherwise, Judit Neményi was briefly associated with Hungary’s first post-transition conservative or right-leaning government.

¹⁵ MDF (Hungarian Democratic Forum) was a center-right party which governed Hungary after the first general election in the transition era from 1990 to 1994. It was the junior coalition partner to Fidesz from 1998 to 2002.

Table 6: Political affiliations of the appointees to the MNB's monetary council (2011 and 2013)

Political affiliations of the appointees of the MNB's Monetary Council (2011 and 2013)	
Member	Political affiliation/ties
<i>György Matolcsy</i> , Governor, Chairman of the Monetary Council	<ul style="list-style-type: none"> • Contributes to drawing future government program at request of president of MDF/Hungarian Democratic Forum (1990) • Economic advisor to Fidesz/author of the party's economic program (1998) • Member of the economic advisor body of prime minister Viktor Orbán since 1998 • Minister of economic affairs (2000-2002) • Minister for national economy (2010-2013) • Member of Fidesz since 2003
<i>Ádám Balog</i> , Deputy Governor, Deputy Chairman of the Monetary Council	<ul style="list-style-type: none"> • Held position as deputy state secretary in tax affairs at Ministry of National Economy under former Minister György Matolcsy (2010-2013) • Reportedly close to Governor György Matolcsy, who brought Balog over to MNB from the ministry
<i>Ferenc Gerhardt</i> , Deputy Governor, member of the Monetary Council	None listed, but career in banking and at MNB tied to first Fidesz government (1998-2002) and former governorship of Zsigmond Járai (2001-2007: appointed during first Fidesz government)
<i>László Windisch</i> , Deputy Governor, member of the Monetary Council	<ul style="list-style-type: none"> • Held positions as lawyer and in management at NAV (National Tax and Customs Administration) from 2002 • Head of department of tax and customs administration at Ministry for National Economy under former Minister György Matolcsy (2011-2013)
<i>Andrea Bárfai-Mager</i> , member of the Monetary Council	<ul style="list-style-type: none"> • Affiliated with the governorship of Zsigmond Járai (2001-2007: appointed by the first Fidesz government) • Executive Director of Hungarian Official Journal Publisher (from 2010), edited by government/Prime Minister's Office
<i>János Béla Cinkotai</i> , member of the Monetary Council	None listed
<i>Csaba Kandrács</i> , member of the Monetary Council	Held positions, including management, at Ministry of Finance (2003-2009), Budapest 5 th district local authority (2009-2012), Ministry of National Economy (2012) under former minister György Matolcsy, including president of State Treasury (2012-2013) ¹⁶
<i>György Kocziszký</i> , member of the Monetary Council	None listed
<i>Gyula Pleschinger</i> , member of the Monetary Council	<ul style="list-style-type: none"> • CEO of Government Debt Management Agency (2010-2011) • State secretary for tax and financial affairs at Ministry of National Economy under former Minister György Matolcsy (2011-2013)

Sources: Publicly available curriculum vitae and biographies, as well as media content (Baksa, 2013a; Baksa, 2013b; Baksa & Galambos, 2011; Cinkotai János és Kocziszký György, 2011; Magyar Nemzeti Bank, n.d.a; n.d.b; n.d.c; n.d.d; n.d.e; n.d.f; n.d.g; Tapasztalatlan ifjú, 2013; Várkonyi, 2013; Windisch László lehet, 2013)

¹⁶ He held a number of these positions for only a few months, including at the State Treasury (Tapasztalatlan ifjú, 2013).

Several patterns are observable from a comparative perspective with respect to the political profiles of appointees in 2011 and 2013. Firstly, less than one-third of the members had comparatively apolitical career profiles (as compared to two-thirds in the previous cohort). Secondly, seven out of the nine members had known political affiliations and ties (versus two out of seven previously). Thirdly, as compared to his predecessor, Governor Matolcsy had since the days of transition been associated with the political right as an active economic policy advisor and program author, a member of Fidesz, and a close associate of Prime Minister Viktor Orbán. Moreover, two out of the nine members were affiliated with the governorship of Zsigmond Járai who was appointed by the first Fidesz government in 2001. And finally, three overarching themes uniquely characterize the 2011 and 2013 membership of the monetary council: it was populated with lawyers, Matolcsy's close associates from the Ministry of National Economy, and with those ministerial associates who were responsible for tax affairs¹⁷. One interviewee further observed that "four government appointed" monetary council members were regularly meeting with one of Fidesz's party leaders and that some of them were not knowledgeable about basics in monetary policy and monetary council decision-making (FI6). It is evident that incoming monetary council members of 2011 and 2013 were demonstrably affiliated with Fidesz, György Matolcsy, the Fidesz-appointed former governor Zsigmond Járai, or with another government-affiliated organization. In other words, they share loyalties and material interests inherently linked—albeit, to varying degrees—to the party-political network of Fidesz.

With regard to differences in economic policy preferences, two dominant, often diametrically opposed views—Keynesianism vs. neoliberalism—reflect the more theoretical differences between Governor Matolcsy and his predecessor, former Governor Simor. The remainder of this sub-section treats these overarching policy approaches, demonstrating the extent to which György Matolcsy and András Simor held fundamentally different views on how to manage Hungary's macroeconomy more generally, and monetary policy, more particularly.

The appointment of György Matolcsy, as well as his monetary council colleagues, to the MNB unfolded in a particular context: that of the Fidesz-KDNP two-thirds majority electoral victory and "so-called" mandate in 2010, the fall out in Hungary from the global financial crisis and recession, and the 2014 election victory in which the Fidesz-KDNP coalition further cemented

¹⁷ More particularly, two deputy governors, Balog and Windisch, are both lawyers, served in Matolcsy's administration/Ministry of the National Economy in tax affairs, and were reportedly close to Matolcsy. Another lawyer, Kandrács, also served in Matolcsy's administration, and Pleschinger also served in Matolcsy's administration in tax affairs.

its power. As argued in a joint working paper co-written by the author of this dissertation, these major events and their consequences fueled a more nationalist and populist discourse and policy agenda on the part of the ruling coalition (Donmez and Zemandl, 2015). As demonstrated below, this discourse was comparatively anti-neoliberal, anti-foreign establishment, and defensive of homegrown policies, “identifying the IMF, the incumbent leadership of [the MNB], and foreign-owned commercial banks as ‘outsiders’” (Johnson & Barnes, 2015, p. 545).

A central policy architect within Fidesz, Minister Matolcsy was appointed to replace Governor Simor at the MNB in March 2013 in the lead-up to Fidesz-KDNP’s re-election victory in the 2014 national parliamentary elections. Prime Minister Viktor Orbán referred to Matolcsy as his “right-hand man” when he nominated him for the governorship (Dunai, 2016). György Matolcsy had been one of the key engineers of the ruling coalition’s economic policies in his previous capacity as the minister for the national economy. His discourse and policy choices had been characteristically pro-Keynesian (e.g., Novak, 2014), faithful to the ruling government and its electoral campaigns, and were often labelled (including by him) as “unorthodox” or “unconventional” (K.M., 2013). Part and parcel of this strategy was the government’s assertiveness and growing confidence in publicly and regularly criticizing the policies of European Union institutions, the IMF, major credit rating agencies¹⁸, well as foreign banks (Simon, 2011; K.A., 2013; Feher, 2014).

Since coming into power in 2010, the ruling government had repeatedly clashed with the European Union and the ECB regarding taxes, constitutional issues, central bank independence, as well as the foreign-currency loans (e.g., Feher, 2014). Matolcsy had openly called on “the resignation of Olli Rehn” for having “conducted bad economic policy” at the European Commission, arguing that Europe was headed on the “Japanese path” and was at risk for “long-term stagnation” and “prevailing deflation” (K.A., 2013). Together with Prime Minister Orbán, Matolcsy “spearheaded the government’s criticism of the [MNB],” which was headed by Governor Simor at the time (Reuters, 2013), criticizing the governor’s “strong forint’ policy” (Buckley & Eddy, 2013) and favoring some measure of inflation in order to kick start economic growth and avoid deflation (K.A., 2013).

The foreign banks became the target of widespread public anger following the global financial crisis from 2008—when hundreds of thousands of Hungarian borrowers’ monthly payments soared upon the plummeting of central European currencies against the Swiss franc. The foreign

¹⁸¹⁸ The three major credit rating agencies – Moody’s Investors Service, Standard and Poor’s, and Fitch Ratings—had all downgraded Hungary in 2011 to the highest junk grade and lowest investment grade (Simon, 2011)

currency loan crisis was a non-negligible factor in Fidesz-KDNP's landslide victory in 2010. The ruling coalition passed legislation allowing borrowers to convert outstanding loans from francs and euros into forints at market rates, while also burdening the banking sector with additional taxes (e.g., Hungary's government gives, 2014). Its confidence was further boosted in the summer of 2013 when Hungary repaid to the IMF its outstanding debt of 2.5 billion euros "from a 2008 emergency loan program" (Dunai & Szakacs, 2013) and the country was at longlast granted an exit from the European Union's excessive deficit procedure (Council of the European Union, 2013). Thus, the government positioned itself both discursively and substantively against the oft-cited dominance of its economy by western institutions. The government touted its nationalist economic agenda, emphasizing Hungary's independence from foreign influence—also reflected in its criticism of traditionally "western" and European values—and calling for national "cooperation" and "harmony" (Donmez and Zemandl, 2015).

During a conference in Budapest and at a pro-government campaign speech in the fall of 2013, reflecting back on his tenure as minister, Matolcsy touted the following policy measures (among others) as important economic achievements under the Fidesz-KDNP supermajority: flat income tax, which he argued had resulted in a greater savings rate and investment in government securities on the part of the population; the "downward trend in the public debt" and the proportion of foreign currency debt; rising employment figures; and the parallel growth of the German and Hungarian economies (K.A., 2013; K.M., 2013). He labeled his economic policies as a "success story in world history," citing "traditional economic policy" as the reason for the ousting of nineteen failed EU member state governments at the polls (K.M., 2013). He underscored that the unorthodox path is built on "solidarity" rather than "austerity," noting that the world's largest central banks followed an unorthodox monetary policy after the great recession: "since August of last year, we, the majority of the monetary council were always right in this respect" (K.M., 2013).

This discourse is reflective of the ruling government's repeated emphasis on the "Hungarian model" (Simon, 2014) as a new norm and the ideal of "national cooperation," further reflected in its goal to "harmonize" fiscal and monetary policy (e.g., Than & Szakacs, 2012) or, put another way, to aim for a "strategic partnership" between the MNB and the cabinet while adhering to price stability (e.g., Reuters, 2013). As a close and vocal ally of Governor Matolcsy revealed in a televised interview, the policy in Hungary is to reinforce the role of the state "in the interest of protecting citizens and market participants" against crises (Bayer, 2016). Thus, the constellation of goals framing Governor Matolcsy's partisan mode of behavior prior to his governorship of

the MNB are fundamentally rooted to the party-political network. His behavioral patterns as minister and Fidesz party architect reflect abstract ideational and institutional loyalties to the party apparatus, which are also bound to goals of income and prestige.

In his ministerial capacity, Matolcsy had stirred controversy both domestically and internationally for this “unorthodox policy mix,” which included “the EU’s biggest bank levy,” introducing crisis taxes on certain industrial sectors, nationalizing private pension assets, and seizing private-sector assets for the state (Buckley & Eddy, 2013; Than & Peto, 2013). The nature of these criticisms are reflective of the neoliberal school, which upholds the primacy of the free market and favors strong checks on minimal government interference. The verbalized views of András Simor largely echo this late twentieth and early twenty-first century policy paradigm. On the one hand, during his first domestic interview after stepping down from the governorship, Simor noted the Fidesz-KDNP government’s “mixed results” in reducing the country’s dependence on external debt and paving the way for a “more secure way to access resources” (Friderikusz, 2014; Friderikusz & Simor, 2014). On the other, he listed a number of contradictions: namely, the lack of improvement in Hungary’s growth potential and “a lot of uncertainty” about the implementation of government laws (Friderikusz, 2014; Friderikusz & Simor, 2014).

The policy contention between Matolcsy, on the one hand, and Simor, on the other, is particularly palpable with regard to the issues of nationalization and anti-bank sentiment following the global financial crisis. Simor has asserted that, in the “medium term,” a state-driven economy has little chance to compete internationally and that Europe hasn’t shown any examples of a successful state-driven economy. He has, however, cited East Asian countries as “good examples of state-driven growth,” as well as Hungary under the “new mechanism” of 1968, when “growth was rapid” because “a very strong state retreated and liberalized and gave space to the free market” (Friderikusz, 2014; Friderikusz & Simor, 2014). With regard to the Fidesz-KDNP government, however, he believed that the state is playing too large a role, as demonstrated by—he claimed—its ownership of too many assets, its “taking away [of] too much income from people’s pockets,” its “very big role in public procurement,” and its “very big [role] in tax policies that discriminate certain economic players” (Friderikusz, 2014; Friderikusz & Simor, 2014). And with regard to the anti-bank narrative of the right-leaning press, Simor acknowledged that the banks had been “irresponsible” and that “obviously this had to change” (Friderikusz, 2014; Friderikusz & Simor, 2014). But on the other, he contended that “society needs banks” and, as such, “a society and its government cannot be against the banks” despite the “short-term political gains” (Friderikusz, 2014; Friderikusz & Simor, 2014). Moreover, as

governor of the MNB during the Fidesz-KDNP administration, Simor positioned himself in defense of institutional autonomy, “demanding that the independence of the central bank be enshrined in the constitution during the constitutional revision process and appealing to the international financial community and to international norms in rejecting governmental pressures” (Johnson & Barnes, 2015, p. 548).

The juxtaposed policy preferences of Matolcsy and Simor not only reflect more or less the ongoing economic policy discourses in Hungary since transition, but also the inter-institutional conflicts between the government and MNB during Simor’s tenure. Moreover, they frame the changing patterns in interest rate policy decisions of the two monetary council cohorts covered in the following sub-section, which analyzes how the partisan mode of behavior played out in terms of central bank policies, management, and organizational culture.

3.2.1.2 *Manifestation at the operational level*

The politicized turnovers of the monetary council and, by extension, executive board reflected a markedly partisan mode of behavior (more so in 2013 than 2011) on the part of the new leadership and ushered in both second order and first order changes with respect to the MNB’s regular decision-making and daily operations. Three overarching patterns are observable: the application and implementation of an unorthodox policy agenda reflecting an overarching nationalistic political agenda; the implementation of a new management regime predicated on loyalty, the re-institution of hierarchy, and the increasing politicization of middle management; and discordant internal strategies on the part of the professional policy staff, including middle management, which either decided not to cooperate with the new leadership and policy agenda or accommodated the organizational changes—whether passively or actively.

The first case analyzed is the *application and implementation of the unorthodox central banking policies* under governor Matolcsy, his deputies, and his monetary council colleagues. The analysis of second order changes corresponding with a partisan mode of behavior comprises three defining events: a new discursive and substantive policy approach to central banking framed in nationalistic terms, the push for monetary easing, and the creation of cheap, domestic financing.

With regard to the new policy approach, the Fidesz-KDNP governing coalition constructed a centralized, nationalistic policy framework, often invoking terms or phrasing synonymous with patriotism, national cooperation or harmonization, emphasizing domestic and often state-driven policy solutions as the panacea to political, social, and economic problems. Under Matolcsy and

his predominately partisan mode of behavior, the emphasis both discursively and substantively shifted from central bank independence to an expectation of closer inter-institutional cooperation between the bank and ruling government. As one interviewee succinctly noted, “now there is a much more marked political framework in the country” which is “somewhat reflected [inside the MNB]” (CI4).

The MNB’s 2013 and 2014 annual reports pointedly demonstrate the nature of this second order change during the first two years of Matolcsy’s tenure. Firstly, they acknowledge “the fundamental personnel, institutional, organizational and attitudinal changes” which unfolded inside the bank (Magyar Nemzeti Bank, 2013a, p. 9). Secondly, they laud a shift in communication priorities which sought to transform the organization’s external image or identity, rendering it more “rejuvenated” and “dynamic” (Magyar Nemzeti Bank, 2013a, p. 9). This second order change reflects the endeavor to bring “economic growth,” “interests of society at large,” and “large-scale central bank programs supporting the economic policy of the government and Hungarian economic growth” to the forefront (Magyar Nemzeti Bank, 2013a, p. 9; Magyar Nemzeti Bank, 2014a, p. 10). Thirdly, touted “successes” included the following more partisan and government-friendly measures and programs: “enrichment of national values,” the Pallas Athena Public Thinking program, the Funding for Growth Scheme, self-financing program, the monetary easing cycle, the bank’s role in the settlement and conversion of household foreign currency loans, supervisory measures to protect consumers, and easing the burden of central bank operations on Hungary’s budget (Magyar Nemzeti Bank, 2014a, p. 51). By comparison, this type of messaging was notably absent from the 2011 and 2012 annual reports in the last years of former Governor Simor’s tenure (Magyar Nemzeti Bank, 2011; Magyar Nemzeti Bank, 2012a).

These forms of positive self-assessment corresponded with the discourse on the “Hungarian model,” which was presented as a new way forward for tackling complex regional and global problems playing out in Hungary. Moreover, they reflected the deliberate attempt to render the MNB’s outward identity more in tune with the ruling government’s policy preferences. One former insider contended that the changes in organizational identity under Matolcsy were motivated by the desire to discard the former identity or image, implying that the previous image did not accord with the comparatively more partisan vision (FI5). For example, one current insider explained that “now there is an emphasis on not criticizing too much” and also “highlighting the good things,” which “was not done before” (CI1). Relatedly, one former insider observed that, “they communicate that the main target is still the inflation rate, but practically it’s something completely different” (FI3). In other words, the MNB under Governor

Matolcsy not only adopted a role beyond the scope of what had been deemed in the neoliberal-era as the conventional wisdom of orthodox central banking, but it actively embodied this change through an outward, patriotic image.

The “MNB Club” initiated during the first year of Governor Matolcsy’s tenure was another concrete manifestation of this phenomenon. It was a series of events to which the MNB invited those “who represent outstanding values in the country”¹⁹ (Magyar Nemzeti Bank, 2013a, p. 55). More particularly:

“The invitees are all creators, who are able to create something that is globally unique, whether it is a new idea, endurance in work, technological innovation or the reinterpretation of our national traditions. They are creators who are connected by strength, bravery, desire to accomplish, perseverance, faith in success and the love of their country” (p. 55).

The MNB was cloaked in the language of the overarching Fidesz-KDNP party program and discourse. Thus, the partisan mode of behavior was operationalized at the organizational level in which the MNB was discursively positioned as a government helper—with emphasis on patriotic and nationalistic notions, such as “societal interests” or supporting “love of country”—rather than as a so-called independent, technocratic institution.

In substantive terms, this unorthodox direction involved a pro-growth policy, including—among other measures—a preference for reducing and maintaining low interest rates, offering cheap, domestic financing, the absorption of banking supervision, the concept of “self-financing”²⁰ in order to increase the bank deposit portfolio (Magyar Nemzeti Bank, 2014a, p. 7).

A major and important change which had swept the MNB into the realm of politicized policy solutions was the absorption of the independent agency, the Hungarian Financial Supervisory Authority/PSZÁF by the MNB in 2013. In the wake of the foreign currency loan crisis and the subsequent low public trust in the banking sector, the ruling government quickly acted to bring the task of financial regulation under the roof of the MNB with a newly appointed and trusted party member at the helm. Governor Matolcsy’s takeover followed the entering into force of the new MNB Act (October 1, 2013), which integrated financial supervision and consumer

¹⁹ While these remain undefined, the following excerpt may shed light on what is meant by values: “The MNB supports development and value creation in all segments of life, be it entrepreneurial success, artistic expression, finding a global niche, reviving a tradition or creative work” (Magyar Nemzeti Bank, 2013a, p. 55).

²⁰ “Self-financing” was an instrument adopted by the monetary council in 2014 which “converted [the bank’s] main policy instrument into deposits and introduced an interest rate swap facility” (Magyar Nemzeti Bank, 2014a, p.7).

protection functions into the central bank's structure. A financial stability council was also established for micro and macroprudential issues (2013 évi CXXXIX törvény a Magyar Nemzeti Bankról). This allowed the central bank under Matolcsy to assume the supervision of the financial intermediary system of the banks which were widely blamed among the Hungarian public for the global financial crisis and foreign currency loan fallout²¹. In their analysis of why some CEE countries opted out of the European Union's banking union, Mérő and Piroska (2016) cite "banking nationalism," in which governments promote national interests in bank supervision as well as bank ownership and bank regulation, as the strategy followed by Fidesz-KDNP. That is, in keeping with the nationalist discourse, the Hungarian government opted for the absorption of macroprudential supervision by the nation's central bank, rather than relinquishing control to a supranational authority. Relatedly, in 2014, the monetary council decided to inject the Hungarian banking system "with the foreign currency needed" in order to "phase out household foreign currency loans," and the MNB "played an important role" in related legislation concerning the introduction of a "fair banking system" (Magyar Nemzeti Bank, 2014a, p. 7). These actions unfolded as part of a drawnout battle between the government and a banking sector dominated by foreign banks.

In the interest of space and time, the measures related to banking supervision mentioned above will not be covered extensively below or more generally in this thesis, but they have nevertheless warranted mention in the context of the changed policy framework from 2013. Rather, this case study focuses on the events of two specific policy measures to illustrate how the partisan mode of behavior was manifested in policy terms: the new monetary council's pursuit of monetary easing and the introduction of cheap, domestic financing instruments. The former example was selected since the setting of the base rate is the central bank's primary function, while the latter example illustrates how newfangled policy instruments were used to benefit partisan interests.

With the two rounds of monetary council appointments in 2011 and 2013, the new members gradually took to pursuing a path of monetary easing from the summer of 2012. This account relies on a synthesis and analysis based on time-series voting records on interest rate decisions of the members of the MNB's monetary council, as well as supplemental data from the monetary council meeting minutes and the bank's annual reports. The minutes were consulted when votes

²¹ "Having drawn conclusions from the financial crisis, with this Act the legislator created a central bank which, within the framework of a single institution, guarantees the stability of the financial system and the functioning of individual financial institutions. the negative repercussions of the financial crisis in Hungary and the best practices of several EU Member States have both demonstrated that the harmony between macro and micro level supervision is indispensable for the prevention and resolution of individual or systemic financial crises" (Magyar Nemzeti Bank, 2013a, p. 8).

reflected a notable discord between certain groups of members (outgoing, incoming, remaining) or a break with a steady pattern of either increases, decreases, or maintenance. The goal was to pinpoint which groups of members favored which policies and to determine whether certain groups of members tended to favor one policy approach over another, e.g., remaining members preferring more conservative rate decisions versus incoming members in 2011 preferring rate decreases.

Concerning the first monetary council shake-up in 2011, with the exception of the remaining members—governor Simor and his two deputies—all other members were replaced. With the exception of one outgoing member voting to reduce rates on two occasions, none of the other members voted to reduce the rates at any time during the year. Even with the four incoming members, 2011 was largely marked by decisions to either maintain or increase rates (Magyar Nemzeti Bank, n.d.k). This relatively conservative adherence to price stability was furthermore reflected in the influence of the remainers—the more orthodox-leaning policy actors’ preference for risk aversion in times of crisis. As one interviewee observed, people’s “behavior changed” after the crisis; they became “more risk-averse” (CI3). Another interviewee describes this period, in which four new external members were appointed to the monetary council, as follows:

“[. . .] somehow at the early stage, the newcomers – the monetary board members – had no courage to take over the policy decisions. So, for the first six-ten months, they relied on [the governor and the two deputies]. They respected [their] views [. . .] It was a kind of honeymoon period for almost a year” (FI4).

By 2012, however, the overwhelming majority of monetary council votes were for either maintaining (fifty-two votes) or decreasing (twenty-seven votes) the rates. Only the 2007 appointees— i.e., Governor Simor and/or his two deputies – voted to raise rates once in January, March, and April (Magyar Nemzeti Bank, n.d.k). The “policy dilemma” of the post-crisis era, or the problem of weak demand and subsequent calls for looser monetary policy, on the one hand, and persistently high inflation carrying implications for the medium-term, on the other, culminated in 2012 (Magyar Nemzeti Bank, 2012a, p.7). While during the first half of the year, the monetary council toed the line of risk aversion, the majority deciding either to increase rates (Simor and his two deputies) or to maintain them at the current level (Magyar Nemzeti Bank, n.d.k):

“With regard to the volatile risk environment and medium-term inflation risks, during the first half of the year the Monetary Council did not change the central bank base rate and viewed starting an interest rate reduction cycle as being dependent on a decline in the risks” (Magyar Nemzeti Bank, 2012a, p. 7).

By the summer, the four external members, who had been appointed by the Fidesz-KDNP ruling coalition in 2011, broke with the orthodox trend, seeing the opportunity for more flexible monetary policy. Governor Simor and his deputies found themselves outnumbered; they voted to maintain rates while the 2011 newcomers vote to decrease them (Magyar Nemzeti Bank, n.d.k). During the second half of the year, although inflation remained high, the global risk appetite had increased and the “risk perception of domestic financial assets improved significantly” (Magyar Nemzeti Bank, 2012a, p. 7). While the MNB’s forecasts “pointed to inflation persistently exceeding the inflation target,” the monetary council was divided about the medium-term inflation risks (p. 7):

“The majority view of the Council was that it was time to act in the interests of growth. By contrast, some members judged that premature policy easing would not have a material impact on economic output due to other factors restraining economic growth and the recovery in lending, while it would adversely affect inflation developments and perceptions of the risks associated with the Hungarian economy” (Magyar Nemzeti Bank, 2012b).

One interviewee depicted the emergence of this policy shift as follows:

“And then when the global markets relaxed, the newcomers learned a bit about the way of life in the institution. All of a sudden, they changed their mind. They left behind the staff. They left behind the internal members. And they started absolutely – I would say – [a] ruthless, but – let’s say – a different policy strategy, refusing the support of the staff, refusing the proposals of the staff. Although the staff made a lot of efforts to establish good, cooperative environment with the politically driven external members, but their efforts for cooperation wasn’t sufficient enough” (FI4).

From August 2012 and into the first months of 2013, Governor Simor and his deputies were consistently outnumbered by the rest of the council, who voted for consecutive rate cuts (Magyar Nemzeti Bank, n.d.k), “bringing the benchmark to 5.25%, matching the lowest on record” (Simon, 2013). The orthodox policy actors argued that inflation was rising faster than the central bank’s 3% target, warned about it “sticking at higher levels” and a potential market backlash, pointed to the limited impact on lending and economic output, and advocated for the credibility of Hungary’s fiscal consolidation and the debt’s “sustainable declining path” (Simon, 2013; Than & Szakacs, 2012). Governor Simor toed the “price stability” line first and foremost:

"In my opinion, when inflation expectations, i.e. the longer-term inflation outlook, become uncertain, the central bank should act much more firmly to keep price and wage-setting behavior disciplined" (Than & Szakacs, 2012).

The documented fissure in policy attitudes halfway into the year between the 2011 newcomers, on the one hand, and the Governor Simor and his deputies, on the other, demonstrates how the newcomers were clearly more sympathetic to boosting growth by lowering rates, reflective of the Fidesz-KDNP government's discourse and expectations.

The year 2013 represented a critical change in the membership roster and a consolidation of monetary easing. Former Governor Simor and his two deputies were replaced by Governor Matolcsy and four incoming monetary council members. From March 2013, with a new executive leadership at the helm, Governor Matolcsy voted in favor of decreases for the remainder of the year, as did all other Fidesz-KDNP appointed members. Only former Governor Simor's two deputies in March voted to maintain. Once they were both out by April, the council was unanimous in its decision to consecutively decrease rates. The majority of council members continued to vote for rate reductions until August 2014 (Magyar Nemzeti Bank, n.d.k). The exceptions were members János Cinkotai and Gyula Pleschinger, who voted on the majority of occasions to maintain rates (and otherwise voted to reduce rates on one occasion each) (Magyar Nemzeti Bank, n.d.k). From August to December of 2014, members unanimously voted to maintain rates (Magyar Nemzeti Bank, n.d.k).

Firstly, the bank argued that the easing was "warranted both by moderate medium-term inflationary pressures and the level of economic activity, which remained below its potential" (Magyar Nemzeti Bank, 2013a, p. 7). The perception was that the Fed's quantitative easing paved the way for easing elsewhere (Eltűntetik a veszteséget, 2013). The then-right-leaning and pro-government daily, *Magyar Nemzet*, explained that neither foreign, nor domestic analysts were questioning the merits of reducing the interest rate on a cyclical basis, flatly stating: "it was this often so-called 'incompetent, inexperienced' [monetary council] which reduced step by step the rate from last August's 7% to this September's 3.6%—a decision which meets the inflation target without raising risks to stability" (Eltűntetik a veszteséget, 2013).

Secondly, the bank argued that due partly to the "decline in interest losses owing to the decline in the central bank base rate," the bank recorded a profit in 2013, as compared to losses incurred in 2012 (Magyar Nemzeti Bank, 2013a, p. 9). *Magyar Nemzet* touted that the growing losses incurred under former Governor Simor could be "relegated to the past" since, in the words of

Csaba Kandrás—the then 32-year old member of the monetary council whose qualifications were open to question (e.g., *Tapasztalatlan ifjú*, 2013)—“the central bank saved 80 billion forints alone from the reduction in the base rate” (*Eltüntetik a veszteséget*, 2013).

Based on the quantitative and qualitative information above, it is evident that, with the change in membership and bank leadership in 2013, the dominant mode of behavior was partisan, representing a major policy shift accommodative of the government’s nationalist agenda.

Newcomers and members appointed by the Fidesz-KDNP ruling government in 2011 tacitly supported the government’s aggressive pro-growth stance. Nevertheless, as elaborated in the section on the professional mode of behavior, they nuanced the accommodative policy approach, expressing the need for caution. Conversely, the governorship of András Simor was associated with the more orthodox approach, in terms of its relatively traditional policy stance during a prolonged crisis period. Under Governor Matolcsy, a characteristically partisan appointee, we see a central bank decision-making collegiate which, in observable policy terms, was swiftly brought into line with Fidesz-KDNP’s so-called “unorthodox” political agenda in the run up to the 2014 election period. This radical change in direction is reflective of discretionary monetary policy, where the electoral cycle is coupled with the business cycle for “short-term electoral expediency” (Hay, 2007, p. 115).

Another symbolic and substantive policy through which the bank could support legitimization of the government’s economic nationalism was the design and implementation of domestic financing opportunities intended to reduce reliance on foreign sources of financing. As an interviewee recounted, during the global financial crisis and Governor Simor’s tenure, some voices inside the bank started to advocate for the “boosting of lending,” but the former governor’s view was that this is “too risky” (CI3). Introduced in 2013 under Governor Matolcsy, the Funding for Growth Scheme (FGS) was intended to facilitate small and medium-sized enterprises’ access to credit and to “strengthen financial stability” (Magyar Nemzeti Bank, 2013a, pp. 21-22). Under the scheme, the MNB provided loans with 0% interest to credit institutions, which then extended the loans to small and medium-sized enterprises with a maximum interest rate of 2.5% and a maximum maturity of ten years (Magyar Nemzeti Bank, 2013a, pp. 21-22). Around 19,000 enterprises were reported to have received financing in the first and second phases of the program, totaling 1,300 billion HUF (Magyar Nemzeti Bank, 2014a, p. 22). Already in 2013, the MNB touted the success of both the program and the monetary easing policy: “Procyclicality, which has been identified by the MNB as a major risk, has declined, primarily due to the MNB’s rate-cutting cycle and the FGS” (Magyar Nemzeti Bank, 2013a, p. 25). In 2014,

the monetary council decided to increase the credit line of the second phase and to extend the program further into 2015 (Magyar Nemzeti Bank, 2014a, p. 22).

Another now well-known financing opportunity was based in the network of the “Pallas Athena” foundations set up by the MNB under Governor Matolcsy, who had “endowed them with money from the [MNB’s] operating surplus in 2013 and 2014” (Dunai, 2016). The equivalent of almost \$1 billion was distributed to six foundations “apparently against the objection of his supervisory board and concern of the ECB” (Simon, 2016). The purported goal of these foundations was to fund economic research promoting “alternatives to ‘neoliberal ideas’” (Simon, 2016) and to fund venues promoting the government’s partisan message (Dunai, 2016). The nature of this political strategy was verbalized in a televised interview featuring Csaba Lentner, a university professor and close associate and ally of governor Matolcsy:

“The 2018 elections will hinge on how much our ideas, our ideology, our economic and social thinking will be accepted [. . .] You have to change the thinking of the people – public opinion – on a national level in order that people accept, believe, and take for granted, and want this type of economic policy. So, in the last decades, higher education in economics and law has strayed in a neoliberal direction, and a general transformation is needed [. . .] this thinking [. . .] needs to be in the head of every university professor [. . .] what has been the situation until now needs to be replaced and overcome” (Bayer, 2016).

Governor Matolcsy’s ally further underscored that this paradigm shift necessitated “new types of textbooks,” “new training,” and “new PhD programs” (Bayer, 2016). He labeled the situation as a “battle” between orthodox academics who had cemented themselves in the academic institutions and Governor Matolcsy, a symbolic figure of the new policy paradigm (Bayer, 2016). On the one hand, this exemplifies Matolcsy’s ideational and institutional aims and loyalties, as well as his pursuit of prestige.

On the other, the case of the foundations simultaneously demonstrates how Governor Matolcsy’s partisan mode of behavior was as much driven by the pursuit of income and wealth. In 2016, information was emerging that cheap loans through the Funding for Growth Scheme and foundation grants were in a targeted way benefitting allies of the government, family members and close aides of Governor Matolcsy, and government-friendly media groups (e.g., Dunai, 2016; Hajdú & Horváth, 2016; Kasnyik, 2016; Simon, 2016). What followed was a flurry of public outrage, voiced through the media, opposition politicians, and NGOs, concerning the foundation money. Governor Matolcsy and government politicians had argued that the bank could spend profit “as it pleases” and that the money was no longer public, but the Constitutional Court eventually ordered “the release of records detailing scores of transactions

that benefited people close to governor Matolcsy and other allies of Orbán instead of the bank or the Treasury” (Simon, 2016; also Ligeti, 2016). The paper trail demonstrated an intricate web of partisan and personal ties to Governor Matolcsy among the foundation trustees and recipients of the foundation funds, including a high-level link to the Prosecutor’s Office, who had rejected calls to investigate the bank’s misappropriation of funds (Simon, 2016; also Ligeti, 2016).

