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Accounting for Organisation and Financing. A Comparison of Four Hungarian Parties

ZSOLT ENYEDI

Abstract

This article analyses the financial and organisational profile of the major Hungarian political parties. The question investigated is whether the structure of income and expenditure and the organisational make-up of parties are related to each other, and whether these patterns are compatible with the general rules of party finance, the ideology and power position of the parties, as well as general political development. The analysis of the empirical data finds a correspondence between the regulation of party finance and the generally high level of party centralisation. The structure of expenditure was found to be most closely related to party size, but size did not explain the ratio of donations. As expected, conservative parties tended to have a small membership and were more dependent on their leaders. However, the role of members, donations and membership fees, and the status of MPs within the party hierarchy were not well predicted by membership in party families. The exact distribution of power within the organisations, and the ratio between the various sources of income and targets of expenditure seem to depend more on the individual trajectories of parties as organisations than on any of the general classificatory schemes.

THE ORGANISATION AND FINANCING OF POLITICAL PARTIES are activities that belong to the backstage of politics. They are rarely transparent and there is rarely any profound public discussion of them. After all, one may argue that the principal job of parties is to offer alternatives in values, public policies and personnel. As long as parties are accountable on these three dimensions it is of secondary importance how they run their internal affairs. However, political scientists tend to show more curiosity. On the one hand, just like politicians, they believe that organising and financing may influence party success. On the other hand, fundamental principles, such as representation, equality and clean governance are seen to be affected by the way parties and candidates structure and fund their operation and campaigns. Interest in these matters often leads, however, to frustration, given the difficulties of studying backstage activities.

This article analyses the financial and organisational profile of the major Hungarian parties. The question to be answered is whether the organisational and financial features of parties display meaningful patterns, and whether these patterns are compatible with the general rules of party finance, the ideology and power position of the parties and the general political development. A large number of hypotheses are examined, contrasting

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data from different time periods and pertaining to different parties, while keeping the political institutional environment constant. These hypotheses are derived from the general political science literature, although many of them have never been made explicit. Reading the scholarship on the subject, one often finds traces of an underlying assumption that posits an inherent link between ideological orientation, organisational style, and means of finance. The major party typologies (Duverger 1965; Neumann 1956; Katz & Mair 1995) classify parties into groups characterised by a combination of these characteristics. For example, the mass party type is supposed to be financed by membership fees, have strong internal democracy, and be associated with collectivist ideologies, mainly of the leftist nature, but occasionally also of Christian orientation.

As opposed to the historical approaches that give primacy to membership of ideological party families, rational models should deduce organisational and financial style from the resources possessed by a party. Potential donors should base their support on the likelihood of return in terms of governmental policies and positions. Therefore large and 'coalitionable' parties should differ markedly in their infrastructure and their sources of funding from small and extremist parties.

The distance of parties from civil society and the state may also constrain the ways in which parties organise themselves. The two most often discussed processes that have an effect on party–state and party–society linkages are cartelisation and (especially in the case of new democracies) democratic consolidation. The first would predict the growing role of state subsidies and the decline of the 'party on the ground' (Katz & Mair 1995), while the latter would point to the opposite direction: steady growth of societal resources and internal democratisation. Finally, the income and the expenditure of political parties and their organisational peculiarities are likely to be related to the general regulations concerning party funding. For instance, state finance can help parties to build large-scale bureaucracies. Severe restrictions on collecting donations may steer parties towards relying more on their members or on the state.

Below I review the ideological and power position of the parties and the rules of party finance. Then I present hypotheses for the organisational style and financial profile of parties. In the sections on 'financial profiles' and 'organisational profiles' I describe the actual profile of the four parties, relying on data derived from media reports, statutes and party budgets. In the concluding part I assess the predictive power of various models of party finance and party organisation.

Ideological and power position of the analysed parties and the regime of party finance

Hungary has four parliamentary parties—and these parties have been represented in parliament since 1990.[1] All of them are within the broadly conceived centre-field of European politics, but they represent markedly different ideological currents. Fidesz was originally a liberal party, but has been conservative since the mid-1990s. SZDSZ

[1]At the 2006 election Fidesz ran on a common list with the KDNP (Christian Democratic People's Party), and the latter party established its own faction in the new parliament, but the low electoral support of KDNP (below 1%) and the lack of its autonomy (KDNP politicians must coordinate all their actions with Fidesz) does not warrant the treatment of KDNP as a separate unit.

(Alliance of Free Democrats) is liberal—with leftist cultural preferences, MDF (Hungarian Democratic Forum) is conservative and MSZP (Hungarian Socialist Party) is socialist. Accordingly, MDF and Fidesz are members of the European People's Party (EPP), SZDSZ is a member of the European Liberal Democratic Reform Party (ELDR), while MSZP belongs to the Party of European Socialists (PES).[2]

In recent years, MSZP and Fidesz have regularly received 30–40% of the vote. The other two parties, MDF and SZDSZ, hover around the 5% electoral threshold. SZDSZ has been typically above 5%, and since 2000, MDF has rarely been supported by more than 3% of the electorate. MSZP and SZDSZ were in government from 1994 to 1998, and 2002 to 2006, MDF was in government from 1990 to 1994 and 1998 to 2002, while Fidesz only managed to enter government in the 1998–2002 term.

