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On Civil Society and the Social Economy in Hungary

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Abstract

While the development of civil society organisations in Hungary has been impressive in terms of number and diversity, its influence has remained limited on policy-making. Administrative attempts to draw civil society under tight regulation and control have produced a blurring of the boundaries between the civil and the public spheres that, in turn, has impaired the independent voice and criticism of civil society. Therefore, economic acts based on solidarity and originating from civil society do not automatically form or increase a ‘social economy’ but become as contested by and as intermingled with political developments as other acts of civil society. This development also has affected the profile of civil activities: against the earlier impressive weight of anti-poverty, anti-racist and human rights engagements, the ‘non-risky’ activities of sports and leisure services have come to domination. A turn toward declining participation is a warning sign of the decreasing contribution of civil society to everyday democracy.

Keywords: Civil Society, Social Economy, Solidarity, Social Entrepreneurship, Non-governmental Organization.

1. Introduction

Against the backdrop of the continuous European ‘crises’ that have accompanied the European project through much of the early 21st century, academic and policy-oriented attention to alternative modes of economic production have increased. For instance, in the summer of 2017 the European Economic and Social Committee, representing organised interests and civil society invited social economy representatives to Brussels and simultaneously called on the European Commission to include an action plan on how to support the social economy in its 2018 work programme (European Economic and Social Committee, 2017). Such a plan would contribute to government efforts in European countries to pull non-governmental actors into the ‘provision and governance of publicly financed welfare services’ (Defourny et al., 2014). Around the same time, a large global academic conference was organised to address the various implications of the social and solidarity economy and social entrepreneurship from a scholarly perspective (EMES, 2017). The *social* and *solidarity economy* in this context refers to a broad range of citizen- and/or third sector-based activities concerned with social and environmental sustainability that provide public goods in e.g. health care, social services or work integration (the definition draws on the work of Eschweiler and Hulgård, 2017).

Hungary is not unaffected by this international and European policy and practice discourse around, and the increasing public interest in the social economy. However, politics and policies around what constitutes acknowledgeable civil actions and also around the legitimate organisational forms of it have shown significant fluctuation with periods of alternating stringent and liberal regulations. Nevertheless, civil society has become a potent constituent of public life by providing interest-representation, self-fulfilling production and services for local communities, and also a domain of micro-level democratic participation. However, due to limited statistical data and a lack of systematic follow-up, there is little scholarly work available that depicts civil society and the social economy in Hungary within its policy landscape, and that sets it in a longer historical perspective. A literature review of all articles in leading scholarly journals published in Hungary in the fields of political science and sociology since 2010 did not result in any articles directly dealing with social economy, and surprisingly few focusing on civil society although of course non-state actions in various parts appear in many scholarly analyses. On the other hand, we find it probable that intense ongoing thinking around the issues of civil society and social economy means that more material exists as conference papers and workshop contributions that are less accessible to the scholarly community and the general public.

The purpose of this article is therefore primarily to provide a thick analysis of how the long-term development of civil society in Hungary impacts the scope for the creation of a social economy. Using Hungary as an illustrative case of mechanisms that are both unique to Hungary and present elsewhere, especially in other post-socialist countries, we hope to contribute to more informed international academic and policy debates about the opportunities and limitations of this ever more applied concept. Our analysis of the policy environment around civil society and the social economy is based on a synthesis of various data sources together with insights from long research careers in the field combined with case studies of civil society organisations carried out

within the framework of a recent large-scale study on solidarity¹ (SOLIDUS) in 2016-2017. Thus, while the purpose of the article is not to bring new empirical data to the fore, the analysis is informed by a large empirical body and occasionally uses this with illustrative examples in the text.

The article proceeds as follows. The next section discusses common definitions and usages in Hungary of the terms ‘civil society’ and ‘social economy’, and the inter-relation between these two. Sections 3 and 4 analyse the policy environment of civil society and social economy organisations, respectively. Finally, the concluding section addresses the main lessons of the preceding discussions by pointing to the political ambivalences of democratic development of the civil sphere and the strong limitations on its influence on policy-making. We argue that, in this context, economic acts based on solidarity and originating from civil society do not automatically form or increase the ‘social economy’ but become contested by and intermingled with political developments.