Matolcsy denied any wrongdoing, feeling “certain” that “every foundation transaction had been based and continues to be based on a complete adherence to the law” and that the nature of the MNB’s investment of profits was similar to the practices of two-thirds of the central banks in the EU (Hajdú & Horváth, 2016). He furthermore expressed his confidence in Prime Minister Orbán’s trust in him and that “[they] will continue their common work” (Hajdú & Horváth, 2016). More notably, further echoing the nationalist discourse of Fidesz-KDNP, he emphasized that he considered “the building of a national consciousness more important than reducing losses for borrowers of loans denominated in foreign currency” (Hajdú & Horváth, 2016).

The affair of the Funding for Growth Scheme and foundation funds carry two important implications with respect to the partisan mode of behavior. Firstly, Governor Matolcsy not only acted as a partisan servant within the institutional confines of the MNB by creating favorable, domestic loan and funding instruments reflecting government policy goals, but used this position to support a widescale anti-neoliberal, pro-government propaganda campaign. Secondly, while directly or indirectly helping the business ventures of those close to Governor Matolcsy or the party/coalition, the governor and the bank exposed the institution to credible allegations of corruption. It is an example of how political appointments in Central and Eastern Europe by their nature are, to borrow the term from Heywood and Meyer-Sahling (2008) “corruption danger zones.” The partisan mode of behavior served political interests *and* personal interests by extension—rendering the two dimensions indistinguishable. Furthermore, in tandem with the aggressive monetary easing, these cases vividly demonstrate how the MNB was radically transformed into a tool for justifying the ruling government’s political discourse and translating it into substantive policy. The second order organizational transformation was already ensured with the appointment of Governor Matolcsy, one of Prime Minister Orbán’s closest and most trusted allies, who not only transferred the policy reform momentum from his time as minister to the central bank, but employed *and* invented policy instruments to materially benefit the Fidesz political network and cement the party’s uncontested power and legitimacy. These cases illustrate how even a *complex* set of goals possessed by an appointee were firmly rooted in the party-political network.

In tandem with the unorthodox policy agenda, the partisan mode of behavior of the executive board was manifested through a *new management regime predicated on loyalty, with a reinstituted hierarchical structure and comparatively more politicized middle management*. These first order changes, including a second order change which manifested as a major turnover in the professional core, served the more fundamental second order changes involving policy goals and the revised organizational identity narrated above. The governor's and the executive board's partisan mode of behavior corresponds with the first order structural and personnel changes that took place, more concretely, in terms of changes to organizational technology involving specialized policy knowledge. Firstly, the bank's professional ranks, including middle management, became increasingly populated with partisan or Fidesz-KDNP-policy friendly loyalists. These recruits included parachutists, as well as trusted allies who relocated with Governor Matolcsy or Deputy Governor Balog from the Ministry of the National Economy to the MNB, including some who were considered inexperienced with respect to the core policy functions of the central bank. Furthermore, these structural and technological changes also involved the transplanting of ministerial functions under Matolcsy's ministership to the MNB—for example, a strategic planning department and research of happiness.

From the first days of Governor Matolcsy's tenure, there were indications that his approach to personnel management featured a stronger emphasis on political and personal loyalty than had been the case under Governor Simor and his predecessors at the MNB. This is demonstrated by personnel practices which emphasized control, the relatively more favorable position of pro-government allies, and the so-called "loyalty tests" (elaborated below). With regard to personnel practices, the control mechanisms included dismissals, demotions, and restrictions (Baksa, 2013b; Than & Peto, 2013). For example, one interviewee explains that the dismissal of former directors in middle management was motivated by the governor's desire for flexibility and an "institution which efficiently follows his instructions" (CI1), while another said that he was "eager to establish an organization which he can handle single-handedly by himself" (FI4). In addition, in his first days, governor Matolcsy had prohibited all central bankers from taking part in conferences where "there would be opportunities to speak openly about the government's economic policies" (Baksa, 2013b).

The emphasis on loyalty was also reflected in the preference given to pro-government allies, including among the newcomers and existing insiders whose sympathies shifted to the new executive leadership. Political or personal affiliation and loyalty became increasingly important at lower levels, namely middle management (CI2; FI2; FI4). As one interviewee explained: "the

current leadership is rather determined in forming a loyal and trustworthy core group. Now we don't have to worry about oppositional figures anymore" (CI4). Similarly, despite the change of policy preferences of the external members of the monetary council appointed in 2011, one interviewee stressed that, when Governor Matolcsy took over and started to "reshuffle the organization," the government loyalists or external members of the monetary council tried to "pacify [these] attacks" but were unsuccessful (FI4). In other words, the new executive leadership acted to consolidate loyalty among members of the professional core.

Former insiders recount how lay-offs under Governor Matolcsy's leadership were conducted, e.g., "without any well-established professional reasons" and did not stop within the first two days, but continued for weeks amidst "large uncertainty," explaining that "some people had the feeling" that it wasn't about the redundancy of the positions but about "the devotion to the system" and about creating an "environment of mistrust, uncertainty, fear" because "if you are in fear, you will be disciplined, and you will be loyal, and you will be silent" (FI3; FI4). Some had the impression that the "new team" comprised "those who, in the last three years, have demonstrated loyalty to the the ruling coalition's economic policies and political framework, the "National Cooperation System" ²² (FI8). Interestingly, the large-scale dismissals included even those middle-level managers who had been openly sympathetic to Fidesz-KDNP but had worked under Governor Simor and, as interviewees had observed, were outside of the close circle of trusted loyalists (FI4; FI6). One interviewee explained that at the analyst or expert level, there had not been major purges, "although the lack of trust could be felt" (CI2). This approach is in contrast to the previous governor's legacy, who famously "didn't bring any close allies, not even a secretary [. . .] didn't have any people immediately in mind" (FI1; FI2). Moreover, Governor Simor and his deputies retained former Governor Járαι's management team responsible for core policies (interestingly, these same individuals were replaced by Governor Matolcsy) (FI4) and, although they preferred to work with managers who shared similar policy views to themselves, recruitments were mainly based on internal promotions (CI2; FI6).

Loyal newcomers under Governor Matolcsy included new recruits—some of whom had not been professionally vetted according to the established recruitment channels—and trusted allies

²² The "National Cooperation System" (in Hungarian: Nemzeti Együttműködés Rendszere) is a political social contract authored by Fidesz-KDNP with the aim of defining the principles and common goals uniting Hungarian society: "The National Assembly declares that a new social contract was laid down in the April general elections [April 2010] through which the Hungarians decided to create a new system: the National Cooperation System [. . .] We, members of the National Assembly declare that we shall elevate the new political and economic system emerging on the basis of the popular democratic will to the pillars that are indispensable for welfare, for living a decent life, and that connect the members of our diverse Hungary society. Work, home, family, health and order – these will be the pillars of our common future" (Lambert, 2016c).

close to the new MNB executive leadership. “They came here without getting into a selection process,” were recruited on the basis of being “members of Fidelitas,”²³ as “friends of friends of someone” or “parachutists” without the proper qualifications, or having “worked in the ministry before” (FI1; CI2). The professional profile of those who had migrated from Governor Matolcsy’s previous tenure as minister was mixed—the academic or professional qualifications of some being more relevant to central banking than those of others (Than & Peto, 2013; Várkonyi, 2013). According to one interviewee’s observation, “it’s a very interesting situation that there are many who had left the MNB for the [Ministry of the National Economy] under Matolcsy and who have now returned.” (FI5).

Another palpable demonstration of the expectation of loyalty was the so-called “loyalty tests.” Already in the first days of Governor Matolcsy’s leadership, the executive management introduced an internal competition for central bank analysts, inviting them to author studies and analyses based on a set of pre-defined questions. Due to the “guided questions” and the “tight deadline,” former and current insiders considered the competition as a “loyalty test,” i.e., “those who submit a study, especially with results that reflect the whispered results, will find it much easier to keep their job at the MNB than those who don’t want to pander to the new leadership’s plans” (Baksa, 2013b). Examples of the so-called “guided questions” included: “the costs of MNB’s interest rate increases and its negative consequences for the Hungarian economy, particularly in the period after 2010”; (2) “the positive consequences of the MNB’s implemented interest rate decreases of the last months in the Hungarian financial system and real economy”; (3) “loss of profits and costs of non-monetary assets employed by the Bank after the 2008 crisis”; (4) “concepts and tools for a renewed Hungarian monetary policy” (FI8). Many among the professional staff were resentful (Baksa, 2013b; FI4), believing that the measure was, for example, about getting the staff to “shoot themselves in the foot” and was the “lowest of the low” (FI8). In other words, the essay questions were suggestive, seemingly encouraging participants to evaluate bank policies under the previous executive board in negative terms.

At the same time, the MNB was purportedly experiencing a substantial brain drain among the old guard relative to previous leadership turnovers. One interviewee observed that, when former Governor Simor took the reigns in 2007, even though his predecessor had reshuffled the institution in the early 2000s, it had been a “properly managed organization” with the core areas left untouched, whereas under Governor Matolcsy, the “reshuffle strongly influenced the core functions” and so the “losses are even worse” (FI4; also FI3). For example, one former insider

²³ Fidesz’s political youth organization.

observed that pre-decision-making analyses and reports “were not so well written than before” (FI3). Several other interviewees acknowledged the extent and nature of the brain drain—that this event was one in which “very, very good experts left the bank,” “people are having bad feelings towards this being more than what an organization can tolerate or digest, “too much of a turnover,” and a “shock to the system” in terms of institutional knowledge (CI1; CI4; FI2).

An important manifestation of this new management regime predicated on strong considerations for loyalty was the politicization of the middle management. One interviewee illuminated the nature of the approach from the point of view of the governorship, explaining that the leadership “has a picture about the economy – how it will look like in the next five years” and that the guiding question is, “who can help me?” (CI3). In that sense, loyalty is not only political or personal, but also features an important policy dimension. One interviewee described middle management as an “interface position” between politics and the professional core because managers understand the thinking of the top leadership and “translate” it to the staff in terms of “purely professional tasks,” referring to it as “almost an art knowing how things should be highlighted and communicated” (CI1; also FI1). From a comparative perspective, two interviewees observed that, under the previous governor, the “same language was spoken” between staff and the leadership,” whereas “it is now at a lower level where you have to have a sense for when certain things cannot be on the table, even if from a purely professional point of view you could argue in support of them” (CI1; CI4).

In terms of qualifications and behavioral patterns, interviewees characterized some members of the new cast of middle managers as model citizens and servants of the Fidesz-KDNP political framework who are not necessarily qualified and interested in the responsibilities associated with middle management at the bank: serving “a political mission” and “not working in the spirit of the law,” “fully the person of the current regime” (e.g., “lawyer,” “catholic education,” “member of Fidelitas”), who “quite often [. . .] don’t attend meetings” and “don’t have much contact with their staff” and are more interested in staying in the “field of vision of the top management,” that “in normal situation at best [. . .] they would be in a position of [. . .] just a junior analyst” (CI2; FI1; FI5). Other narratives cited incidences where the new management “simply said what should be the result of the forecast,” “they said that we cannot be so pessimistic,” and “we were forced to cheat,” and that some managers encourage executive summaries to showcase “positive messages” in order to reflect “their managers’ view,” even if the actual empirical content contains more nuanced information, while other managers rewrite the reports (CI2; FI3; FI6; FI8).

The members of the comparatively more politicized middle management were instrumental figures in a reinstituted hierarchical structure. To accommodate the partisan agenda, first order changes were implemented to transform institutional technology, in terms of structure and related processes. In tangible terms, the changes were needed to impart a certain system to the flow of communication and knowledge for the particular partisan policy context. On the one hand, the organizational structure together with the populating of management positions with loyalists facilitated top-down command-control of the organization. On the other, and from a more critical perspective, it carried implications for the technological efficiency of the organization because of the additional layers of communication involved and because new processes take time to be established and consolidated.

All interviewees acknowledged that the new organizational structure implemented by the new leadership, which was also a natural consequence of the bank's merger with the Hungarian Financial Supervisory Authority, was comparatively more "hierarchical" than what they had experienced under the previous leadership. In the 2011-2012 study period, there were twenty organizational units under the leadership and management of the executive board and one executive director (Magyar Nemzeti Bank, 2012a, 18). Under the deputy governors and executive director, there was one additional level of management. In the 2013-2014 study period, the hierarchy was structured as follows: governor, *three* deputy governors (formerly two), director general (new position), executive directors, directors, and heads of department, which added three new hierarchical levels and further division of tasks (Magyar Nemzeti Bank, 2013a, p. 17). Former bank insiders contended that these changes quickly transformed the existing culture at the bank, which had taken years to evolve. Interviewees remark that it took only "a couple of weeks" or "three months" to dismantle twelve years of structural evolution which had unfolded more organically and gradually (FI2; FI5).

Firstly, Governor Matolcsy came to enjoy "direct rights over the hiring, dismissal and pay of all central bank employees and could delegate this power to the new chief director" (Reuters, 2013; Várkonyi, 2013). The tendency toward increased central control was also apparent with respect to the rights of deputy governors. Previously, the deputy governors "had the right to represent the bank in their own field of expertise," but even as economy minister, Matolcsy issued new articles of association "requiring that deputy governors represent the bank only jointly with a new chief director" (Reuters, 2013). Moreover, Governor Matolcsy swiftly demoted the two pre-existing deputy governors appointed with his predecessor. During these first months, the new

governor greatly enhanced the role of his “right-hand man, Adam Balog,” the third deputy governor (Than & Peto, 2013).

Secondly, Governor Matolcsy was also associated with having established a more traditionally ministerial management style. Former insiders describe the new set-up as imposing barriers to communication. Interviewees asserted that: there is “much more distance” and that “now I don’t have any interface” between the governor and analyst-level staff; whereas before, Simor, the deputy governors, and the staff interacted more directly, including at departmental meetings; “[managers] really do not know what’s going on”; “decisions which previously were made at lower levels and could easily be made at lower levels, now they had to wait for top approval and [. . .] instead of a couple of days, it takes a couple of months”; the “information flow is much more uni-directional” (i.e., coming from the top) “there’s no information flow in the other direction”; and whereas “Simor answered emails, Matolcsy doesn’t even have an email” (FI1; FI2; FI5; FI6). A former colleague explains that, contrary to the purportedly more debate-friendly arrangement under the previous leadership, the new culture is one of “your boss is always right” (FI6).

Interviews also revealed the consequences of such hierarchical arrangements, including: “for everyday operations, for when it’s business as usual or when we have a sunny day, then it’s likely to be fine;” but in situations of “crisis management . . . [the system introduced by Matolcsy] brings much more risk” because “a bunch of information will be so filtered by the time it makes it to the directors” and “when information goes through eight filters by the time it makes it to the decision makers, that information probably does not resemble its original version;” and that although the organization’s function can be “quite centralized and well-controlled,” most of the people the interviewee had worked very closely with under the former governor “are very disappointed” (FI2; FI3; FI5). One interviewee explains that such a “drastic change” necessitates “building a new system,” that “this takes time,” and that, as a result, “internal and external communication stops considerably” (FI5). But from the viewpoint of a current insider, “it is normal that during a transitional period like this, effectiveness and efficiency decreases” (CI4):

While there may have been disagreements about the longterm consequences of the change and its risks for the organization’s ability to affectively cope with crises, nobody refuted the magnitude of this structural change and its importance for the new leadership. Importantly, Governor Matolcsy’s establishment of a new management regime predicated on loyalty, reinstitution of hierarchical structures, and a comparatively more politicized middle management

formed a constellation of swift first and second order changes that facilitated and cemented the more fundamental changes in organizational goals and identity.

However, one side of the coin is how Matolcsy's leadership transformed the organization at its core and implemented both first and second changes in order to harmonize it with Fidesz-KDNP's overarching political goals. The other is how members of the professional core responded to this transformation—namely, whether and how they themselves were instruments of change following the political appointments and installment of the new leadership. The final example of how the new MNB leadership's partisan mode of behavior was manifested is the spectrum of *internal reactions and coping strategies* on the part of the professional policy staff, including middle management. These reactions and strategies carry important implications for the implementation of first order changes but, more importantly, for the forging and consolidation of second order changes. This case study demonstrates that various coping strategies can filter or enhance appointees' influence, either by hindering or facilitating. The interviews revealed two overarching categories of coping strategies among the ranks of the middle management and lower-level policy analysts and researchers—where much of the hard policy work is conducted—including individuals who had also worked under the previous governorship and new governorship. These coping strategies were *voluntary exits* and *accommodation*.

Contextually, it is notable that there was a comparatively great fluctuation which saw many insiders leave the bank during Governor Matolcsy's first months, including voluntarily, as exemplified by the “giant sum” (FI5) that eighty people were on the ex-MNB mailing list by the summer of 2013²⁴. An interviewee observed that “the institution has experienced such a cultural shock for which, I think, there wasn't any precedent during the bank's independent history” (FI5). But in addition to those who were forced to leave (as previously covered), there were those individuals who so strongly disagreed with the fundamental changes at the MNB that they exercised exit options, including at the lower analyst levels, as recounted by interviewees (CI2; FI3; FI2; FI1; FI5; FI4). In other words, there was a cadre of individuals at the MNB who believed they would be doing a disservice to the MNB and the profession of central banking by passively accommodating the policies and actions of the recently installed leadership. They

²⁴ Official termination and recruitment numbers can help to put the staff fluctuations in perspective, but it is important to note that figures may include support staff as well as staff from PSZÁF: The 2014 Annual Report indicated that “230 employees [were] terminated as a result of natural migration, the expiry of fixed-term contracts, quality replacements and the termination of employment during the probationary period.” The organization also “recruited 359 new entrants to fill vacant or new positions” to accommodate the transformation (Magyar Nemzeti Bank, 2014a, p. 57).

deemed leaving as a means of protest and as a way to guard against what they perceived as their own ethical and professional degradation.

Firstly, interviews revealed the second order implications of the voluntary exits in terms of conflicting values and intra-organizational cohesion, which is here argued to reflect more generally on the changing nature of organizational goals and identity. Firstly, the interviews demonstrated that professionals struggled with a number of ethical issues (e.g., CI2; FI3) and believed in the normative framework of independent central banking which interviewees contended had underpinned the organization's culture prior to the partisan appointment of Governor Matolcsy. This is revealed in the range of negative reactions to governor Matolcsy's leadership of the MNB: the "old staff was very proud of its professional ethos" and these same professionals had "to make a lot of compromises, which makes them feel bad"; "for an analyst, what could be the worst? Cheating"; "I would like to work in an organization that I don't have to be ashamed of [. . .] I was born here"; "my strategy is to leave" to "dissociate from unethical behavior"; [professionals leaving or exploring exit options] "believe that the objective of the new institution [. . .] is not the same as what they believe is the legal mandate or the common sense or international standard mandate" and "are no longer loyal to this changing institution" because "they realized that the soul of the institution will be killed" (FI1; FI2; FI4; FI8; CI2). One former insider talked about the decline in morale among MNB professionals during Governor Matolcsy's first months:

"So, I was totally paralyzed. And it wasn't only me. But a lot of people. I could see that there were people on the corridor doing nothing. And it was really not the case before. So, everybody really liked to work here" (FI3).

Relatedly, voluntary exits served two salient functions. In the first place, they served as a form of protest against the new leadership and associated second order changes—for example, as "a clear message to the present management"; as "the chief means of opposition"; because "if the institution ties you up and locks you up into a glass box, and if you feel that you can do more to help outside the institution, then you have to choose freedom"; or he/she "just declared that they are not giving their name to [. . .] unprepared, unfounded decisions" (CI2; FI3, FI8). Moreover, it was not possible to exercise prolonged resistance. Interviews revealed that "a lot of people cannot fight with these new attitudes and cannot accommodate" and that some people "became trapped with these loyalty games" and could not remain oppositional figures within the institution in the long run (CI3; FI4). One interviewee illustrated this eventuality using the example of the loyalty tests:

“[T]hey wrote together – six or seven of them – an essay under the title about telling the truth, their own real convictions. And they remained loyal to their opinion and to each other [. . .] And funnily, based on that, Matolcsy couldn’t use these exercises to kick the bad ones because they stayed together [. . .] The only problem is, it was – it’s possible only in a short time”(FI4).

Secondly, voluntary exits were also a way of salvaging one’s professional reputation in the wider transnational community of central banking and economic management because “if your name’s associated with Matolcsy’s name for a long enough, then you’re job market situation is deteriorating” and “people will just forget about you” (FI1; FI2; also FI4). These reactions also reflect the values and interests which underpin the professional community of economists and analysts discussed in the sub-section treating the professional mode of behavior.

From the perspective of counter-balancing the partisan mode of behavior of appointed decision-makers, both voluntary exits on the part of policy professionals and forced dismissals degrade years of accumulated policy and institutional knowledge. In this sense, voluntary exits and forced dismissals meaningfully reduced the institutional check on the new leadership, removing barriers to the the partisan mode of behavior and associated first and second order changes. In terms of second order changes, as the organization experienced a hemorrhaging of its professional core, its overarching goals and identity—represented, reproduced, and guarded by the outgoing social participants—underwent a radical transformation. Furthermore, this hemorrhaging represented a first order change in terms of disrupted knowledge—a change in the nature of the MNB’s technology.

Among professionals who survived the dismissals or chose to stay were the accommodators—the internal agents who effectively facilitated the partisan mode of behavior and second and first order changes. However, there were marked differences among the accommodators, which have been categorized as follows: passive accommodators, active accommodators, and damage controllers. The “damage controllers”—are covered in the analysis of the professional mode of behavior.

With respect to passive accommodation, the behavioral logic here is that there were few to no exit options at any given time (i.e., alternative employment limited to European Commission, ECB, IMF, etc.), but individuals could be actively searching for exit options in the meantime. Interviews revealed that passive accommodators were often fearful, deeply disappointed, cynical, and experiencing low morale—for example, they were “underestimating risks” to avoid

accusations of being “so pessimistic” and feared losing their job because they had “children to provide for” (FI3; FI8; CI2). Moreover, some interviewees described in detail how passive accommodation involves “day by day and step by step” experiencing a transformation “from normality to absurdity,” where “people everyday make a little comprise,” with “expectations changing,” so that what one “would’ve found funny, strange, unacceptable just a couple of weeks ago” eventually becomes unsurprising and the person realizes “they are not interested in the work” (CI2; FI8). In other words, passive accommodation can manifest as a slow decline in morale.

On the other hand, it was noted that the new leadership and their migrating loyalists found strategic and influential allies among the professional core who became active accommodators of the organizational changes (CI2; FI3; FI5; CI3; CI4). Interviewees observed that “a non-negligible minority is accommodating fully” and “showing a totally different face” than in the “previous six to eight years” before Matolcsy’s governorship; and while being “very good at the field,” some made a “political choice in fact to be a top dog” amid “complaints [. . .] that he/she’s changing” which is, as one interviewee reported, “very, very depressing” and “very hard for colleagues to process” (CI2; FI3; FI5). Moreover, interviewees recounted stories about colleagues who were “turning towards the new management” because upon Governor Matolcsy’s takeover, they were free to “change [their] behavior” [. . .] to be more liberal [and] think on a wider scale” (FI3; FI5; CI2; CI3). For example, one influential active accommodator was considered especially talented, having worked their way up into the ranks of the bank during several governorships (CI2; CI3; FI6; Várkonyi, 2013). Governor Matolcsy promoted them to a high level middle management position and eventually to the deputy governorship—important posts from which the bank’s controversial policies would be actively defended against, for example, the critique of former MNB governors and deputy governors (e.g., Csúnyán összekapott, 2015). On the other hand, one interviewee had observed that it is “not necessary that someone have [political] commitments” because “there are also situations where politics promotes rather neutral people” (CI4). Taken together, these testimonials illustrate how, against the hemorrhaging of organizational policy knowledge, the new leadership was able to forge a core group of internal talent and form a coalition of the willing in its revision of the organization and associated policy trajectories.

3.2.1.3 Discussion

The fundamental policy and organizational changes experienced by the MNB under the Fidesz-KDNP supermajority were the result of an overarching, politically orchestrated endeavor to

reduce foreign interference in Hungary's economy and to ensure Fidesz-KDNP's electoral power. As a part of this process, the ruling government sought to ally important institutions like the central bank with its partisan agenda through, among other tactics, political appointments. By extension, these appointments led to the revision of organizational goals, identity, structures, and social participant landscape in order to render the MNB an ally of Fidesz-KDNP's nationalist economic agenda. The MNB's path to unorthodoxy was legitimized by Fidesz-KDNP's electoral victory—by its “mandate” to render the MNB a partner of the government in the interest of *harmonizing* fiscal and monetary policy and, more fundamentally, in *replacing and overcoming* the neoliberal regime.

The incoming monetary council members of 2011 and 2013 were demonstrably affiliated with Fidesz and, more particularly, with Governor György Matolcsy, former governor Zsigmond Járai, or other government organizations. Even the appointment of György Matolcsy was unprecedented from the point of view of his comportment as a politician—as a strategic political figure within the party and author of the unorthodox economic agenda pursued by the ruling government. This was in contrast to his politically unaffiliated predecessor, whose actions and statements reflected the more traditional, orthodox or neoliberal consensus. The second order organizational transformation of the MNB was already ensured with the appointment of Matolcsy, who not only transferred the policy reform momentum from his time as minister to the central bank, but as the uncovered evidence strongly indicates, employed *and* invented policy instruments to materially benefit the Fidesz political network and cement the party's uncontested power and legitimacy. The case study, therefore, illustrates how even a complex set of goals possessed by an appointee were firmly rooted in the party-political network.

From 2013, the MNB under the partisan governor and his strong allies in the monetary council underwent substantial second order changes, which fundamentally and practically altered the mission and policy direction of the bank. Firstly, by framing its duty to decide and conduct central bank policies in terms of notions synonymous with patriotism and national cooperation, the MNB was cloaked in the language of the overarching Fidesz-KDNP party program to radically transform Hungary's economic paradigm. The partisan mode of behavior was operationalized at the organizational level where the MNB was discursively and substantively positioned as a government helper—with emphasis on nationalistic notions, such as “societal interests” or supporting “love of country”—rather than as an independent, technocratic challenger.

Secondly, it is evident that, with the change in membership and bank leadership in 2013, the dominant mode of behavior was partisan, representing a clear policy shift favoring monetary easing. Newcomers and members appointed by the Fidesz-KDNP ruling government in 2011 and 2013 tacitly supported the government's aggressive pro-growth stance. In advance of the 2014 national elections, through political appointments, the MNB was used as a tool for legitimizing the ruling government's political discourse and translating it into a major policy paradigm shift.

Thirdly, the affair of the Funding for Growth Scheme and foundation funds carry two important implications with respect to the partisan mode of behavior. Firstly, Matolcsy acted as a partisan servant by overseeing the creation of favorable, domestic loan and funding instruments supporting the government's economic nationalism. He used his position to support a widescale anti-neoliberal, pro-government propaganda campaign. Secondly, while directly or indirectly helping the businesses ventures of those close to himself or the party, the governor and the bank exposed the institution to allegations of corruption. In that sense, the partisan mode of behavior served *both* political interests and personal interests—rendering the two dimensions indistinguishable. On the one hand, this exemplifies Matolcsy's ideational and institutional aims and loyalties, as well as his pursuit of prestige. On the other, the case of the foundations simultaneously demonstrates how Governor Matolcsy's partisan mode of behavior was as much driven by the pursuit of income and wealth.

By extension of the second order changes, the MNB also underwent a series of rapid first order changes to its organizational structure and technology, but this included a second order change which manifested as a major turnover in the qualifications and loyalties of the professional core—a fundamental transformation in the landscape of social participants. These carried important first order implications for technological inputs and outputs, in terms of the distribution of policy knowledge, but also major second order implications with regard to organizational identity. Under the new executive board, the bank would undergo the implementation of a new management regime which fundamentally transformed the previous system of personnel management and supervision. Firstly, the bank's professional ranks, including middle management, became increasingly populated with partisan or Fidesz-KDNP-policy friendly loyalists. From the first days of his tenure, governor Matolcsy's leadership became associated with a comparatively stronger emphasis on political and personal loyalty and a compromise of professional qualifications.

Secondly, one facet of the new management regime was a markedly politicized middle management, who were recruited to *help* with the new governor's vision and serve as an *interface* between politics and the professional cadre. In terms of qualifications and behavioral patterns, interviewees characterized some members of the new cast of middle managers as model citizens and servants of the Fidesz-KDNP political framework who were not necessarily qualified and interested in the responsibilities associated with middle management at the bank and/or interfered with independent research and analyses. Lastly, the comparatively more hierarchical organizational structure swiftly implemented by Governor Matolcsy, in tandem with the populating of management positions with loyalists, facilitated top-down command-control of the organization.

One side of the coin is how Matolcsy's leadership transformed the organization at its core and implemented both first and second changes in order to harmonize it with Fidesz-KDNP's overarching political goals. What is more surprising is the extent to which different internal coping strategies—voluntary exits and both passive and active accommodation—largely removed the roadblocks or opportunities to filter the partisan mode of behavior and subsequent second and first order changes. In the first place, there was a cadre of individuals at the MNB who believed that they would be doing a disservice to the MNB and the profession of central banking by passively accommodating the policies and actions of the recently installed leadership. They deemed leaving as a means of protest and as a way to guard against their own ethical and professional deterioration. From the perspective of counter-balancing the partisan mode of behavior of appointed decision-makers, both voluntary exits on the part of policy professionals and forced dismissals degrade years of accumulated policy and institutional knowledge. In terms of second order changes, as the organization experienced a hemorrhaging of its professional core, its overarching goals and identity—represented, reproduced, and guarded by those outgoing social participants—underwent a considerable transformation. Furthermore, this hemorrhaging represented a first order change in terms of disrupted knowledge—a change in the nature of the MNB's technological input.

Secondly, governor Matolcsy and his migrating loyalists and parachutists were met with an influential coalition of the willing among bank insiders who effectively facilitated the changes. The partisan appointments themselves served as the context in which evolving divisions among the professional staff—having been suppressed during an interim period of institutional stability and equilibrium under the previous governorship—were unleashed. The existing professional core was disrupted and divided. The partisan appointees, namely the executive board, having

taken advantage of the existing divisions, could easily dismiss oppositional figures and identify and consolidate internal alliances. Governor Matolcsy, his deputies, and close aides from the ministry divided and conquered the institution. They found strategic allies among active accommodators—whose loyalties shifted or crystallized upon the leadership turnover—and fused together a coalition of the willing who could swiftly carry out first and second order changes thanks also to the reinstitution of a hierarchical organizational structure.

In sum, this analysis of the partisan mode of appointee behavior demonstrated that such behavior at the MNB was ensured and sustainable given: (1) a strong and uncontested partisan ruling government and (2) the appointment of an active partisan and party architect as governor, alongside the replacement of all monetary council members with mostly political allies of Fidesz or the partisan governor; and (3) the newly appointed leadership acting strategically by taking advantage of internal divisions among a professional core, finding an alliance with a coalition of the willing, and implementing a hierarchical organization structure. Consequently, a swell of swift first and second order changes were largely unchallenged.

3.2.2 Analysis of the professional mode of behavior

Although the partisan mode of behavior proved dominant in framing decision-making and management at the MNB, professional input nevertheless endured in the shadows of organizational revision and political regime change. As the dissertation is predicated on the assumption that actors harbor a complex set of goals, this section analyzes the extent to which the professional mode of behavior manifested itself in the case of the MNB in the context of a partisan appointee and partisan shake-up of the monetary council. Nevertheless, a larger global debate about macroeconomic management served as a quintessential backdrop for this particular analysis. Thus, the analysis treats the manifestation of the professional mode of behavior through this contextual lens.

The question of whether MNB decision-makers and professional staff guarded professionalism is three dimensional. The first dimension concerns whether members of the monetary council had the required professional qualifications—and, by extension, relevant knowledge—as defined by law in order to serve on the decision-making body. The second dimension is whether the monetary council's actual decisions reflected some measure of caution with respect to monetary easing. This also entails whether final decisions were preceded by debates based on data challenging various aspects of the abovementioned partisan approach to central banking, which (at the time this analysis was conducted) favored monetary easing. The third dimension is to what extent objective analysis – which feeds into decision-making and is part and parcel of the central bank's independence from central government – was still conducted at the MNB by its professional staff and facilitated by the increasingly politicized middle management. In other words, from the perspective of the professional mode of behavior, it is a matter of policy knowledge and, based on that knowledge, to what extent consideration of both pros and cons continued to play a role in the analyses and decision-making of the monetary council and executive board.

This section proceeds in two sub-sections. The first discusses the professional profile of the MNB, in terms of the most prominent set of (contested) principles and norms assumed to have guided central bank professionals' decisions and behavior in recent decades, as well as the professional qualifications of the members of the two monetary council cohorts studied. The second sub-section analyzes how the professional mode of behavior was manifested at the operational level, as well as the space allocated to professional independence.

3.2.2.1 Professional profile of the MNB

This sub-section treating the professional profile of the MNB presents the *longheld conventional wisdom of central banking and monetary policy*, the *challenge to the wisdom of orthodoxy* in the post-global financial crisis era, as well as the *professional qualifications* of the members of the two monetary council cohorts.

In the first place, professional judgment is often manifested through one's demonstrated commitment to a set of common principles in the given policy community. Firstly, it is useful to delineate the professional community's contours in terms of actors and space. The professional community of central bank professionals in Hungary comprises a small circle. It includes the whole gamut of current and former members of the MNB's executive leadership, professionals from middle-level management positions with relevant policy knowledge, and teams of economic, financial, and fiscal analysts. However, these professionals belong to a wider cast of policy actors tied to government institutions responsible for economy and finance, the banking and financial sector, academia and research, and to international/transnational organizations focused on economic policy, particularly the IMF, European Commission, and the European Central Bank—owing to the MNB's membership of the European System of Central Banks. Together, these overlapping domestic and transnational spaces comprise the professional community of economic policy actors.

Secondly, several ideas and principles with respect to the professional community were important to this case, namely the orthodoxy of price stability and central bank independence. In the last several decades, approaches to macroeconomic management and monetary policy have been dominated by a neoliberal normative orthodoxy largely taken for granted in western advanced and (later) transition economies. The “dedication to price stability” has been a mantra of orthodox monetary policy since the late 1970s (Tobin, 1999, p. 14). The ECB is, in fact, obligated by the Treaty on the Functioning of the European Union to maintain the purchasing power of the *Euro* currency and keeping inflation below 2% (European Central Bank, 2011). This approach has often assumed the subordination of “real macroeconomic outcomes,” such as employment, unemployment, real GDP and its growth rate, in maintaining the stability of the price level and fiscal discipline (Tobin, 1999, p. 14).