In Hungary parties can finance themselves via the following sources: subsidies provided by the state, private donations, membership dues, business activities, and the activities of corporations and personal limited liability companies established by them (Enyedi 2005b). The rules of party finance show that the Hungarian state has a very positive attitude towards parties.[3] On the one hand it respects their autonomy to the extreme, and on the other hand it supports them relatively generously. The state budget annually allocates a specific amount for the routine functioning of parties, which is received by the parties' headquarters. Since 2003 the state has also sponsored party foundations that provide scientific and educational background for the parties. The foundations are directly controlled by the parliamentary groups of the parties. The parliamentary groups are themselves also subsidised. The money they receive from the state (which is mainly spent on hiring experts) can reach one quarter of the sum given to the party headquarters. Parliament also finances the salary of at least 13 civil servants per parliamentary group, and a considerable number of clerks and secretaries. In 2005 2.5 billion Forint was given to parties' headquarters for routine activities, 1 billion was given to the foundations, and about the same sum was given to the parliamentary factions. At least 4.3 billion Forint (€16,400,000) from the state budget was spent on parties.[4]

Beyond membership fees and state subsidies, parties can also collect donations. There is no upper limit concerning the amount of contributions they can solicit. Parties and candidates can accept donations from anyone, except foreign governments, enterprises owned (even partially) by the state, state supported foundations and anonymous donors.

The economic activity of parties is exempt from taxation, but the scope of these activities is restricted. Parties can buy securities and bonds, but they may not possess corporate stocks. Parties can also establish regular business companies. Spending is, in general, free from restrictions. But a tight ceiling of 386 million Forint (about €1.5 million) is in place for electoral campaign costs. Parties are compelled to publish their

[2]For a more detailed profile of the parties see Ágh (1995), Körösényi (1999) and Enyedi (2006).

[3]The third paragraph of the Constitution acknowledges the role of parties in the expression of the public will.

[4]The money for electoral campaigns must also be added, but this value represents a relatively small sum (less than €500,000). Nevertheless, the overall support given to parties definitely exceeds the above figure, since free public media during electoral campaigns, privileges in economic activities, or cheap office space provided by local governments constitute further layers of economic assistance.

budgets in the *Magyar Közlöny* (*National Gazette*). The reports on expenditure must contain two main categories. The first one is 'organisational functioning' which includes mainly routine expenses such as salaries, social security fees and taxes. In the tables of this article this category has been merged with a smaller one which covers the purchase of appliances, buildings and infrastructure. The other large category is 'political activity' which includes expenses related to rallies, conferences, media, and various other propaganda activities.[5] The names of domestic donors who give more than 500,000 Forints and the names of foreign donors who give more than 100,000 Forints must be made public. However, the Audit Office has no authority to examine the real sources or to assess the actual costs of campaigning. All the Audit Office can do is check whether the parties respect the formal rules of accounting and demand a new budget in the case of robust violations of these rules.

Hypotheses

The financial regime described above provides good grounds for the development of centralised, nationally organised parties since state subsidies are channelled through the party leadership.[6] Given the generosity of the state, membership fees are expected to count for a small share of party income. Donations, just as membership fees, should be less important because of the existence of significant state support, but, on the other hand, the total absence of restrictions in this area may still drive parties to invest energy into fund-raising. The lack of barriers may act as an incentive compared to other countries where there are usually limitations. Given this structure of finance, members are expected to have little influence, and the party leadership is expected to dominate the parliamentary faction.

As far as temporal changes are concerned, we have two contradictory expectations. According to the democratic consolidation theory parties are expected to become more independent from the state and to have more participatory decision-making, while cartelisation theory would predict the opposite. These predictions are supposed to apply to all Hungarian parties. Different profiles are to be expected, however, if the ideology, size and governmental status of parties have a direct relevance to organisational and financial matters (Table 1).

According to the general literature on parties one can conclude that liberal and conservative parties (or, using another terminology, bourgeois parties), tend to rely heavily on the donations of a few wealthy businessmen, have a shallow organisational structure, respect the autonomy of individual MPs, expect little activity from their members, have fewer members than the socialist parties, and have charismatic leaders (Duverger 1965; Lane & Ersson 1994; Janda & King 1985; Gallagher *et al.* 2001; von Beyme 1985; Gibson & Harmel 1998). These parties are typically dominated by public office holders. There is a considerable variation in terms of power concentration within these parties, but the importance of the leaders and the subdued role of party activists justifies their image as centralised parties.

[5]There are other categories, such as investing into enterprises and 'others', which mainly means paying back loans, but they have less clear relevance to the organisational profile of the parties.

[6]The support for parliamentary groups goes to the leadership of the group, not to the individual MPs.