2. Divergent Conceptualisations and Perspectives: ‘Civil Society’ and the ‘Social Economy’

Civil society, as it stands in front of us in its contemporary form, is the result of centuries of state-society relationship development. It grew out from the thick networks of mutual help and collective self-defence in peasant communities, and then adapted itself to urbanisation in the form of unions and associations to protect the working class and the new bureaucracies. It later absorbed new functions and became a significant agent of alternative economic activities for fighting unemployment, enhancing employment and providing services at affordable prices under non-marketised schemes of delivery. It follows that the scope of the concept has varied greatly by historical time and country.

It may embrace charity in one context and activities of the churches in another. Some include all informal relations and activities outside the home, others prefer a narrower definition that refers only to registered organisations (Kuti, 2008; Bocz, 2009). While a traditional definition specifies civil society as the space between the state, the market and the family (e.g. Gellner, 1994; Celichowski, 2004), recent research points out that while the sociological unit of the family is often seen as antithetical to civil society, it is sometimes seen as a cornerstone (Power et al., 2018).

In the case of Hungary, one can observe a colourful map of conceptualisations of civil society and its activities. In everyday parlance, people would emphasise the value of autonomy, the potency of interest-representation and the capacity of the civil sector to compensate the traditionally low quality of basic public social services and, with increasing involvement backed by the EU, human rights and environmental issues.

¹ The cross-country comparative project ‘SOLIDUS - Solidarity in European Societies: Empowerment, Social Justice and Citizenship’ was a research project funded by the European Union under the Horizon 2020 Programme (Grant Agreement no. 649489), from June 2015 through May 2018. Information about the project is available at <http://solidush2020.eu>.

A further important but rather neglected perspective is that of social science, which has yet another focus. At the international level, social scientists study civil participation in organised forms of actions, and explore the economic and social advantages provided by the civil actors in comparison to the state and the market. The tendencies in recent Hungarian scholarly work follow this general pattern.

The perspective of the several consecutive state administrations has been much narrower. By neglecting a vast array of informal associations and newly emerged organisations, a much reduced circle of civil society that may access the governments' financial and regulatory support has been defined. Only formal and registered actors are supported by legal, regulatory and financial frameworks, while all other forms are left to people's own initiatives and budget. Such a selective approach has a significant impact on the whole civil sphere, since socially it is oriented to better-off groups with ample resources, while declines participation of the poor.

Both the government and the social science perspectives see an (increasingly) economic importance of civil society as a complement or alternative to profit-driven production. Parallel to the expansion and diversification of civil activities and also in response to the growing criticism over the over-bureaucratised and sluggish functioning of the welfare state, a wide array of innovative activities providing a large scale of products and services has gained special attention which is nowadays drawn under the broad concept of the *social economy*.

Measured by the number of academic publications, topical conferences and policy documents, interest in the social economy as a terrain of new initiatives in producing and delivering services by self-governing rules and voluntary actions decades distinct from both the market and the state has been on the rise in the past decades. However, different strands and authors refer to the concept with varying contents and emphases, and there is no general agreement around an all-encompassing definition that all actors, scholars, practitioners and policy-makers of the field would accept without reservation. Nevertheless, there are some basic features of the social economy that the varying approaches include in agreement.

As a domain of production and distribution, the social economy is embedded into the third sector (some even use the two terms as synonyms), and for the most part, its units work on a non-profit basis. At the same time, its relations, principles and modes of operandi are driven by the norms and rules of civil society. Its primary characteristic is the way how people relate to it: participation is always voluntary and autonomy of the individual is observed in all internal and external relations. Moreover, autonomy and independence are important features on the organisational level as well: social economy organisations rely on self-regulated management that is independent from the public authorities and that also protects them against direct pressures of the market. A further distinctive feature is an inherent criticism of the traditional power relations: decision-making is always driven by democratic rules following a 'one man one vote' principle in most of the cases. Economic activities and the division of roles and labour are primarily driven by reciprocity. After decades of ruling neoliberalism that saw profit-making as the sole truly rational economic activity, the spreading of reciprocal relationships in the social economy inspired scholarly interest in Karl Polanyi's (2002) theory of reciprocity that underscores the importance of the corrective and compensatory functions of reciprocal relationships in a market economy. Reciprocity usually assumes non-monetary relations. In line with this,

participants' contributions are not exclusively seen in financial terms, but also as embodiments of important social values like social justice, equal opportunities, or the collective protection of the environment. The most frequent profiles of the social economy organisations follow from the centrality of these values: their activities are centred on expanding employment, providing training and mediation to the unemployed, inclusive services from housing to healthcare and to education with a focus on disadvantaged minorities, and community development with the centrality of citizens' equality. All these activities involve sensitive interpersonal relations; hence, trust in the organisation and also a trustful way of collaborating with public administration are fundamental preconditions of success.