The steadfastness to price stability is fundamentally linked to notions of central bank independence. In a democracy, the central government is answerable to election cycles and, the argument goes, therein lies the potential of increased executive control to politicize monetary policy and interfere with the natural business cycle. As Hay (2007) notes, the principle of

“central bank independence is widely promoted by a range of international institutions, such as the World Bank, the International Monetary Fund, and the European Commission, as the most effective guarantor of sound monetary policy” (p. 113). It is a feature of institutional design intended to counter the “political business cycle” problem cited by neoliberals and Public Choice theorists (Hay, 2007, p. 113) by decoupling the business cycle from the electoral cycle. Otherwise, in the interest of winning office, “rational political actors” are incentivized to set inflation targets “that they have no intention of keeping” and, therefore, “will interfere with the natural business cycle of the economy to the detriment of its long-term performance” (Hay, 2007, p. 114; Donmez and Zemandl, 2015). In specific terms, the theory-based argument claims that market actors in a political business cycle will “anticipate” inflation,—a situation leading to “higher average unemployment, inflation, and interest rates, as well as lower levels of investment” (Donmez and Zemandl, 2015; see Alesina, 1989; Kydland & Prescott, 1977).

In the interest of keeping with the orthodoxy of “anti-inflationary credibility” and “good economic performance”, the neoliberal and public choice discourse contends that politicians can make a credible commitment to an inflation target by delegating monetary policy to a politically independent body (Hay, 2007, pp. 116-117). An independent central banking governance structure is, therefore, the domain of professionals, who treat “potential[ly] public and political disputes about appropriate instruments and settings” as “purely private and technical matters” (Hay, 2007, pp. 116-117). In the post-World War II economic order, central banking has been progressively depoliticized in this way (Leighton, 2008). Actors’ adherence to this overarching policy framework reflects how appointees manifest their ideational and institutional loyalties.

One interviewee characterized the dominant perception associated with the orthodox view as one where the central banker is “prudent, very conservative” (CI3). For example, in the run-up to Governor Matolcsy’s appointment, ECB president, Mario Draghi, as well as then-Governor Simor, alluded to this conventional wisdom when anticipating further easing measures in references to the independence of the MNB:

“The ultimate success of a central bank in maintaining price stability depends on its credibility [. . .] Credible inflation-targeting in small open economies also depends on central banks’ recognition of the impact of their monetary policy decisions on the exchange rate [. . .] For example, in the presence of heavily indebted private and public sectors with large open foreign exchange positions, central banks have little space for maneuver when faced with a flagging economy” (Than & Sakacs, 2012).

"In my opinion, when inflation expectations, i.e. the longer-term inflation outlook, become uncertain, the central bank should act much more firmly to keep price and wage-setting behavior disciplined" (Than & Szakacs, 2012).

Thirdly, policy debates within the MNB during the study period were also framed by the post-2008 global financial crisis period and associated political polarization calling for a retreat from economic liberalism in the western world. This trajectory presented a challenge to the neoliberal orthodoxy more generally. The interference of the Fidesz-KDNP government in monetary policy—i.e., staunch criticism of the previous MNB leadership and the partisan appointment of a key party architect—brought to the surface the fissures of policy discord among MNB monetary council members in 2012, as well as among in-house analysts and policy experts. This discord demonstrates that the politicization of the central bank challenged longheld policy orthodoxy taken for granted as conventional wisdom. Therefore, the question of whether and to what extent monetary council decisions were based on professional judgment vis-à-vis partisan considerations, and by extension, whether and to what extent the professional staff of the MNB facilitated this, is chiefly contextualized by the policy fissure of the post-2008 global financial crisis period, which was also a key factor in Fidesz-KDNP's electoral victory. Scholar Frank Fischer refers to the existence of such fissures as the "politics of expertise," in which political struggles between liberals and conservatives also manifest themselves in the professional community (1990, p. 28).

The crisis had been marked by the orthodoxy of austerity in Europe and a populist backlash against the political and financial establishment. It had exposed deep theoretical differences regarding the long held conventional wisdom in central banking, on the one hand, and calls for more solidarity and spending, on the other. In order to be implemented, the latter may fundamentally necessitate a more collaborative arrangement between government and the central bank. Even interviewees who tended to be more critical of the new central banking policy paradigm simultaneously acknowledged the overarching, global debate regarding austerity versus growth and admitted that this was reflected inside the bank (CI2; FI2; FI3). For example, one interviewee explained that the conflict between the adherence to strict monetary and fiscal criteria, on the one hand, and, on the other, arguments for a more "accommodative" policy "in case of crisis" is also reflected in Hungary alongside "a change in the leadership" (FI3; also CI3).

Notwithstanding, the interview responses and statements reflected the post-2008 normative divisions regarding economic management. Those who tended to be more critical of the new leadership and its "risky" policies also tended to toe the more conventional policy line and to link

it to a professional ethos of central banking, reflecting ideational and institutional goals also inherently linked to concerns about international prestige (FI1; FI2; FI3; FI4; FI6; CI2):

“It’s almost like a religion. So, if you’re a central banker, you fight against inflation and you can have a lot of differences and debates, but I mean you have some strong common objective that you work for.”

“We had this type of emotional picture or view of ourselves that we are different [. . .] we are members of a club, and this club is not domestic, it’s a global club of central bankers.”

“And I’m sorry but a central bank shouldn’t work like a ministry. It’s much more free [. . .] That’s why did the central bank fulfill its duty to warn always the government that they go in the wrong direction.”

“Matolcsy could create a narrative that is far-away from mainstream economics, but at least [. . .] it could be sold as a professional view. That’s unorthodox and [. . .] doesn’t make much sense in terms of . . . mainstream economics, but he [. . .] has the ability to uh – to figure out some voodoo stuff that sounds ok.”

“And he really seriously believes in this conspiracy theory – that there are some financial circles who would like to destroy our country [. . .] And so this kind of communication of the Fidesz, it’s not only communication, they really believe it.”

“Whenever business is usual, whenever we have a sunny day, then . . . things might just go nicely and there shall be no problem. There is no obvious conflict between what these people, including myself, would say is the ideal objective of the central bank and what’s the new objective of the central bank. There is no obvious and strong conflict between that.”

“Yeah, at the moment that because of advantageous external conditions [. . .] the Hungarian interest rate reducing policy is justifiable. [. . .] I would say that . . . expert common sense would say that it should not go on too far, so it should be stopped in the immediate near future. . . But so far, there has not been a conflict, a professional controversy [. . .] The important question: how would this institutional arrangement, politically oriented changes work when you’ve reached the constraints?”

“A lot of people [bank insiders] say that we are on a very, very bad track. And a lot of people are thinking to move . . . So, maybe that’s another thing that . . . it’s very difficult to operate a very good monetary policy when the circumstances are so bad all around.”

On the other side of the debate, the new leadership and their supporters inside the bank emphasized the necessity of taking risks given the unfavorable economic conditions. As one interviewee observed, there was a “very strong philosophy, which is not changing within ten-twenty years” – that who is “thinking in another way is unorthodox” and will “never [be] accepted by the economic society” (CI3). The interviewee explains that you become associated

with the right wing because “you [do] not accept the textbooks,” meaning that “orthodoxy is what the central banks follow” and that if you choose to stay at the MNB under Governor Matolcsy, you will be considered a “bad economist because this kind of way of thinking is not in line with the prudent central bank way of thinking.” He/she argues that the central bank’s way of thinking is actually “rather radically changing”; and that “I am a professional. I just want to see the country flourish”; and and believes that risks should be taken because the country’s in a “very strange situation” (CI3). The debates within the post-2011 monetary council membership – the one including Governor Simor’s deputies – also reflected this:

Members’ views differed on the recent depreciation and increased volatility of the forint exchange rate. The majority of decisionmakers judged that this mainly reflected the events in Cyprus, uncertainty in relation to the change in the Bank’s management and the credit rating downgrade by S&P. By contrast, some members of the Council thought that further policy easing expected and priced in by the market had also played a role. In their judgement, the current level and increased volatility of the exchange rate, as well as recent developments in the government securities market warranted a cautious, wait-and-see approach to policy (Magyar Nemzeti Bank, 2013b).

From the perspective of professional judgment, the main intellectual fissure inside the bank about monetary easing fundamentally concerned under what conditions and for how long the monetary council should exercise greater caution in its pro-growth or accommodative approach versus whether the monetary council or country could afford to be too cautious. Those who criticized Governor Matolcsy’s leadership were concerned that policy had moved so aggressively and disproportionately toward uncharted territory that it could prove difficult to reverse the consequences in a small, open and vulnerable economy. In other words, the debate was also about professional *mi* judgment.

With respect to relevant qualifications and competences, the professional profiles and backgrounds of the members of the 2011/2013 monetary council contrasted with those of the 2005/2007 monetary council in a number of ways. According to Article 9 in Chapter II of the MNB Act: “Hungarian citizens with outstanding theoretical knowledge and practical professional expertise in issues related to monetary, financial or credit institution activities may be appointed or elected members of the Monetary Council” (2013 évi CXXXIX törvény a Magyar Nemzeti Bankról). The following tables present the known professional qualifications and affiliations of appointees to the MNB’s monetary council in two separate periods: 2005/2007, which is based on the membership composition on the eve of the changes in 2011; and 2011/2013, which is

based on the membership composition per the Fidesz-KDNP ruling coalition's new appointments.

Table 7: Professional qualifications and affiliations of the appointees of the MNB's monetary council (2005 and 2007)

Member	Previous MNB affiliation	Professional qualifications/ affiliations
<i>András Simor</i> , Governor, Chairman of the Monetary Council	1976-1979, 1985-1989	<ul style="list-style-type: none"> • Studied international finance, Karl Marx University of Economics Budapest²⁵ (1976) • Held management and board positions (including CEO) in financial sector • President of Budapest Stock Exchange (1998-2002) • Central Banker of the Year for Emerging Europe by Euromoney Emerging Markets Magazine in 2010 and One of the top 50 Business Executives in Europe by Business Week Europe in 2001
<i>Ferenc Karvalits</i> , Deputy Governor, Deputy Chairman of the Monetary Council	1996-2001	<ul style="list-style-type: none"> • Degree from Karl Marx University of Economics Budapest (1988) • Masters in political economy from Columbia University (1993) • Held management and board positions in financial sector
<i>Júlia Király</i> , Deputy Governor, member of the Monetary Council	1990-1991 (advisory role)	<ul style="list-style-type: none"> • Degree from Karl Marx University of Economics Budapest (1980) • PhD in economics, Hungarian Academy of Sciences (1989) • Researcher and professor • Held board and advisory positions in financial sector • Member of editorial boards of policy relevant journals
<i>Tamás Bánfi</i> , member of the Monetary Council	1990 – 1991 (advisory role), 1995-2001 (advisory role)	<ul style="list-style-type: none"> • Studied finance, Karl Marx University of Economics Budapest (1965-1969) • DSc, Hungarian Academic of Sciences (1987) • Researcher and professor • Held board positions
<i>Péter Bihari</i> , member of the Monetary Council		<ul style="list-style-type: none"> • Degree, Karl Marx University of Economics Budapest (1977) • PhD, Karl Marx University of Economics Budapest, 1980 • Teacher, professor, and researcher • Held management positions in financial sector
<i>Csaba Csáki</i> , member of the Monetary Council		<ul style="list-style-type: none"> • Studied agricultural economics, (1959-1963) • DSc, Hungarian Academy of Sciences (1985) • Researcher and professor • Held board positions in financial sector and research institute • Member and president/vp of agricultural and trade associations • Member of editorial board of policy relevant journals
<i>Judit Neményi</i> , member of the Monetary Council	1995-2001	<ul style="list-style-type: none"> • Mathematics for economics, Karl Marx University of Economics Budapest (1974) • Career researcher • Member of advisory boards in areas of economic research/analysis • Member of supervisory board in financial sector

Sources: Publicly available curriculum vitae and biographies, as well as media content (Budapest Corvinus Egyetem, n.d.a; Budapesti Corvinus Egyetem, n.d.b; Curriculum vitae Péter Bihari, n.d.; European Bank for Reconstruction and Development, n.d.; Fordulat az SZDSZ-nél, 2008; Karvalits Ferenc: jegybankár, a Magyar Nemzeti Bank alelnöke, n.d.; Pénzügykutató Zrt., n.d.; Simor András életrajza, 2007)

With respect to the 2005/2007 cohort, per the specifications laid out in the MNB Act, all three executive members were well qualified to serve on the executive board and monetary council.

²⁵ Also known as “Budapest University of Economics” and, more recently, as “Corvinus University Budapest.”

Simor and his deputies had all graduated from the distinguished Karl Marx University of Economics (now Corvinus University Budapest) and the deputies had distinguished graduate degrees. Governor Simor had extensive executive level and leadership experience in the financial sector and financial markets—his merits internationally recognized. Deputy Governor Karvalits also had extensive executive level and leadership experience in the relevant field, while deputy governor Kiraly had come from the academic dimension of the field and had also served on executive boards in the financial sector in various capacities. Most external monetary council members had also graduated from the Karl Marx University of Economics and were either academics in the relevant fields and/or had extensive experience in the financial sector in various capacities. Moreover, three out of the seven members had worked at the MNB at one time or another, and another two members had served as advisors to the MNB.

Table 8: Professional qualifications and affiliations of the appointees of the MNB's monetary council (2011 and 2013)

Member	Previous MNB affiliation	Professional qualifications/affiliation
<i>György Matolcsy</i> , Governor, Chairman of the Monetary Council		<ul style="list-style-type: none"> • Degree in economics, Karl Marx University of Economics (1977) • University doctorate (1984) • Held positions as researcher pre-transition in finance • Held positions in government pre-transition (Ministry of Finance) and as minister post-transition (Ministry of Economic Affairs 2000-2002; Ministry for National Economy 2010-2013) • Held positions at Prime Minister's Office during József Antal's premiership • Member of board of governors of European Bank for Reconstruction and Development • Held management positions at Privatization Research Institute
<i>Ádám Balog</i> , Deputy Governor, Deputy Chairman of the Monetary Council		<ul style="list-style-type: none"> • Degree in economics, Corvinus University Budapest (2003) • Master's in international management, Community of European Management Schools (2005) • Degree in law, Pázmány Péter Catholic University (2007) • Worked in tax management at Pricewaterhouse Coopers • Held position as deputy state secretary in tax affairs at Ministry of National Economy (2010-2013)
<i>Ferenc Gerhardt</i> , Deputy Governor, member of the Monetary Council	2005-2007 ²⁶	<ul style="list-style-type: none"> • Degree from faculty of industry, Karl Marx University of Economics Budapest • Postgraduate degree in trade economics, Karl Marx University of Economics Budapest • Career at Ministry of Agriculture and Food • Held management (CEO), board, advisory positions in financial sector
<i>László Windisch</i> , Deputy Governor, member of the Monetary Council	2013 (May to September) ²⁷	<ul style="list-style-type: none"> • Studied law, Faculty of Law and Political Science, Pázmány Péter Catholic University (2002) • Postgraduate degree in law • Held positions in board in financial sector and in academia (fine arts) • Head of department of tax and customs administration at Ministry for National Economy (2011-2013)
<i>Andrea Bártfai-Mager</i> , member of the Monetary Council	2001-2007 ²⁸	<ul style="list-style-type: none"> • Graduated from Budapest University of Economics (1992) • Studied at Institute for International Relations in Moscow • Career at Postabank (CEO's secretary, leading risk manager) • Member of competition council of Hungarian Competition Council • Executive Director of Hungarian Official Journal Publisher
<i>János Béla Cinkotai</i> , member of the Monetary Council	1994-1998 (advisory role) 2001-2007 (governor's advisor) 2009-2011 (governor's advisor)	<ul style="list-style-type: none"> • Degree in economy from Karl Marx University of Economics Budapest (1976, received doctorate following year) • Studied theology instructor, Péter Pázmány Catholic University • Researcher/expert on inflation
<i>Csaba Kandrás</i> , member of the Monetary Council		<ul style="list-style-type: none"> • Degree in law, University of Pécs • Studied law at Corvinus University Budapest • Held positions, including management, at Ministry of Finance (2003-2009), Budapest 5th district local authority (2009-2012), Ministry of National Economy (2012), including president of State Treasury (2012-2013)²⁹
<i>György Kocziszký</i> , member of the Monetary Council		<ul style="list-style-type: none"> • Degree in mechanical engineering, Technical University of Heavy Industry in Miskolc (1972) • Candidate's degree, University of Miskolc, (1984) • Researcher, professor, dean, vice rector³⁰ • Held positions in scientific committees of the Hungarian Academy of Sciences • Chairing Jean Monnet Center of Excellence
<i>Gyula Pleschinger</i> , member of the Monetary Council		<ul style="list-style-type: none"> • Graduated from faculty of engineering, Budapest University of Technology • Degree in finance, Budapest University of Economics • Held positions in management, including deputy and CEO, in financial sector • Held positions in government institutions, including as CEO of Government Debt Management Agency, state secretary at Ministry of National Economy • Held and holds numerous positions in boards and in top management at international financial institutions and associations³¹ • Well established trader in stock, commodities, Eurobonds, and securities

²⁶ Not policy-relevant position, but in area of operational management, as “Director of IT, Back Office, Institutional and Public Procurement and Facilities Management” (Magyar Nemzeti Bank, n.d.d; Baksa & Galambos, 2011).

²⁷ Director of fiscal analysis. His qualifications were called into question in the critical media, since he had only worked at the MNB and in an important management position for less than a year. Moreover, his experience working under governor Matolcsy in the ministry was also focused on tax affairs, with no previous experience in banking or insurance (Windisch László lehet, 2013).

²⁸ Started in 2001 as head of department and, in 2005, became head of the bank's financial stability area. Her knowledge in the field was reportedly minimal, but she was considered by some who had worked with her at the MNB as a capable manager with “particularly good social” skills—a “classical good student type” (Baksa & Galambos, 2011).

²⁹ He held a number of these positions for only a few months, including at the State Treasury (Tapasztalatlan ifjú, 2013).

³⁰ His research focus includes economics of European integration, regional economics, growth and development theories (Magyar Nemzeti Bank, n.d.e).

³¹ E.g., Member and chairman of the supervisory board of the Budapest Stock Exchange (1998-2001), permanent member of the regional consultative group of the Financial Stability Board headquartered in Basel (2012-2013), deputy governor of the World Bank and the International Bank for Reconstruction and Development (2012-2013).

Sources: Publicly available curriculum vitae and biographies, as well as media content (Baksa, 2013a; Baksa, 2013b; Baksa & Galambos, 2011; Cinkotai János és Kocziszky György, 2011; Magyar Nemzeti Bank, n.d.a; n.d.b; n.d.c; n.d.d; n.d.e; n.d.f; n.d.g; Tapasztalatlan ifjú, 2013; Várkonyi, 2013; Windisch László lehet, 2013)

With respect to the 2011/2013 cohort, the patterns were more mixed. Five out of the nine members, including Matolcsy and Balog, held economics or finance degrees from Karl Marx University of Economics and its successors. Another two members held degrees from the same institution, but in irrelevant fields (industry, law). Matolcsy had acquired relevant policy experience, including as a researcher and as a governor of the European Bank for Reconstruction and Development. Most of his professional affiliations were with government and characteristically partisan. Two of the deputy governors, including the deputy chairman of the monetary council, held law degrees from Pázmány Péter Catholic University; one had not acquired any policy relevant academic credentials. The combined policy relevant experience of these deputy governors was minimal in comparison to the deputy governors of the previous cohort. Moreover, the third deputy governor (Gerhardt) had acquired experience in the financial sector and at the MNB, but in the non-policy relevant role of overseeing operations management. Another three out of the nine members had experience either working at the MNB or as advisors to the MNB. One had only worked at the MNB for a few months prior to his bounded appointment to the deputy governorship. Another had held a policy relevant management position at the MNB, but her actual competence in the field of monetary or financial policy was minimal (Baksa & Galambos, 2011). There were three particularly qualified members: one an expert on inflation who had served as advisor to the MNB and two governors; another, who had shown extensive experience in the financial sector and with financial markets; and another, whose qualifications were arguably less immediately relevant—an academic researcher in economics (economics of European integration, economic growth). It is notable that two of these more qualified members—Cinkotai and Pleschinger—had demonstrated restraint with respect to the aggressive easing cycle, voting on most occasions in 2014 to maintain rates before their colleagues jumped on the bandwagon later in the year. One particular member—Kandrács—did not appear to have had policy relevant qualifications or experience. Concerns about the lack of competence of the 2011/2013 cohort were covered in the media (e.g., Baksa & Galambos, 2011; Hazafi, 2013; Tapasztalatlan ifjú, 2013; Windisch László lehet, 2013). The subsequent consequences for monetary council decisions in the first two years of Governor Matolcsy's governorship are reviewed and elaborated further in the following subsection.

3.2.2.2 *Manifestation at the operational level*

The question is whether and how the role of overarching policy debates in central banking were reflected in the decision-making of the monetary council and policy work conducted inside the MNB. There are two main questions: firstly, to what extent was the monetary council debating and taking into consideration important questions and factors in the context of partisan constraints? This reflects the extent to which the professional mode of behavior was present vis-à-vis the partisan mode of behavior. The second consideration here is the nature of the professional qualifications and input exercised by the professional staff, including the instrumental middle level managers, and how this was reflected in bottom-up influence in decision-making and professional outputs.

This sub-section treats the last two dimensions of professionalism—that is, the actual decisions of the monetary council and role of the professional staff in generating independent information. Three themes are treated: *the nature of the 2011/2013 monetary council's professional mode of behavior framed and bounded by the partisan agenda; professional guardianship in the form of damage control, the endurance of independent analysis, and the influence of transnational institutions; as well as an assessment of the role of new and old talent in countering the brain drain.*

With regard to the first theme, there are two aspects concerning the level of demonstrated professionalism of the monetary council members: background knowledge and actual policy decisions. With regard to the former aspect, the competence of the 2011/2013 monetary council membership was extensively discussed in the previous section and in the form of descriptive observations by two interviewees, including anecdotes about a demonstrated lack of understanding about the basics of certain monetary policy instruments (e.g., CI2; FI6).

With respect to policy decisions, the analysis on the interest rate reducing path in the analysis on the partisan mode of behavior also reveals a professional mode of behavior framed and bounded by the partisan agenda. For one, the external members appointed in 2011 were initially reticent about pursuing the more aggressive rate cuts, deferring to the judgment of Governor Simor and his deputies and the input of the professional staff (e.g., FI4). In other words, their initial decision-making patterns corresponded with a professional mode of behavior, which inherently demonstrated trust in their comparatively better experienced peers. Within a year, however, they became more assertive and the partisan mode of behavior began to dominate.

Nevertheless, albeit comparatively weaker, there were signs of respect for caution, even in the midst of a partisan push to render money cheap. When governor Matolcsy signaled the potential

for further rate decreases in the autumn of 2013, *Magyar Nemzet* noted that “naturally, this target is not carved in stone” (Eltüntetik a veszteséget, 2013). The article illustrated monetary decision makers’ acknowledgement that the markets’ mood could change at any moment and that the monetary council’s responsibility was to follow internal and external risks. Therefore, although the emphasis on price stability had been muted against the dominant discourse on economic growth and correcting the ills of the global financial crisis, it was certainly not off the radar in terms of the monetary council’s messaging (Eltüntetik a veszteséget, 2013). And that hint of caution—taking into consideration the MNB’s credibility and, thus, potential reaction of the markets—was sustained through 2014, both in terms of communications and in policy decisions to maintain rates:

“In the Council’s judgement, a cautious approach to policy was still warranted due to uncertainty about future developments in the global financial environment” (Magyar Nemzeti Bank, 2014b; Magyar Nemzeti Bank, 2014c).

“Some members noted that maintaining the base rate and maintaining the Council’s forward guidance in an unchanged form might help strengthen the Bank’s credibility and predictability” (Magyar Nemzeti Bank, 2014c).

“The statement following the move [of cutting rate to 2.50%] was noncommittal about the policy outlook, which numerous analysts have interpreted as a shift in the central bank's easing bias toward a neutral stance” (Feher & Gulyas, 2014).

In other words, there was some measure of reservation or nuance more in line with orthodox expectations despite the partisan constraints. The goals and identity of the MNB had been revised not only to accommodate a political business cycle, but most importantly, in order to employ the organization as an instrument of political regime change. Nevertheless, as Hungary remained a small, open, and vulnerable economy, the monetary council was equally constrained by market expectations. After all, Fidesz-KDNP’s continued political legitimacy, credibility, and electoral success would be directly and indirectly affected by the reactions of the markets.

Another question is to what extent the cadre of professional analysts at the MNB were able to exercise independent professional judgment and how the monetary council took such input into consideration.

“where you start believing that ok . . . it’s still important to stay there because I can maintain some from that ideal of the central bank, which I’m loyal to, or where you say,

ok, that would take me too far and then sooner or later you just leave the place. I think many people are having this kind of consideration” (FI2).

Professional guardianship entails decisions and actions that uphold the longheld orthodox conventions or norms regarding central banking, including the principle of independence, which encompasses the practice of independent analysis. Governor Matolcsy’s politicization of the MNB was associated with the risk of declining professionalism, including transparency and independence, both in the media and among most interviewees (e.g., Than & Peto, 2013; also *Eltüntetik a veszteséget*, 2013). Firstly, political considerations became relatively more important in decision-making and analysis. One interviewee recounted how the new management “simply said what should be the result of the forecast” and how this situation was a “very, very negative thing” for professionals who were used to making independent forecasts (FI3). As one interviewee highlighted, the “political objective is to present a good image” of Hungary in order to woo external investors and, therefore, “bad news [is] unacceptable” (CI2). They furthermore note that the MNB’s monetary easing policies have met with a “lucky situation” thanks to excess liquidity in the markets and warns that, if the situation should change, “there can be serious trouble.” He/she insists that “banking is a dangerous business” and that “if you are not surrounded in your decision-making with serious experts, experienced [. . .] central bankers” then “you can step on a mine and just explode” (CI2). A former colleague illustrated the new attitude: “Don’t hesitate always, don’t put always this question mark. Believe. And you believe it will succeed (FI6). A similar sentiment was that “the problem with the new guys (including the external members of the monetary council) is not that they have a different opinion, but that their opinions are not professionally founded, but based on preconceptions [. . .]” (FI8).

Notwithstanding, the case of the MNB demonstrates that there were various ways in which some level of professional guardianship endured. What is important for this analysis is how—if at all—the nature of the staff’s professional input had changed under governor Matolcsy. There are those professionals who stayed and believed that, by staying, they could try to ensure that professional practices were upheld even against partisan constraints; these individuals were the damage controllers. Moreover, the lower the level of hierarchy, the greater was the freedom to conduct more independent analysis and to present information potentially challenging the partisan approach. Within the temporal confines of this study, the MNB of Governor Matolcsy’s tenure still retained this practice, although the more politicized hierarchy exercised greater control over its content and visibility. Relatedly, the gravitational pull of the European central

banking community was still strong and, as such, the MNB's policy experts remained part of a wider policy community which is in large part held together by shared principles and practices.

Firstly, there were experts and professional managers within the MNB who had adopted the role of damage controllers; in other words, they accommodated the new leadership and its partisan agenda, but believed that they could minimize some of the potentially negative consequences. Two interviewees specifically spoke at length about this strategy and its policy implications (CI2; FI5). They characterized this approach with the following depictions:

"I am staying because I will try everything I can to lessen the impact of this new leadership" and "it depends on me."

"He's in a blackmailed position, and he's accommodating this."

"If someone else would be in my position, he would make real harm, but I'm intended to prevent harm [. . .] I understand the language of the top leadership [. . .] I can play the game with them."

These interviewees remained either skeptical as to the effectiveness of the strategy of the damage controllers ("nonsense") or cautiously optimistic: e.g., with regard to the Funding for Growth Scheme, one interviewee recounted: "So there was a requirement that it should be done and they are implementing it [. . .] But still they implement in a way that it should not make harm [. . .] This harm- minimizing attitude that I have mentioned before was perhaps making some gains. I don't know."

Secondly, notwithstanding more politicized messages in some of the core policy areas and at a more holistic organizational level, there remained the practice of independent analysis and discussion at the expert level. There are several contextual factors to take into consideration. In the first place, the MNB remained part of an international club of central banks. The enduring technological structures, mechanisms, and processes (data analysis, reporting, participation in transnational epistemic communities) reflect a larger, sectoral *way of doing things* in terms of central bank independence and practices. Moreover, as one interviewee explained, the MNB has always had a professional core notwithstanding the partisan circumstances treated herein:

"I think that, to the extent that it's possible, [the expert staff] try to guard professionalism [. . .] But it helps them a great deal – and it has to be recognized – that the crew, which is a professional crew, is a permanent core that has been around many

years. There is always a permanent core [. . .] so that there is always this very knowledgeable, very experienced core who, although they come and go, is a massive team [. . .]” (FI5).

It is against this backdrop that the practice of independent analysis, including the deliberation of pros and cons, endures at the MNB, despite its subordination to the strong partisan-influenced policy paradigm. As one interviewee observed, “objective professionalism is perhaps even more important now at the lowest levels than before” and “it is still much stronger here [than state bureaucracy]” (CI4). For example, members of the middle management to varying degrees continued to value independent input. Interviews revealed that “sometimes they want to hear our real opinions on the issues” and that although sometimes executive summaries of certain reports carried a positive tone, the content within the reports were more nuanced (FI3; FI6). A current insider explains that “it is about the time which is available for solving a problem” (CI3). If there is a more urgent problem and the executive or middle management have an answer in mind, they will often request that an analyst “somehow argue in that direction.” But if there is more time available, then analysts can do more research and “can think very freely” (CI3). A colleague offered a similar assessment, namely that “in major policy decisions [. . .] the management has clear-cut ideas” and is “determined,” while the staff offers ideas “at least 50%” of the time (CI1). Moreover, the interviewee recounted cases in which the executive leadership could be convinced “not to do something a certain way,” noting that “the press thought a disaster would happen,” although a disaster wasn’t realized. There is also the interpretation that a more positive analysis is not necessarily less objective—that due to the “political debates around Simor and salaries,” the MNB’s work could be presented as “purely technical and professional” but now there is an emphasis on “not criticizing too much” and also an emphasis on “highlighting the good things,” which “wasn’t done before” (CI1).

Thirdly, due to its membership of the European System of Central Banks, the MNB is bound by a transnational system and influenced by a policy community of information exchange. Fundamentally, the ECB’s legal influence discouraged modifications to the MNB Act which would have fundamentally violated principles of independence. As an interviewee recounted:

“The Central Bank was lucky because we were the only institution here in Hungary who had a well-established support from abroad. Central bank independence is such a basic principle in the European framework. And also it has an institution as a guardian of these principles, and that’s the European Central Bank. So, any challenges we faced was . . . counter-attacked by ECB” (FI4)

In addition to the MNB's legal obligations to the European community, there is also a transnational, technocratic sphere of influence and exchange to which the MNB's professional policy staff belong. For example:

“The senior executives and relevant experts of the MNB continue to play an active role” in the activities of the [European System of Central Banks] committees and their working groups. In 2013, the ESCB committee work continued to be a very useful forum for the exchange of professional experience” (Magyar Nemzeti Bank, 2013a, p. 18).

These committees and working groups provide an opportunity for national central banks to work together and formulate joint positions. This cooperation also enables the representatives of national central banks to obtain information on the ECB's activities on a regular basis” (Magyar Nemzeti Bank, 2014a, p. 59).

Moreover, the professional staff continued to actively participate in transnational policy dialogue by publishing in respected policy journals outside the bank and Hungary and lecturing or presenting at several international conferences, central banks and universities (Magyar Nemzeti Bank, 2013a, p. 53; Magyar Nemzeti Bank, 2014a, p. 61).

Notwithstanding, the extent to which technocratic experts could guard professionalism or, in other words, the extent to which members of the professional cadre were even capable of conducting independent, economic analyses also depends on the distribution of knowledge and experience. While interviews and press reports about Governor Matolcsy's first months at the helm emphasized the resulting brain drain of valued policy experts (covered in the analysis on the partisan mode of behavior), they simultaneously indicated that some old talent remained and that new talent was either adequately experienced or eager to learn the trade. There were doubts about whether the remaining talent and the newcomers could adequately counter the critical mass of the brain drain—a phenomenon difficult to measure. One interviewee illustrated the importance of having a highly skilled staff, observing that Governor Simor had “put a lot of effort into learning the trade itself,” whereas Governor Járai had “picked really good people to do the monetary policy part for him” (FI1). He/she underscored that, at the governorship level, “general management skills were more important” anyway and “if you have the right staff, then especially.”

On the one hand, interviews revealed that the brain drain was significant. On the other, the remaining and new talent were somewhat countering the effects, particularly over a longer timeframe. One current insider agreed that “maybe [there was] too much of a turnover” and that this was a “shock to the system” in terms of institutional knowledge but also said that “external

recruitment and promotions are positive” and that there were enough experienced people in the bank who could teach the newcomers and, as the situation stabilizes over time, the “good can outweigh the bad” (CI1; also CI4). In addition to the ongoing internal promotions among the ranks within the bank, including to middle management positions (CI1), Governor Matolcsy had brought with him his “former head of macroeconomic department at the economy ministry” who had also previously worked at the MNB and ECB (Than & Peto, 2013). Others underscored the value of such contributions:

“If someone is interested in macroeconomy, then they will want to start working at the MNB. This is still the case. So, this effect doesn’t disappear so quickly [. . .] It’s true that a lot of people left and that very, very good professionals left the bank in the spring, that’s true. But there are still good professionals who stayed and some good experts came too” (CI4).

“[. . .] they came here without getting into a selection process, they were put there because they were [. . .] members of [. . .] Fidelitas [. . .] and they worked in the ministry before [. . .] but they see this as an opportunity at least now to learn something new” (FI1).

However, it was difficult for interviewees to judge both quantitatively and qualitatively the consequences of the brain drain vis-à-vis remaining talent and newcomers given both the complex nature of the changes and the state of flux at the time. One former insider shared the following observation based on impressions communicated by remaining colleagues about the political recruits who lack expertise:

“There are always some uneasy feelings about that, but if it’s not very widespread in the organization, then a healthy organization can deal with that. Right now, I think many people have the sense that – that it’s too much [. . .] even if you have very skilled and talented guys at the finance ministry or elsewhere, they might not be perfect substitutes. It may take a couple of years for re-developing the same expertise [. . .] you really need time to get people to mature from inside the organization” (FI2).