TABLE 1
HYPOTHESES

Hypotheses based on ideology	*Fidesz*	*MDF*	*MSZP*	*SZDSZ*
Membership size	−	−	+	−
Organisational size	−	−	+	−
Activity	−	−	+	−
Fees	−	−	+	−
Donations	+	+	−	+
Degree of institutionalisation	−	−	+	−
Autonomy given to individual MPs	+	+	−	+
Personalised (charismatic) leadership	+	+	−	−
Hierarchy	0	0	−	−
Complexity	−	−	+	−
Strength of extra-parliamentary wing	−	−	+	−
Expenditure on organisation	−	−	+	−
Hypotheses based on size				
Donations	+	−	+	−
Membership fees	−	+	−	+

While the above schematic description should be applicable to the conservative MDF and Fidesz, one would expect SZDSZ, as a left–liberal party, to be more decentralised and have a less formal internal hierarchy, although all three of them are likely to concentrate their resources on campaigning and not on organisation building. However, according to the stereotypical image of socialist parties, MSZP should resemble the mass party model, with a significant contribution coming from its members, collective leadership, internal democracy, and complex organisation. Public office holders are expected to have a less prominent role in this party. MSZP is also expected to be more embedded into a subculture of civic organisations than the other parties and to outspend its rivals on organisational matters. This is the party that should be most demanding of its members and use their voluntary work most extensively.

The power position of parties also allows for a few, albeit less comprehensive hypotheses. Large parties are expected to attract a larger number of individual and corporate donors than smaller parties. Since the number of voters varies more across parties than the number of members, large parties are also expected to have a lower ratio of members to voters, and a smaller ratio of membership fees in their overall income. Finally, parties in government are likely to attract more donors, and larger donations. If finance and organisation are indeed related, one would expect parties for which membership fees matter least to also be the parties where members have the weakest position in the party structure. The parties whose budget is dominated by state-related sources are supposed to be more centralised than others. Finally, in parties where the extra-parliamentary wing is dominant, organisational costs are expected to exceed the costs of campaigning.

The above predictions can be collapsed into seven broad hypotheses.

1. State subsidies dominate budgets, parties are elitist and parliamentary factions are subordinated to party headquarters (party finance regime hypothesis).
2. As time progresses the elitism of parties decreases and the ratio of non-state resources increases (democratic consolidation hypothesis).

3. As time progresses the elitism of parties and the weight of direct state subsidies increase (cartelisation hypothesis).
4. Fidesz, MDF and SZDSZ have: more (large) donors; fewer, more passive members; less complex organisation; more autonomous MPs; more charismatic leaders; more dominating public office holders; and spend less on party organisation than MSZP. The bourgeois parties are more centralised and less democratic than the socialist party, but SZDSZ has a less formal internal hierarchy than MDF and Fidesz (party family hypothesis).
5. MSZP and Fidesz have more donations, have a smaller ratio of membership to total fees, and a lower ratio of members to voters than MDF and SZDSZ. The latter two parties lost donors, and the ratio of fees in their budget increased as they decreased in size (party size hypothesis).
6. The largest ratios of donations to total incomes are found in the budgets of MSZP and SZDSZ (in government 1994–98 and 2002–06), MDF (in government 1990–94 and 1998–2002) and Fidesz (in government 1998–2002) (government membership hypothesis).
7. The ratio of membership fees to total income is negatively related to the role of members; the ratio of state finance to total income is positively related to centralisation; and the power of the extra-parliamentary wing is positively related to the amount spent on organisation (organisation and finance isomorphism hypothesis).

Operationalisation

In this article party finance is understood narrowly, to include the structure of income, that is, the relationship between income derived from state subsidies, fees, donations, own economic activity, and the structure of expenditure, that is, the ratio between sums spent on political campaigning and the maintenance of party organisation. Organisational style comprises the following party characteristics: internal hierarchy, personalisation of leadership, membership involvement, the complexity of the organisation and its embeddedness into a network of sub-cultural organisations, and the balance of power between the extra-parliamentary wing of the party and the politicians who occupy public office (Duverger 1965; Janda 1980; Panebianco 1988). The empirical material for this article comes from the author's study of party statutes and official party budgets, which includes information from the past 16 years. Machos (2000) proved to a very useful source regarding the organisational structure of the parties during the 1990s.

Financial profiles

The following sub-sections review the financial characteristics of the four parties, contrasting them with each other, and taking temporal changes into account.