The 2008 crisis gave a new impetus to the social economy now embracing a wide range of production and services that are not performed for profit. These dynamics informed conceptualisation and experimentation in the field. During the past 10 years, the social economy has become an important contributor to society through innovations in the organisation of economic activities: according to informed estimations, currently it provides 14.5 million jobs that makes up 6.5 per cent of the total employment in Europe with a contribution of five per cent to the GDP of the EU (Monzón and Chaves, 2015).

In 2012, the European Commission published an authoritative definition of the social economy that was meant to orient funding and decision-making of the ever more diversified sphere, hence, it focused on the financial and managerial aspects of the embraced activities: '[The social economy is a] set of private, formally-organised enterprises, with autonomy and freedom of membership, created to meet their members' needs through the market by providing services, insurance and finance, where decision-making and any distribution of profits or surpluses among the members are not directly linked to capital or fees contributed by each member' (European Commission, 2012). While this definition importantly influenced private-public cooperation and assisted legislation within the nation-states, increased diversity of the sphere and the need for better incorporating social innovation as a distinctive contribution of its services and production inspired new scholarly work to further develop and refine the concept of the social economy.

The SOLIDUS project evolved in response to these new needs. An extensive literature review of general and country-specific developments, together with the rich empirical material that the 13 participating countries brought to the table resulted in a new, finely calibrated conceptual approach to the social economy: 'There is no universally accepted conceptual definition of the social economy but most approaches highlight features like autonomous management, placing service to members or the community ahead of profit [...] democratic governance [...] principles of the primacy of the individual and the social objective over capital [...] voluntary and open membership [...] the combination of members/users and/or general interest [...] redistribution of profits to pursue the social mission of sustainable development, provision of services to members or of general interest' (Eschweiler and Hulgård, 2017).

This broad definition of the social economy comfortably accommodates recent Hungarian developments. In our attempt to give a general description of the field in post-socialist Hungary, we adhere to the definition of the SOLIDUS project with three additional remarks on peculiarities for Hungary. The first considers history. Given the

decisive weight and formative strength of the informal economy in pre-1990 Hungary, the emerging organisations of the post-1990 social economy were shaped to a large extent by the rules and traditions of the informal economy. This is reflected in a high volatility of membership and also in reluctance to adapt modern managerial routines and invest into modern technologies. These deficiencies slow down growth and keep social economy organisations small and stagnant. The second remark refers to some skewedness in the distribution of activities that social economy organisations engage in. Since the origins of the sphere point back to the dissolution of agricultural cooperatives after 1990 and the new needs that land privatisation has generated, the Hungarian social economy is still dominated by agricultural activities. Third: in addition to its productive role, the social economy is also a significant terrain of democratic relations and policy-making.

3. The policy environment of civil society organisations in Hungary

As is usually the case for the contemporary development of the post-socialist countries in Central and Eastern Europe, it is necessary to consider the last decades of state-socialism. It has been often pointed out as a strongly state-skeptic dissident perspective of what civil society was and what role it should have formed in these countries from the 1970s onwards (e.g. Celichowski, 2004: 62). In order to draw a meaningful picture about the broader political and policy environment of civil society and its organisations in today's Hungary, one has to go back in time to the late 1980s. However, for the analysis of Hungary, we argue that a closer look at civil society's actual functions gives a better explanation for its potential to contribute to a social economy today. The period preceding the systemic changes of the 1990s was a phase of vivid and widespread participation of Hungarian society in informal economic, cultural, and social activities. Participation was primarily driven by material needs that the socialist economy was unable to fulfil but was also fed by a widely shared, tacit opposition to the ruling state-socialist state. Even though, prior to path-breaking legislation in the late 1980s, independent associations and organisations could not be freely formed, thousands and thousands of spontaneously organised informal units existed. In a large part, these were called into being to countervail the deficiencies of the prevailing shortage economy. However, the widespread civil participation and self-organisation also contributed to the spreading of formerly practically non-existent knowledge and skills: through their experience, people learned the rules of fair and just cooperation, the basics of democratic decision-making, and the fundamentals of economic management for the fulfilment of certain collective goals.

The accumulated experience richly paid off after the regime change. By acknowledging the constitutional right for free association and providing a new regulatory framework for the working of civil society organisations, the new regime created the socio-legal space for the earlier informal associations to become proper, formally acknowledged units. The newly recognised organisations enjoyed the rights to define their own goals and arrange for funding according to the participants' will and in a way that would fit into the larger-scale system of a regulated market economy.