3.2.2.3 Discussion

Although the partisan mode of behavior proved dominant in framing decision-making and management at the MNB, professional input nevertheless endured in the shadows of organizational revision and political regime change. Meanwhile, the post-2008 global financial

crisis period was an important source of disagreement among policymakers and analysts. In the last several decades, approaches to macroeconomic management and monetary policy have been dominated by a neoliberal normative orthodoxy largely taken for granted in western advanced and transition economies. The mantra of orthodox monetary policy emphasized dedication to price stability, fiscal discipline, and central bank independence per neoliberal economists, Public Choice scholars, and a range of international institutions. The era of the post-2008 global financial crisis, which had been marked by aggressive promotion of austerity in Europe and a populist backlash against the political and financial establishment, had exposed deep theoretical differences regarding the longheld conventional wisdom in central banking, on the one hand, and calls for more solidarity and spending, on the other. These overarching policy conflicts were reflected within the MNB. Those who tended to be more critical of the new leadership and its policies also tended to toe the more conventional policy line and voice their skepticism of the more accommodative or risky approach taken by the MNB from 2012/2013. Conversely, supporters of the new leadership tended to emphasize the necessity of taking risks given the unfavorable economic conditions. From the perspective of professional judgment, the main intellectual fissure inside the bank about monetary easing fundamentally concerned under what conditions and for how long the monetary council should exercise more caution in its pro-growth, accommodative approach versus whether the monetary council and country could afford to be overly cautious.

The bounded professional mode of behavior at the level of governor Matolcsy's executive board and 2011/2013 monetary council accommodated the partisan agenda and, therefore, second order changes. Firstly, the professional qualifications of the 2011/2013 monetary council appointees were more mixed and collectively less relevant in policy terms than those of the 2005/2007 appointees. Secondly, to what extent was the monetary council appointed in 2011 and 2013 debating and taking into consideration important questions against partisan constraints? Records indicate that there were signs of respect for caution, even in the midst of a marked political and policy paradigm shift. Although the emphasis on price stability had been muted against the dominant Fidesz-KDNP discourse on economic growth and correcting the ills of the global financial crisis, it was certainly not off the radar in terms of the monetary council's messaging. That hint of caution – taking into consideration the MNB's credibility and, thus, potential reaction of the markets – was sustained through 2014, both in terms of communications and in policy decisions to maintain rates.

The changes at the operational level further down the chain of hierarchy – in terms of technological and structural inputs – were mostly first order changes assisted by the still embedded – but to some extent contested - professional experts, including middle level management. Damage controllers believed that they could try to uphold professional practices even against or within partisan constraints. Moreover, the lower the level of hierarchy, the greater the freedom to conduct more independent analysis and present information or argue cases challenging, constraining, or nuancing the adoption and implementation of partisan policy preferences. At least within the temporal confines of this study, the MNB of Governor Matolcsy's tenure still retained the practice of and reliance on independent analysis. However, the more politicized hierarchy exercised greater control over its visibility. Relatedly, the gravitational pull of the European central banking community, both in terms of legal influence and professional cooperation and information exchange, was still strong and relevant. As such, the MNB's policy experts remained part of a wider policy community which is in large part held together by shared principles and practices.

Given the brain drain, the stability and quality of the professional base and changes to the distribution of knowledge were important to consider in an analysis of the professional mode of behavior. Although it was difficult for interviewees to judge both quantitatively and qualitatively the consequences of the brain drain vis-à-vis remaining talent and newcomers, there were two dominant impressions. On the one hand, while interviews and press reports about Governor Matolcsy's first months at the helm emphasized the resulting brain drain of valued policy experts, they simultaneously indicated that some old talent remained and that new talent was either adequately experienced or eager to learn the trade. On the other, one interviewee's observation based on impressions from remaining colleagues was that the professional inadequacy of new recruits were disproportionate in terms of what the organization could operationally tolerate in 2013.

Overall, the analysis on the professional mode of behavior carries two fundamental implications. In the first place, the politically constrained professional mode of behavior on the part of monetary council members appointed under Fidesz-KDNP and the more controlled influence of bottom-up independent analysis strongly suggests that the Fidesz-KDNP political supermajority monopolized policy options at the MNB. Secondly, the politically constrained professional mode of behavior coupled with professional input which tried to minimize damage or lend credibility to politically favorable decisions effectively facilitated the MNB leadership's partisan mode of behavior and, thus, the major paradigm shift. As such, the nature of professional guardianship of

the MNB during the Fidesz-KDNP government of 2010-14 was comparatively constrained, compromised and—some harsh critics might even claim—hijacked.

3.2.3 Analysis of the organizational mode of behavior

While one aspect of professional guardianship covered in this dissertation concerns behavior inherently tied to the professional community, another aspect concerns behavior associated with guarding the continuity of a politically independent organization. Second order changes would be cultivated and developed more organically per the organizational mode of behavior, rather than imposed on the organization by external political pressure transmitted through the political appointee. The following analysis of the organizational mode of behavior examines to what extent the 2011/2013 monetary council appointees, mainly the executive leadership, maintained organizational continuity against organizational change corresponding with the partisan agenda. However, as the preceding analyses of this chapter demonstrates, the partisan mode of behavior accommodated by the professional cadre framed the other modes. More particularly, the organizational mode of behavior in the case of the MNB was the weakest mode because the organization underwent a radical first *and* second order transformation.

This section comprises two overarching sub-sections. The first treats the second order change or major organizational revision, in terms of a *changing organizational ethos*. The second sub-section treats how this changing ethos was manifested at the level of first order change, in terms of *shifting organizational culture and practices*, as well as by an inability or unwillingness by participants to guard continuity.

3.2.3.1 *Changing organizational ethos*

Upon the ousting or exiting of the old guard, who believed that they had upheld a certain set of standards and institutions at the organization, the nature of the organizational ethos changed. This involved not only a change in the organization's mission, but also in its normative framework. There are two observations to take into consideration with respect to the organizational mode of behavior. Firstly, in legal terms, the wording of the new mission statement had fundamentally changed. More importantly, it was the informal objectives of the MNB—its institutional ethos—which had been palpably politicized.

Firstly, changes to the MNB's formal mission statement during the Fidesz-KDNP supermajority was politically salient. In Chapter I, Article 3 of the 2011 MNB Act, the bank's previous mission statement enshrined in law merely emphasized price stability and monetary policy instruments: "(1) The primary objective of the MNB shall be to achieve and maintain price stability. (2) Without prejudice to its primary objective, the MNB shall support the economic policy of the

Government using the monetary policy instruments at its disposal” (2011. évi CCVIII. törvény a Magyar Nemzeti Bankról). Conversely, the revised mission statement (enshrined in the new Act), which expanded on the second paragraph, concerned supervision of the system of financial intermediation and references to economic growth in this capacity: “(2) Without prejudice to its primary objective, the MNB shall support the maintenance of the stability of the system of financial intermediation, the enhancement of its resilience, its sustainable contribution to economic growth; furthermore, the MNB shall support the economic policy of the government using the instruments at its disposal” (2013 évi CXXXIX törvény a Magyar Nemzeti Bankról). This is a non-negligible detail because—although the primary objective was still price stability—the adoption of supervisory powers of the financial intermediary system and its implications for economic growth comprised the legal framework underpinning further, second order changes which were inherently political.

This organizational revision included changes in policy paradigm, communications and messaging, as well as internal venues for reinforcing the new nationalistic ethos (e.g., MNB Club, etc.). For example, the bank’s previous motto—“the motto of its strategy adopted in 2007 is ‘the Magyar Nemzeti Bank for Stability’” (Magyar Nemzeti Bank, 2011, p. 15) —adhered to the notion of price stability, which was the transnational policy doctrine in the first years of the post-crisis era and was fundamentally linked to the ethos of central bank independence. Conversely, from 2013, the changing ethos of the organization was embodied in the language of national values, national cooperation, national stability, interests of society, love of country (as previously discussed in the analysis on the partisan mode of behavior).

Secondly, interviews revealed that the nature of organizational loyalty was subject to different perspectives and interpretations depending on whether one was critical or supportive/accommodating of the new MNB leadership. Former or current insiders who felt alienated from the changing organization upon Governor Matolcsy’s governorship or had left spoke about loyalty to the central banking profession and institutional “legal objectives,” including independence. Otherwise, current insiders who were more supportive or less critical of the new leadership spoke about loyalty in terms of institutional “standpoint” or “position”—which fundamentally took on a more partisan character during the tenure of governor Matolcsy.

With regard to the former perspective, loyalty was discussed in terms of, e.g., loyalty to the “legal independence,” “ethics of the Central Bank,” “independent national institution,” with a “strong, shared system of values that pervaded the institution’s operations” and “something you could be proud of” (FI1; FI2; FI6; FI8). It is interesting that Governor Simor and his deputies, who were

more politically liberal, inherited and maintained a core policy staff who had been in opposition previously under Governor Járαι and, although were more “conservative” and more “devoted” to Fidesz, they had “kept this basic value” (FI4; FI6). As such, organizational continuity was relatively sustained during that governorship even if it took “a couple of weeks or months” to “re-establish mutual trust” (FI4; also FI6).

Interviewees generally referred to the pervasiveness and gravitational force of such an ethos and the extent to which the executive leadership and professional core embodied this ethos against government interference before Governor Matolcsy’s tenure (F1; F2; F6; F8). For example, one interviewee talked about how the “culture” at the MNB is “addictive” and “very rapidly sucks people in”—that outsiders, including junior-level experts and middle managers, are “very quickly socialized” (e.g., understanding what is meant by central bank independence) and that someone “will very quickly become a central banker” even in a “spiritual” sense. He/she remarks that this culture is now “gone” and is not sure “which values influenced [the newcomers] decision to join the MNB” (FI5). Others shared similar observations and impressions:

“For the MNB there is a very strong legal mandate that comes from the MNB [Act] and also from the Maastricht Treaty. And obviously, these are just words. And they don’t mean much if the governor or the top people don’t care about it. But I think in the case of Simor and in the case of Járαι, they had a pretty strong commitment towards not compromising these objectives for short-term political issues [. . .] And I think that that ethos was part of the middle and the bottom level as well [. . .] It’s almost like a religion. So, if you’re a central banker, you fight against inflation and you can have a lot of differences and debates, but I mean you have some strong common objective that you work for. And I think the whole organization shared that” (FI1).

“So, I think, there was a much stronger internal coherence and consensus and . . . common thinking and common values within the staff, even when they had some critical issues. So, for example, the Cyprus funds story of the governor [Simor], I think many people were highly critical, even from the committed staff level. But the shared vision or the shared objective of the central bank as the independent institution—I think—that was very, very strong in those times. Maybe in a sense too strong, and maybe that’s a reason why now [laughs] many people are leaving” (FI2).

By comparison, interviews also indicated that the nature of this institutional ethos was changing under Governor Matolcsy in that loyalty to the “institution” was becoming more politicized or

personalized (FI1; CI3; CI4). In the first place, it was observed that the organization “tilted” more in the direction of having a lot of “support staff,” who “don’t have those ethos and they don’t want to invest into achieving it.” In the second place, whereas “previously, the bank’s policies were derived from the bank’s legally declared objectives,” later they were “derived from the [sighs] wishes of the governing party or the governing political power,” and there was a “strong expectation” of loyalty from the directorship position upwards. In other words, loyalty to the central bank became synonymous or conflated with loyalty to the adopted partisan agenda or partisan governor. For example:

“So, if there is an institutional position, then I will always be loyal to it. I don’t speak against it [. . .] that is important now.”

“So, the loyalty come from your loyalty toward the central bank, not the governor [. . .] if you want to serve central bank, you should serve the governor” because “the governor is the most characteristic [of] central bank policy.”

This major shift in organizational ethos, which became increasingly infused with values promoted by the Fidesz-KDNP government and expectations of loyalty to the political paradigm, served as a backdrop to the changing organizational practices in the MNB’s daily operations.

3.2.3.2 *Manifestation at the operational level*

“[P]eople before always saw that, ok there is a strong and well-established institution, which is the central bank of Hungary with its ways of operations, with its organization and so on. And, ok, new governor might come, but the central bank as an organization will remain sort-of as it was. And what it turn out that [. . .] honestly [laughs], it took only a couple of weeks to almost totally dismantle this twelve years of gradually evolving and developing internal structure of the central bank and to quickly—but still to some degree—gradually replaced by a hierarchic ministry-like organization, when you have very narrowly and clearly defined roles and line managements. So, it’s not necessarily a meaningful question anymore how long it takes somebody to adjust to the system because now they also to a large degree changed the system” (FI2).

The following analysis demonstrates that, along with a mutation in the organizational ethos, there were two important first order changes: a non-negligible shift in organizational culture or practices, including structure and communications; and an inability or unwillingness to guard continuity.

The MNB’s former reputation was embedded in a culture of internal governance which gradually took shape over the 2000s. Perceived as a credible, independent institution, it had a

comparatively flatter hierarchy and a reportedly staunch practice of open debate. Former insiders who were demonstrably less supportive of Governor Matolcsy emphasized that this institutional practice was crumbling under his leadership, whereas current insiders more accommodative of governor Matolcsy emphasized that the new practices were not less professional, but more appropriate for the new set of arrangements.

With regard to the former perspective, interviewees were particularly emphatic about the MNB's professionalism and independence from central government during governors Surányi, Járai, and Simor. As one press report during the change in governorship illustrated:

“The changes signal that the professional culture within the bank, which has made it the top workshop for economic analysis in Hungary, could change markedly, sources at the bank said. The main risk is that the bank's operation could become less transparent, with less professional dialogue and independent thinking within the bank's thick walls. ‘There's been a culture of debate within the bank, anybody could say Mr. Governor you are wrong. Nobody was afraid to express their views even if those contradicted those of the governor or his deputies,’ one of the sources said” (Than & Peto, 2013).

Under Governor Zsigmond Járai (2001-2007), the MNB had undergone an organic, structural transformation which changed the working culture. It became “much less bureaucratic and much more flat” (FI1), which included dismantling the competitive silos between the organization's different units. As one interviewee recalls, “I think there was an explicit HR policy to change [. . .] these internal power struggles,” which “enables to share information much better, which was very important, especially during the crisis” (FI1; also FI2). The role of academic research within the bank also proved instrumental in “basically trying to be the engine of cooperation within the bank, within the often separate departments” and had “notable successes in sort of melting down these walls between different parts of the organization” (FI2).

Interviews revealed that Governor Simor and his deputy governors not only supported this flatter structure, but were closer to professional staff. Interviewees reported that Governor Simor “fundamentally believed in the flat organization,” “took part in everything” and “kept his eyes on everything,” that the “operational activity got closer to the decision-making” because the “deputy governors got closer to the crew,” “were in the permanent emailing circles,” the staff “could enter [the deputy governors'] rooms at any time,” as well as “call [them] at any time” (FI4; FI5; FI6).

Relatedly, this era was associated with HR's notion of "empowerment," whereby analysts were encouraged to present their reports and communications more openly. As one interviewee recalls, "everybody could take responsibility for their own work," explaining that the arrangement led to a more "friendly and cooperative environment" (FI1). The monetary council became more accessible to analysts and junior-level experts (FI1; FI3):

"They introduced the new system that we had the monetary council meetings every week. And even at the junior level, if you made a paper – a briefing or something like that – you could make a presentation on that by yourself. You could meet the governor and the deputy governors, and this was a good motivation for the newcomers as well. And it was very interesting because you could have the feedback by yourself."

"It was very obvious for everyone that even if you're like a junior analyst guy and there was like a meeting or some issue and Simor was sitting there, you could raise your voice and you could have like a meaningful conversation with him on professional issues."

Interviews also revealed that the previous culture in which many policy proposals were initiated by lower level analysts was changing under governor Matolcsy. For example:

So, previously, ["papers, suggestions, the proposals"] came from the bottom. So, they had several meetings together and maybe sometimes the governor also joined to us, or the deputy governors. And we said we had a new idea and what we think. And there was a common thinking there [. . .] So, we had to make several pros and contras. And if we didn't make that, if we just wanted to move the decision to one direction, they usually said that this is not ok. So, we had to make something very independent [. . .] And now, it's all the way around. So, they say that we should think about this and this and this, please write a paper" (FI3).

Related to the flat organization and empowerment was the culture of open debate. Interviewees noted that: "it was encouraged to be the devil's advocate sometimes," "there were debates at the end of the day," even if, "you have to accept that [Simor's] calling the shots;" and "we were shouting with each other," "we were debating with each other," "we were equal until the decision was made," "it was the normal way of work," and "nobody feared that he will be fired because he's not 'respectful' enough; and "if you didn't agree with the governor, you could totally raise those issues in public as well" (FI1; FI6). More general observations about the working environment underscore this: the "MNB was an island" because of the "system of coordination" where "we could literally do our work as economists," where "you could convince

a superior,” “where intellectual debate reigned,” and where “there will no longer be someone to challenge my thinking/our thinking during heated debates” (FI8).

Observations from current insiders reflect how these practices were fundamentally changing (CI1; CI3). One interviewee explained that some current middle-level managers encouraged “open discussions” and “fighting arguments” and that these could have an impact on final policy even if staff “doesn’t win every fight,” but how this dynamic works depended on the policy area and the level of management. Two other colleagues offered comparative perspectives. One had observed that the dominance of one practice versus another depended on the governor’s management style, with some preferring to “speak to low level people as well,” but others finding it easier to deal with “more concentrated information” coming from “two-three people” versus “twenty people.” Another noted that the structural changes were also a factor:

“I think debates are rarer now, but they still happen [. . .] It’s probably because of the hierarchical structure [. . .] because, until there wasn’t this hierarchy, everyone was left alone, they were given a task and they were not supervised so strictly, but you still had to offer something to the discussion [. . .] So, you didn’t get so much feedback from the top, only once in the end. That’s why you looked for feedback via horizontal channels. But if there is a topic that a lot of people are interested in or its importance to get horizontal feedback, then we still have debates. So, this institution hasn’t disappeared” (CI4).

The more hierarchical organizational culture implemented under Governor Matolcsy had transformed the organizational culture which was gradually cultivated inside the bank. Those who were more sympathetic to or less critical of the new leadership and related practices emphasized management style preferences and the implications of different organizational structures—i.e., that roles and accountability were better defined/clearer under governor Matolcsy. From the point of view of the partisan mode of behavior, the hierarchical arrangement afforded greater control. Thus, newcomers during this period were being socialized into a different set of institutional practices.

But during the MNB’s major revision, who was guarding organizational continuity and how? The synthesis of interview responses presented thus far demonstrates that changes under Governor Matolcsy had been swifter and more considerable both in scope and size as compared with Governor Simor, or even as far back as his predecessor, Governor Járαι. Firstly, governors Járαι and Simor had retained the core staff, which was a fundamental ingredient of the organization’s

continuity. Secondly, interviewees—having worked under both of the abovementioned governors—noted that the bank’s practices were “developing in a rather organic way” and that, under governor Simor, who had “inherited [. . .] a properly managed organization,” the transformation in management style was more “smooth” and more like a “process” and “not a level shift” because he needed time to decide what to change” (FI2, FI3, FI4). Even as outsiders, by retaining the core expert staff, governors Járai and Simor demonstrated that they valued the policy and institutional knowledge accumulated by the core professional staff, particularly at the level of middle-management. Thus, by retaining these key professionals, they tacitly accepted the existing organizational culture. As one interviewee observed in 2002, when the bank under Járai shifted to the oppositional role: “the professional level or the importance of the professional staff of the central bank really became very, very important exactly then” (FI2). Similarly, the external members of the monetary council appointed in 2011 became somewhat socialized into the MNB and, despite their preference for monetary easing, reportedly tried to protect some of the staff from lay-offs once Matolcsy took over the executive management (FI4).

Although there were calls to guard the institution against the supposed ills of Matolcsy’s takeover, one current insider observed instead: “I don’t know about instances of open resistance” but only in the “goodbye messages” (CI2). And as several interviewees pointed out, oppositional figures are not able to stick around for very long (CI2; CI4; FI4). As such, the touted ethos and institutional practices of the MNB under Governor Simor and his predecessors were swiftly being replaced by a more nationalistic ethos and ministry-like institutional culture, which narrowed the scope for open debate and venues of communication between the executive board and the lower level policy staff.

3.2.3.3 Discussion

As the MNB had undergone a radical transformation, the organizational mode of behavior in this case was the weakest mode, particularly against a constraining partisan mode. This was manifested through a second order change in the form of a mutating organizational ethos and, in terms of first order changes, by a shift in organizational culture or practices, as well as by an inability or unwillingness to guard continuity. The touted ethos and institutional practices of the MNB under Governor Simor and his predecessors were swiftly being replaced by a more nationalistic ethos and ministry-like institutional culture. Consequently, this narrowed the scope for open debate and venues of communication between the executive board and the lower level professional staff.

Firstly, although the bank's primary objective from 2013 was still price stability per the MNB Act, the adoption of supervisory powers of the financial intermediary system and its implications for economic growth were a backdrop to further, second order changes distinctly political in nature. These changes were not only reflected in policy direction, but also in communications and messaging (e.g., mottos, nationalistic phrasing in goal setting), and in a new set of internal values embodying nationalistic and patriotic sentiments. Relatedly, the nature of organizational loyalty was also subject to different perspectives and interpretations depending on whether one was critical or supportive/accommodating of the new MNB leadership. Former or current insiders who felt alienated from the changing organization upon governor Matolcsy's governorship or had left spoke about loyalty to institutional legal objectives, including independence, which theoretically transcend personality and politics. Conversely, current insiders who were more supportive or less critical of the new leadership spoke about loyalty in terms of institutional standpoint or position— which fundamentally took on a more partisan character during the tenure of Governor Matolcsy.

The more hierarchical culture implemented under Governor Matolcsy was fundamentally transforming the flatter culture which had been gradually cultivated inside the bank. Those who were more sympathetic to or less critical of the new leadership and related practices emphasized management style preferences and the implications of different organizational structures— namely, that roles and accountability were better defined and clearer under Governor Matolcsy. Newcomers during this period were being socialized into a different set of institutional practices, particularly with the exodus of more oppositional figures.

Therefore, with the swift thinning out of the old guard and reinstitution of a new management culture, organizational practices had little chance of enduring. This was unprecedented in the bank's more recent history. Even as outsiders, by retaining the core expert staff, Governors Járαι and Simor demonstrated that they valued the policy and institutional knowledge accumulated by the core professional staff. Thus, by retaining them, they had tacitly accepted the existing organizational culture. Conversely, this case study demonstrates that the professional core, particularly influential figures in middle management, are key to retaining or disrupting the organization's continuity—the desirability of such an end notwithstanding and open to debate.

3.3 Chapter conclusions and discussion

In the case of the National Bank of Hungary, the partisan mode of behavior of the newly appointed monetary council cohort of 2011 and 2013 constrained the professional mode and rendered an organizational mode weak and fleeting. Appointees primarily served the partisan

agenda, realigning professional and organizational goals accordingly. The partisan mode was facilitated by a constrained professional mode of behavior of the monetary council and by incoming loyalists and internal accommodators among the professional cadre, which included important figures in middle management.

The fundamental policy and organizational changes experienced by the MNB under the Fidesz-KDNP supermajority were the result of an overarching, politically orchestrated endeavor to reduce foreign interference in Hungary's economy and to ensure Fidesz-KDNP's electoral power. As a part of this process, the ruling government sought to ally important institutions like the central bank with its partisan agenda through, among other tactics, political appointments, including György Matolcsy, who transferred the momentum of policy reform from his time as minister to the central bank. These appointments, by extension, led to the revision of organizational goals, identity, structures, personnel practices, and the social participant landscape in order to render the MNB an ally of Fidesz-KDNP's nationalist economic agenda.

Five out of the nine monetary council appointments made in 2011 and 2013—the influential governor included—were partisan and, by extension, this shift was reflected in the accommodating organizational changes. The incoming monetary council members of 2011 and 2013 were demonstrably affiliated with Fidesz, Governor György Matolcsy, former Governor Zsigmond Járai, or other government organizations. The appointment of Governor Matolcsy was unprecedented from the point of view of his comportment as a politician—as a party member and strategic political figure and author of the unorthodox economic agenda pursued by the ruling government. This was in contrast to his politically unaffiliated predecessor, whose actions and statements otherwise reflected the more traditional, orthodox or neoliberal consensus.

From 2013, the MNB under the partisan governor and his strong allies in the monetary council underwent second order changes which fundamentally and practically altered the mission and policy paradigm of the bank. By framing its duty to decide and conduct central bank policies in terms of notions synonymous with patriotism and national cooperation, the MNB was cloaked in the language of the overarching Fidesz-KDNP party program of economic patriotism. The partisan mode of behavior was operationalized at the organizational level where the MNB was discursively and substantively positioned as a government helper—with emphasis on nationalistic notions, such as “societal interests” or supporting “love of country”—rather than as an independent, technocratic challenger. It swiftly made way for the implementation of the unorthodox program, including a policy shift favoring monetary easing, the adoption of

macroprudential supervisory powers, and the creation of favorable, domestic loan and funding instruments supporting the government's economic nationalism. Governor Matolcsy not only acted as a partisan servant, but used his position to support a widescale anti-neoliberal, pro-government propaganda campaign, while directly or indirectly helping the business ventures of those close to him or the party and consequently exposing the institution to allegations of corruption. These cases illustrate how even a *complex* set of goals—ideational/institutional loyalties, prestige, income—possessed by an appointee were firmly rooted in the party-political network.

Moreover, the MNB also underwent a series of rapid first order changes to its organizational structure, but this included a second order change which manifested as a major turnover in the qualifications and loyalties of the professional core—a fundamental transformation in the landscape of social participants. These carried major implications for technological inputs and outputs, but also for organizational identity. From the first days of his tenure, Governor Matolcsy's leadership became associated with a comparatively stronger emphasis on political and personal loyalty and a compromise of professional qualifications. The bank's professional ranks, including middle management, became increasingly populated with partisan or Fidesz-KDNP-policy friendly loyalists. Moreover, the executive board promoted insiders more open and friendly to the new leadership and its policies. One facet of the new management regime was a markedly politicized middle management, who were recruited to help with the new governor's vision and serve as an interface between politics and the professional cadre. Furthermore, the comparatively more hierarchical organizational structure swiftly implemented by governor Matolcsy, in tandem with the populating of management positions with loyalists, facilitated top-down command-control of the organization.

What is more surprising is the extent to which different internal coping strategies—voluntary exits and passive or active accommodation—largely removed the roadblocks and opportunities to filter the partisan mode of behavior and subsequent second and first order changes. On the one hand, voluntary exits—among professionals who didn't want to passively accommodate the policies and actions of the recently installed leadership—decreased the opposition to the new leadership, facilitating the partisan mode of behavior and subsequent changes. On the other hand, Governor Matolcsy and his migrating loyalists and parachutists were met with an influential coalition of the willing among bank insiders who effectively facilitated the changes. Governor Matolcsy, his deputies, and close aides from the ministry divided and conquered the institution.

A dominant partisan mode of behavior was ensured and sustainable given: (1) a strong and uncontested partisan ruling government; (2) the appointment of an active partisan and party architect as governor, alongside the replacement of all monetary council members with mostly political allies of Fidesz or the partisan governor; and (3) the newly appointed leadership acting strategically by taking advantage of internal divisions among a professional core, finding an alliance with a coalition of the willing and implementing a hierarchical organization structure. Consequently, swift first and second order changes were largely unchallenged.

Although the partisan mode of behavior proved dominant in framing decision-making and management at the MNB, professional input nevertheless endured in the shadows of organizational revision and political regime change. However, a constrained professional mode of behavior on the part of the 2011/2013 monetary council accommodated the partisan agenda and, therefore, second order changes. Firstly, the professional qualifications of the 2011/2013 monetary council appointees were more mixed and collectively less relevant in policy terms than those of the 2005/2007 appointees. A few members were considerably more qualified than most of the other members. Nevertheless, records indicate that there were signs of respect for caution, even in the midst of a political and policy paradigm shift. While the emphasis on price stability had been muted against the dominant discourse on economic growth and correcting the ills of the global financial crisis, it was certainly not off the radar in terms of the monetary council's messaging. And that hint of caution – taking into consideration the MNB's credibility and, thus, potential reaction of the markets – was sustained through 2014, both in terms of communications and in policy decisions to maintain rates. Thus, one could argue that the partisan and professional modes of behavior were mutually constraining, with the partisan agenda nevertheless serving as the overarching framework for decision-making

Governor Matolcsy's politicization of the MNB was associated with the risk of declining professionalism, including transparency and independence, both in the media and interviewees. Nevertheless, professional practices and judgment endured because of the judgment of the existing professional core, including middle level management and new talent who were willing to learn. Damage controllers believed that they could try to uphold professional practices even against or within partisan constraints. Moreover, the lower the level of hierarchy, the greater the freedom to conduct more independent analysis and present information or argue cases challenging, constraining, or nuancing the adoption and implementation of partisan policy preferences. At least within the temporal confines of this study, the MNB under Governor

Matolcsy still retained the practice of and reliance on independent analysis. However, the more politicized hierarchy exercised greater control over its content and visibility.

Relatedly, the gravitational pull of the European central banking community, both in terms of legal influence and professional cooperation and information exchange, was still strong and relevant. As such, the MNB's policy experts remained part of a wider policy community which is in large part held together by shared principles and practices. However, interviews and press reports about governor Matolcsy's first months at the helm emphasized the resulting brain drain of valued policy experts, although there were disagreements about the implications for technology—whether old and new talent were adequate in countering the phenomenon.

In this heavily politicized environment, where the organization was itself experiencing a revision, it is difficult to assess the organizational mode of behavior. The touted ethos and institutional practices of the MNB under Governor Simor and his predecessors were swiftly being replaced by a more nationalistic ethos and ministry-like institutional culture, which narrowed the scope for open debate and venues of communication between the executive board and the lower level professional staff. With the swift thinning out of the old guard and reinstitution of a new management culture, the preceding set of organizational practices—hierarchically flatter and favoring more open debate and greater contact between the executive leadership and bottom-level professionals—as a whole had little chance of enduring.

Such a transformation was unprecedented in the bank's recent history under governors Simor and Járαι, where incoming governors still retained the core professional staff, including the instrumental middle-level managers who were key to continuity. As such, this case study demonstrates that the professional core, particularly influential figures in middle management, were key to the forging of major changes or to organizational continuity. The organizational discontinuity and major transformation of the MNB resulted in a revised organizational ethos and culture combining some core elements remaining from the pre-Matolcsy era and a new orientation toward nationalism, patriotism, and a ministerial-like culture. Thus, this presents the interesting possibility that in future cases of bounded politicization at the MNB (should current senior members of the professional core be appointed to the monetary council following a political change), a comparatively different and revised organizational mode of behavior could manifest itself.

4 Political servants, professional guardians, or both? The case of the Hungarian Accreditation Committee

The case of political appointments to the Hungarian Accreditation Committee (MAB) is particularly informative and interesting because it concerns a pivotal period in the agency's existence—the first round of political appointments in the organization's short history. The Fidesz-KDNP supermajority in 2010-14 presented ripe political and legislative conditions for introducing political appointments and legally curtailing MAB's role and independence in the higher education sector. MAB's identity as an independent organization previously dominated by the delegates of stakeholders in higher education was challenged by the Minister of Human Resources (responsible for education policy), which for the first time delegated half of the plenary's members from 2012.

The case study of the Hungarian Accreditation Committee hinges on two presidencies in a comparative perspective: (1) the first two years of Ervin Balázs (2012-2013), who is profiled here as a *bounded political appointee*; and (2) the last two years of the second term of György Bazsa (2010-2011), who is profiled here as a *non-appointed and internally elected* president. It also draws on older historical insights to lend further context. The chapter treats three units or levels of analysis: individual behavior, units within the organizational hierarchy, and organizational. It primarily focuses on the statements and actions of MAB's highest decision-making body, the *plenary*, including at the individual level of the two plenary presidents mentioned above. It also treats a pre-decision-making unit of the organization, known as the *sub-committees*, and an administrative unit called the *secretariat*. These units, particularly the secretariat, regularly interacted with the plenary's appointees by feeding into the decision-making process and, as a result, both facilitated and were affected by plenary members' actions and decisions. Thus, the examination of these organizational units are important for better understanding how appointee behavior was manifested in terms of organizational change.

Interviews were conducted with former plenary members and those who were serving as plenary members under the politicization. These interviewees had been delegated by either the Minister of Human Resources, the Hungarian Academy of Sciences, or the Hungarian Rectors' Conference. Additional interviews were conducted with other organizational actors, including insiders (e.g., review and sub-committee participants), outside observers, stakeholders in Hungarian higher education, and delegating institutions. The identities of the interview partners have been kept strictly confidential, coded as either plenary members (PM)—past or present—or non-plenary members (NPM). The questions were semi-structured and the interviewing style

open-ended. The purpose was to capture what different plenary members and other actors emphasized and considered salient in terms of changes to the system of delegation/appointment, organizational autonomy, the nature of MAB's goals, functions, decisions, and actions under the two presidencies, and the corresponding effects on the behavior of organizational actors and MAB's role and influence in the higher education sector.

Examined documentation included MAB's annual reports from 2010 to 2013, annual external and internal feedback surveys, International Advisory Board statements (2011 – 2013), communications with the European Association for Quality Assurance in Higher Education (hereinafter, ENQA), ENQA's 2013 review of MAB, MAB press releases and official statements published on the organization's website by and under both presidencies, and the presidents' statements in the press. The ENQA review report and external feedback surveys were particularly instrumental for triangulation, since they offered non-insider information on appointee/delegate behavior and changes to the organization's functions and operations over the years studied in this dissertation. These inclusions were important for countering the potential bias of insider knowledge.

This chapter proceeds in two overarching parts. The first part will chronicle MAB's evolution from an independent expert committee to a formally more politicized organization struggling for survival and its continued influence in Hungary's higher education sector. It is an important aspect because the chronicle of its politicization in 2012 is rooted in a larger story about its fading autonomy—a quinessential context for the analyses treating both the partisan and organizational modes of behavior. This prelude will also serve to illustrate the nature of the organization prior to the politicization. The second part comprises the first and most substantive core of the analysis; it maps out the modes of appointee behavior, as compared to the immediate predecessors of the politicized plenary, and the corresponding first and second order changes to the organization.

4.1 MAB's evolution: The endeavor for autonomy and independence

This part of the chapter will chronicle MAB's evolution from an independent expert committee to a formally more politicized organization struggling for survival and its continued influence in Hungary's higher education sector. It is an important aspect because the chronicle of its politicization in 2012 is rooted in a larger story about its fading autonomy—contextualizing the analyses of both the partisan and organizational modes of behavior. Thus, this prelude will serve

to illustrate the nature of the organization prior to the politicization and, subsequently, to present the various means of political control exercised on the organization, including through political appointments, a revision of its responsibilities in the higher education sector, and reductions in financial autonomy. Before presenting these background details more particular to the analysis, a brief description of MAB as an organization including its missions, general tasks, and transnational affiliation is warranted.