Fidesz

According to Tables 2 and 7, Fidesz was heavily dependent on the state budget during the 1990s, but the party gradually managed to find other sources of funding. From 2000 onwards it received, on average, 66% of its income from state subsidies

TABLE 2
THE BUDGET OF FIDESZ FOR 1990–92 AND 1996–2005 (% OF THE OVERALL INCOME)

Year	*Fees*	*State*	*Donations*	*Donations from institutions, companies*	*Donations from individuals*	*Large donations*	*Foreign donations*	*Others*
1990	*	83.8	*	*	*	*	*	*
1991	0.8	91.2	0.02	*	*	*	*	2
1992	*	67.3	*	*	*	*	*	*
1996	0.2	25.1	0.1	0.1	0.1	*	*	74.7
1997	0.5	96.8	0.4	0.2	0.2	*	*	2.2
1998	0.2	51.0	15.7	12.3	3.4	*	*	32.8
1999	1.3	97.4	0.3	0.1	0.3	*	*	0.9
2000	6	88.4	0.2	0	0.2	*	*	5.4
2001	6.2	80.8	10.6	0.0	10.6	0.0	0.0	2.3
2002	2.6	41.7	7.3	0.1	7.2	0.2	0.0	48.4
2003	6.4	78.9	1.1	0.1	1.0	0.1	0.0	13.6
2004	4.9	60.4	17	0.3	16.0	1.6	1.7	18.5
2005	5.6	44.6	6.5	0.6	5.8	1.2	0.0	43.4

Note: * = missing data.
Source: Juhász (1996, 2001) and issues of *Magyar Közlöny* (1997, 36; 1998, 85; 2000, 104; 2002, 133; 2002, 420; 2003, 41; 2004, 51; 2006, 43).

TABLE 3
THE BUDGET OF MDF FOR 1990–92 AND 2000–05 (% OF THE OVERALL INCOME)

Year	*Fees*	*State*	*Donations*	*Donations from institutions, companies*	*Donations from individuals*	*Large donations*	*Foreign donations*	*Others*
1990	*	44.8	*	*	*	*	*	*
1991	4.4	69.4	17.2	*	*	*	*	9.1
1992	*	59.4	*	*	*	*	*	*
2000	6.0	71.4	10.1	4.0	6.0	0.0	0.0	12.5
2001	8.1	72.7	10.7	0.8	9.9	0.0	1.6	8.5
2002	3.8	85.6	6.7	2.7	4.0	0.8	0.9	2.7
2003	2.1	91.8	3.0	1.3	1.7	0.0	0.1	3.1
2004	1.9	92.4	3.0	0.3	1.9	0	0	2.5
2005	1.5	93.0	3.2	0.8	2.7	0.2	0.2	2.4

Note: * = missing data.
Source: Juhász (1996, 2001) and issues of *Magyar Közlöny* (1999, 35; 2000, 39; 2003, 57; 2003, 45; 2004, 52; 2005, 57; 2005, 51).

(not including the support given to its parliamentary faction). This figure indicates a considerable decrease, as in 1991 it received 91% of its income, and in 1997, 97% of its income, from the state. More recently, it has received more than 5% of its income from membership fees. This may not sound impressive, but it is a significant increase on the 1990s, when this form of income rarely surpassed 1%. In 2005 membership fees amounted, for the first time, to more than 100 million Forints, which was twice as large as the membership fees of the second most successful party (MSZP with membership fees of 55 million Forints). Fidesz receives about 7% of its declared income from donors. This average hides an increase from virtually nil (e.g. in 1996) to

TABLE 4
THE BUDGET OF MSZP FOR 1990–92 AND 2000–05 (% OF THE OVERALL INCOME)

Year	*Fees*	*State*	*Donations*	*Donations from institutions, companies*	*Donations from individuals*	*Large donations*	*Foreign donations*	*Others*
1990	*	58.4	*	*	*	*	*	*
1991	2.2	11.7	1.6	*	*	*	*	83.9
1992	*	33.6	*	*	*	*	*	*
2000	2.8	67.2	7.4	0.3	7.2	*	*	24.0
2001	3.7	73.1	13.8	0.3	13.5	0.6	0.0	9.3
2002	3.4	72.3	16.4	0.4	16.0	0.5	0.0	7.9
2003	3.9	78.2	14.2	0.0	14.1	0.4	0.0	3.7
2004	4.0	75.2	16.0	0.0	16.0	0.7	0.0	4.7
2005	3.9	70.0	21.3	0.9	20.3	2.9	0.0	4.8

Note: * = missing data.
Source: Juhász (1996, 2001) and issues of *Magyar Közlöny* (1998, 36; 1999, 36; 2000, 38; 2001, 45; 2002, 53; 2003, 41; 2004, 54; 2005, 55; 2006, 49).

TABLE 5
THE BUDGET OF SZDSZ FOR 1990–92 AND 2000–05 (% OF THE OVERALL INCOME)

Year	*Fees*	*State*	*Donations*	*Donations from institutions, companies*	*Donations from individuals*	*Large donations*	*Foreign donations*	*Others*
1990	*	57.9	*	*	*	*	*	*
1991	2.3	80.8	2.3	*	*	*	*	14.1
2000	1.6	86.8	2.9	*	*	*	*	8.7
2001	2.3	85.0	2.4	0.3	2.1	0.2	0.2	10.4
2002	1.7	46.8	11.5	1.8	9.7	3.7	3.7	40.1
2003	2.0	69.6	26.5	6.8	19.7	10.0	10.0	1.9
2004	1.6	41.3	20.0	10.3	9.7	12.3	12.3	37.1
2005	6.8	49.2	29.3	21.8	11.9	20.2	20.2	14.7

Note: * = missing data.
Source: Juhász (1996 & 2001) and issues of *Magyar Közlöny* (1998, 31; 1998, 36; 1999, 37; 2000, 39; 2001, 49; 2002, 54; 2003, 96; 2003, 45; 2004, 52; 2005, 56; 2006, 50).

above 10% in recent years (2001 and 2004). For the last four years, the party spent 37% of its expenditure on the maintenance of its organisation (Table 8). Fidesz also experimented with enterprises, and in 1993, it invested 149 million Forints into such activities. However, as with other Hungarian parties, it subsequently withdrew from direct business, although the party continues to take risks and in 2002 almost half of its income came from loans.