By 1993, there were 35,000 registered non-profit organisations (associations, foundations, and the so-called companionship organisations). Their number grew to 48,000 units that were actively functioning by 1997, with further continuous growth

throughout the decade following the millennium, and reaching a stabilised number around 62,000 by the mid-2010s. At the same time it should be noted that most of the organisations are small in terms of financial activity with an average yearly income of 2.5 million HUF (approx. 7,700 euros). By profile, the organisations span broad areas of activities and policy sectors, with culture, sports and recreation taking a 44 per cent lead together. (HCSO, 1977; 2016; Bocz, 2009)

While widespread popular will to participate in the newly legalised civil sphere has certainly been *one* of the drivers behind the impressive figures, economic and political interests have also played a massive role. In an ever more habitual way, several subsequent governments and a great number of the municipalities have discovered the advantages of ‘outsourcing’ some public duties by contracting out the provision of services to nationwide, regional or local NGOs. Furthermore, the European Structural and Cohesion Funds that became accessible after the EU-accession in 2004 also gave impetus to the foundation of national and regional NGOs. While these larger organisations raised efficiency in the public domain, they have been working under tight control of the founding authorities.

These developments had ambiguous impacts. On the one hand, the flow of funding into the NGO-sector certainly has been on a steady rise for more than two decades (with the exception of a few years around the 2008 financial crisis, see: HCSO, 2015). On the other hand, by relying on external funds, the sector lost some of its independence and became more directly influenced by political interests and the prevailing power relations both at central and local governmental levels. Shifts in the composition of the sector from citizens-founded NGOs toward ones called into being and controlled by the authorities for assisting the fulfilment of certain public policy and/or business needs has led to the blurring of the boundaries between the civil and the administrative/economic spheres. Growing opacity opened the gate to corruption and significantly decreased transparency of financing and economising.

Given these circumstances, it does not seem incidental that both governments and parliaments have ‘forgotten’ to develop a coherent and all-embracing strategy to frame the clear and distinct roles of NGOs and to adjust the ways and forms of public control above them to their acknowledged independence. Instead, legislation has focused on refining categorisations and the rules of financing of the NGO-sphere (Török, 2005) that have affected the scope of manoeuvring of the different types and certain privileges. New laws and modifications in 2017 and 2018 have further impacted the sector. A law enacted in 2017 intends to draw under tight governmental supervision those NGOs that enjoy some significant financial support from abroad and that thus ‘might pose high risk for national security’. In 2018, a legal package defined as criminal and suspended all civil activities supporting migrants and refugees. These new regulations openly go against the independence and freedom of the civil sphere and they imply a potential threat also for those organisations that are currently outside the targeted circle.

In contrast to tightening governmental regulations, municipalities proved more willing to see concrete forms of cooperation with the local NGOs as part of their mid-term plans. The two concurrent trends of drawing large parts of the civil sphere under government-controlled public policy and of seeing independent civil actions as an ingrained part of fulfilling local tasks at the municipal level have led to a high degree of fragmentation, and also to a sharp decrease in transparency and accountability. Amid

these conditions, it is not a surprise that trust in the civil society organisations has become shaken and especially the work of larger, nationwide foundations has become surrounded with suspicion and disbelief (Világgazdaság, 2017).

Nevertheless, the trends are not as bleak if one looks at a relatively new form of civil participation: the offering of a part of one's personal income tax for supporting a freely chosen NGO. Widespread engagement of the citizenry (see below) indicates that despite all criticism, people consider it important to support the civil society organisations as the representatives of public interest and as embodiments of independent decision-making in the conditions of ever tighter and centralised governance in contemporary Hungary.

3.1 Access of civil society to political decision-making

The new and older civil society actors perform a number of important tasks in Hungary. They contribute to service production and delivery and this way help in meeting often fundamental needs of vulnerable groups and people in remote parts of the country; civil society organisations can influence local development and modernisation; and they are also important in accumulating knowledge, skills and know-how and transferring such assets to the public domain. At the same time, the influence that civil society can exert on political decision-making and the shaping of public policy remains rather weak – and this is largely due to the one-sidedness of the relationship. While the civil society actors are deeply embedded into the national policy environment, their functioning is ruled by top-down mediation and regulations set by the government. Dependency on the goodwill of the government is all the more important, because civil society has few codified institutionalised access points to decision-makers. While proposed legislation should be subject to consultation (CXXX Law on the Participation of the Community in the Preparation of Laws 2010), either with the general public or stakeholder groups, a study of all consultations held between 2011 and 2014 shows that the average time period available for this generally was a mere 7 days in the years 2011, 2012 and 2013 that sank further to an average of 4 in 2014 (Arapovics et al., 2015).