In the simplest terms, MAB is a non-profit organization in the higher education sector whose functions serve the public interest. The organization's official status is stipulated in Article 41 of Act CCIV of 2011 on National Higher Education (2011. évi CCIV. törvény a nemzeti felsőoktatásról) (hereinafter, "2011 HEA"). According to the law, MAB's status is regulated by the act on "Rights of Association, non-profit status and the operation and funding of Civil Organizations" (Report of the panel of the external review of HAC, 2013, p. 31). Its Deed of Foundation, which was updated following the 2011 HEA, stipulated that MAB is a "public benefit organization." However, it was "not registered as an organization by the relevant court," but by the Education Authority (Report of the panel of the external review of HAC, 2013, p. 31).

Moreover, MAB was formerly declared "an independent body of experts" per the 2005 National Higher Education Act (Report of the panel of the external review of HAC, 2013, p. 31). However, the 2011 HEA statutorily lowered its autonomous status by removing the term "independent"³². Thereafter, as stipulated in Article 41 of the Act, MAB was considered: "a national expert body promoting the supervision, assurance, and evaluation of the scientific quality of higher education, scientific research, and the quality of artistic creation, which participates under this Act in procedures relating to higher education institutions, with special regard to doctorate schools" (2011. évi CCIV. törvény a nemzeti felsőoktatásról; Report of the panel of the external review of HAC, 2013, p. 31). However, its independence was later provided in a Government Decree (19/2012, II.22, §4(1)) (Report of the panel of the external review of HAC, 2013, p. 31). In essence, sweeping legislative changes to the higher education sector during the Fidesz-KDNP supermajority revealed political confusion and contestation over its independence and role.

³² "The July 2011 concept declares that 'the HAC, with its presently (partially) independent authority, ceases to operate as an independent, autonomous, exclusively evaluating body' (Rozsnyai, 2011).

MAB conducts ex-ante and ex-post evaluation of programs and institutions, as well as reviews and approves professorial appointments, in higher education in Hungary. Its main decision making body is the *plenary*, whose decision-making function is supported by the preparatory work of the *secretariat*, numerous discipline-specific and thematic-specific *sub-committees*, and visiting committees. The plenary's decisions are subject to review and overrule by the *board of appeals*. It is furthermore flanked by a *financial supervisory board* and two *advisory bodies*. MAB is a member of the European Association for Quality Assurance in Higher Education/ENQA and is, therefore, subject to the European Standards and Guidelines in the accreditation and quality assurance of higher education. Although it was founded and operated on an informal basis in 1992, MAB was formally established with the country's first higher education law in 1993 (Magyar Felsőoktatási Akkreditációs Bizottság, 2012h; Report of the panel of the external review of HAC, 2013, pp. 10-11).

MAB's specific goals include program accreditation, institutional accreditation, evaluating applications for university positions (including follow-up evaluations); developing its existing quality assurance methodologies; monitoring and issuing opinions regarding the higher education system; maintaining relations with Hungarian organizations in the sector; strengthening its international reputation and relations; and ensuring organizational survival (Hungarian Accreditation Committee, 2013a). Furthermore, MAB "considers it to be its duty to disseminate the European Standards and Guidelines as broadly as possible" (Hungarian Accreditation Committee, 2013a). These goals and objectives are specified and further delineated in the organization's by-laws (Hungarian Accreditation Committee, 2012).

The story of MAB is one replete with references to independence and professionalism. But it is also a story of power struggles and contestations among actors who have a vested interest in Hungary's higher education sector. Spearheaded by its founder and first president, András Róna-Tas, MAB was originally founded on a political and (later) legal mandate, on the one hand, and on extensive negotiations and agreement with stakeholders in Hungary's higher education sector, on the other (NPM8; PM9). Past and current plenary members, regardless of their delegating authority, often refer to this linchpin of the organization's history when talking about its independence. For example, one interviewee acknowledged "the important step" of "sett[ing] up an independent agency" through the universities "giv[ing] out autonomy partly to the MAB," admiring MAB's creators for "start[ing] from scratch" (PM2). Another remarked that "this period of initiation was a very positive period" (PM3). But regardless of its multifaceted legitimacy, MAB's independence was occasionally tested by government. In the past,

government actors attempted to influence the organization using more informal and less effective means (PM9)³³. But more recently, the ruling Fidesz-KDNP government used its unique powers—its two-thirds strong majority in the legislature—to fundamentally restructure the *de-jure* parameters of the committee’s role and self-determination.

4.1.1 Functional autonomy

Across the spectrum of interviews, there is a general, prevailing perception that MAB has operated independently, professionally, and on expert-grounds. In the years leading up to the presidency of Ervin Balázs (2012-13), MAB carved out its space in Hungarian higher education; this included forming an understanding of its mission and taking on specific tasks. Its role in higher education—sometimes against a backdrop of contestation—was both a product of its own doing (e.g., parallel program accreditation, involvement in ENQA) *and* a product of government interference (e.g., review of professorial applications, evaluation of vocational education and training/VET programs). Yet, the nitty-gritty details of MAB’s evaluation and accreditation procedures had been worked out by the organization’s social participants.

With the passage of the 2011 HEA on 23 December 2011, MAB experienced a substantial legal overhaul, carrying fundamental implications for its functional and financial autonomy, as well as its membership delegation regime. The expert committee is effectively at the bottom of a command chain, now directly accountable to the general Education Authority and the Ministry of Human Resources (hereinafter: ministry). According to Article 40 in the 2011 HEA, the Education Authority is obliged to request MAB’s “expert opinion” (in Hungarian: “szakvéleményét”), but the Education Authority is not bound in its licensing decisions by MAB’s evaluation or accreditation judgments, except in the situation of doctoral schools. The minister is entitled to the final review of any appeal brought against the Education Authority’s decisions (2011. évi CCIV. törvény a nemzeti felsőoktatásról).

The more hierarchical model, combined with legal ambiguities and uncertainties, carry major implications for the nature of MAB’s role in quality assurance and specific processes. In the first place, there are debates or bargaining processes concerning MAB’s right to own certain tasks. In the second place, there are unilateral decisions taken by the government concerning these questions. As another interviewee explains, there are “quarrels” between the ministry and the Education Authority, on the one hand, and MAB, on the other, about what the expert committee “should” and “could” do under the current law (NPM8). In other words, the

³³ e.g., including offering MAB office space in the ministry, offering and eventually sending an administrative head directly from the ministry to oversee operations, and the thwarted participation of ministerial bureaucrats in MAB’s inaugural meeting (PM9)

formulation of the current 2011 HEA had left many questions unanswered about a wide range of fundamental roles and tasks (see Report of the panel of the external review of HAC, 2013).

For example, the word “accreditation” had been removed from the legal wording, save for select ex-ante and ex-post activities (Report of the panel of the external review of HAC, 2013, pp. 9, 13). It means that new bachelor’s and master’s programs to be launched at an institution were no longer subject to accreditation by MAB, but to an evaluation which did not necessarily preclude the granting of licenses (p. 9). Moreover, since all accreditation applications (excluding professorial appointments) were required to be submitted directly to the Education Authority, who subsequently forwarded them to MAB with a request for its opinion, there was no longer any direct communication between HEIs and MAB (pp. 9-10). Time and space limit a detailed account of the implications. Suffice to say that, while it had been practiced by past governments, the sidelining of MAB under the Fidesz-KDNP supermajority became possible in a *de jure* sense³⁴.

4.1.2 Financial autonomy and viability

MAB’s pending struggle with financial viability were frequently treated in numerous external and internal documents and cited by all interviewees as a major problem with regard to autonomy. Since the days of founder András Róna-Tas and throughout the presidency of György Bazsa, MAB’s guaranteed financing was enshrined in law, which had allocated 0.2% of the national higher education budget to MAB (PM4; PM9; Magyar Felsőoktatási Akkreditációs Bizottság, 2012a). Although MAB had not always received its entitlement in practice, financing was no longer legally guaranteed per the 2011 HEA. Instead, MAB’s budget provision “‘may’ be allotted by periodic decisions [on the part of] the minister (84. § (5)a))” (Rozsnyai, 2011). As part of the draft state budget, the ministry furnished a “normal annual support” to the committee (NPM8). Notwithstanding, this was effectively “retroactive financing” which was simply given and not negotiated (NPM8). Concerns about MAB’s precarious financing situation and its implications for the organization’s long-term sustainability had been repeatedly voiced by both the organization’s International Advisory Board and ENQA (e.g., Report of the panel of the external review of HAC, 2013, p. 32; Rozsnyai, 2012; see also Rozsnyai, 2013). According to two interviewees, however, the financing situation in 2013 was “better” compared to the previous

³⁴ Some interviewees cited the example of the *former* minister of education, Bálint Magyar (under the left-wing Socialist-liberal government, 2002-2006), who licensed roughly forty programs in 2006 despite a MAB decision not to accredit them (PM2; PM4; NPM8).

few years because a new government decree granted MAB the right to charge higher fees for expert opinions (NPM5; NPM8).

4.1.3 Delegation of plenary members

Until 2012, the entire MAB plenary had been delegated by key actors from Hungary's higher education sector. Generally, delegation favored the Hungarian Rectors' Conference and, often to a comparatively lesser extent, the Hungarian Academy of Sciences, but delegates in proportionately much smaller numbers came from stakeholder groups, such as student unions, chambers of commerce/industry, research institutes, etc. (Magyar Felsőoktatási Akkreditációs Bizottság, 2013a). Under the first term of György Bazsa's presidency (2007-2010), the MRK's delegation proportion was at 50%. By the second term of his presidency (2010-2012), this dominant proportion had increased to 57%. Under the new delegation system introduced in the 2011 HEA, its proportion was substantially decreased to 16.6% (Magyar Felsőoktatási Akkreditációs Bizottság, 2013a). The following table presents the members of the plenary from February 2010 to February 2012 under President György Bazsa.

Table 9: Members of the plenary of the Hungarian Accreditation Committee delegated in 2010

Member	Academic qualifications/membership	Academic/research field	Delegating/appointing authority
György Bazsa, president	DSc	Chemical sciences	Hungarian Rectors' Conference
Ervin Balázs, vice president	Hungarian Academy of Sciences (full member)	Biological sciences	Hungarian Academy of Sciences
Lajos Kis-Tóth, vice president	PhD	Education sciences	Hungarian Rectors' Conference
Márta Font, board member	DSc	History	Hungarian Rectors' Conference
Róbert Kis Szemán, board member (until 2011 May 31)	PhD	Literature	National Committee for Minorities
Zoltán Balogh	PhD	Health sciences	Chambers
János Csirik	DSc	Computer sciences	Hungarian Rectors' Conference
Katalin É. Kiss	Hungarian Academy of Sciences (corresponding member)	Linguistics	Hungarian Academy of Sciences
György Fodor, (from 2011 November)	PhD	Theology	Hungarian Rectors' Conference
György Gát	DSc	Mathematics	Hungarian Rectors' Conference
István Gera	CSc	Clinical medicine	Hungarian Rectors' Conference
Károly Hantos	DLA	Arts/Education sciences	Hungarian Rectors' Conference
Tivadar Magyar, (international expert/Romania)	PhD	Sociology	Hungarian Rectors' Conference
Pál Ormos	Hungarian Academy of Sciences (full member)	Physics	Hungarian Academy of Sciences
Sándor Pálffy	DLA	Architecture	Chamber
Zsuzsanna Polgár	–	Sociology	National Union of Students in Hungary
Zoltán Sipos	CSc	Management and administration sciences	Hungarian Rectors' Conference
Katalin Szabó	DSc	Economics	Hungarian Rectors' Conference
Szabolcs Szuromi, (until 2011 August 31)	DSc	Theology, State-and-law sciences	Hungarian Rectors' Conference
Géza Závodszy	CSc	History	National Public Education Council
Mária Zsilák, (from 2011 November)	PhD	Linguistics	National Committee for Minorities

Source: Magyar Felsőoktatási Akkreditációs Bizottság (2013a, p.62)

The scene changed unprecedentedly in early 2012 when some clauses of the 2011 HEA pertaining to MAB went into effect earlier than 2012 September 1—the date when the law was due to go into effect. With the new HEA, the plenary's membership numbers not only decreased from nineteen to eighteen, but the ministry gained the right to delegate *nine out of the eighteen plenary members*, dramatically decreasing the Hungarian Rectors' Conference's delegation numbers. According to a source, who was knowledgeable about the government's delegation process vis-à-

vis MAB, the nomination list was based on “private discussions” between the-then president of the Hungarian Academy of Sciences, Jozsef Pálincás—a known Fidesz sympathizer—and the Minister of Human Resources, Miklos Réthelyi (2010-2012) (NPM6). Some of the ministers’ nominees were effectively Jozsef Pálincás’ selections, and the two institution heads “really agreed on practically each point” (NPM6). The interview partner contended that this process led to a “a very acceptable territorial and professional balance” in the organization’s leadership.

A government decree concerning MAB was issued on 2012 February 22³⁵, effectively granting the government the legal authority to shorten MAB’s existing mandate and to set up a new plenary on March 1 (Report of the panel of the external review of HAC, 2013, p. 31). On the basis of this decree, then-plenary President György Bazsa and the majority of the former plenary were dismissed two-thirds of the way into their full term (Report of the panel of the external review of HAC, 2013, p. 8). Only three members were carried over to the new plenary assembled in February 2012 (Magyar Felsőoktatási Akkreditációs Bizottság, 2013a; NPM6; NPM8). This included the former vice president Ervin Balázs, who was delegated member of the newly politicized plenary by the Hungarian Academy of Sciences but whose presidency of the plenary was based on a joint-delegation by the minister and Hungarian Academy of Sciences—an inherently bounded appointment.

According to the 2011 HEA, MAB’s plenary was to comprise nine members delegated by the minister, two delegated by the Hungarian Academy of Sciences, one delegated by the Hungarian Academy of Arts, three delegated by the Hungarian Rectors’ Conference, two delegated by churches supporting institutions of higher education, and one delegated by the National Association of Doctoral Students. Moreover, the plenary’s president would be jointly delegated by the ministry and the Hungarian Academy of Sciences; previously, the organizational post was internally filled through a secret ballot among plenary members. Additional changes in this respect included: membership terms increasing from three to (potentially) six years, the legally permitted dismissal or recall of members by the delegating body without due cause, and the ministry’s exclusive delegation rights concerning MAB’s appeals committee. Furthermore, foreign members, external stakeholder organizations, and the HÖÖK student union group were no longer allocated seats in the plenary (Magyar Felsőoktatási Akkreditációs Bizottság, 2013a; Report of the panel of the external review of HAC, 2013, p. 2010; also NPM8; PM4). The following table presents the plenary members from the introduction of political appointments in

³⁵ The decree’s title: “On specific issues regarding higher education quality evaluation and development (19/2012, II. 22)” (Report of the panel of the external review of HAC, 2013, p. 31).

the first quarter of 2012, including the corresponding modes of politicization in cases where members were delegated by the minister³⁶. The minister's appointments were based on open and bounded modes of politicization.

Table 10: Members of the plenary of the Hungarian Accreditation Committee delegated/appointed in 2012

Member	Academic qualifications/membership	Academic/research field	Delegating authority (<i>mode of politicization</i>)
Ervin Balázs, president	Hungarian Academy of Sciences (full member)	Biological sciences	Hungarian Academy of Sciences (appointment to presidency joint-selection by Hungarian Academy of Science and Minister) (<i>Bounded</i>)
Kálmán György, vice president	Hungarian Academy of Sciences (full member)	Mathematics and computing	Minister (<i>Open</i>)
István Klinghammer, vice president (until 2013 February 28)	Hungarian Academy of Sciences (full member)	Geoscience	Hungarian Rectors' Conference
Gyula Bakacsi	CSc	Management and administration sciences	Minister (<i>Open</i>)
András Bojársky	-	Computer sciences	National Association of Doctoral Students
Márton Csanády	PhD	Multidisciplinary social sciences	Church
Katalin É. Kiss	Hungarian Academy of Sciences (corresponding member)	Linguistics	Minister (<i>Bounded</i>)
István Ferencz	DLA	Architecture	Hungarian Academy of Arts
György Fodor	PhD	Theology, linguistics	Church
Ferenc Fülöp	Hungarian Academy of Sciences (corresponding member)	Chemistry sciences, pharmaceutical sciences	Minister (<i>Open</i>)
Ferenc Gazdag	DSc	politikatudományok	Hungarian Rectors' Conference
Gábor Gerber	CSc	Medicine theory, biological sciences	Minister (<i>Open</i>)
János Hebling	DSc	Physics	Minister (<i>Open</i>)
Ákos Jobbágy	DSc	Electrical engineering	Hungarian Rectors' Conference
László Korinek	Hungarian Academy of Sciences (corresponding member)	State-and-law sciences	Hungarian Academy of Sciences
László T. Kóczy	DSc	Electrical engineering, computer sciences	Minister (<i>Bounded</i>)
Zoltán Nusser	Hungarian Academy of Sciences (corresponding member)	Medicine theory, biological sciences	Minister (<i>Bounded</i>)
Vigh Andrea	DLA	Music	Minister (<i>Bounded</i>)

Source: Magyar Felsőoktatási Akkreditációs Bizottság (2013a, p.63)

³⁶ NOTE: At the time of this writing in 2013/2014, three members had left the plenary which had been inaugurated in March 2012. These included István Klinghammer, Zoltán Nusser, and Andrea Vigh. (delegated by minister). These members were replaced in February 2014 by Pál Fejérdy (delegated by minister), Gábor L. Kovács (delegated by MRK), and Csaba Kutnyánszky (delegated by minister) (Magyar Felsőoktatási Akkreditációs Bizottság, 2013a; Magyar Felsőoktatási Akkreditációs Bizottság, n.d.; NPM8).

International observers, namely members of MAB's International Advisory Board and the ENQA review panel, voiced their concerns about a number of these provisions. In light of space limitations, only two are covered here. Firstly, both groups consider ministerial delegation and the role of the minister in the selection of the president as a "threat to independence" (e.g., Report of the panel of the external review of HAC, 2013, p. 35). In 2011, the Board implored that the new act not only "set down guarantees for such independence" (as stipulated by the European Standards and Guidelines) and "safeguard" the nomination process and operations "from vested influence" (Rozsnyai, 2011), but that MAB "continue fostering the awareness by its members to consider quality based on evidence and the members' individual expertise" (Rozsnyai, 2012).

Secondly, both groups of international observers expressed concern about the possibility to dismiss members without due cause. ENQA stated that it "diminishes the degree of independence of the Agency as compared with the preceding system from 1993 to 2011" (Report of the panel of the external review of HAC, 2013, p. 34). The International Advisory Board "strongly recommend[s]" that such dismissals should be legally restricted to cases of "serious misconduct" and "only after the grounds have been set out in a document [...] stating the facts and the reasoning on which the decision is based" (Rozsnyai, 2013).

As a consequence of the 2011 HEA, both the MAB's International Advisory Board and ENQA had formally expressed their concerns regarding MAB's financial security and independence from "vested interests" (Hopbach, 2012; Rozsnyai, 2011; Rozsnyai, 2012; Rozsnyai, 2013). Following an evaluation of MAB's situation in 2013, the ENQA board decided that it could not renew the committee's membership and instead re-categorized MAB as an "ENQA full member under review" for a period of two years from November 2013 (Walsh, 2014). This meant that MAB had two years to comply with the European Standards and Guidelines, but this renewal would require changes to the current law (NPM8)³⁷.

³⁷ "At its 16 April 2015 meeting, the ENQA Board renewed the HAC's full membership status [...] In the review panel's 2015 report, the two standards, relating to resources and independence, were judged as fully and substantially compliant, respectively, which the ENQA Board confirmed" (Hungarian Accreditation Committee, n.d.).

4.2 Modes of appointee behavior at play

Three modes of behavioral modes are present in the case of MAB; this includes an empirically identified *special interest mode*, which is based on another kind of principal-agent relationship, i.e., when the member is delegated by stakeholder institutions. This part of the chapter maps out the prevalence and manifestation of the partisan mode vis-à-vis the other modes of behavior in three overarching sections. In the case of MAB, professional and organizational goals were the main points of reference, while partisan goals were subordinated to the latter. Appointees served the partisan agenda insofar as it served their professional goals and, by extension, organizational goals.

Firstly, there were no direct partisan affiliations and ties with the ruling government on the part of plenary members, only shared policy or programmatic preferences. Secondly, plenary members' stronger affiliations and demonstrated commitments to the larger academic and scientific community and its specific organizations constrained the partisan mode of behavior. Thirdly, there was a gradual increase in the plenary's organizational mode of behavior vis-à-vis the partisan mode due to a combination of the bounded appointment of the president and socializing influence of the permanent and cohesive secretariat. Consequently, as expected, there was no clear shift in policy goals or second order change reflecting partisan preferences. Interestingly, surges in first order changes during the study period were rather caused by systemic reforms in the national governance of higher education, including the subordination of MAB to the Education Authority, leading to upheavals in and reorganization of MAB's processes and communication practices.

4.2.1 Analysis of the partisan mode of behavior

The empirical data revealed that a palpable but constrained partisan mode of behavior vis-à-vis the other two modes was manifested through: the *sharing of political sympathies reflected in policy preferences* and, at the operational level, *changes in the nature and tone of the presidents' communication and leadership styles*, as well as *changes in perceptions among plenary members about the nature of the organization*.

4.2.1.1 Sharing of political sympathies and policy preferences

Appointments to MAB's plenary were not based on party loyalty per se; instead the emphasis was rather on delegating experts more likely to accommodate the Fidesz-KDNP agenda in higher education. As an interviewee involved in the delegation process explained, if MAB "helps the government," then "the minister must have an upper hand" in selecting those individuals whom "he or she considers able to do this as individuals and able to do this as a committee also"

(NPM6). In other words, there was an underlying assumption that there were certain individuals who were potentially more willing to accommodate the Fidesz-KDNP government's preferences than others—certainly more so than the previously non-politicized plenary. Moreover, the constellation of interviewee responses indicated that politicization was manifested through indirect influence in the form of a common thinking on certain issues. One interviewee offered the following interpretation: “It is not something like the minister takes the phone and tells that: ‘you guys now in that case you should decide this and this and that way.’ It is much more subtle” (NPM8). Furthermore, the respondent elucidated that the selection and appointment of plenary members was rather based on shared values and views than party membership or affiliation. Other interviewees underscored this (NPM1; PM3; PM4):

“Obviously” the government tries to select people who support “their ideas” and “now only those distinguished academics can become MAB members who already think like the minister or the ministry.”

“The fact that MAB’s president has a different political point of view was never a problem in the last 20 years. But now it is seen as a problem [. . .] from the government’s point of view, it had to free itself from György Bazsa [. . .]”

This manifestation is most readily observable with respect to: (1) some members’ affiliation with the Batthyány Society of Professors, as well as by comparing (2) statements of the higher education policy preferences made by President Ervin Balázs to those made by his predecessor, former President György Bazsa. In the first case, sympathies corresponding with the Fidesz-KDNP ruling government “can be traced” to the Batthyány Society of Professors (NPM8). During the period of data collection (2013-2014), three of the plenary members delegated by the ministry, including the president, were members of this club (Professzorok Batthyány Köre, 2014)³⁸. What is more, former Minister Miklos Rételyi, who had been involved in selecting these individuals, was also a member of the Batthyány Society of Professors (Lemondott Rételyi Miklós, 2012). According to an official statement, the Batthyány Society of Professors is “non-political, but admittedly shares the political ideas embraced by the present [Fidesz-KDNP-led] government” (Professzorok Batthyány Köre, 2012a). For example, in a joint declaration published in 2012 and entitled, “(Mis)judgment on Hungary,” the society argued that the current

³⁸ While the previous plenary also featured three affiliates of the Batthyány Society of Professors in the plenary, two of these members were carry-overs into the new cycle.

Fidesz-KDNP government “has neither compromised itself nor has eroded in any other ways” and that its tenure was “preceded by a thoroughly corrupt government” (Professzorok Batthyány Köre, 2012a, p. 1). A more policy relevant example was the club’s support for Fidesz-KDNP’s policy that students who receive taxpayer support to finance their education should be required to apply their acquired knowledge in Hungary (rather than emigrating) up to a certain period of time (Professzorok Batthyány Köre, 2013).

Yet, in an interview with the left-leaning *Népszabadság* (11 November 2012), MAB President, Ervin Balázs explained that both conservative and liberal views were present within the Batthyány Society of Professors and, while some are “always wanting to force a standpoint,” others are less inclined to do so but wish to nevertheless participate in the dialogue. President Balázs claimed that he rather belonged to the latter group (Palugyai, 2012). In other words, membership of an elite circle openly supportive of the ruling coalition does not necessarily entail that one unquestioningly supports each and every one of the government’s policy ideas and positions. And yet, by his affiliation with an organization which openly aligned with or defended the Fidesz-KDNP government’s policies and its general political mission, President Balázs was in a better position to act as the partisan agent than his predecessor, President György Bazsa.

In the second case, examining the statements made by both MAB presidents is a useful endeavor because in both the pre- and post-2012 eras, the “opinion of the chairman was decisive for the plenary” (NPM5; also NPM7) in the sense that the plenary relied considerably on the president and the secretariat (NPM8). This was confirmed during the participant observation of a plenary meeting on 6 December 2013 by the author of this dissertation. The demonstrated policy positions of both former President Bazsa and President Balázs in many ways illustrated the right-left divide in Hungary. Or, viewed another way, they reflected the policy conflict between the ruling-government and established interests in higher education. President Balázs (post-2012) and former President Bazsa (pre-2012) stood on different sides of the political debate concerning Hungary’s so-called “over-supply problem” and “demographic crisis” and their implications for the stability of the higher education system. What is more, while president Balázs expressed his views in an editorial for the right-leaning daily (then-government-friendly), *Magyar Nemzet*, during his presidency, former President Bazsa expressed his views on the subject in an editorial for the left-leaning daily, *Népszabadság*, during his presidency.

In his *Magyar Nemzet* editorial, president Balázs argued that “Hungary’s higher education suffers from a lack of resources on the one hand and, on the other, an unprecedented waste of the few

resources it does receive” (Balázs, 2013a). More specifically, he underscored that the sector failed to consider the “demographic indicators” which had been foreshadowing the “30% decrease” in students graduating from secondary education by 2020, and that “the sustainability of the present situation cannot be guaranteed” (Balázs, 2013a). He also contended that employers “don’t know what to do with the ‘half-prepared,’ theoretically over-educated experts lacking practical knowledge” (Balázs, 2013a).

These statements did speak to some of the Fidesz-KDNP government’s goals at the time—namely curbing the growth in the supply of higher education and bringing the system in line with industry and employer expectations (Elsőprő többséggel fogadták, 2013; Ónody-Molnár, 2013a; 2013b; Orbán gazdasági kérdésekről egyeztetett, 2014). Minister of human resources, Zoltán Balog, who had replaced Miklós Rételyi in the spring of 2012, had squarely stated that the government’s priorities were to ensure that higher education produces knowledgeable students who meet labor market needs and that it develops a stronger relationship with the economic sector (Magyar Felsőoktatási Akkreditációs Bizottság, 2013a, p. 35).

Moreover, these goals reflected Prime Minister Orbán’s close relationship with the Hungarian Chamber of Commerce and Industry, namely its president László Parragh, who came to be an “unavoidable participant in the higher education debate and was known for criticizing the sector’s “out-datedness,” the (low) quality of graduates, the “exaggerated powers” of student unions (a position also held by PBK³⁹), the oversupply problem, and the lack of influence on the part of employers and industry (Buják, 2013; see also Agyagási, 2014; Elsőprő többséggel fogadták, 2013; Ónody-Molnár, 2013a; 2013b; Orbán gazdasági kérdésekről egyeztetett, 2014). The chamber sought to play a purportedly more “dominant” role in formulating the reform of higher education (Ónody-Molnár, 2013a; see also Buják, 2013).

Yet, regardless of his expressed sympathies, MAB President, Balázs depicted himself as more nuanced. In an interview with *Népszabadság*, he openly argued that, despite the higher education system’s problems, he agreed with the president of the Hungarian Rectors’ Conference that it was “unfortunate to meddle with the system so drastically” (Palugyai, 2012). President Balázs explained that he supported reform which is more constructive in the long-run (Palugyai, 2012).

³⁹ The club contended that it is a “serious error” that student unions enjoy the right of consent with regard to curriculum and exams, as well as voting rights on certain issues. It argues that “countless examples demonstrate” that these practices constitute a “hotbed of corruption” (Professzorok Batthyány Köre, 2011) because the assessor (instructor) is forced into a compromising situation vis-à-vis the assessed (student) (Professzorok Batthyány Köre, 2011).

In this sense, president Balázs's views were a *light* form of the partisan mode of behavior since his political and policy views were not carbon copies of Fidesz-KDNP preferences. While he supported much of the substance of Fidesz-KDNP's reform agenda—that is, to significantly rethink the status quo—he did not support the method of reform.

Former president Bazsa—a member of the National Assembly from 1998 to 2002 as a MSZP/Socialist party representative and delegate of the Hungarian Rectors' Conference in the previous plenary—represented a different side of this political debate. In an opinion piece published in *Népszabadság*, still in the days of his presidency at MAB, Bazsa presented a counter-argument with respect to the oversupply issue. Firstly, the title of the article was indicative of his oppositional view: “There are not too many students, there is too little money” (Bazsa, 2011a). He undertook a numerical analysis to demonstrate that Hungary's supply situation was purportedly normal by European standards. He argued: “the data on Hungary does not justify cuts [in higher education spending]; rather, the strength in student numbers and the maintenance of higher education institutions are ‘key’ to the country's development” (Bazsa, 2011a).

Interviewees acknowledged that it is not unusual for members to “think like” their delegators. One individual asserted that current ministerial delegates' way of thinking will naturally correspond with those of the delegators: “And the behavior is immediately, automatically the corresponding behavior of my delegators. . . This is human nature. If someone is delegated, he is in the first place a MAB member, but it is always there” (PM4). And interestingly, one member was suggestive about the silent impact of the new dismissal regime—the notion that the threat was lurking, even if one couldn't ascertain how it affected one delegate or another (PM7)⁴⁰.

The interviews themselves underscored potential sympathies. One member explained that the delegating minister was a benchmark, a “vision” for higher education (PM2). And for example, some members perceived their mission as: “fighting against” the “ridiculous” situation that there are 174 doctoral schools in a country as small as Hungary; potentially reducing the accreditation of different kinds of faculties and programs which are “not really substantiated by science,” arguing that universities need to be re-evaluated in terms of whether it's worth to run a program or not (PM2; PM6).

⁴⁰ For example: “Nobody told me that I had to make a decision which the government likes, but I still feel that, based on the law's influence, if I give an unfavorable evaluation of this or that program, university, or university professor nominee which is otherwise favored by the government, then they will dismiss me [. . .] Now I couldn't give you a concrete example when I felt this way. But I am at the end of my career, so what risks am I really taking? But I could imagine that a younger, more ambitious individual would be stifled by this” (PM7).

Notwithstanding the watered-down spectrum of positions described here, the picture is never so black and white. One interviewee admitted that there were differences in “political agendas and sympathies” but also wouldn’t say that it was a “major problem” for the organization (NPM8). Another interviewee maintained that one issue was “how the government uses MAB” for serving its aims, another is how the plenary members are “aware” of their role as “tools” serving these aims—i.e., being “quite ready and happy to elaborate new projects for reorganizing higher education” (NPM5).