MDF

According to official budgets (Tables 3 and 7), among the analysed parties MDF depends most on the state. The percentage of state support in its overall income increased from 70% in 1991 to 93% in 2005. As with Fidesz, MDF receives 6–7% of its income from

TABLE 6
ORGANISATIONAL AND FINANCIAL PROFILE OF THE MAIN HUNGARIAN PARTIES*

	Fidesz	*MDF*	*MSZP*	*SZDSZ*
Membership size: absolute numbers	– (but increasing)	–	+	–
Membership size: voter/member ratio	–	+	–	+
Organisational size	0 (but increasing)	+	+	–
Activity	+	–	0	–
Fees	–	–	–	–
Donations	–	–	0	+
Degree of institutionalisation	+	0	+	0
Autonomy given to individual MPs	–	–	0	–
Personalised (charismatic) leader	+	+	–	–
Hierarchy	+	+	–	0
Complexity	+	–	+	–
Strength of extra-parliamentary wing	+	+	+	+
Expenditure on organisation	0	+	–	+

Notes: *The symbols refer to the overall estimates of the author on the organisational features of Hungarian parties *vis-à-vis* European averages.

TABLE 7
AVERAGE INCOME STRUCTURE OF THE MAIN HUNGARIAN PARTIES, 2000–05 (%)

Party	*Fees*	*State*	*Donations*	*Donations from institutions, companies*	*Donations from individuals*	*Large donations*	*Foreign donations*	*Others*
SZDSZ	2.9	58.4	17.9	8.2	10.6	9.3	9.3	20.8
MSZP	3.6	72.7	14.8	0.3	14.5	1	0	9.1
Fidesz	5.3	65.8	7.1	0.2	7.1	0.6	0.3	21.9
MDF	3.9	84.5	6.1	1.6	4.4	0.2	0.5	5.3

Source: Juhász (1996, 2001) and issues of *Magyar Közlöny*. For MDF (1999, 35; 2000, 39; 2003, 57; 2003, 45; 2004, 52; 2005, 57; 2005, 51). For MSZP (1998, 36; 1999, 36; 2000, 38; 2001, 45; 2002, 53; 2003, 41; 2004, 54; 2005, 55; 2006, 49). For SZDSZ (1998, 31; 1998, 36; 1999, 37; 2000, 39; 2001, 49; 2002, 54; 2003, 96; 2003, 45; 2004, 52; 2005, 56; 2006, 50). For Fidesz (1997, 36; 1998, 85; 2000, 104; 2000, 104; 2002, 133; 2002, 420; 2003, 41; 2004, 51, 2006, 43).

TABLE 8
AVERAGE EXPENDITURE STRUCTURE OF THE MAIN HUNGARIAN PARTIES FROM 2000 (%)

Party	*Functioning*	*Political activity*	*To other organisations*
MSZP	22	72.7	1.1
SZDSZ	55.8	31.8	0.1
Fidesz	36.7	37.8	2.7
MDF	65.7	29.5	0.7

Source: Juhász (1996, 2001) and issues of *Magyar Közlöny*. For MDF (1999, 35; 2000, 39; 2003, 57; 2003, 45; 2004, 52; 2005, 57; 2005, 51). For MSZP (1998, 36; 1999, 36; 2000, 38; 2001, 45; 2002, 53; 2003, 41; 2004, 54; 2005, 55; 2006, 49). For SZDSZ (1998, 31; 1998, 36; 1999, 37; 2000, 39; 2001, 49; 2002, 54; 2003, 96; 2003, 45; 2004, 52; 2005, 56; 2006, 50). For Fidesz (1997, 36; 1998, 85; 2000, 104; 2000, 104; 2002, 133; 2002, 420; 2003, 41; 2004, 51; 2006, 43).

donors, but not only is this sum much smaller in absolute terms than that of Fidesz, but it also shows a declining tendency. In parallel with waning electoral support, donations declined from 17% to 3% of the party's budget. In the past it received large loans from banks, but during the 2000s it seems to have encountered difficulties in obtaining further loans. According to our data, MDF is the party that spends proportionately most on its organisation: for the last four years two thirds of its expenditure has been devoted to the maintenance of its organisational apparatus (Table 8).