This does not mean that representatives of civil society are never included in decision-making processes in Hungary. They are regularly taking part in such process surrounding the use and distribution of EU funds, although research shows that real influence is limited and that procedures are contested (Bátory and Cartwright, 2011; Demidov, 2014). One phenomenon which seems to have become very widespread at the municipal level is the organisation of 'civil society round-tables'. Despite their name, these 'round-tables' are often set up with the purpose of regular usage as consultative bodies to the local governments, and can be found across the country. The civil actors have more a 'courtesy role' than real influence though. However, even if just witnessing the decision-making process, their presence may create some platform for informal 'lobbying'.

3.2 On the finances

Reflecting the extensive involvement of the civil society organisations in providing a wide range of public and social services, the two main actors of financing them are the government and the municipalities. However, the revenues are typically modest. Most civil society organisations have yearly revenues of between 51,000 and 5,000,000 HUF, i.e. approximately 160-16,000 Euros, and a significant part of that is spent on outward donations (HCSO, 2016). Further, increasing in magnitude and extent are the public funds driven from the European Structural and Cohesion Funds and the yearly collected tax-revenue. Nonetheless, decision-making about the distribution of these resources has remained in the government's hands and this way dependence on central allocation has even strengthened. Frequent modifications of the rules of access and the fluctuation of the magnitude of funding cause a degree of permanent instability in the working of the NGOs, sometimes resulting in compelling temporary suspension of their working.

A particular form of funding is represented by the previously mentioned voluntary designation of one per cent of the taxpayers' yearly personal income tax to an NGO that they can choose at will. Currently some 45 per cent of the taxpayers sign up for this opportunity. The transferred one per cent raises the revenue of the civil sphere: some three per cent or 83 billion HUF (280 million EUR) of their funding comes from this source. However, it is perhaps even more important that citizens can directly influence the potential development of the sector. The priorities that the individual offers highlight can be considered reliable information about country-wide developmental needs, and can be perceived as popular 'votes' that extend democratic participation in public affairs.

Another important step was the introduction of the concept of 'public benefit organisation' in 1997. An NGO can apply for acquiring this status if it has been engaged for at least two years in one or more activities that can be acknowledged by the court as 'publicly beneficial'. The long list of the activities is largely in concordance with the content that the notion of 'public and social services' covers. Public benefit organisations enjoy exemplary tax reductions, relaxed rules in engaging in profit-generating economic activities and extra support with regard to employment. At present, close to half of the civil society organisations are designated as such. The organisations are under strict control of the court: ceasing or suspension of their 'publicly beneficial' activities implies the withdrawal of the status.

In sum, finances of the civil society organisations show a duality. On the one hand, diversification of the sources of their income is much in accordance with the general Western patterns. On the other hand, increasing central control over the sphere has induced uncertainties and intensifying state-dependency that endanger democratic functioning and hinder self-regulated development.

4. The Policy Environment of the Social Economy

From the perspective of European policy-makers, member countries in the East seem to constitute something of a backwater when it comes to providing a sound and comprehensive policy environment for the social economy, due especially to the lack of schemes to support social entrepreneurs. Those that exist mainly come out of

European funding (European Commission, 2015: xvi). The legal situation is more varying, where Hungary stands out as complicated due to the high number of legal forms that organisations working directly for the social economy (social enterprises) can take. In an assessment by country experts for a report to the European Commission, Hungary listed the highest number of all countries under investigation, including a range of other member states.² (European Commission, 2015: 128). What this highlights is that the analysis of the Hungarian case can point to the likelihood of similar narratives unfolding in other member states with similar histories, but that there are at the same time significant differences due to local circumstances. In this section, we focus on how the growth of the sector has happened in response to a continuously changing and developing policy environment.