On the other hand, while President Balázs and some ministerial delegates supported the downsizing of higher education, it is a question to what extent this goal was manifested at the organizational level and reflected in the plenary’s concrete decision making vis-à-vis evaluations and accreditation. Was the plenary necessarily acting according to a partisan mode of behavior and downsizing higher education per Fidesz-KDNP preferences? In the field of accreditation, important indicators would be the proportion of higher education programs not supported by the decision-making body versus the proportion supported. As part of this study, the number of submitted accreditation applications for programs from 2010 to 2013 were compiled, including the break-down of whether they were supported or not by the plenary. The information for the bar graphs presented below were obtained from MAB’s 2011 and 2013 annual reports, which featured tables comparing accreditation decisions by year (Magyar Felsőoktatási Akkreditációs Bizottság, 2012d; 2014a). The following graphs present the number of bachelor’s and master’s programs, as well as doctoral schools, supported versus not-supported from 2010 to 2013:

Figure 1: MAB plenary decisions on the establishment of new bachelor's programs (2010-2013)

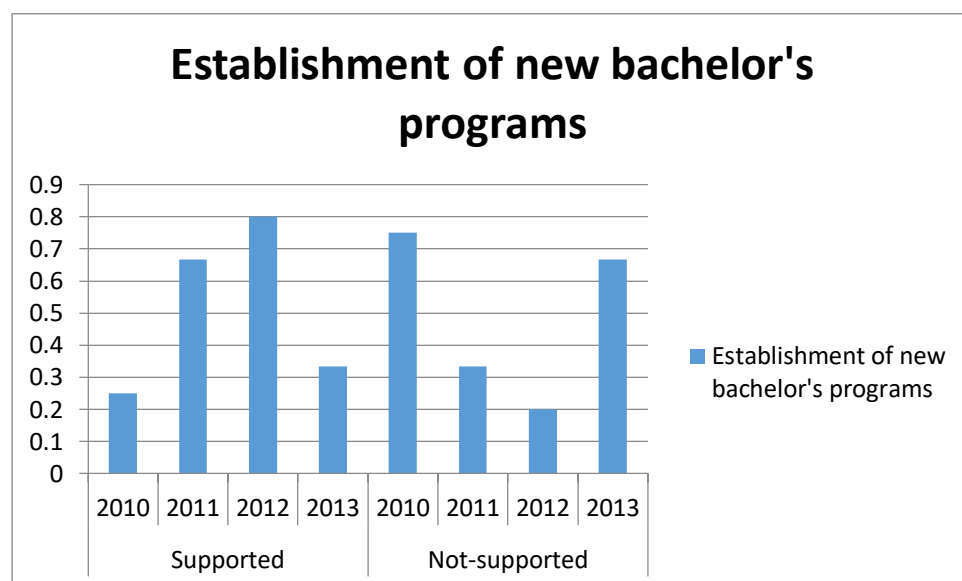


Figure 2: MAB plenary decisions on the launching of bachelor's programs (2010-2013)

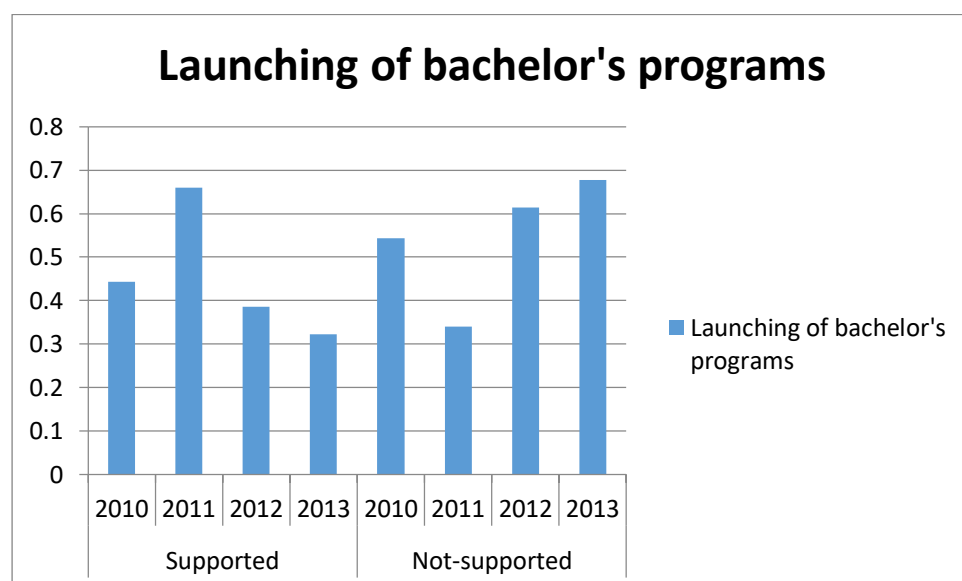


Figure 3: MAB plenary decisions on the establishment of new master's programs (2010-2013)

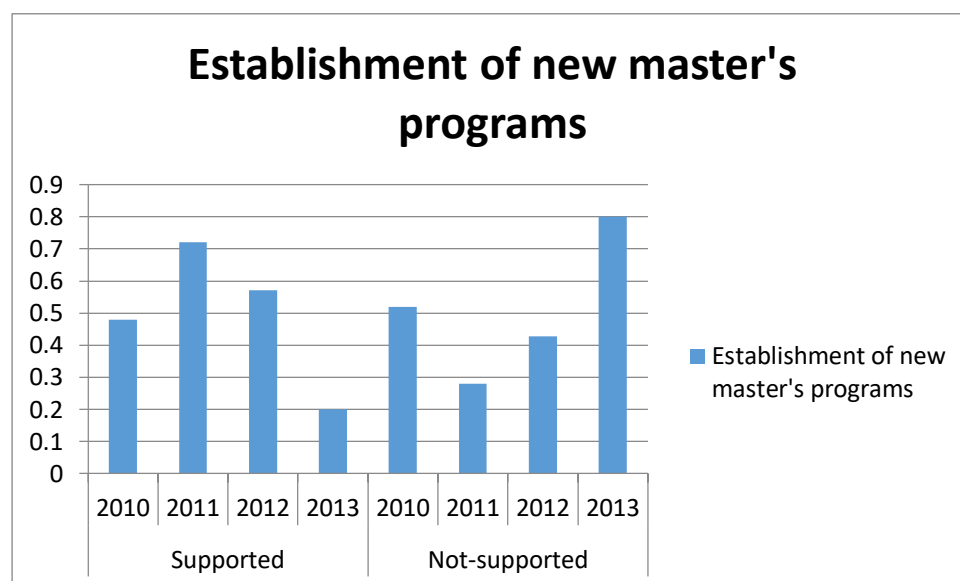


Figure 4: MAB plenary decisions on the launching of master's programs (2010-2013)

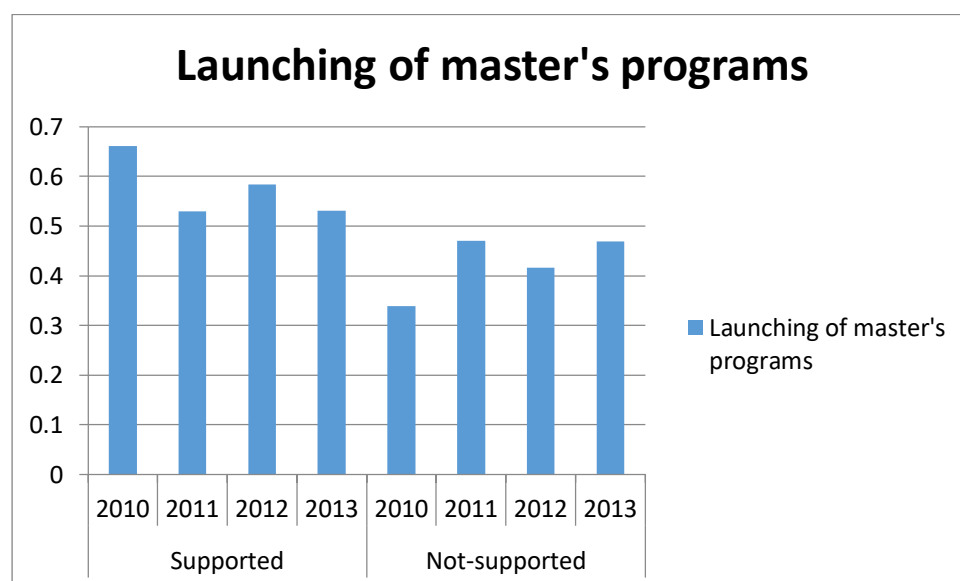
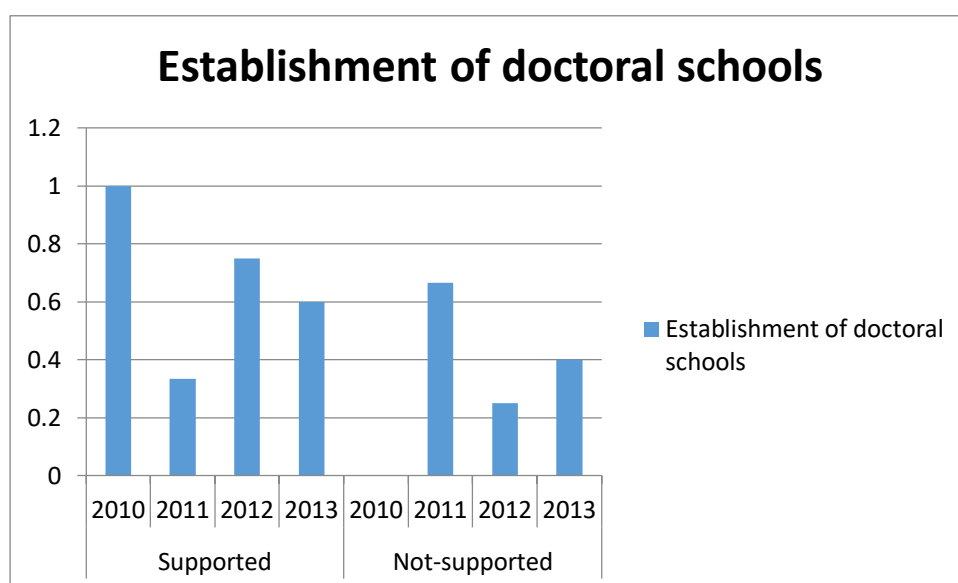


Figure 5: MAB plenary decisions on the establishment of doctoral schools (2010-2013)



As for the implications of President Balázs’s plenary, the results were rather mixed. For example, figures for the “establishment of new bachelor’s programs” and “establishment of doctoral schools” suggest that the new plenary’s decision-making did *not* reflect goals which would systematically favor reducing the amount of programs or the number of doctoral schools. Notwithstanding, the plenary seemed to have decided more conservatively in 2013 than 2012, reducing its support by comparison.

Nevertheless, with regard to the “launching of bachelor’s programs,” 2013 showed the highest proportion of non-support among the four years covered, whereas 2012 showed the second lowest proportion. With regard to the “establishment of new master’s programs,” the figures suggest that, in the first year of the new plenary’s term, it supported more accreditations than in the last year of former president Bazsa’s presidency. By 2013, however, the plenary had completely reversed course and the proportion of non-support jumped to the highest level among the four years (a near 40% increase from 2012). By 2013, some decision-making *did* reflect goals which would favor reducing the amount of programs. In sum, however, the data does not indicate that the new plenary was committed to the wholesale, consistent, and systematic downsizing of programs and institutions.

Similarly, one interviewee asserted that their own views “are not always in accordance with other people’s opinions,” adding that “the fact that somebody is appointed by the ministry doesn’t mean they have any contact with the ministry [. . .]” (PM8). Another interviewee contended that

the minister may have appointed people who are more loyal to “that side,” but that it doesn’t play into decision-making (PM6). The individual maintained that there are examples where the plenary’s views diverged from the government’s position. One interviewee was more nuanced: “MAB’s leaders are naturally in touch” with political and governmental representatives involved in higher education. The individual adds the following caveat: “But I get the impression that this influence is minimal, simply because, in the last ten years, I don’t see a clear direction for higher education policy. In the last ten years, there is no concept” (NPM3). A colleague noted the potentially “limited independence” of the new plenary, but emphasized that this particular committee is not more politicized—that government pressure and special interests within higher education “will ever be part of the process” (PM1).

The politicization of MAB in 2012 demonstrates the palpable changes in policy views following the dramatic decline in the MRK’s delegation rights and the minister’s comparatively dramatic increase in his delegation rights. In simple terms, the policy divide between the two MAB presidents was reflective of the political debates concerning the reform of higher education and its specific direction. One side was more supportive of the government’s focus on the over-supply problem; another was more critical of it. However, there was no indication per the data on accreditation decisions that the new plenary was committed to the wholesale, consistent, and systematic downsizing of programs and institutions. Therefore, the lack of consistent and systematic accreditation decisions favoring a downsizing of programs and institutions shows that, firstly, the partisan mode of behavior on the part of the plenary and its president was weak and, secondly, that there was no clear shift in policy goals or second order change reflecting partisan preferences.

4.2.1.2 *Manifestation at the operational level*

A *light* form of the partisan mode of behavior on the part of the politicized president and plenary manifested itself at the operational level. There were mainly two inter-related, observable phenomena: (1) *changes in the presidents’ approaches to leadership and management, including their diverging communication styles* reflected in statements and documents published on MAB’s website; and (2) *changes in the pattern of attitudes between the two plenaries with respect to the nature and identity of the organization*.

There were observable differences in the former president’s and the replacing president’s approaches to the leadership of the plenary and management of the organization. Namely,

former president György Bazsa was involved in the organization on a deeper level and in a hands-on fashion, devoting more time to daily issues and questions of long-term strategy and adopting a comparatively and observably more combative stance vis-à-vis the ministry under Fidesz-KDNP. His successor, on the other hand, was more hands-off vis-à-vis the daily management and regarding questions of long-term strategy and was comparatively and observably conflict-averse—though demonstrably more so in the first year of his presidency than the following year.

Firstly, interviewees described former President Bazsa as: “more interested in having his hands [in] everything,” more inclined to “details and mechanisms,” having “his own ideas on how to resolve situations,” “wrote a lot of letters himself,” having overseen a lot of accreditation, “fully devoted” to MAB, as someone who “knew everything,” and was “always scientific” (PM5; NPM8). Former President Bazsa’s executive summaries in the annual reports underscore these observations. Conversely, President Balázs was described as: “not so sensitive to details,” as a manager who “doesn’t want to deal with everyday problems,” more dependent on the secretariat for decision-making, preferring a situation where the “options are clear” (NPM5; NPM8). Relatedly, with regard to organizational goals, the new president was less devoted to issues of organizational strategy. Under his predecessor, there was a “strategic and international sub-committee,” which the new president terminated upon his appointment. This is furthermore evidenced by the International Advisory Boards call for the development of a “real Strategic Plan” that reflects on “how the HAC takes a proactive role to be a partner and make its voice heard”⁴¹ (Rozsnyai, 2013). Another indication of the new president’s softer tactics was his maneuvering around the absence of economic stakeholders in MAB’s plenary. Rather than speaking out about the plenary’s composition, he invited these representatives to participate in MAB’s Hungarian Advisory Board (Magyar Felsőoktatási Akkreditációs Bizottság, 2013b, p. 16).

This behavior on the part of the new president was also reflected in the plenary more generally. One interviewee plainly stated that it “can be felt” that the current MAB plenary “does not want to make conflicts with the ministry” (NPM8). Speaking more generally about the plenary, one example of its conflict averse behavior is the distribution of opinions about the *motivations* behind the government’s reluctance to secure a legally guaranteed flow of financing to MAB. All agreed that the current financing situation was deplorable. However, those on the side of the Hungarian Rectors’ Conference tended to emphasize the perspective that the financing situation

⁴¹ However, with respect to strategizing, “the scarcity of resources” could make this “impossible” (Report of the panel of the external review of HAC, 2013, p. 32).

represented a *deliberate* infringement on autonomy, while those delegated by the ministry tended to emphasize, for example, the “economic situation” and “the financial conditions of the overall country” (PM7, PM1, PM2)—avoiding strong language which would place the blame squarely on the government. And when asked about the marginalization of “accreditation” in the 2011 HEA, one respondent framed it as a “problem” that “there are no person[s]” who are “really good in codification” (PM2), placing the blame on ministerial *bureaucrats*, not politicians. Yet another example of this collective, conflict-averse behavior was the narrative recounted by one observer, in which the members of the plenary declined to respond to the verbal challenges put forth by Deputy State Secretary for higher education, Zoltán Maruzsa, about various aspects of MAB’s bylaws during a plenary meeting. Instead, a member of the supervisory committee responded to the challenge (NPM8).

Differences in general attitudes about the nature of the organization are also indicative. One interviewee recounted how a new plenary member referred to MAB as a “bureaucratic organization”—a point of view he/she had never previously heard. The interviewee elaborated that there appeared to be a “deep difference” in how members understood MAB’s role; former members seemed rather to be “proud of [MAB] being an organization of its own right” (NPM5). Another interviewee explained that the new plenary was “more active” regarding “individual decisions,” such as specific policy issues relating to quality (e.g., the legal specification of doctoral schools), shifting the focus away from organizational strategy to specific issues of interest (NPM8).

These abovementioned observations and documented examples illustrate that, while there was no overt partisan mode of behavior on the part of the replacing president and plenary, there was a lighter manifestation of the partisan mode in terms of showing political restraint, avoiding further conflicts between the ruling government and the organization. Nevertheless, this light form of the partisan mode carries important implications for second order change since issues of longterm organizational strategy—shaping the very nature and identity of the organization—were neglected, thus implying that a deeper commitment or connection to the organization was lacking on the part of the politicized presidency and politicized plenary as compared with their predecessors.

Secondly, this reserved behavior was moreover reflected in the differences in communication styles between the two presidents and plenaries. Namely, the new presidency and plenary were more conflict-averse in the tone and substance of their external communications. In the first place, former President Bazsa regularly used the press release service, *Országos Sajtószolgálat*,

whereas the politically appointed President Balázs was less keen to do so and was asked by ministry officials “not [to] be as present in the press as before” (NPM8). A keyword search for “Magyar Felsőoktatási Akkreditációs Bizottság” in Országos Sajtószolgálat’s database reveals that, within the last four months of Bazsa’s presidency alone, there were five press releases published as compared with Balázs’s presidency, where four press releases were published in more than two years’ time (2 April 2012 – 1 August 2014). Furthermore, there was a notable difference with regard to the content of the press releases available. For example, three out of the five press releases under the former presidency stored in Országos Sajtószolgálat’s archives dealt with the thorny issue of MAB’s diminishing autonomy and independence. In fact, “MAB under attack! MAB’s declaration of independence,” published on 3 October 2011 (discussed further below), were featured in this press portal (Országos Sajtószolgálat, 2014). Conversely, under the new presidency, the portal did not show any strong “independence” statements as such (Országos Sajtószolgálat, 2014)⁴².

Similarly, comparing the presidents’ executive summaries in the annual reports (2010-2013), as well as the types of statements published on MAB’s website, under former President Bazsa’s leadership with those under President Balázs’s leadership is furthermore indicative. By all accounts, the last two years of former President Bazsa’s tenure (2010-2011) were combative and conflict-prone vis-à-vis government policies. Conversely, the first two years of President Balázs’s tenure (2012-2013) was *comparatively* conciliatory and conflict-averse vis-à-vis the government.

Former president Bazsa’s executive summaries in the annual reports from 2010 and 2011 devoted considerable space and attention to the new HEA and the precarious financing situation, including detailed analyses of implications for MAB’s goals, and operations. In the 2010 annual report, he devoted nearly half of his executive summary (nine out of twenty pages) to this issue. For example, he stated that the law’s version from 4 January 2011 reinforces earlier proposals in which MAB’s influence would be “mutilated” (Magyar Felsőoktatási Akkreditációs Bizottság, 2011b, p. 12). President Bazsa then considered the organization to have entered a

⁴² Interestingly, at the time of this writing (outside the scope of study), the latest press release from 1 August 2014 (although outside the scope of the study), largely echoed president Balázs’s earlier press statements (e.g., in Magyar Nemzet) about the need to reform higher education, but was particularly focused on the poor quality and “hasty execution” of the amendments which jeopardize MAB’s ability to follow the European Standards and Guidelines. The statement expressed “MAB’s expectation” that Parliament will deliberate and adopt laws that guarantee the quality of higher education (Magyar Felsőoktatási Akkreditációs Bizottság, 2014e). It was a sign of frustration with the current political climate in Hungary.

“zone of conflict” and stated that members should expect an attack on MAB (p. 12). For 2010, Bazsa’s slogan was: “Do not compromise yourself MAB!” (in Hungarian: “Ne hagyd magad MAB!”), imploring the organization to stand up to interference from *both* government and stakeholder-special interests (pp. 21-25). In some parts of the summary, he adopted a critical tone vis-à-vis the ministry. For example, he took a stab at the ministry with respect to its unilateral decisions which did not involve requesting MAB’s opinion (p. 9). Interestingly, he closed with a more conciliatory appeal, encouraging: an “open discussion, in view of the new HEA and promoted “safeguard[ing] and strengthen[ing] all the values and quality of which MAB is one guardian” (p. 26).

By 2011, in the context of the new HEA’s finalization, Bazsa’s tone became more heated. He devoted two-thirds of his executive summary (sixteen out of twenty-four pages) to the new HEA and MAB’s threatened autonomy. He provided a blow-by-blow account of MAB’s proposals concerning the law (mostly rejected by the ministry), including its seemingly dysfunctional exchanges with the ministry, reactions of MAB’s International Advisory Board, and ENQA’s reaction to MAB’s complaint about the new HEA. But the political implications of Bazsa’s combativeness were most palpable in his slogan of 2011, “MAB under attack!”— the title of a de-fact “declaration of independence” which MAB published around this time—as well as in his lengthy, combative letter to then Deputy State Secretary, Norbert Kis (Magyar Felsőoktatási Akkreditációs Bizottság, 2012d)

In a letter addressed to the deputy state secretary during former president Bazsa’s final month at the helm of the plenary—he responded to the official’s “strong criticism” of MAB (Magyar Felsőoktatási Akkreditációs Bizottság, 2012d, p. 19), devoting eight pages, including a four-page blow-by-blow outline with dates, reviewing MAB’s efforts to work with a ministry who is depicted in the account as less than willing to cooperate with a European-wide and internationally reputed accreditation agency. The outgoing president plainly stated: “I have to reject the accusation of irresponsibility. We have never seen the ministry bear the same measure of responsibility” (p. 21). Interestingly, yet again, he closed with an open invitation to further cooperation (p. 21). From these examples, we see an outgoing president outwardly defending organizational continuity, making a last-ditch effort to make the case that the ministry was continuously side-stepping the organization. A governmental source knowledgeable about the political selection and appointment of Ervin Balázs explained that the work of the “the previous MAB was good” and that György Bazsa “did a good job [. . .] but politically he was not accepted” (NPM6). As one interviewee explained: “he immediately became a persona non grata

in the eyes of the ministry officials and the ministry leadership [. . .]” (NPM8) when he wrote an appeal to the-then President of ENQA about MAB’s independence struggle (Bazsa, 2011b)⁴³.

The communication style changed markedly upon Ervin Balázs’ appointment to the presidency. The new president’s executive summary in the 2012 annual report was considerably shorter than any of the former president’s summaries at nine pages (Magyar Felsőoktatási Akkreditációs Bizottság, 2013b). It followed a similar structure with regard to reviewing the agency’s activities, but there were no sections devoted specifically to critiquing the new HEA, and the tone was comparatively diplomatic and conciliatory. There was no lengthy discussion of the organization’s independence and the text adopted a noticeably less conflict-ridden tone, even if there were references to operational problems, such as the financing situation and delays in setting up the new appeals committee. With regard to financing, however, one encounters language depicting the precarious situation as “deteriorating” and that “with this level of support, MAB is not able to fulfill its tasks and its independence is seriously harmed” (Magyar Felsőoktatási Akkreditációs Bizottság, 2013b, p 8).

The first year of Balázs’s presidency featured a light form of the partisan mode of behavior. The new president and plenary were not radically transforming the organization’s mission to reflect partisan goals. Nevertheless, by exhibiting a comparatively more conflict-averse and diplomatic tone, they exhibited a fundamentally different outward identity. In contrast to the outspoken former president, they had toned down the emphasis on organizational independence. This first year of the newly installed and politicized leadership presented a creeping second-order change that could with time see the organization’s core elements fundamentally altered.

By 2013, however, there were indications that even the light form of the partisan mode of behavior was waning. While the 2013 annual report followed a very similar structure and format compared to 2012 (still nine pages), it was comparatively more outspoken about issues of independence. For example, President Balázs included copies of both the International Advisory Board’s and Hungarian Advisory Board’s recommendations regarding MAB’s functional and financial independence, including calls for a more “balanced” delegation composition, in view of ENQA’s evaluation. Three out of nine pages were devoted to this issue (Magyar Felsőoktatási Akkreditációs Bizottság, 2014a, p. 14).

⁴³ In the framework of debates on the 2011 HEA and its implications for MAB’s autonomy, the MAB president, György Bazsa drafted a letter to ENQA in which he adopted a highly critical tone of the current government’s position on MAB’s independence.

President Balázs was noticeably outspoken about the precarious financing situation and a scandal in which forty-two vocational programs were licensed by the Educational Authority against MAB's resolution. His tone was particularly assertive and even defensive of the organization. He was "convinced" that it was not MAB's "ill-founded" expert opinions which forced the Education Authority to license the forty-two programs (Magyar Felsőoktatási Akkreditációs Bizottság, 2014a, p. 9). He lamented: "and unfortunately, this does not ensure Hungary's quality assurance in higher education, its good quality" (Magyar Felsőoktatási Akkreditációs Bizottság, 2014a, p. 9). He even cited the example of one particular plenary member who resigned in response to the situation. The president admitted that he had mulled the idea to step down as well, but in view of ENQA's upcoming evaluation, he decided "not to risk MAB" (p. 9). Moreover, he summarized the dismal financing situation with phrasing such as, "support from the central budget is markedly still behind (nominally!) the 2003-2010 level of support" and "due to delays in the contract and retro-financing structure, we received the first installment only in August" (p. 10). Yet, President Balázs also negotiated on an ad-hoc basis with the ministry, receiving 3 million HUF in retroactive support from the "minister" for the purpose of inviting foreign experts to participate in MAB evaluations (p. 10).

The politically appointed president's behavior by no means can be construed as an ideal-typical partisan mode of behavior. He was not strictly a partisan, as he was not a member of either of the parties in the ruling coalition, and contrary to his predecessor, nor had he been previously engaged in a political role. President Balázs's behavior was a light form of the partisan mode—manifested through risk-aversion, yet committed to certain aspects of the organization's survival, namely its financing situation. On the one hand, under the new president, demonstrations of outright resistance, as well as deepening and heated conflict, were less likely in the two years studied as compared to the final two years of the former presidency. On the other, there were also notable differences between the first and second year of President Balázs' tenure. The vocational education scandal clearly presented an internal value-conflict for President Balázs—another indication that the partisan mode of behavior was checked by other, non-partisan interests and loyalties. He may have welcomed the Fidesz-KDNP government's ambitious plan to reform higher education, but he was not willing to underwrite conflicting government measures and to compromise on quality assurance. In doing so, he rather demonstrated commitment to the values and interests of the professional community of higher education and academia.

4.2.1.3 Discussion

A palpable but light form of the partisan mode of behavior was manifested through the sharing of political sympathies reflected in policy preferences and at the operational level, in terms of changes in the presidents' approaches to leadership and management, including their diverging communication styles, and changes in the pattern of attitudes between the two plenaries with respect to the nature and identity of the organization. Therefore, rather than reigning in clear and overt second order changes, the politicized presidency and plenary were agents of creeping second order change, particularly in their first year. .

Political appointee selection in the case of MAB, which was based on open and bounded appointments, reflected shared political values and views vis-à-vis the ruling government than party membership or affiliation. Moreover, due to the constellation of their different affiliations, President Balázs and the new plenary demonstrated a *light* form of the partisan mode of behavior. It was acknowledged that overturning the previous MAB plenary was a political decision—the goal of which was to unseat the outspoken, Socialist-affiliated, Fidesz-government critic that was the former president. He presented an obstacle. Moreover, the politicization of MAB in 2012 demonstrates the palpable changes in policy views following the dramatic decline in the delegation rights of the Hungarian Rectors' Conference and the minister's comparatively dramatic increase in his delegation rights. It is therefore unsurprising that the new politically appointed president and MAB's other ministerial delegates seemed prepared to accommodate the government and its allies in a reform of higher education which parted with the status quo. It was not a secret that some plenary members—even if they were not outright members of Fidesz or KDNP—were more supportive of the Fidesz-KDNP than the previous Socialist-led government. Membership in the Batthyány Society of Professors was one indicator, another was the conspicuous differences in the policy preferences (regarding the over-supply problem and demographic crisis) and political undertones of the internal documents and press statements made by President Balázs and former President Bazsa.

By his affiliation with the Batthyány Society of Professors—an organization which openly aligned with or defended Fidesz-KDNP government positions—the politically appointed President Balázs was in a better position than his predecessor to act as the partisan agent and also to negotiate financing issues with the ministry. Yet, while supporting Fidesz-KDNP's reform agenda to significantly rethink the status quo, Balázs did not agree with the hasty method of reform. And more concretely, there was no indication per the data on accreditation decisions

that the new plenary was committed to the wholesale, consistent, and systematic downsizing of programs and institutions. Therefore, the lack of consistent and systematic accreditation decisions favoring a downsizing of programs and institutions shows that, firstly, the partisan mode of behavior on the part of the plenary and its president was relegated to the background and, secondly, that there was no clear shift in policy goals or second order change reflecting partisan preferences.

Notwithstanding, Balázs's presidency manifested a light form of the partisan mode of behavior, particularly in the first year of tenure. The new president and plenary were not radically transforming the organization's mission to reflect partisan goals, but observations by interviewees and documented examples illustrate that there was show of political restraint in order to avoid further conflicts between the ruling government and the organization. Firstly, former President György Bazsa was involved in the organization on a deeper, hands-on level, devoting more time to daily issues and questions of long-term strategy and adopting a comparatively and observably combative stance vis-à-vis the ruling ministry. His successor, on the other hand, was relatively hands-off in the daily management, shied away from questions of long-term strategy, and was comparatively and observably conflict-averse—though demonstrably more so in the first year of his presidency than the following year. The perception of what was important among the plenary shifted away from organizational strategy to specific issues of interest. Moreover, there were indications that the new plenary was more likely to view MAB as a bureaucratic organization, rather than an organization in its own right. This light form of the partisan mode carries important implications, however, for second order change since issues of long-term organizational strategy—shaping the very nature, goals, and identity of the organization—were neglected, thus implying that a deeper commitment to the organization was lacking on the part of the new presidency and new plenary as compared with their non-politicized predecessors. The longer term consequences of this are beyond the temporal scope of this study, however.

Secondly, by exhibiting a comparatively conflict-averse and diplomatic tone in their communications, the politically appointed presidency and plenary exhibited a fundamentally different outward identity. In contrast to the outspoken former president, the new president toned down the emphasis on organizational independence, as evidenced by the comparatively shorter and more apolitical language used in key organization documents and press releases. Moreover, the former president regularly used the national press release service, whereas the replacing president was less keen to do so and was asked by ministry officials to minimize MAB's

presence in the press. In this way, MAB was creeping toward a second-order change that, given a longer time horizon and all else held constant, could see the organization's long-term goals and identity fundamentally altered.

By 2013, however, there were indications that even the light form of the partisan mode of behavior was waning when the new president's communications became more outspoken about issues of organizational survival, namely financing, independence, and a scandal in which MAB's expert-based decisions were sidelined by the Education Authority. On the one hand, the politically appointed president was not keen to engage in overt conflict with the government. But by the second year of his tenure, organizational survival and the vocational education scandal presented an internal value-conflict for president Balázs—another indication that the partisan mode of behavior was countered by other, non-partisan interests and loyalties. To MAB's plenary members, particularly ministerial delegates, the ruling government and its party-political network may have been an important terrain of relations and opportunities for advancing changes in higher education, but their affiliations with the professional community constrained the partisan mode of behavior.

4.2.2 Analysis of the professional mode of behavior

This section maps out and analyzes the extent to which the professional mode of behavior manifested itself in the case of MAB's newly politicized plenary. The professional mode of behavior reflects the *ingrained loyalty to scientific and academic values* by affiliation with the professional community; and manifested itself at the operational level, in terms of a *demonstrated focus on professional independence and judgment vis-a-vis government politics in quality assurance decisions and tasks*. Moreover, since this thesis fundamentally examines the pull of the party-political network against that of the professional network, with respect to appointee behavior, it is important to discuss an additional mode of behavior revealed during this case study. It is referred to as the *special interest mode of behavior*, reflecting loyalties and interests tied to individual institutions of higher education, academia, and science. On the one hand, the higher education sector is more or less united in defense of its autonomy, independence, and prestige. On the other, it is also a discordant community of self-interested institutions—a factor which was acknowledged to be heavily influential in MAB's decision-making and outweighing any partisan considerations or biases. As such, the case study of MAB briefly deals with the notion of agency capture (see brief discussion at beginning of literature review) or one manifestation of the influence wielded by “shadow principals” (Adophe, 2013).

4.2.2.1 Loyalty to scientific and academic principles

Professional judgment is often manifested through an actor's demonstrated commitment to a set of common principles in the given policy community. Firstly, it is useful to discuss the professional community's contours in terms of space and interests and how these relate to values. The higher education sector comprises a wide swath of actors and interests—sometimes in concert, sometimes in conflict. The Hungarian sector includes key players, such as the higher education institutions, Hungarian Academy of Science, the Hungarian Rectors' Conference, the Hungarian Academy of Arts, the student unions, the Hungarian Scientific Research Fund, and the Higher Education and Research Council. It also interfaces with the “European Higher Education Area” or “Bologna process”. Together, these overlapping domestic and transnational spaces comprise the professional community⁴⁴.

There were several manifestations of loyalty to ideas and institutions with respect to the professional community which were important to this case. The first was a claimed belief in and adherence to scientific judgment, which is inherently linked to notions of institutional autonomy.

⁴⁴ The government, namely the ministry of human resources and the Education Authority, may be considered as a player in the sector. For the analytical purposes of this study, I make a separation between the political government and the professional community, the more or less independent bodies external to central government. It may be that some members of government would demonstrate loyalties to the sector. This aspect is incorporated into the analysis as necessary.

The Hungarian basic law stipulated that the state is not entitled to make decisions with respect to scientific questions; only the representatives of science could make such decisions (PM4). The conflict between science and politics was built into the system of governance. Secondly and relatedly, there was a palpable pursuit of quality assurance in education. In the European Higher Education Area, this is namely manifested through the European Standards and Guidelines. However, some members of the professional community may not particularly agree or identify with the European Standards and Guidelines, but it is imposed upon them and integrated into their institutions. In addition, programs or higher education institutions which are not deemed fit for accreditation would theoretically—as a form of sanctioning—have their operational license revoked or refused renewal. Therefore, also for purposes of survival, income, and prestige, actors had an interest in maintaining the quality of their institutions—to avoid being named, shamed, rendered inoperable, or to retain their competitive position.

Plenary members—past and present—insisted they prioritized quality assurance, were independent, and not influenced by any political interest. Even if they shared some common values or perceptions with the ruling Fidesz-KDNP government, ministerial delegates readily pointed out the issues on which they deviated in reflection of their expertise (discussed below). There was also the prevalent mantra that the plenary “has to focus simply on quality, nothing else” (PM2). As such, there was a strong and repeated expression of commitment to the idea of quality assurance. Higher education is not a cohesive and harmonious sector as such, but there is nevertheless a discernable wholeness to its interests and values when there is a shared perception that its autonomy, independence, and international prestige are collectively threatened by government. When the president of the Hungarian Chamber of Commerce and Industry endeavored to curtail higher education’s autonomy, the sector was effectively united in opposition against this perceived infringement. And despite its open support of the Fidesz-KDNP government, the Batthyány Society of Professors also admitted to “express[ing] [its] reservations of the content and style of [the ruling government’s] governance” (Professzorok Batthyány Köre, 2012a)⁴⁵. There was indeed a palpable tension between the ruling government and the higher education sector as a whole; notwithstanding individual actors’ sympathy towards Fidesz-KDNP; the higher education sector was not keen on the government-friendly president of the chamber and his public attack on the sector’s autonomy (NPM6; NPM8). Thus, it is one thing for new appointees to harbor sympathies with the ruling government, but it is quite

⁴⁵ One well-publicized example is the plagiarism case surrounding the previous Fidesz-affiliated president of the Republic of Hungary, Pál Schmitt. PBK openly declared that “Pál Schmitt’s doctoral thesis unfortunately does not follow the norms of ethical science” (Professzorok Batthyány Köre, 2012b).

another to completely abandon the interests and values of the professional community in which their careers are cemented.

An interviewee familiar with the delegation process emphasized that plenary nominees were those “who really understand the job,” and “excellent in their professional position” (NPM6). Another interviewee underscored that it was a “fortunate constellation of the things” that then minister Miklos R  thelyi—himself a professor and very familiar with the “academic scene”—was involved in the delegation process” (NPM8). A colleague underscored this sentiment: “Unfortunately, the current minister is a politician and not coming from the university system . . . which means that the same let’s say assurance is not existing. And this is always when the government members are politicians, of course, and [. . .] not really expert in a given field” (PM2). In other words, even on the principal’s side, the shared goals of the professional community were important considerations in making the selections⁴⁶.