MSZP

MSZP inherited real estate and companies from the Communist Party and this was reflected in the structure of its budget during the early 1990s. In 1990 and 1992 the party gained 31% and 23% of its resources, respectively, from enterprises. It seems that in this period MSZP lived on its inherited assets. In 1991 an astonishingly low level (12%) of its income came from state subsidies. As these inherited resources dried out (partly as a result of being consumed and partly because of changing legal regulations), the party became increasingly dependent on the state, as since 2000, on average, 73% of the party's income has come from the state (Tables 4 and 7). However, it also managed to increase its income from donations from 2% to around 21% (with an average of approximately 15% in recent years). The party collects many small donations, and according to official budgets these donations come exclusively from within Hungary and from individuals, not corporations. Membership contributions amount to only about 4% of the income. The party clearly focuses on campaigning as only 22% of its expenditure is spent on organisational maintenance (Table 8).

SZDSZ

The financial contribution of members matters least for SZDSZ (typically around 2%). SZDSZ is also the party that uses least state money, although in 1991 it received 81% of its income from the state budget. However, this high ratio has been reduced to 58% in the last five years (Tables 5 and 7). A considerable share of SZDSZ's income comes from donations. This source increased from the earlier typical 2–3% to almost 30% of its income in 2005. SZDSZ is the only party where large and foreign donations play a considerable role, amounting to 5–6% of its overall income. However, it should be noted that most of the large donations (i.e. those above 500,000 Forints) came from politicians in the party. SZDSZ gains much of its income from what is classified by Hungarian party budgets as 'others'. This category covers financial activities such as taking loans, selling bonds, exchanging currencies and letting offices. A relatively high ratio (56%) of the party's expenditure is devoted to organisational costs (Table 8).

Organisational profiles

Fidesz

According to both press reports and official party reports published in Hungary's Political Yearbook (Kurtán *et al.* 1996, p. 484, 1997, p. 443, 1998, p. 416), Fidesz's

membership tripled, from 10,000 members in 1995 to over 30,000 in 2005. However, its ratio of members to voters is still very low (only 1–2% of its voters are members), because its support among voters has increased to 40% of the electorate. The growth of membership was coupled with a similar growth in the number of local organisations. Up to 2001 the party had around 400 local branches, but by 2005 this number had more than doubled. This growth in membership has not been mirrored by a similar growth in the number of party officials (at present it has one member of staff per 560 party members).

The fact that Fidesz expects much from its members is reflected in the party statute. At least four local meetings must be organised per year, and the party's national board can disband local organisations if they are inactive for a year. The large number of demonstrations, rallies, town hall meetings and successful petition campaigns organised by the party indicates that Fidesz has much more committed activists than other parties (Enyedi 2005a). Applicants for membership are expected to 'perform': they must have three referees who have been members for at least one year and they must complete a questionnaire concerning their political past and their present interests.

The complexity of the party organisation has also increased following the lost 2000 election. The party has developed various sections for social groups such as farmers, workers and academics; it has introduced the status of supporter without membership; organised an affiliate movement (the Civic Circles); and also surrounded itself with a number of satellite organisations appealing to different interests, such as the Roma, Christian-Democrats and Smallholders. As a result of these developments, the party has a more structured internal and external environment than the other parties, with the possible exception of MSZP.

The party's collective leadership was transformed during the early 1990s by the leadership of Viktor Orbán. A very strict hierarchy has been institutionalised, and up to 2006, leadership elections have not been contested—since 1994 there has only been one candidate. The leaders of constituency-level organisations are appointed by the party leadership, and candidate selection is also dominated by the presidium.

The status of the extra-parliamentary wing is difficult to assess. On the one hand the party's national committee has a decisive 'party-in-public-office' component—mayors of larger cities (including Budapest districts) and all ministers and state secretaries (if they are party members) are *ex officio* members of this body. The prime minister (if in opposition, then the previous prime minister) is automatically a member of the party presidium. On the other hand, the parliamentary faction is clearly subordinate to the party leadership. The current statute gives autonomy to the parliamentary group in establishing its own rules, but allows the presidium to recommend the parliamentary group leader. To conclude, the 'party-in-parliament' is weak, but the 'party-in-government' is strong. The example of Fidesz suggests that it may be misleading to lump those in government and those in parliament together as 'party-in-public-office' (see Katz & Mair 1993), since these two groups can in fact be in very different positions and have different interests and functions.[7]

[7]Katz and Mair use the term 'party-in public-office' for all those party representatives who occupy public offices. If parties privilege government members versus MPs, or vice versa, the utility of the concept diminishes.

MDF

In terms of membership, MDF used to be a medium-sized party with around 25,000 members, but it has suffered a sharp decline in recent years, declining to about 10,000 members. Still, given the general collapse of its electoral base, about 6% of its voters are party members. As MDF was shrinking in electoral terms, the number of its local organisations also declined, but at a slower pace. The party still maintains close to 500 local branches and therefore one can claim that it is stronger in organisational terms than in electoral terms. When one applies for MDF membership, two recommendations are required. But unlike Fidesz, the party does not prescribe a minimum number of meetings for local organisations. It has relatively few employees compared to the size of its membership (one member of staff per 700 party members).