As the number of civil society organisations have grown, their share of and contribution to the Hungarian economy have grown, but as pointed out above and by Kákai and Sebestény (2012), the heavy and increasing reliance on public funds, as well as important regional variations in regulations and financing point to inherent structural problems of the sphere. This concludes into a relatively low growth rate of the sphere with a high occurrence of yearly closing down or several years of suspension. Such an instability works against the main dedication of the involved organisations such as job-creation primarily for the long-term unemployed and support for poor Roma communities (Futó et al., 2005). Moreover, as emphasised in the Hungarian contribution for the above cited overview report of social enterprises commissioned by the European Commission, Hungarian social enterprises not only come from the NGO-sector, but also from traditional cooperatives with some social functions, social cooperatives, and private companies with social aims (European Commission, 2014). While these organisations are commonly tailored according to traditional patterns, they demonstrate a high degree of solidarity among their members. At the same time, they are usually not very friendly toward innovations and often face financial problems due to their poor access to funds that claims proficiency in management and economising.

While the number of functioning and self-sustaining NGOs that have as a direct goal to stimulate employment has been low (Frey, 2006), a recent report on the social economy in the European Union estimated that as many as 5.3 per cent out of the total number of employees worked for the social economy in the years 2006-2010 (for which period the authors had data for Hungary) and this ratio places the country somewhat below the then EU-27 average of 6.53 per cent. The total number of workers were around 180,000 including also the employees of cooperatives, mutual societies and all associations and foundations (Monzón and Chaves, 2015).³ In practice, this means that, for instance, an administrative employee working for a football club will be counted as belonging to the social economy. However, a narrower

² It should be noted, though, that this includes mainly forms that are not exclusive to social enterprises.

³ The notion of mutual societies in this research refers to mutual insurance companies, whose claims to being social organisations may be dubious. However, the only Hungarian member of the International Cooperation and Mutual Insurance Federation, the Central European Insurance Society (Közép-európai Kölcsönös Biztosító Egyesület Magyarország – KÖBE), highlights its non-profit and Hungarian status as pitted against foreign profit-making insurance companies. See information in English about the Central European Insurance Society. Available at: <https://www.kobe.hu/kobewww/aboutus/kobe> Accessed: 01-06-2017.

definition of the social economy would concentrate on just a few of these, like the social services, community development and emergency relief. For instance, there are 5,600 organisations primarily active within social services, and 3,400 within community development. It also should be noted that the financial stakes are low. The combined income of all social service organisations is about 130,000 million HUF (approximately 400 million EUR) (HCSO, 2016). A thorough evaluation of the previously mentioned social cooperatives had tremendous difficulties to find access and solicit responses, and concluded that only about 60 social cooperatives were actually active (Petheő et al., 2010).

It should be mentioned that some NGOs are established as ‘twin entities’ of business organisations but are presented to the public as one social economy entity. This was for example the case of a case study of the Food Bag Organisation (in Hungarian: Szatyorbolt) carried out within the SOLIDUS project. The Food Bag Organisation was initiated by a group of like-minded friends in Budapest in 2008. The name of the group derives from its original key activity, namely, to supply a pre-ordered weekly bag of locally produced and/or organic food to subscribed members. The organisation has two parts, a general shop selling fruit, vegetables, dairy produce and some meat, and a non-governmental organisation seeking to raise awareness about the importance of organic and locally produced food, and to set examples on how to live by these principles. Interviews with its founder, staff, supporters, shoppers and suppliers showed high awareness of the social mission among core activists, many from other civil society organisations, but was less known among shoppers and suppliers.

At the same time, despite their modest economic size, the social economy organisations were important as models and for learning purposes. They represented a new form of non-hierarchical decision-making based on equal rights and equal power of the participants, which convincingly demonstrated a potentially efficient new way of tackling important social problems (poverty, ethnic discrimination, drug use, etc.) with full devotion and, at the same time, to the benefit of the larger community.

In recent years, the social cooperatives seem to have increased in popularity –, although publicly available statistics is contradictory. A 2016 study identified 587 social cooperatives in 2015 (Edmiston, 2016), whereas recent press coverage on the ‘lavishness’ of funds going to social cooperatives cites figures closer to 2,000.⁴ Notably, the social cooperatives are typically small in size. Most would have between seven to 10 members, and usually very few or no employees (Edmiston et al., 2016). Despite all such limitations, these organisations play an important role in agriculture: by associating, private landowners with small lands can maintain cultivation and production by collective sales and the hiring of machines and technologies. Given the extremely high number of such properties due to skewed land privatisation in the 1990s, the cooperatives help them to avoid poverty and to remain in competition on the European market.

⁴ Milliárdokat Szakítanak a Szociális Szövetkezetek, 2016. Augusztus 22. (English: Billions Earned by The Social Cooperatives, August 22, 2016). *Economic Online Portal*. Available at: http://www.piacessprofit.hu/kkv_cegblog/milliardokat-szakitanak-a-szocialis-szovetkezetek/. Accessed: 17-05-2017. The cited source is a firm register which only release data against payment.