Formally, there is a prevailing and deeply ingrained understanding in the academic and scientific community which places concepts such as *impartiality* and *objectivity*, on a high pedestal. MAB not only required its plenary and expert committee members to sign a “no-conflict-of-interest” declaration but it also featured a code of ethics and operated an ethics committee (Magyar Fels  oktat  si Akkredit  ci  s Bizotts  g, 2004; Report of the panel of the external review of HAC, 2013, p. 38). This was a manifestation of institutional and ideational loyalty which could also reinforce self-interested goals, such as one’s prestige and reputation in the sector. One interviewee emphasized that the code of ethics “is something which [. . .] normally one would expect from someone” in this position because it’s “common sense,” something “reinforced by the written words” but that you should also “have inside” (PM6). A colleague illustrated the implications of this innate understanding: “[. . .] I try to avoid to involve the friends and enemies in the evaluation” (PM2).

Moreover, actors in the higher education sector were expected to commit to the European Standards and Guidelines. The new president himself referred to ENQA as a “high standard” and “considers it important” that “despite the scarce financial resources, that [MAB] should occasionally take part in ENQA meetings” (Magyar Fels  oktat  si Akkredit  ci  s Bizotts  g, 2013b, pp. 14, 16). President Bal  zs also highlighted the serious implications of ENQA’s review of the organization, pointing to the “potentially tragic consequences” for the export capabilities of highly valued sectors (Magyar Fels  oktat  si Akkredit  ci  s Bizotts  g, 2014a, p. 14). President

⁴⁶ It is interesting to note that former Minister R  thelyi himself resigned from his ministerial post in May 2012 (Lemondott R  thelyi Mikl  s, 2012).

Balázs's sentiments reflected his predecessor's high esteem of ENQA and MAB's active involvement in the network, as demonstrated by his continuous references to ENQA and the European Standards and Guidelines in various statements. This illustrates how in a context where the ruling coalition passed and implemented legal measures threatening the higher education's autonomy, performance, and reputation as part of a radical political transformation, there were shared loyalties to ideas and institutions differentiating the sector from party politics.

Through a continuing emphasis on ENQA's elevated importance and MAB's seminal role in its establishment, the otherwise politicized MAB presidency maintained the organization's identity as inherently connected to the European epistemic community and, in this sense, did not facilitate any second order changes which would have seen MAB deliberately distanced from ENQA. MAB's reputation as one of the founders of ENQA and its active membership constituted an important aspect of the Hungarian higher education sector's international reputation—vital to the sector's success and survival both internally and externally. According to the ENQA review report: “[MAB] remains widely recognized by the HEIs and other stakeholders as a major actor of quality improvement of the Hungarian HE system” (Report of the panel of the external review of HAC, 2013, p. 41).

ENQA's suspension of MAB's membership was a testament to how the mere intention and implementation of politicization—never mind the behavioral implications—violated transnationally accepted norms. It threatened the international standing of Hungary's quality assurance system, i.e., MAB's reputation as “one of the QA agencies which was absolutely trustworthy” (Magyar Felsőoktatási Akkreditációs Bizottság, 2012d) and an “active and well-respected member” of ENQA (Hopbach, 2012). Therefore, the revoking of MAB's membership in ENQA already threatened the standing of Hungary's higher education system as a whole. The enduring commitment to ENQA and the European Standards and Guidelines on the part of successive plenaries indicates that the European pull was stronger than partisan sympathies or wholesale policy preferences.

4.2.2.2 *Manifestation of the operational level*

Beyond commitment to academic and scientific principles, the professional mode of behavior manifested itself at the operational level, in terms of *a demonstrated focus on professional independence and judgment vis-a-vis government preferences in quality assurance decisions and tasks*. However, it is

important to highlight the prevalence of a *special interest mode of behavior*, particularly vis-à-vis the partisan mode of behavior.

Notably, all interviewees insisted that MAB aims to carry out its work professionally and independently despite contextual circumstances. The overwhelming majority claimed that the channeling of influences—regardless of their source—was tempered by decision-makers’ commitment to professionalism. Effectively, everybody claimed that “professionalism was always the main input” (PM4); that the “dominant” approach at MAB was “definitely based on professional and expert grounds” (PM3); that MAB “still has prestige” because it is “undeniable that if you bring so many professors together, then “it really means something” (NPM4); that MAB has “always been fairly independent” (NPM3); and that “each member” is “intelligent,” and „everybody wants to take this stuff seriously” (NPM2) (as stated by an otherwise rather cynical interview partner). A colleague explained: “my experience [is that] members behave professionally—think, communicate, argue, and behave professionally” (PM1).

However, more nuanced statements by some interviewees demonstrated that what constitutes “professionalism” or “quality” is not uncontested even in the professional community. For example, one interviewee comments that “just because you are a great scientist, [does] not necessarily [mean you are] a good educator” (NPM1). Another interviewee considered it “bad” when the Hungarian Academy of Science’s delegation allocation was too high because accreditation was disproportionately judged on scientific rather than pedagogic grounds—criteria which had been, according to the interviewee, under-developed in MAB’s twenty-year history (PM3). In essence, when professional considerations came into play, depending on their organizational perspective, actors could disagree on which elements constituted “quality.” Nevertheless, in addition to the interview responses and published documents, a survey completed by MAB’s plenary members also indicated that a professional consciousness was ingrained in the organization’s work. For example, survey participants had the opportunity to answer the following open-ended question: *According to you, what are MAB’s most important strong points?* Many answers focused on aspects of professionalism, such as “professional capabilities,” „representation of disciplines,” „commitment to quality,” „considerably independent decision-making from institutional and field-specific interests,” „in spite of the critical questions raised due to the *de jure* delegation system, the demonstration of *de facto* independence in decision-making” (Magyar Felsőoktatási Akkreditációs Bizottság, 2013c).

Moreover, the notion that MAB's participants were committed to professionalism was also a commonly held perception outside of the organization. As the five-year ENQA review noted (covering both presidencies treated in this thesis):

”The one clear statement that appears in the periodic surveys returned by evaluated institutions and by peer reviewers is the acknowledgement of the professionalism of the HAC and its staff in following and supporting the evaluation procedures.’ This view was confirmed during the site visit by a number of interlocutors” (Report of the panel of the external review of HAC, 2013, p. 38).

One outsider referred to the “absurdity [of] the present Hungarian situation” in which “now a formal, legal platform [. . .] could lead to dreadful things” (NPM9). He/she juxtaposes this with the quality of the politicized plenary: “And you know what? These are very good people, very reflective.” Another interviewee, from a higher education institution which had undergone MAB evaluation procedures, observed in regard to plenary members: “my impression is that, besides their political sympathies, they have another side that is concerned with academic quality” (NPM10). The individual elaborated that they “also have other loyalties to [the] profession [. . .] which can at times be in conflict with their political loyalties.”

A number of external surveys underscored this general impression. Each year, MAB conducts a satisfaction survey. Participants include representatives from evaluated institutions and programs, as well as visiting committee members. The external feedback surveys completed by representatives of higher education institutions and review committee participants indicated that a rather comfortable majority of respondents were either *totally satisfied* or *rather satisfied* with many dimensions of MAB's inputs and outputs. With respect to the institutions surveyed, the majority of responses indicate either *totally satisfied* or *rather satisfied* across the different survey categories and throughout the years analyzed (2010-2013). With the exception of the visiting committee's work, rates of satisfaction increased for 2013, the second year of the new plenary's term⁴⁷. There is nothing to indicate that political partiality was perceived as a problem (Magyar Felsőoktatási Akkreditációs Bizottság, 2011a; Magyar Felsőoktatási Akkreditációs Bizottság, 2012b; Magyar Felsőoktatási Akkreditációs Bizottság, 2012c; Magyar Felsőoktatási Akkreditációs Bizottság, 2014f).

⁴⁷ The occasional dissatisfaction with the communication between institutions and the secretariat or the comparatively shrinking rates in total satisfaction with regard to the visiting committee's work, could very well be due to the formal procedural changes introduced with the 2011 HEA, which carried important consequences for MAB's daily operations.

Most of the visiting committee participants' responses regarding MAB's weak points in institutional quality assurance were focused on professional questions regarding evaluation content and processes. These are rather an indicator of ongoing debates about "quality" and organizational technologies, not of political pressure and influence filtering into the organization. Other than references to the legal situation in 2012/2013, there is nothing to indicate that the new plenary would have been a specific cause for concern, in terms of generating politically biased decisions following on the visiting committee's work (Magyar Felsőoktatási Akkreditációs Bizottság, 2011c; Magyar Felsőoktatási Akkreditációs Bizottság, 2012f; Magyar Felsőoktatási Akkreditációs Bizottság, 2012g; Magyar Felsőoktatási Akkreditációs Bizottság, 2014g).

As discussed above, even if some plenary members sympathized with the Fidesz-KDNP-led government, they also demonstrated their loyalties to the profession. Interviewee responses and anecdotes reveal that there was a conflict between plenary members' partisan sympathies and their professional judgment. One interviewee simply stated that MAB's plenary members may sympathize with the current government, but "think independently" (NPM5). Another plenary member talked about engaging in "very bitter discussions" with friends or acquaintances involved in politics, maintaining:

"My political sympathies do not influence my well-founded opinions on higher education—the role of higher education, the quality assurance of higher education. And. . . I think . . . all of us, or almost all of us, think like that" (PM8).

Moreover, of the politically appointed president, colleagues described President Balázs as having "never been involved in politics" and as "not someone you can influence very easily," "especially not when it comes to professional expertise," and as an "outstanding expert" (NPM3; PM8). A student union representative underscored this:

"I think that they are experts in the first place. So, obviously for some reason the new regime considered him and the new delegates more suitable. But I don't think that these people are acting according to some political mandate. In my opinion, this is relegated to the background" (NPM4).

This dominant commitment to the profession and, thus, professional mode of behavior, was also reflected in specific cases of decision-making. For example, with regard to the structural design specifications of doctoral schools, MAB actively asserted its expert opinion on the matter despite pushback from the ministry. In Hungary, PhD schools must be comprised of a set of core members in order to be accredited and licensed. A current plenary member explained that MAB,

together with the Hungarian Doctoral Council, prepared a government decree regarding the 2011 HEA to improve the regulation of doctoral schools—“to avoid that some of the low level ministerial staff make something which is absolutely useless” (PM2). Another interviewee’s narrative strikes a triumphant tone: “at the end, we won” (PM8). This was after MAB had communicated its recommendations to an initially reluctant ministry.

In a similar vein, there was the case of the National University of Public Service. One interviewee described it as a “highly political issue” because it is a “pet of the government,” with a lot of funds being allocated to the merging of three faculties into one large public service university (PM1). The plenary agreed that the PhD program submitted for accreditation did not have a proper foundation, anonymously communicating its decision not to accredit the program. One interviewee recounted the responses on both sides: “And [minister] Pintér⁴⁸ doesn’t like this view, but this is the accreditation conviction and we will never change our opinion because we are responsible for quality [. . .]” (PM8).

Another well-publicized example is the vocational education and training scandal. In order to ensure that vocational education and training programs could be published in the higher education guidebook by early 2013, MAB had roughly one month, including the Christmas and New Year’s holidays, to evaluate. MAB deemed around 100 out of the 240 submitted “unfit” to be licensed (either “fail” or a “gray zone”), with forty-two programs which would not be supported (NPM8, PM1; also Report of the panel of the external review of HAC, 2013, p. 21). But with only three people working on higher education issues at the Education Authority, the government office “could not handle all the resolutions in a short time,” particularly since “there is no prescription as to how they should take into account [MAB]’s opinions” (NPM8). An interviewee describes how this bureaucratic challenge resulted in the sidelining of MAB’s decisions:

”When they realized that there are so many cases, so little time, so little staff power, and they had some negotiations then with the ministry, and the decision was made basically by the ministry . . . that all the programs should be licensed [. . .] And with all the problems related to the legal regulations, related to the procedure, and the lack of time, and the terrible work which had to be done by experts, etc., and we very honestly confessed that we know that the work, although done, but it is not perfect” (NPM8).

⁴⁸ Sándor Pintér, minister of internal affairs from 2010

As ENQA's 2013 review of MAB recounts, the Education Authority not only overturned MAB's decision regarding the forty-two programs, but "[t]he Ministry changed the [MAB] decisions, considering them as opinions based on different criteria, than those accepted by Educational Authority" (Report of the panel of the external review of HAC, p. 21). One interviewee's narration demonstrates how strong the sense of professionalism and expertise was among higher education actors. According to him/her:

"But [the Education Authority] simply wrote a letter to the institutions saying that MAB did not understand the rules and, therefore, its opinion cannot be taken into consideration. And that's it! One deputy head of department signs it. He knows better than 230, eight sub-committees, and an eighteen-member plenary" (PM4).

The interviewee added that, despite this eventuality, the politicized MAB "is a pleasant surprise" because "they didn't agree with this and they protested against it" (PM; also Magyar Felsőoktatási Akkreditációs Bizottság, 2014a). One interviewee expressed themselves in the following terms: this "raping" of MAB is going to have "greater consequences" in the future despite that it may have helped a couple of institutions for the time being (PM7). Another interviewee offered the following interpretation of the new plenary's behavior: "because these individuals are conscious of being politically appointed, in order to avoid the impression of proceeding on the basis of political loyalties, they are actually more rigorous at adhering to professional standards than otherwise" (NPM10). He/she elaborates that, under the new plenary, "it still feels that it operates for better implementation and is willing to engage in controversy [. . .] with government."

Taken together, the examples of MAB's work conduct and decision-making documented above are indicative of the dominance of the professional mode of behavior vis-à-vis the partisan mode. This reflects affiliation with the higher education sector and its complex set of goals. The information analyzed and presented in this thesis furthermore shows that, during the period studied, the professional mode of behavior did not lead to palpable second order changes upon the politicization of the plenary membership.

It is important to discuss an additional empirical finding about the role of loyalties and interests tied to individual higher education and academic institutions in the form of—what this study refers to as—the *special interest mode of behavior*. While, on the one hand, the Hungarian higher education sector was united in defense of its autonomy, independence, and prestige; on the other, it was also a discordant community of self-interested organizational actors and coalitions of organizational actors—a factor which was acknowledged to be heavily influential in MAB's

decision-making and considered more likely to conflict with professional judgment than partisan interests.

As the interview and documented materials reveal, the sector is comprised of hundreds of institutions harboring their own set of goals—which may or may not be conducive to a united professional front. A special-interest mode is channeled through two mediums: the delegating institutions representing more collective interests (e.g., Hungarian Rectors' Conference) and individual institutions of higher education. There was a great deal of disagreement or ambiguity among interviewees about the consequences of the past influence of the Hungarian Rectors' Conference as the dominant delegator. However, they were observably more united in their assertion that the interests of individual institutions of higher education reign. In other words, this is a behavioral mode deeply embedded in the professional community which most readily manifests an actor's self-interest in income and prestige, as well as loyalty to a particular institution.

As one student union argued:

“MAB is not independent from institutions of higher education; rather, higher education institutions are practically evaluating each other. It is individual organizations (Hungarian Rectors' Conference, National Union of Students in Hungary, National Student Council, etc.) delegating members who are responsible for quality assurance and supervision. That's why we can claim that this is about an organization occupied with interest representation rather than quality assurance . . .” (Magyar Felsőoktatási Akkreditációs Bizottság, 2011b, p. 23).

Reflecting this sentiment, colleagues and participants argue that: “it's much more influenced by the institutions standing behind the person than by any political affiliation or sympathy. . .” (PM8), “very often” there were situations “where somebody would quite openly represent the interests of his institution” (PM3), and “everybody in higher education is tied to an institution whose development they are devoted to [. . .]” (NPM3). Indeed, in the executive summary of the 2010 annual report, the former president admitted that, despite having each member and participant sign a conflict of interest declaration, “[MAB] knows that external observers are of the opinion that organizational affiliation is not a neutral factor” (Magyar Felsőoktatási Akkreditációs Bizottság, 2011b, p. 11).

One participant elaborated that the issue of influence in MAB is a “very complicated story” due to “complex networks,” where “personal relationships” carry a “much more serious impact”

and people “push [their] own institute or university.” As a result, there is the perception that “if you’d like to kill me, I’ll kill you next time” (NPM2). Two interviewees talked about the role of experts from “big Budapest universities” in the stricter evaluation of programs and institutions in the provinces (PM8, NPM9). However, the opinions of the two interviewees seem to differ as to whether the situation has improved. Nevertheless, even ENQA’s 2013 review of MAB highlighted the infiltration of “institutional interests” and the “small country effect,” which raises a red flag per the European standard and guideline on independence (Report of the panel of the external review of HAC, 2013, p. 35). These observations indicate that, within the professional network of Hungarian academia, special interests were a given factor in decision-making across MAB’s different decision-making organs, including the plenary. This carries an important implication for the overall analysis of appointee behavior in this thesis. Rather than the partisan mode of behavior, the act of protecting one’s own workplace and professional security was the influential behavior conflicting with professional judgement and ethical decision-making—even prior to MAB’s politicization.

4.2.2.3 Discussion

The evidence analyzed in this section overwhelmingly points to the dominance of behavior associated with commitment to higher education and its organizations, not commitment to the partisan network. A professional mode of behavior manifested itself in the case of MAB’s newly politicized plenary as an ingrained loyalty to scientific and academic values by affiliation with the professional community and a demonstrated focus on professional independence and judgment vis-a-vis government preferences in quality assurance decisions and tasks. Moreover, a special interest mode of behavior was considered more likely to conflict with professional judgment than partisan interests.

There were several manifestations of loyalty to ideas and institutions with respect to the professional community which were important to this case. The first was a claimed belief and adherence to scientific judgment, which by its nature, is expected to be independent of political influence and, therefore, is inherently linked to notions of institutional autonomy which the professional community in Hungary was keen to uphold against larger political ambitions of the ruling government. Secondly and relatedly, there was a palpable pursuit of quality assurance in education in the European Higher Education Area, which sectoral actors also had an interest in maintaining for reasons of survival, income, prestige, and shared values. Thus, through a continuing emphasis on ENQA’s elevated importance and MAB’s seminal role in its

establishment, the otherwise politicized MAB presidency upheld the discourse of MAB's identity as inherently connected to the European epistemic community and, in this sense, did not facilitate any second order changes which would have seen MAB deliberately distanced from ENQA and European standards.

At the operational level, several factors further indicate a dominant professional mode of behavior vis-à-vis the partisan mode of behavior. Firstly, despite debates concerning notions of *quality*, there was the common and shared perception that plenary members and the organization as a whole conducted their work professionally—as evidenced by feedback in external surveys, ENQA's evaluation of the organization, and the spectrum of interviewee narratives. Secondly, interviewee responses and anecdotes reveal that plenary members' professional judgments were demonstrated to fundamentally conflict with partisan sympathies on several important accreditation issues. The pursuit of quality and other values, such as objectivity, scientific judgment, and impartiality, were demonstrably ingrained and important factors in the Hungarian higher education sector's good national and international standing, as well as in protecting careers and individual reputations. The information analyzed and presented here furthermore shows that, during the period studied, the professional mode of behavior did not lead to palpable second order changes stemming from the politicization of the plenary membership.

Notwithstanding, the higher education sector is also a fragmented community where more immediate affiliations to specific organizations and coalitions of organizations largely influence decision-making behavior. As such, there is the prevalence of other shadow principles—greater sources of pressure than politicians. Rather than the partisan mode of behavior, the act of protecting one's own workplace and professional security was the influential behavior conflicting with professional judgement and ethical decision-making—even prior to MAB's politicization. Thus, it was a combination of a regard for special interests and collective sectoral goals, including interests, values, and prestige, which continued to influence decision-making at MAB upon the politicization of the plenary. In other words, the pull of the professional community was palpably stronger than that of the nevertheless influential partisan network.

4.2.3 Analysis of the organizational mode of behavior

This section maps out and analyzes the extent to which the organizational mode of behavior manifested itself in the case of MAB's newly politicized plenary. The organizational mode of

behavior was increasingly manifested at the plenary level and, importantly, both corresponded with the bounded appointment of the new president and facilitated by the more-or-less permanent secretariat which had cultivated and maintained a developing organizational culture throughout the agency's life. This analysis is divided into two overarching sections. The first will discuss the solid basis for organizational continuity at MAB, in terms of *the role of the secretariat's permanence in upholding organizational culture*. The second will treat the manifestation of the latter at the operational level, in terms of *the struggle for continuity and survival by both presidencies* covered in the study, particularly the continued struggle for independence and financial viability under the politicized presidency.

4.2.3.1 Solid basis for continuity: The role of the permanent secretariat in upholding organizational culture

What is a particularly salient factor with respect to this organizational case study is the extent to which MAB's secretariat—the organization's administrative backbone—remained untouched by the politicization. Its general secretary and other key actors in the secretariat, who had together clocked many years in the institution's twenty-year history, were not dismissed following the politicization and legal revisions. The secretariat was the more or less permanent and continuous infrastructure against the background of changing plenary and sub-committee members and chairs. Throughout the years, the secretariat as a unit had cultivated and maintained an organizational culture, in the form of a reputed organizational identity and relatively stable practices that plenary members were gradually socialized into, thus enabling an organizational mode of behavior on the part of the president and other plenary members .

Similarly, the plenary also continued to be influenced by the preliminary evaluation of the relevant sub-committees of which plenary members were chairs. The core processes of evaluation remained relatively unchanged even after the politicization; any disruptions were rather stemming from the legal changes. The core processes involved the expertise and input of literally hundreds of higher education professionals or a pool of 1,600 academic and scientific experts, who also underwent training and orientations by MAB (Report of the panel of the external review of HAC, 2013, pp. 20-22).

As regularly documented and expressed throughout the interviews, one manifestation of its organizational culture was MAB's enduring, outwardly projected organizational identity in promoting the values and institutions of quality assurance vis-à-vis the higher education sector (e.g., annual reports under Bazsa and Balázs; Hungarian Accreditation Committee, 2013b;

Magyar Felsőoktatási Akkreditációs Bizottság, 2004; Magyar Felsőoktatási Akkreditációs Bizottság, 2013a; Magyar Felsőoktatási Akkreditációs Bizottság, 2011d; presence in the press through the Országos Sajtószolgálat). The observations and sentiments of the International Advisory Board, from an outsider's perspective, underscored this in the context of politicization:

“The Board expressed its concern that these principles [transparency, credibility, and independence], and indeed HAC's visibility as an internationally relevant role model, may be jeopardized by the infringement to the HAC's independence with regard to its membership, decision-making and resources as a consequence of the draft higher education law” (Rozsnyai, 2011).

Although the European standards and guidelines was “the fundamental point of reference for MAB's activities” (Hungarian Accreditation Committee, 2013a), there were a number of specific values which regularly resurfaced throughout documents and the interviews, including: independence of its experts “from every other institutional or organizational commitment”; legality; objectivity; impartiality; transparency; accountability; preparedness and professional rigor; not taking into account educational policy decisions in its evaluations of programs, institutions, or faculties; and “upholding and cultivating contacts” with higher education institutions and other actors in the higher education sector (Hungarian Accreditation Committee, 2013a; Hungarian Accreditation Committee, 2013b, p. 23; Magyar Felsőoktatási Akkreditációs Bizottság, 2004). As further discussed in the following sub-section, in having played a key role in organizational continuity and development throughout the life of the organization, the MAB secretariat was a key socializing agent in delegates' embodiment of MAB's goals.

Notwithstanding the slightly more nuanced perspective of *international* accreditation and quality assurance experts (discussed below), interviewees spoke very positively about the secretariat's contribution to MAB's professional integrity and identity. A source familiar with the government's delegation process revealed that they were “careful” about keeping the secretariat “because every day work is run by the secretariat of the MAB” (NPM6). He/she added that “there was no complaint, no problem with the secretariat.” One source recounted how “all presidents” at the end of their terms “always praised the secretariat.” They maintained that “without the secretariat, the HAC doesn't exist, no matter how clever or how highly ranked an academic is in the academic ranking system or even on the international scene” (NPM8).

Moreover, the secretariat had developed over time relatively stable working methods and processes which were mainly jeopardized by the financing and legal problems, not the

politicization. The organization's elaborate processes, evaluation criteria, information technology, extensive reliance on its website for transparent information dissemination, and knowledge base had stayed relatively stable—indicative of an enduring organizational culture. The reasons cited for the secretariat's indispensability include its monopoly over the "know-how and knowledge" and "institutional memory," which included many years of experience of mostly full-time employees relative to plenary members who were changing every three years (NPM8). One actor explained that the secretariat's continuity helped the plenary because members "have no idea what they are doing when they come in" (NPM7). Another elaborated that the program officers from the secretariat had a "huge impact" on final opinions, with sub-committee chairs usually "just approv[ing]" decisions (NPM5).

Without a moment's hesitation, plenary members praised the secretariat's professionalism and continuity—admitting that it was in many ways the hallmark of the institutions' independence and stability. Former and current plenary members used the following expressions when talking about the secretariat and their relationship with the organizational unit: "professional and helpful," "became increasingly professional," "absolutely perfect and professional," "professional and trustful working relationship," and "that makes me feel comfortable," "very, very good and efficient team," and "the level of thinking is there" (PM1; PM2; PM3; PM5; PM8). Some current plenary members described what the secretariat's role had meant for their work. A current ministerial delegate described his/her working relationship with a program officer as a sort of deliberative process in which decisions "smoothly come together" (PM1). One member recounted how joining a new body involves a "learning curve" and that the "secretariat was a great help" in facilitating their understanding of how MAB works (PM6). A plenary colleague described the indispensability of the secretary general: "essentially without him, MAB wouldn't be able to function properly because he always knows the rules, he always knows what to do by what deadline, who has to be approached, what has to be done" (PM8). Two members expounded on the role of the secretariat's continuity:

"I see that they conduct their work with the same habit and preparedness" (PM4).

"So, there is a major, major membership composition change, but not one single person had been changed in the secretariat. So, it is again from my judgment, from my point of evaluation, it's rather proof of independence [. . .]" (PM1).

The majority of responses from the external feedback surveys completed by representatives of higher education institutions from 2010 to 2013 concerning the work of the secretariat's policy

officers underscored these favorable impressions of the secretariat, indicating either *totally satisfied* or *rather satisfied* (66.7 to 96% range), with 2012 and 2013 showing the highest margins (Magyar Felsőoktatási Akkreditációs Bizottság, 2011a; Magyar Felsőoktatási Akkreditációs Bizottság, 2012b; Magyar Felsőoktatási Akkreditációs Bizottság, 2012c; Magyar Felsőoktatási Akkreditációs Bizottság, 2014f). These interview responses and documented observations indicate not only the secretariat's role in maintaining organizational culture and, thus, facilitating the organizational mode of behavior on the part of the plenary more generally, but underscore the personal and inter-personal factors which played a salient role in the incorporation of political appointees into the organization.

The following sub-section is an analysis of the extent to which the politically appointed president and new plenary indeed acted according to the organizational mode of behavior and were supported by the secretariat in this regard. Indeed, given that the presidential role was considered highly influential in plenary decision-making, the president's bounded appointment and familiarity with the organization together with the the secretariat's role served as a solid basis for aligning the rest of the plenary to existing organizational goals and culture.

4.2.3.2 *Manifestation at the operational level*

In the case of MAB, the organizational mode of behavior would reflect demonstrated commitment to the organization's existing goals, autonomy and independence, and culture. Per the theoretical framework, second order changes would be cultivated and developed organically, rather than due to external political pressure transmitted through the political appointee. Examples abound of MAB fighting for the organizational continuity of its independence and culture under the previous, non-politically appointed president. They included calling for legal and financial stability, as well as publishing declarations of independence, publishing recommendations on preserving MAB's independence in the law, defending MAB against ministerial accusations of non-cooperation, authoring desperate letters to ENQA, making a case for why MAB's work could not be substituted by the ministry, and speaking out against government actions sidelining MAB's decisions and opinions (i.e., Bazsa, 2011b; Bazsa, 2011c; Magyar Felsőoktatási Akkreditációs Bizottság, 2011b; Magyar Felsőoktatási Akkreditációs Bizottság, 2011d; Magyar Felsőoktatási Akkreditációs Bizottság, 2012a; Magyar Felsőoktatási Akkreditációs Bizottság, 2012d).

What were the opportunities for the organizational mode of behavior to manifest itself in the first two years following MAB's politicization? According to a source familiar with the political selection process, the nomination involved "look[ing] around in the sub-committees" and

selecting “able people” who “knew the whole system of the MAB” (NPM6). In other words, there was a conscious effort to conduct bounded politicization. In this way, the principal selected appointees who identified with the higher education sector *and* MAB. Thus, the institutional understandings and relevant experiences were already present in several of the bounded political appointees, including the influential President, Ervin Balázs, who had served as vice president under the previous president.

There are several indications that the president, facilitated by the secretariat’s influence and support, acted according to the organizational mode of behavior in a meaningful and influential way. Firstly, there were ongoing references to sets of values and principles used to delineate MAB’s culture. The European Standards and Guidelines during this time remained a “central and fundamental point of reference” for MAB’s activities (Hungarian Accreditation Committee, 2013a). In addition, independence remained of “special importance” to the organization, and it still promoted the same set of values and institutions which were fundamental to its operations (Hungarian Accreditation Committee, 2013a). In that vein, the new plenary followed on its predecessor by expressing its hope that the necessary legal modifications would be made in order to rectify the situation concerning suspension of the full ENQA membership. In addition, MAB’s 2013-2015 strategy made nine references to continuity concerning its most fundamental activities carried over from the previous presidency (Hungarian Accreditation Committee, 2013a). There were only references to relatively minor adaptations and adjustments now and then, e.g., “emphasiz[ing] quality improvements to a greater degree than it has done so far,” with regard to institutional accreditation; “to make its peer review teams training more intensive”; and to “update” its methodology on evaluating professorial candidates (Hungarian Accreditation Committee, 2013a). Moreover, these goals were being defended per the organizational mode of behavior by the presidency and plenary—not least of all in terms of the organization’s downright survival and right to own tasks that it had developed over time. Even the supervisory committee had stepped up to the plate in this regard (example elaborated in the *analysis of the partisan mode of behavior*).

Secondly, in an expression of self-reflection, an anonymous internal survey completed by plenary members in 2013 was also indicative of participants’ commitment to the interests and values of the organization. When asked about MAB’s opportunities for improvement, participants wrote: e.g., “advocating for the growth of organizational, individual, and financial independence”; “battling for stable operational conditions”; that “MAB’s expert opinions are taken into consideration by the government”; and “to be the conscience of Hungary’s higher education

through consistent and principled work.” When asked about MAB’s greatest challenges, one answer was “political pressure,” another was about infringements on MAB’s independence (Magyar Felsőoktatási Akkreditációs Bizottság, 2013c).

Thirdly, plenary members become increasingly socialized into the organization—a gradual process facilitated by the secretariat. The detailed account offered by one interviewee also showed how demonstration of the organizational mode was contingent on experience gained over time. While the politicized plenary was comparatively more conflict-averse, there were indications that they also defended MAB’s goals. When it came to “professional questions”—for example regarding MAB retaining the right to conduct institutional accreditations—the body was still “strong and serious about independence” and even the politicized president “struggles for the interests of the [MAB]” (NPM8). President Balázs was described as “softer” in the beginning, but as later becoming “more under the influence of MAB’s ethos,” recognizing that the “legal text is the problem, not MAB” and “represent[ing] [. . .] MAB’s interests and without any background thinking of his political commitments” (NPM8). The interviewee insisted that “[MAB] as an organization has had and still has a very strong institutional identity” and that “all members” who join MAB “take up this kind of operation” and “really become a [MAB] member,” with “commitment to professionalism” being “stronger than political commitments” (NPM8). The following passage from the 2013 ENQA review report underscored this observation:

“During the site visit, the Panel noticed the strong determination of HAC for continuing its activity with the same quality and commitment to standards [. . .]” (Report of the panel of the external review of HAC, 2013, p. 41).

One illustrative anecdote is how the secretariat was able to convince the politically appointed president not to accept the ministry and the Education Authority’s proposal that MAB should stand aside and *not* conduct site visits during its evaluations of programs and institutions (NPM8)—an otherwise key element of MAB’s evaluation system. The Education Authority had drafted a proposal for a government decree elaborating the procedures for institutional and program accreditation. According to the authority’s proposal, MAB’s site visits would have been eliminated—a move which violated the European Standards and Guidelines. In a demonstration of the organizational mode of behavior, MAB had been able to negotiate with the Education Authority about retaining some tasks, including, institutional accreditation. Another example was the vocational education and training controversy, in regard to which the politically appointed president squarely stated his conviction that it was not MAB’s “ill-founded” expert opinions

which forced the Education Authority to license the forty-two programs (Magyar Felsőoktatási Akkreditációs Bizottság, 2014a, p. 9).

These manifestations of the organizational mode of behavior manifest as a collective commitment to the most fundamental organizational goals on the part of plenary members. In the first place, the qualification composition of MAB's participants had not deviated from previous cycles. All MAB plenary and sub-committee members were academics and scientists, and all appointments were open and bounded⁴⁹. For open appointees, it was relatively easy to identify with the organization's goals because many of the abovementioned principles reflected an academic mindset. For bounded appointees, it was even easier to do so given both the academic mindset *and* the recent history of their socialization into the organization. As a result and with growing experience, plenary members were well-placed to make statements and take decisions which supported many of the organization's existing goals.

The new plenary's organizational mode of behavior was, however, more subdued as compared to the plenary's behavior under the non-politically appointed president. The former president had spent considerably more time giving presentations and promoting MAB externally in the two years studied (eighteen presentations). President Balázs, on the other hand, had only given two presentations in two years' time (Magyar Felsőoktatási Akkreditációs Bizottság, 2014h). Moreover, MAB's decreased presence in the national press service and the relative lack of statements regarding independence issues (in the annual reports and other communications, as covered in the *analysis of the partisan mode of behavior*) were further indications that the organizational mode of behavior was constrained by a demonstration of political restraint. The first two years of president Balázs's tenure (2012-2013) was comparatively conciliatory and conflict-averse vis-à-vis the government, but, by the second year of his term, the politically appointed president was palpably more outspoken, e.g., about the precarious financing situation and the vocational education and training scandal.