The national committee is a more genuine representation of the extra-parliamentary party than in Fidesz, since this body mainly consists of county presidents and delegates (as well as 10% of the parliamentary faction, members of the presidium, and two delegates from the youth organisation). The party is highly centralised. With the exception of the 1993–99 period, party presidents have typically dominated the party. In MDF even the establishment of a new local organisation requires the agreement of the party leader. The number of staff members decreased from 110 in 1997 to 30 in 2005 as a result of the loss of voters and resources.

The parliamentary party is subordinate to the party leadership. The national committee decides the statute that governs the internal life of the parliamentary party group (PPG) and has co-decision rights concerning the selection of the PPG leader. The presidium of the party even has the right to nominate the leader of the PPG. It must be noted, however, that this extreme subordination of the parliamentary group is a result of several rebellions among the MPs. The frequent revolts indicate the underlying fragility of the powers of party leadership. Candidate selection is also centralised. Local party bodies propose single member district candidates, but the presidium can initiate a veto and the national committee has the right to decide upon the initiative. The regional and the national party lists are drawn up by the presidium and accepted by the national committee. Ordinary party activists have no say in the matter.

MDF used to surround itself with friendly associations and professional groups, however most of these organisations have moved over to Fidesz. The statute allows for internal differentiation, but in the past few years no main sub-units have functioned within the party, with the exception of the internal opposition which was squeezed out of the party in 2005. MDF is no longer capable of bringing large masses out onto the streets either.

MSZP

MSZP, with 37,500 members, has a larger membership than the other Hungarian parties. The ratio of voters to memberships is low however—only 1.8% of voters are members. It has more local organisations (983) than its competitors and the average size of local organisations (53 members) is the largest in Hungary. According to the official reports in Hungary's Political Yearbooks, MSZP is the most bureaucratised

party—it has one member of staff per 200 party members (Kurtán *et al*. 1996, p. 484, 1997, p. 443, 1998, p. 416, 1999, p. 423, 2000, p. 504, 2001, p. 484).

The MSZP has a differentiated internal structure, with 32 sections including those for Roma, women, religious members and teachers. The party also has a number of officially recognised factions that represent various ideological streams. These factions often oppose the official leadership. The party congress meets frequently and is a major arena for internal politics. (In contrast to all the other parties, even the president of the national committee is elected directly by the congress.) Leadership elections have been contested, and the party has never had a leader who could rule without internal opposition. This party has the most decentralised candidate selection process among the main Hungarian parties. For example, it generally allows its local branches to decide upon candidates for single-member districts. However, recent conflicts and indications of corruption have forced the party to dissolve local organisations. At one point in 2004 all the organisations of Vas county were closed down and reorganised from above.

Despite its electoral popularity and its relatively large membership, the MSZP lags well behind Fidesz in its ability to organise mass rallies. Consequently, the party prefers to do politics behind closed doors, in parliament and in TV studios. Membership application is simple and applicants do not require recommendations. A vast array of professional organisations and trade unions are affiliated with the party, but the cooperation between these organisations and the party became more muted after the austerity package introduced by the Horn government in 1995 and 1996. The national committee is dominated by representatives of local organisations. The PPG is free to choose its own leadership and to organise its activities, but those who are members of the party are expected to vote in line with the decision of the extra-parliamentary wing, and defections are very rare.

SZDSZ

The membership of SZDSZ seems to have stabilised at around 27,000 members. Given the small size of the SZDSZ electorate, this figure indicates that a relatively high number of voters (around 9%) are organisationally linked to the party. It has local branches in all electoral districts, but in rural areas its organisational presence is hardly visible. It has relatively few employees—one per 824 members. Membership is easily accessible, no recommendations are required and members are not even expected to join a local organisation. As opposed to the other parties, a significant part of the national committee is elected by the congress. Another peculiarity is that the leader of the PPG is not a member of the presidium.

During the early 1990s the party was able to organise impressive demonstrations, but in the last few years it has rarely been able to attract more than a few hundred supporters. It has no significant internal sub-units, and it has no institutionalised cooperation with interest groups. During its 18 years of existence it has had six presidents, each chosen after contested elections. These indicators of internal democracy are counterbalanced by the party's centralised candidate selection. The presidium is the decision maker even when it comes to the choice of single-member district candidates.

Evaluating the results

The finance regime hypothesis (Hypothesis 1) has been largely confirmed. Hungarian parties mainly live on public money (receiving around 70% of their budget from this source). During election years the role of the state is considerably smaller, however. In the case of Fidesz and SZDSZ, for example, state support fell below 50% during the 2002 election year, but in 'normal' years support from the budget can reach 98% of the overall income. Fees are marginal for all the analysed parties. According to official party budgets, donations matter more than membership fees, but they are also rarely decisive. It seems that the freedom of parties to collect as much in donations as possible was a less important factor than the availability of state money and or the scarcity of potential donors.