Nevertheless, the most likely explanation for the increase in number of social cooperatives is that they have become important vehicles for the distribution of EU funds. Edmiston et al. argue that ‘social co-operatives are publicly supported through a range of regulatory provisions and funding instruments as a policy tool to create “employment opportunities” (Edmiston et al., 2016). This may sometimes be suitable but also makes the grantees vulnerable to criticism of being ‘grant-hunters’ or being submerged into EU discourses of job-creation rather than spreading democratic principles (Frey et al., 2006; Petheř et al., 2010; Edmiston et al., 2016). Moreover, there has been at least one instance of serious suspicion of corruption. In 2016, a police investigation was launched against one of the MPs of the ruling party (FIDESZ) upon accusations that he may have promised social cooperatives access to EU funding on the condition of receiving up to 90 per cent of the funding in return. Charges were pressed by the Chief Prosecutor’s Office in April 2017 (Index, 2016; Newsportal 444, 2017).

There has also been significant turnover in terms of active actors. It is telling that among the five organisations listed as key umbrella and coordinating organisations for social cooperatives in the employment area (Petheř et al., 2010), only two seemed to be active in 2017 based on updates on websites and references by other organisations (The National Association of Social Cooperatives and The National Foundation of Employment). There have also been important developments in the legal framework which sets the rule for gaining membership in a social cooperative. First, changes in legislation in 2013 made it *possible* for local governments to be members, then additional modifications in 2016 made it *mandatory* to have them on board. As argued by Edmiston et al., this ‘propagates asymmetrical power relations that distort the co-operative and democratic principles underpinning the effective operation of social co-operatives’ (Edmiston et al., 2016). The National Association of Social Cooperatives has also voiced criticism regarding this, in addition to claiming the new law to be unclear on several points (2017).

To sum up, probably at least in part due to the willingness of Hungarian policy-makers to adhere to European discourses of the value of the social economy, an institutionalised legal form for this has been pushed as one of the preferred modes to disburse EU funds. This has led to the creation of a fairly large number of social cooperatives, many of which are shown as inactive when researchers have tried to approach them to assess their scope and activities. That is not to say that there are not many social cooperatives carrying out serious and substantial work in their areas. However, the sector, as the overall civil society sector, is vulnerable to competing narratives and interpretations of their practical value. The instrumental perspective of the social economy for the sake of job creation is one narrative, the social economy as a democratising force and promoter of labour done with other purposes than merely monetary gain is another. Therefore, social economy acts and actors do receive recognition expressed in policy strategies and enacted policies. However, the focus is on supporting organisational forms for social economy rather than acts of solidarity within the economy. This means that the importance of social economy actors is recognised in official discourse within a certain narrative before it has achieved much that can be actually measured, but also that the support does lead to some action that fits more or less well with established civil society practices. We therefore conclude

that a claim that there is an emerging social and solidarity movement in Hungary can be substantiated, but it would be with two caveats:

Firstly, 'emergence' must be situated in relation to layers of practices embedded in different historical times. In order to understand the current landscape, it is important to remember that practices of economic behaviour based on reciprocity and redistribution, i.e. the foundation for the social and solidarity economy, can be found in both planning and market economic systems. That said, more recent history also matters. The discourse around the 'social economy' and the role of social enterprises in 'revitalising the economy' in international fora, including the European Union, over the past two and a half decades, has given impetus to the creation of the specific legislation and policy frameworks described earlier in this article.

Secondly, the aim of the legislation and the policy frameworks has been to make social economy activities stemming from civil society visible, regulated and targets of specific support. We assess that overall the creation of the 'social cooperative' legal form has had positive effects in all the three respects characterising the social economy (visibility, oversight, funding) and has led to an increase in terms of size and scope of activity. There are, however, unintended effects: a) the focus on the form rather than on the content risks overlooking the systemic changes that would be required by a transition to a large-scale social and solidarity economy; b) the creation and support of a specific form has led to a focus on the instrumentality of the solidarity economy as a creator of jobs rather than as an enabler of other values, such as democratic principles; c) attention paid to the form sometimes creates sentiments of entitlement from the state (or the EU), and expectations on funding that is rarely fully fulfilled; d) as the rest of civil society, social cooperatives and other actors in the social economy are vulnerable to the effects of politicisation (Kövér, 2016) or perceived politicisation, of the relations to the state, the municipalities or even to the international stage.