The organizational mode under the politicized presidency and plenary was increasingly visible and audible, though comparatively restrained in given situations. President Balázs promoted the organization to the Batthyány Society of Professors and in the media, including in his *Magyar Nemzet* opinion piece from May 2013, where he lamented that "unfortunately, even policymakers responsible for education don't really know MAB's function" (Balázs, 2013a). He acknowledged

⁴⁹ Whether science and pedagogy are necessarily on equal terms with regard to adequate representation of pedagogy in the plenary is another point (e.g., PM3)—an ongoing debate in the higher education sector which remains outside the realm of this study.

that MAB had “surely made objectionable decisions” in the past, but that there would be “gradually fewer mistakes” thanks to MAB’s decisions being made and supported by “hundreds of distinguished experts, reviewers, and committee members” (Balázs, 2013a). This calculative behavior (relative to his predecessor) carried consequences in terms of a comparatively less visible, audible, and substantive outward assertion of organizational identity.

Further to the question of organizational continuity, especially with regard to organizational structure, Balázs remained committed to the value of external feedback. He re-established the Hungarian Advisory Board, and its members had even expressed their wish to address a joint letter to the Secretary of State for Higher Education to voice their support of MAB’s independence and financial guarantee (Rozsnyai, 2013). Similarly, while the lack of international experts, economic actors, and student union representation in the plenary—a result of the politicization—had been a major point of concern for both ENQA and the International Advisory Board, President Balázs demonstrated his adherence to principles of participation by involving international experts on an ad-hoc basis. Conversely, Balázs had decided to do away with the strategic committee—a structural element which supported the development of long-term organizational goals. But as compared to his predecessor, the new president was more politically sensitive in the context of the Fidesz-KDNP government and, thus, more subdued in his expression of the organizational mode of behavior, especially more so in the first year of his presidency.

More specifically to the issue of independence, there was still a dominant view that MAB should remain functionally independent, but the current plenary was slightly nuanced in its position. Across the spectrum of interview responses, the issue of hierarchy and perceived threats to MAB’s roles and responsibilities were framed as a power struggle along various and nuanced lines of emphasis: a power struggle rooted in government’s attempt to curtail MAB’s role and influence in higher education, a lack of expertise and bureaucratic incompetence on the part of the government, as well as a tendency to downplay the consequences of this manifestation of political control on the part of some interviewees.

Most interviewees, regardless of whether they were a plenary member and regardless of who had delegated them, alluded to the first point about the government’s intention to curtail MAB. Former and new MAB members, including a representative of the Hungarian Rectors’ Conference, referred to: the marginalization of “accreditation” in the 2011 HEA and MAB’s relegated position, where by “[the Education Authority] now asks MAB’s opinion” (PM4); “the last one to two years” as the era in which there was “the greatest decrease in MAB’s role” and

“in which MAB enjoys the least independence and influence with regard to the development of higher education” (PM3); and the intent on the side of the government” to “strictly control higher education” (PM1); ministerial officials “want[ing] to abolish and cease MAB”; the perception that “on a lower level some of the staff at the ministry [. . .] are really not happy about MAB” and that “some of the people doesn’t like if you show them a mirror” (PM2); and that “the government naturally fears that it won’t be able to control it” (PM7). In other words, there was a dominant view that government was encroaching in technocratic territory better left to the expertise of relevant stakeholders. On the other hand, one plenary member put the Fidesz-KDNP government’s sidelining MAB into perspective. They cited the example of *former* minister of education, Bálint Magyar, who licensed roughly forty programs in 2006 despite a MAB decision not to accredit them. The interviewee argued that this kind of behavior “is always very bad.” (PM2). However, they were more nuanced, citing the possibility that an institution “has an economic and regional role, an important role” and that, as such, “the minister has the right as he is responsible for the policy of the higher education” (PM2).

Nevertheless, the politicized plenary defended MAB’s role in higher education. Not only had the plenary spoken out against the vocational education and training controversy, but one member resigned as a result (Magyar Felsőoktatási Akkreditációs Bizottság, 2014a). In an interview with *Élet és Irodalom*, former president Bazsa noted that even the current plenary had proposed that the minister “not delegate the majority of members” (Bazsa, 2014). Moreover, they supported the election of the president by secret ballot (Bazsa, 2014; see also Balázs, 2013b). In a similar vein, MAB’s published statement on its competencies regarding doctoral schools was a strong statement against political and special interests (Magyar Felsőoktatási Akkreditációs Bizottság, 2012e).

In a further demonstration of the organizational mode of behavior, the politicized plenary was particularly outspoken about the organization’s survival in terms of its financial viability and independence. This behavioral pattern was inherited from the previous plenary and supported by the secretariat. When in 2009 the ministry of education announced budget cuts, the former president “struggled very strongly” for “normal appropriate financing” (NPM8). Even though the former president had been a MSZP/Socialist-affiliated member of the National Assembly and was negotiating with government representatives who “more-or-less shared his political views,” MAB at the time had published on its website a “strong statement” on financing (Bazsa, 2009; NPM8). During one of its first meetings, the politicized plenary endorsed a seven-point statement and proposal on financing which had been carried over from the previous cycle

(Magyar Felsőoktatási Akkreditációs Bizottság, 2012i). Among other things, the document underscored that MAB was “prepared to take on further assignments on top of its existing activities” but found it “unacceptable” that its financing from the central budget had been reduced—that the current allocation could not even guarantee the current level of activities (Magyar Felsőoktatási Akkreditációs Bizottság, 2012i). One interviewee explained that “everybody,” past and present, agreed about the severity of the financing problem (NPM8). This demonstration of continuity in the fight for organizational survival and continuity of practices also came through in the politicized president’s executive summaries in the annual reports. In other words, although half of the current plenary was politically appointed, it continued the struggle for basic organizational survival, as well as for the preservation of the body’s values and most of its institutional elements (the strategic committee being an exception), just as the previous presidency and plenary had.

Collectively, the documented and observed examples of decisions and actions analyzed above are fundamentally manifestations of the organizational mode of behavior, which was more palpable in 2013 than in 2012 against simultaneous demonstrations of political restraint. In other words, a decision-making body which had become unprecedentedly politicized in its composition was rather guarding continuity and became increasingly likely to do so because member socialization was enabled by the long-standing secretariat and facilitated by the President’s bounded appointment. The plenary adopted a more defensive and outspoken position vis-à-vis government, though not at the level and intensity of their predecessor. In a more subdued, cautious and distant fashion as compared to his predecessor, President Balázs carried the torch of organizational survival and was committed to many of its fundamental goals. However, while comparatively more vocal about MAB’s financial survival, the plenary under President Balázs had shied away from long-term strategizing and projecting an equivalent combative outward presence. The organization’s downright survival, continuation of existing activities, and other first order considerations were more pressing. As expected, the organizational mode of behavior did not lead to any second order changes, but corresponded with maintaining the continuity, particularly the organization’s basic survival and independence.

4.2.3.3 Discussion

The organizational mode of behavior was manifested at the plenary level and, importantly, both corresponded with the bounded politicization of the new president and facilitated by the more-or-less permanent secretariat which had cultivated and upheld a developing organizational

culture. Plenary members, included the president, became gradually and increasingly socialized into embracing the organization's fundamental goals and into the existing organizational culture. This organizational mode reflects the behavioral expectations linked to bounded politicization, in the sense that—while the new president and plenary were particularly reluctant to engage in a conflictual relationship with the Fidesz-KDNP government—they were simultaneously and gradually embracing the organizational culture and a stronger commitment to MAB's independence.

Throughout the years, the secretariat as a unit had cultivated and upheld an organizational culture, in the form of a reputed organizational identity and relatively stable practices that plenary members were gradually socialized into—becoming *real HAC members*—thus enabling an organizational mode of behavior on the part of the politically appointed president and other plenary members. In this way, the organizational mode of behavior also depended on the secretariat's knowledge and promotion of quality assurance practices in the organization. The secretariat was a key catalyst for the organization's assertiveness with respect to independence issues, systemic procedural continuity, and MAB's independent identity. Furthermore, the personal and inter-personal factors between plenary members and the secretariat played a salient role in the socialization of political appointees into the organization. It is interesting to note that the change in presidential leadership style placed a greater decision-making burden on the secretariat but occurred in tandem with a reciprocal socializing effect.

Given the highly influential role of the presidency in guiding plenary decision-making, the bounded appointment of Ervin Balázs (the vice president under the politically undesirable President Bazsa) was also a facilitating factor in aligning the rest of the plenary to existing organizational goals and culture. Examples abound of MAB fighting for organizational continuity and independence under the previous, non-politically appointed president. But there were several indications that the politically appointed president, facilitated by the secretariat's influence and support, acted according to the organizational mode of behavior in a meaningful and influential way. Not only were there ongoing references to and self-reflective statements indicating commitment to sets of organizational values and principles on the part of members, but there were examples of the president and plenary defending MAB's basic goals of survival and independence as members became increasingly socialized into the organization.

However, the new plenary's organizational mode of behavior was reserved as compared to the plenary's behavior under the non-politically appointed president. The first two years of President

Balázs's tenure (2012-2013) was comparatively conciliatory and conflict-averse vis-à-vis the government, but, by the second year of his term, the politically appointed president was noticeably more outspoken, e.g., about the precarious financing situation and the vocational education and training scandal. Further to the question of organizational continuity, especially with regard to organizational structure, Balázs remained committed to the value of external feedback. More specifically to the issue of independence, there was still a dominant view that MAB should remain functionally independent, but the politicized plenary was slightly nuanced in its position. The new plenary was particularly outspoken about the organization's survival in terms of its financial viability and independence. This behavioral pattern was inherited from the previous plenary and supported by the secretariat.

Collectively, the documented and observed examples of decisions and actions analyzed above are fundamentally manifestations of the organizational mode of behavior, which was more palpable in 2013 than in 2012 against simultaneous demonstrations of political restraint. In other words, a decision-making body which had become unprecedentedly politicized in its composition was rather guarding continuity and became increasingly likely to do so because member socialization was enabled by the long-standing secretariat and facilitated by the President's bounded appointment. In a more restrained, cautious, and distant fashion as compared to his predecessor, President Balázs carried the torch of organizational survival and was committed to many of its fundamental goals. However, while comparatively more vocal about MAB's financial survival, the plenary under Balázs had shied away from long-term strategizing and projecting a combative outward presence. The organization's downright survival, continuation of existing activities, and other first order considerations were more pressing. As expected, the organizational mode of behavior did not lead to any second order changes, but corresponded with organizational continuity, particularly the organization's basic survival and independence.

4.3 *Chapter conclusions and discussion*

In the case of MAB, the politically appointed president—a bounded appointee—and the politicized plenary demonstrated behavioral patterns reflecting a complex combination of the three modes of behavior, as well as the special interest mode. This study furthermore demonstrates the understanding gained from analyzing appointee behavior based on different modes of politicization and actor affiliations. In the case of MAB, professional and organizational goals were the frames of reference, while partisan goals were subordinated to the latter. Appointees served the partisan agenda insofar as it served their professional goals and, by extension, organizational goals.

Firstly, appointees themselves were individuals with often complex histories and affiliations. In the case of MAB, this is particularly marked since MAB's plenary members tended to be seasoned academics, usually middle-age or older, who had cultivated their reputations and networks over many years. One of the most salient affiliations was the wider professional community of academia, science, and teaching—a distinguished and generally well-reputed community with a long-standing set of more or less stable goals which demonstrably played a role in framing plenary member behavior. This included commitment to overarching academic values and principles, but also commitment to the interests of individual organizations to which careers were inherently tied.

Secondly, the appointees entered a stable and relatively untouched organizational culture, including sub-units of decision-making, a main decision-making body, and a secretariat. The opportunities for political appointments to wield influence depended not only on the MAB's individual plenary members, but also on other organizational dynamics, including the administrative backbone and the organizational culture that it had upheld. The analyses of the four modes of behavior indicate that appointees responsible for high-level decision-making prioritized commitment to their professional community and, over time, increasingly to the accreditation agency itself. In this way, the professional, organizational, and special interest modes of behavior—all inherently based in the same professional community—were mutually countervailing vis-à-vis commitment to the Fidesz-KDNP's policy and governance goals. Notwithstanding, there were behavioral patterns on the part of the politicized president and plenary which correspond with the partisan mode of behavior.

The politicization of MAB in 2012 demonstrates the palpable changes in policy views following the dramatic decline in the delegation rights of the Hungarian Rectors' Conference and the minister's comparatively dramatic increase in his delegation rights. It is therefore unsurprising that the new politically appointed president and MAB's other ministerial delegates seemed prepared to accommodate the government and its allies in a reform of higher education which parted with the status quo. It was not a secret that some plenary members—even if they were not outright members of Fidesz or KDNP—were more supportive of the Fidesz-KDNP than the previous Socialist-led government. Membership in the Batthyány Society of Professors was one indicator, another was the conspicuous differences in the policy preferences (regarding the over-supply problem and demographic crisis) and political undertones of the internal documents and press

statements made by President Balázs and former President Bazsa. Yet, while supporting Fidesz-KDNP's reform agenda to significantly rethink the status quo, Balázs did not agree with the hasty method of reform. Moreover, the lack of consistent and systematic accreditation decisions favoring a downsizing of programs and institutions shows that, firstly, the partisan mode of behavior on the part of the plenary and its president was relegated to the background and, secondly, that there was no clear shift in policy goals or second order change reflecting partisan preferences.. Notwithstanding, Balázs's presidency featured a light form of the partisan mode of behavior, particularly in the first year of tenure. The new president and plenary were not radically transforming the organization's mission to reflect partisan goals, but there was demonstration of political restraint—comparatively restrained communications and neglecting long-term strategy—in order to avoid further conflicts between the ruling government and the organization. In this way, MAB was creeping toward a second-order change that, given a longer time horizon and all else held constant, could see the organization's identity and goals fundamentally altered.

By 2013, however, there were indications that even the light form of the partisan mode of behavior was checked, in particular, against the organizational mode when the new president's communications became increasingly outspoken about issues of organizational survival, namely financing, independence, and a scandal in which MAB's expert-based decisions were sidelined by the Education Authority. The case of MAB demonstrates that the politicization of its plenary mainly reflected the dominance of behavior associated with commitment to higher education and its organizations, not commitment to the party-political network. A professional mode of behavior on the part of MAB's politicized plenary was manifested in the form of ingrained loyalty to scientific and academic values; a demonstrated focus on professional independence and judgment (vis-à-vis the Fidesz-KDNP government) in quality assurance decisions and tasks; and loyalties to individual higher education and academic organizations—the latter being a greater source of pressure than politics. Rather than the partisan mode of behavior, the act of protecting one's own workplace and professional security was the influential behavior conflicting with professional judgement and ethical decision-making—even prior to MAB's politicization.

The organizational mode of behavior became increasingly palpable in 2013 as compared to 2012 against simultaneous demonstrations of political restraint. The plenary, which had become unprecedentedly politicized in its composition, was rather guarding continuity and became increasingly likely to do so because member socialization was enabled by the long-standing secretariat and facilitated by the President's bounded appointment. In a more restrained,

cautious, and distant fashion as compared to his predecessor, President Balázs carried the torch of organizational survival and was committed to many of its fundamental goals. However, while comparatively more vocal about MAB's financial survival, the plenary under Balázs had shied away from long-term strategizing and projecting a combative outward presence. The organization's downright survival, continuation of existing activities, and other first order considerations were more pressing. As expected, the organizational mode of behavior did not lead to any second order changes, but corresponded with organizational continuity, particularly the organization's basic survival and independence.

The MAB case study demonstrated that a partisan mode of behavior was *not* ensured and *unsustainable* given: (1) the absence of direct partisan affiliations and ties with the ruling government on the part of plenary members, despite shared policy or programmatic preferences; (2) plenary members' stronger affiliations and demonstrated commitments to the larger academic and scientific community and its specific organizations; and (3) the gradual increase in the organizational mode of behavior vis-à-vis the partisan mode due to a combination of the bounded appointment of the president and socializing influence of the permanent secretariat (the professional cadre and management infrastructure). The bounded and open appointments to the plenary filtered opportunities for deterministic devotion to partisan agendas. As such, this study demonstrates that the bounded appointment of the executive leadership combined with the permanent, influential, and expert-based management infrastructure were key in upholding organizational continuity and avoiding aggressive second and first order changes in the context of radical political transformation.

5 Thesis conclusions and discussion

This dissertation argues that the extent to which appointee behavior and organizational changes reflected partisan agendas under the Fidesz-KDNP supermajority were multifaceted and dynamic processes in the two independent organizations studied. These dynamics varied in the two cases because political appointee behavior and subsequent organizational changes depended on: (1) differences among appointees in their ranking of partisan, professional, and organizational goals; (2) whether the professional cadre had remained relatively intact versus significantly disrupted through new recruitments, promotions, and exits; and (3) whether the influential figures in (middle) management actively welcomed and/or facilitated second and first order changes.

These factors and processes manifested themselves differently in each case. The case study of the National Bank of Hungary (MNB) demonstrated that a partisan mode of behavior was ensured and sustainable given: (1) a strong and uncontested partisan ruling government; (2) the appointment of an active partisan and party architect as governor, alongside the replacement of all monetary council members with mostly political allies of Fidesz or the partisan governor; and (3) the newly appointed leadership acting strategically by taking advantage of internal divisions among a professional core, finding an alliance with a coalition of the willing and implementing a hierarchical organization structure for the swift implementation of second order changes and accompanying first order changes. Importantly, the sustained partisan mode of behavior on the part of the executive leadership and monetary council was dominant relative to the professional and organizational modes. This study, therefore, illustrates how the partisan appointments combined with a divided professional core were key to forging a second order revision of the MNB in order to render the organization an ally and tool of the Fidesz-KDNP government's nationalist economic agenda.

Conversely, the case of the Hungarian Accreditation Committee (MAB) demonstrated that a partisan mode of behavior was *not* ensured and *unsustainable* given: (1) the absence of direct partisan affiliations and ties with the Fidesz-KDNP government on the part of plenary members, despite shared policy or programmatic preferences; (2) plenary members' stronger affiliations and demonstrated commitments to the larger academic and scientific community and its specific organizations; and (3) the gradual increase in the organizational mode of behavior vis-à-vis the partisan mode due to a combination of the bounded appointment of the president and socializing influence of the permanent secretariat (the professional cadre and management infrastructure). The bounded and open appointments to the plenary constrained opportunities

for deterministic devotion to partisan agendas. As such, this study demonstrates that a bounded appointment of an executive leader combined with a permanent, influential, and expert-based management infrastructure were key in upholding organizational continuity and avoiding aggressive second and first order changes in the context of radical political transformation.

On the one hand, the nature of appointee decisions and actions reflecting Fidesz-KDNP's political and policy agenda varied according to the ranking or hierarchy of political, professional, and organizational goals. In the case of the bounded politicization of the executive leadership of the Hungarian Accreditation Committee, the partisan mode of behavior was manifested through shared policy or programmatic preferences and a conflict-averse stance toward the government. But this manifestation of the partisan mode was framed by the prioritization of the goals of the professional community and organization. *Thus, in the case of MAB, professional and organizational goals were the main frames of reference, while partisan goals were subordinated to them. Appointees served the partisan agenda insofar as it served their professional goals and, by extension, organizational goals.* Whereas, in the case of the partisan politicization of the executive leadership of the National Bank of Hungary, the partisan mode of behavior was reflected in demonstrated loyalty to the party, its leadership, and to a nationalist agenda, which fundamentally altered organizational goals and took advantage of wider disagreements in the professional community regarding post-2008 crisis macroeconomic management. *Thus, in the case of the MNB, partisan goals were the main frames of reference, while professional goals were subordinated to the latter. Appointees primarily served the partisan agenda, realigning professional and organizational goals accordingly.*

The comparative exercise reveals that shared values and policy preferences were a weaker guarantee of agent discipline since such appointees were mainly sympathetic or loyal to programmatic and policy goals—not to the survival, solidarity, and power of the party. In the case of MAB, explicit political profiles or strong political ties among the new plenary members were not evident, but they were abundantly evident in the case of the MNB. Bounded and open appointees in the case of MAB were more likely to remain loyal to the organization's continuity and, therefore, did not initiate far-reaching second order or even first order changes. Whereas, partisan appointees in the case of the MNB were more likely to exercise loyalty to the ruling government and, therefore, were part of initiating far-reaching second order changes, as well as any rapid, first order changes that accompanied them.

On the other hand, the role of a core professional cadre within the organization, including influential figures in (middle) management, was markedly important in the facilitation or filtering

of the partisan agenda and, thus, second order organizational changes. The extent to which the partisan mode of behavior was facilitated or countered depended considerably on the affiliations and loyalties of (middle) management (i.e., the general secretary at in the case of MAB) and, in the case of the MNB, from the executive director level). In other words, in the two independent organizations, as in the case of politicized ministries, the role of the “administration” proved essential.

The case of the MNB demonstrates that a major factor behind the second order changes was the critical mass formed around newly inserted loyalists, including parachutists, and active accommodators among the internal ranks of the organization (coalition of the willing), particularly since these figures were promoted to important and strategic middle management positions. Conversely, MAB’s secretariat was comparatively stable, with a longtime general secretary who had served the organization throughout most of its relatively short lifetime. As such, the secretariat was a key factor in facilitating the appointed president’s organizational mode of behavior relative to the partisan mode. Moreover, both cases demonstrated that the professional core, also including policy experts and analysts in non-management positions, were important sources of professional judgment and expert advice. This was particularly evident in the the case of the MNB where the partisan agenda framed core policy decisions and analyses.

Moreover, the influence of transnational policy communities warrants discussion. It had been repeatedly asserted among interviewees in both cases that belonging to the European club had been an important reference of professionalism to organizational actors. Moreover, the quarrels between, on the one hand, the Hungarian government and the two transnational actors in this story—ENQA and the ECB—on the other, showed how transnational institutions can serve as external checks on zealous political interference. They can challenge and/or thwart threats to organizational independence in a context of supermajority rule in which a political mandate was used to legitimize interference with independent institutions. This suggests that partisan appointees must make decisions and take actions rooted in *potentially* competing frames of reference—the partisan agenda, on the one hand, and the set of relevant transnational/European norms and agenda, on the other. In many cases, these are not mutually exclusive. But in cases where they are, the politically appointed leadership must weigh the costs of defying the European club and potentially compromising an important aspect of organizational identity and legitimacy, as well as weighing costs and benefits for narrower sectoral and wider economic interests. Similarly, if European norms and agendas are frames of reference and play an important role in informing the work of the core professional cadre, then transnational institutions and networks can serve as internal checks on zealous second order changes.

Nevertheless, the extent to which these checks are necessarily desirable is another discussion altogether. Moreover, given the populist rise across the member states of the European Union for the time being, the oasis of transnational influence may be drying up.

The dissertation makes a meaningful contribution to politicization research on multiple fronts. Firstly, it unpacks an intriguing manifestation of the phenomenon in the context of the Fidesz-KDNP supermajority in Orbán's Hungary, where an intensified politicization agenda reached independent organizations of public interest in an unprecedented way. This is a unique research agenda covering a less democratically advanced and consolidated region of Central and Eastern Europe, whereas politicization studies of equivalent depths have most often treated the US context. The conclusions drawn from the two comparative cases herein accord with Lewis's (2008) analysis in the case of U.S. presidential appointments that agency heads are less likely to disagree with the political executive. They also reflect analyses by Adolphe (2003), Lewis (2008), Meyer-Sahling (2008), and Meyer-Sahling and Jager (2012) highlighting the salience of different types of appointee profiles. Most importantly, however, the cases analyzed in this dissertation explore these phenomena at deeper levels, illustrating *how* appointee behavior rooted in different profiles and affiliations, on the one hand, and its consequences for organizational change, on the other, unfolded in multifaceted and dynamic processes. The spectrum of political appointee behaviors was rooted in the ranking of political, professional, and organizational goals, involving the role of appointee backgrounds and affiliations as important frames of reference. In addition, appointee behavior and organizational change were simultaneously influenced by the composition of the professional core, including the goals of important strategic actors in the upper ranks of the non-appointed middle management.

Secondly, in proposing and empirically applying ideal-types of appointee behavior, the dissertation offers useful analytical tools which can be applied to both qualitative and quantitative studies. It is the first contribution which adapts Meyer-Sahling (2008)'s conceptual toolkit of modes of politicization to the construction of ideal types of appointee behavior. The advantage of this approach is that it seeks to account for the complexity of political appointees' backgrounds, in terms of career profiles and professional and non-professional affiliations—potential frames of behavior which may encompass interests as well as values. Moreover, the theoretical framework herein makes an analytical link between these modes of behavior and the concepts of “first order” and “second order organizational change”—a higher level of conceptualization.

On the one hand, the comparative cases analyzed in this dissertation also treated observations of organizational change which had been previously treated in the existant literature, including changes to morale, tenure, and incentives; turnovers in management leading to losses in organizational commitment, knowledge, and expertise; new inputs of energy and vision; and institutional instability. But its contribution departs from these comparatively more descriptive exercises and, instead, conveys change phenomena as either an inherent feature of expected incremental change or as a manifestation of a fundamentally more profound reinvention of the organization. This dissertation demonstrates why the distinction in the level of change in political contexts of high polarization is important, most particularly when a ruling party or coalition enjoying a supermajority is in the advantageous position of exercising carte-blanche with few to no veto points. Moreover, the theoretical construct is inherently inter-disciplinary— marrying concepts from political science and organization studies—and, as such, forges further advancements in cross-disciplinary collaboration in the field of politicization research by offering a new and promising set of tools.

As a third meaningful contribution, the dissertation is a testament to the value of detailed process-tracing methods in the examination of political appointee behavior. The level of detail and nuance comprising the analysis sheds light on key mechanisms and processes involved in the manifestation of political appointee behavior and, subsequently, associated organizational change. Furthermore, the comparative, indepth analyses were instrumental in revealing how the particular mode of politicization is indeed an important factor in the pursuit of second order changes or relative continuity. This is important because it demonstrates when, why, and how appointees serve the partisan agenda, providing a nuanced reconstruction which can help us make informed judgments about the *scope, level, and intensity of the consequences* for the organization. These insights are critical for informing normative debates.

Relatedly, the two case studies reveal that organizational change following political appointments are lived experienced crowded with different meanings and interpretations of the organization's identity. The case of the MNB, in particular, shows the divisions among organizational actors in terms of whether they perceived the politicization as a threat or opportunity for the independent organization. This furthermore highlights the challenges of relying on the longheld theoretical and normative dichotomy between independent organizations or professional judgment, on the one hand, and political government, on the other. After all, the political independence of such organizations of public interest are often assumed and taken for granted. However, this

dissertation demonstrates, particularly through the case of the MNB, that even the professional core does not operate in complete isolation from domestic political deliberation and conflicts.

Notwithstanding, the contributions of the dissertation must be appreciated within the confines of its limitations. Firstly, the comparative case studies herein tell detailed stories specific to their respective organizations. Naturally, this presents a challenge to the generalizability of findings across politically independent organizations in Hungary, much less in other political contexts. Nevertheless, the case studies are useful for analytical generalization because they reveal the mechanisms and processes which were demonstrated to be important in both cases, but in different ways. There is no reason why these analytical references cannot be “tested” in other cases or be incorporated into development of politicization theories more generally.

Moreover, the theoretical model, comprising the modes of appointee behavior and corresponding scenarios of organizational change, is both helped and hindered by its embedded ideal-types. Ideal-types are useful for reducing complexity in comparative analyses by categorizing otherwise complex systems, structures, and agents. The trouble with ideal-types is that they are not complete reflections of reality. With respect to the modes of behavior, their conceptual borders may be static, but the actual behavior of appointees is demonstrably multifaceted and dynamic, even in the case of the MNB, where appointees were determined to be rather partisan in their behavior. It is challenging to unpack scenarios of behavior and decide “how much” was partisan or organizational. As this dissertation demonstrates, the opportunity for hybridization of the ideal-types by ranking the modes of behavior per appointee (or group of appointees) is one way to deal with this challenge.

Notwithstanding, particularly in highly polarized political environments where the role of professionalism and “expert” advice in the public realm could be fundamentally called into question, the issue of where we draw the line between the partisan and professional modes will have to be the subject of considerable debate. In addition, as the case of the MNB demonstrated, the theoretical framework does not explicitly address the blurring of the partisan agenda with the more personal/inter-personal interests of the Fidesz-KDNP “political family” (Magyar, 2016; Kósa, 2017). Relatedly, the same case study raises questions about manifestations of the professional mode of behavior which are unrelated directly to the policy field in question. For example, Fidesz artfully employed its community of lawyers to entrench its political power. Given that a number of the monetary council appointees were actually lawyers and not economic or finance experts, it begs the question how affiliation with an unrelated professional community is rendered a powerful tool for both organizational transformation and entrenching the

overarching political agenda. Future modifications to the theoretical model will have to find ways of better incorporating these dimensions—the personal and “other” professional mode—particularly for improving our understanding of appointee behavior in political contexts experiencing democratic backsliding and of the wider systemic and societal consequences.

From a longterm perspective, the case studies’ timeframe of two years following the political appointments poses an important limit on the full potential of the analysis. Given that the tenures of the appointees were longer than two years in both cases, the studies do not account for the remainder of their tenures. Thus, further developments which remained uncovered could have altered the findings and conclusions. This constrains the possibilities for analyzing longterm implications for the independent organizations—for example, into the next appointment cycle and leadership transition. We lose perspective on the longterm socialization of appointees or on the nature of their continued transformation of the organization. However, conducting studies beyond a two-year time span was unrealistic, and an organization can experience an empirically rich array of events and turning points in two years’ time. The short timespan indeed yielded useful insights and information, especially with respect to second order changes, which carried implications for the changing natures of the organizations, including how the organizations were likely to function and the perspectives they would represent into the near future. Moreover, the studies were conducted during a critical moment for the Fidesz-KDNP ruling government, which was preparing for a highly promising election campaign and eventual electoral victory in the spring of 2014. We could expect that the timely installment of political appointees one-to-two years before the election would yield organizational changes for the benefit of influencing public opinion. From the ruling government’s perspective, the first years of the appointees’ tenures would be critical.

The dissertation also leaves further questions to be explored. On the one hand, there are intriguing empirical questions. On the other, there are nagging, but fundamentally critical normative questions. Regarding the first dimension, are the analytical insights uncovered in the two case studies applicable to other independent organizations of public interest or state institutions, more generally, in Hungary? If so, how? And if not, why not? Likewise, can we observe the same or similar mechanisms and processes in similar types of organizations in other CEE or European Union member states, particularly in situations of rising political polarization? What is the role of dissimilar and varying political contexts? Notwithstanding the limitations and given the outstanding questions it raises, there are many opportunities for future research endeavors to build from this dissertation’s contributions. A number of examples are proposed

here. Firstly, there is a need to apply the analytical tools herein to other CEE countries with high politicization trends. Given the normative debates, it would be prudent to investigate whether similar trends and patterns are observable in other CEE countries, as well as examine the role of European/transnational epistemic communities in either facilitating or countering the advancement of partisan agendas in a variety of different public and quasi-public organizations (e.g., Meyer-Sahling, Lowe & van Stolk, 2015). There is also a need for conducting case studies of equivalent organizations across different political contexts to show whether and how practices of politicization and the overall political environment—for example, a grand coalition environment versus supermajority of one political coloring—would influence political appointee behavior in a comparative sense.

Finally, public policy scholars as interdisciplinary researchers are in an advantageous position to unite perspectives from political science, public administration, organizational studies for further exploring how political appointments influence compositional changes in the organization, particularly with respect to influence on morale and, thus, the identity, goals, and legitimacy of the organization in an important policy area. This is imperative because organizations are comprised first and foremost of people. People define the organization, but people also come and go, and they change. With respect to the political context framing this dissertation, these insights would be invaluable. This dissertation has begun to make some in-roads, but there is great potential to apply qualitative studies to different types of organizations and in different political contexts, including in conjunction with quantitative methods.

There are a number of questions this dissertation raises or revives with respect to the normative dimension of politicization, particularly given the specific Hungarian political trajectory summarized in the introduction. The dissertation has made some in-roads regarding how political appointees facilitate or counter the partisan agenda. But a more fundamental question is: how do appointees and the actors inside organizations facilitate or hinder a political trajectory more generally—e.g., toward democracy, partocracy, or authoritarianism? What are the boundaries between professional judgment and political judgment in the course of these trajectories? Does the so-called populist dismissal of “independent” expert advice in Hungary, in other European countries, and in the United States signal a *post-information age*? For example, as of yet, there has not been a full systemic assessment of both the role and behavior of political appointees across the entire state apparatus, including (formally) independent organizations, in the continued entrenchment of Fidesz-KDNP since 2010 and the 2014 re-election. Do situations of democratic backsliding change the nature of expertise, professional judgment, and

information? After all, the assumed diametrical opposition between the myopic politician, on the one hand, and farsighted policy expert, on the other, may be even less relevant in so-called illiberal democracies, autocracies, or partocracies, where the autocrat or ruling party cement their executive power for the long haul. Relatedly, as the case of MAB in particular demonstrates, legal threats to organizational autonomy and independence may reduce the relative importance of political appointments.

These questions revive old debates about the tension between *what* is professional and when can professionalism itself be construed as political? At the time of writing, there is a great swell of public discourse and debate concerning the oft-cited rise of “populism” in the western world—a broader trend under which Fidesz-KDNP’s political strategies and related politicization are typically classified (e.g., Bozóki, 2012a Brouillette, 2014; Haraszti, 2016; Jones, 2016; Müller, 2016). This evolving context effectively and irreversibly alters the conversation of *what* is professional and fuels the debate on how much de-politicized technocratic governance is desirable. The case of the MNB in particular demonstrates this. Its politicization was unfolding against broader transnational debates in Europe about macroeconomic management in the post-2008 financial crisis period and against the wave of populist responses to widespread public disenchantment with the democratic fallout from technocratic governance of the economy.

In our assessment of the ills and virtues of politicization, we have to consider when and how actors—such as in the bounded and open case of the MAB—sync with or depart from partisan goals. Do competing affiliations act as a check against partisan zealotry? And are there cases where such checks are *undesirable*? Relatedly, we have to bear in mind that organizations are not homogenous entities. They comprise different groups or coalitions of professional actors, which may have competing ideas about organizational goals and missions. When is organizational continuity *undesirable*? This presents an additional challenge for normative assessments of politicization. But a surge in populist politics and rejection of independent expertise and technocracy unfolding at the time of this writing is a testament to the pressing need to engage with these challenges. Although this dissertation was not intended to answer such overarching questions or to take a normative position, it has nevertheless contributed a unique empirical analysis and a promising set of conceptual tools to further advance politicization research and help inform these debates at such a critical time in our history.

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