

## FISCAL DECENTRALIZATION IN HUNGARY\*

Péter BORDÁS\*\*

**ABSTRACT:** *The scope of local responsibilities has remained fundamentally unchanged over the past years. However, it may vary from country to country and time to time which public services are considered local and which ones are truly organized and provided locally. Therefore, we may distinguish between public services of a local character as “suggested” by the theory of fiscal federalism and those specified as such by various governments based on the particular circumstances and policies. Although the rearrangement of tasks may be perceived as inherent to modern states, the economic crisis of the past decade has intensified reform processes in various countries. The reevaluation of governmental roles represents one manifestation of this, calling attention to the stronger role of the state in such cases as opposed to the more liberal ideas prior to the crisis. Thus studying the direction of change has become due especially in view of Hungarian processes, as in recent years the responsibilities of the local level have been reevaluated in this country also. One of the key elements of this process involved the reconsideration of the local government system and the scope of local services. The significance of the topic is also underlined by the data recently published by Eurostat for 2016, according to which the expenditure of the Hungarian local government system as a percentage of the GDP dropped to 6.1%, which represents a continuous decrease from the 12.6% level measured in 2010.<sup>1</sup> Of course, such data are not meaningful on their own and it is worth examining the reasons and scrutinize the circumstances and results of such a change; therefore, the present study aims to investigate these issues.*

**KEYWORDS:** *Fiscal decentralization; public finance; local public goods; fiscal transfers; local government*

**JEL CODE:** *K 4*

---

\* The work was created under the priority project KÖFOP-2.1.2-VEKOP-15-2016-00001 titled „Public Service Development Establishing Good Governance” in cooperation with the National University of Public Service and the ‘DE-ÁJK Governance Resource Management Research Group’ of the University of Debrecen. For the description of the underlying concepts, see: T. M. Horváth and I. Bartha, Az ágazati közszolgáltatások rendszertanáról [The Theoretical System of Public Service Sectors] In: T. M. Horváth and I. Bartha (eds.) *Közszolgáltatások megszervezése és politikái* [The Organization and Sectors of Public Services], Budapest, Dialóg Campus, 2016. p. 25–37.

\*\* Ph.D. research fellow, MTA-DE Public Service Research Group, Faculty of Law, University of Debrecen, HUNGARY.

<sup>1</sup> Government revenue, expenditure 2006 - 2016, Available at: <http://ec.europa.eu/eurostat/data/database>