A final caveat is that any discourse concerning the social economy in Hungarian public discussion is overshadowed by dominant narratives around the nation and the nation-state. The mentioning of social economy may even have declined in the period leading up and following the elections of 2018,⁵ although that would need further substantiation.

5. Conclusions

This article provided an overview of the ambiguities that are surrounding civil society in Hungary with the aim to assess the potential of the civil society to spur the growth of a solidarity-based social economy through its own activities and policy influence. At European level, policy-makers have placed high hopes on the development of a social economy sphere based on activities stemming both from the business sector and the civil society sphere.

We started by showing how the civil society, as manifested through the creation and activities of non-governmental organisations, has become an important constituent of the Hungarian public domain. At the same time, we attempted to highlight certain

⁵ For instance, the news items available on the official website Hungarian Government do not contain any news items related directly to the social economy in 2018.

vulnerabilities of the civil sphere that follow, on the one hand, from the blurring of the boundaries between the independent civil actions and the coexisting (sometimes cooperating) public services and provisions, and on the other hand, from the frequent undertakings of the state, the municipalities and other political actors to draw the civil organisations and their networks under tight political control.

Civil society organisations are, of course, just part of the broader landscape, nevertheless their status, recognition and embeddedness into the realm of the complexity of power, representation and influence seem to be good indicators of the prevalence of democratic conditions in society and they carry the potential of showing the strength and weaknesses of these relations (Warren, 2012).

Taken from this perspective, the controversies and constraints outlined above indicate a rather weak embeddedness, relatively high reputation and trust, and constant fluctuation in the status of the civil society organisations. At a closer look, the most problematic aspect of their operation is a low degree of incorporation into both the institutional environment and policy-making. But embeddedness would also require some stability in the conditions these organisations need to function, and in their daily operating. However, the prevailing state of affairs points toward weaknesses in these regards.

On the one hand, these deficiencies reflect the relatively short history of civil society with the even shorter history of its organisations in Hungary. After all, stabilisation of the sphere and its secured embeddedness into the democratic polity need years and decades of social experimentation, accumulation of knowledge and the expansion of functional networks and social capital. On the other hand, the 30-year-long history of the domain of civil society organisations shows that the majority of Hungarian NGOs have been institutionally and financially dependent on the public sector, and that such a state of affairs seriously hindered their engagement in the genuinely civil activities of advocacy and community organising. In this respect, Hungary does not differ from other post-socialist member states. As noted by Radu and Pop (2014: 96-97), civil society organisations increasingly depend on the public sector and therefore focus on a government-driven agenda. The dependence on the state may be stronger in Hungary than in some states with longer and more embedded development of democratic governance, such as the Czech Republic. However, more importantly, the Hungarian case is illustrative of how high expectations for the potential of the civil society to contribute to social economy growth may fall short. The 2010 reorientation of the country's political arrangement toward an 'illiberal democracy' has accentuated these tendencies: open turn-away from the involvement of the civil actors in politics and policy-making, or usurpation. This points to a sharp turn-around in Hungary's civil society developments. Despite the advantages a powerful civil sphere would have, current political trends undermine its potentials.

It would be an exaggeration to state that the government as of 2018 is entirely hostile towards the civil sphere. Rather, its intention is to keep the civil organisations under strict political, financial and administrative control: still propping them up but restricting their independence at every turn. Maybe such positioning is perceived by the ruling power as the launching of a 'new version of democracy'. However, our analysis shows that restrictions do not automatically stop at a pre-designed level. Instead, decline has a tendency to accelerate. Therefore, the current trends do not seem to signal the build-up of a new version of democratic entities, but point towards a

demise of the entire sphere. In concrete terms, this means, for instance, that civil society actors who actively work for general human rights will have difficulties to also engage in economic activities that include integration of disadvantaged groups into the work force. To do so with the help of public funds has become increasingly difficult under the conditions given by the successive Fidesz governments since 2010, unless the civil society actors adopt to dominant government-endorsed discourses around what a civil society should and should not be. Thus, although our analysis demonstrates there has been some development in the legislative and policy framework supporting organisations that situate themselves within the social economy sphere, we argue that the centralising and autocratic trend of the past eight years is a threat not only to the future of democracy in Hungary but also to the growth of a solidarity-based social economy that policy-makers at the European level as well as in many nation-states view as constituting a transformative power for enhanced well-being and all-embracing welfare.

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