Based on the regulations of party finance we expected to find that party budgets were dominated by state subsidies, that parties were centralised and relatively bureaucratised, with restricted internal democracy, and that parliamentary factions were subordinated to the party headquarters.[8] The findings were in line with these expectations. Obviously, the compatibility of the rules of party finance and a number of organisational features does not in itself prove that financial rules shape party organisation. But this causal direction is somewhat more likely than its opposite, given that modification of the party finance law requires the approval of two thirds of the parliament and given the hostility between government and opposition, the rules of finance are not easily mutable by party elites. The most fundamental pillars of the party finance regime—that party headquarters and not individual candidates are supported—were established in 1989 and 1990 in the midst of post-communist transition, prior to the stabilisation of the new party system and the new party elites.

While the data are compatible with the finance regime hypothesis, a considerable time variation has also been observed. The organisational features were well predicted by the cartelisation hypothesis (Hypothesis 3): the weight of the 'party-on-the-ground' decreased in all parties during the studied period. The temporal trends concerning finances are more in line with the democratic consolidation hypothesis (Hypothesis 2) in the case of Fidesz and SZDSZ, since these parties increased their income from non-state resources, but not in the case of MDF and MSZP. It seems that in terms of finance, parties are not operating under the same constraints.

The results concerning the party family hypothesis (Hypothesis 4) are rather mixed. This hypothesis predicted that conservative and liberal parties would have small memberships. The fact that the governmental personnel had the most privileged role in Fidesz also conformed to this hypothesis. The variance in the level of centralisation and personalisation of leadership was equally well predicted: the more leftist parties were found to be less dependent on their leaders. However, according to this hypothesis MDF and Fidesz should have received more donations and MSZP should have received less. MSZP should have outperformed its rivals in terms of membership fees. In both cases we found almost the opposite. The relatively high membership rate

[8]See also Ilonszki (1999) and Machos (2000). Note that the dominance of extra parliamentary leadership applies not only to Hungary but also to many other post-communist countries (van Biezen 2003).

of MDF and SZDSZ and the recent increase in Fidesz's membership (since 2002) was not predicted. The subordination of MPs to the party leadership in MDF, and to some extent in Fidesz, went directly against the hypothesis. The same applies to the observation that Fidesz takes organisational activities seriously by demanding much of its members and by building elaborate internal and external structures.

In contrast to the expected result, the MSZP spends the smallest amount of money on organisation and most on political activity. It devotes almost four times more resources to the latter than to the former. The opposite ratio was found for MDF: it spends over twice as much on functioning than on political activity. The high ratio of organisational costs in the budget of SZDSZ also went against the party-family based expectations.

The size hypothesis (Hypothesis 5) received weak support. Most importantly, MSZP and Fidesz should have received more donations than they did. The increasing role of membership fees in Fidesz and the popularity of the small SZDSZ among donors are also at odds with this hypothesis. Partial support came from the fact that small parties had larger ratios of members to voters and that the shrinking MDF attracted a gradually decreasing amount of donations.

Governmental membership (Hypothesis 6), proved to matter even less. The only case where one could suspect some influence is the increase in donations for SZDSZ between 2002 and 2005. However, most of these (officially declared) donations came from foreign liberal organisations and the party's own politicians, and not from businessmen benefiting from government policies.

Finally, organisation and finance were found to be related (Hypothesis 7), but rather loosely. The lack of relationship in some cases was due to the lack of variance on the variables: for example all parties tend to be centralised and rely only marginally on fees. Yet, one must note that the party that collects most fees is also the most hierarchical one (Fidesz)—this directly contradicts our expectations. The ratio of public money does not accurately predict the level of centralisation either, although SZDSZ, the party that relies least on the state, is, as expected, relatively non-hierarchical.

The relative level of expenditure on organisational matters is related to the degree of subordination of the parliamentary group in so far as both phenomena are most pronounced in MDF, but the structure of expenditure co-varies most strongly with the size of the parties. This finding was not anticipated, but it seems to be intuitively correct: the maintenance of an extra-parliamentary organisational structure is a must in Hungary, and the parties can only afford campaigning after the basic infrastructure has been dealt with.

In evaluating the results, one must wonder why the hypotheses failed so many times. One may suspect that unreliable party budgets and self-reports caused the surprising results. Systematic distortions may exist particularly in the area of donations. Donors may wish (or are even asked) not to contribute directly to the party's budget, but to finance particular campaign actions. This possibility highlights one of the most urgent problems of the Hungarian party finance regime: the lack of regulation concerning third parties. But since the analysis of actual, observable party behaviour and of organisational hierarchy has also brought surprising results, one cannot necessarily blame the failures on the inadequacy of information.

It seems that the style of party finance and the form of organisation are not determined by any of the factors discussed above alone. Only a configuration of a large number of variables may explain the internal distribution of power and the strategies of collecting and spending resources. The institutional environment of parties constrains the level of internal democracy and shapes the overall balance of state versus societal resources. But the exact distribution of power within the organisations, or the ratio of various sources of income and targets of expenditure seem to depend more on the individual trajectories of parties as organisations than on any of the general classificatory schemes.

Central European University, Budapest

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