

## **LOCAL ECONOMIC DEVELOPMENT IN THE HUNGARIAN COUNTRYSIDE: THE HERITAGE OF PATERNALISM**

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**Abstract:** In this article, the authors studied the effect of paternalism on local economic development (LED) in rural Hungarian areas. Field works were carried out eight settlements with 200–17 000 inhabitants in 2012-2013. Multiple methods were utilized according to the requirements of the holistic approach. The main aim of the research was the exploration of best practices for the expansion of local employment. As a narrow subfield of our research as a whole, this study focussed on the characteristics of paternalism played in LED. On this basis in-depth interviews were made with the local stakeholders. We found that the lack of capital was the main contextual factor of LED. Members of the project-class could be regarded as a particular intermediary sphere of paternalism besides bureaucracy from the state to local level. We concluded that the local heroes played key role within the context of the extension of employment. They could be the new style representatives of paternalism which was relatively independent from the state, bureaucracy and project-class.

**Keywords:** rural development, local economy, Hungary, paternalism

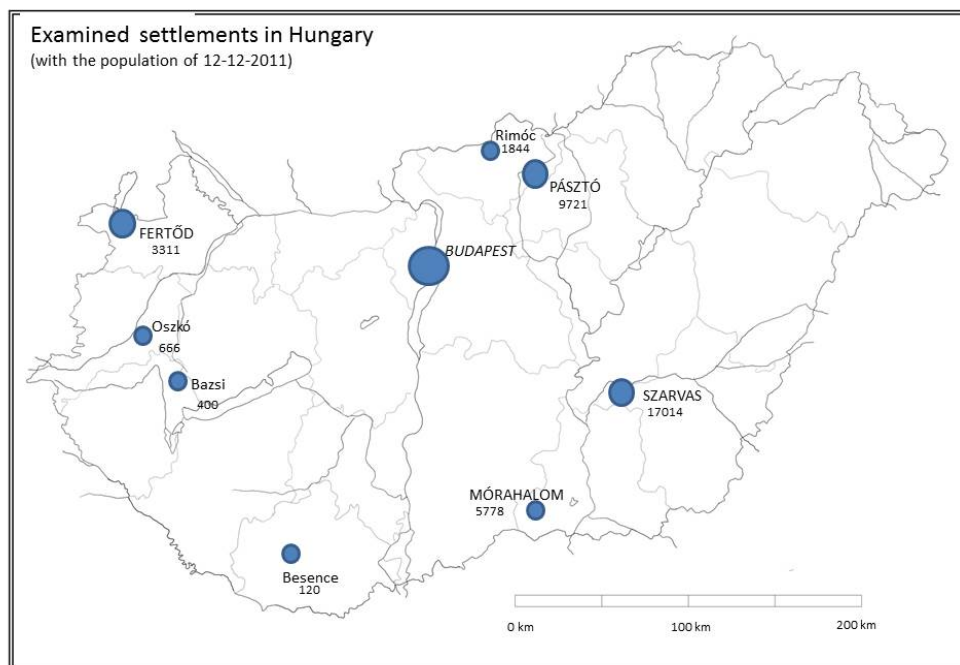
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### **INTRODUCTION**

Development of rural settlements deserves particular attention in Hungary as it especially focuses on the capital, Budapest. In many cases the key to the future of local economy has its root in the attitude and activity of the local inhabitants (Czene-Ricz, 2010). Some of the earlier features and interconnections of the local economic development (LED) were transmitted in the last 25 years after the political transformation. The risk of downward social mobility and the threat of unemployment have become the major economic challenges for the local inhabitants in countryside (Csaba, 2011).

The basic question of the applied research was that how the LED is assessed or seen by locals in the settlements involved in our examination? What general and specific features can be observed and how do they correspond with the findings, classifications and models found either in the relating Hungarian or international literature? How can growth of employment be connected to the increase of the local economy? We aimed to set scientific based keypoint up, together along with the increase in economic activity, which can help the rural settlements to escape from their crisis.

Type of settlements applied in our field work were villages and small towns, with less than 20,000 inhabitants all over the country in 2012 and in 2013 (Figure 1). On the one hand this size of settlements were chosen because of these places have substantial problems of development and on the other hand, closely linked to, employment proved to be the most serious problem (Skerratt, 2013). Furthermore, we assumed that the overwhelming effect of government policy will be relatively negligible in these smaller settlements, namely in Bazsi, Besence, Fertőd, Mórahalom, Oszkó, Pásztó, Rimóc and Szarvas. As a deeper objective we targeted at understanding the social-economic crisis long-lasting (Lányi, 2010). By examining one of the aspects of LED, namely expansion of employment, we intended to serve both the local and general employment policies together with social and regional planning. The settlements characteristically different from economic, social and cultural aspects gave, besides discovering specific peculiarities rooted in their history, the opportunity to draw general consequences by analyzing the eight settlements involved in our research.



**Figure 1** Location of examined settlements with population on 12-12-2011  
(letters in capital: city; letters in italic and capital: capital of Hungary)

In the eight settlements we carried out the field work with multiple methods, according to the requirements of the holistic approach (Clarke, 2001). For the sake of comparability we collected quantitative data from the local inhabitants with a standardized questionnaire. With the help of in-depth interviews we asked the local dominant persons, thus gaining some pieces of valuable qualitative information. As a methodological experiment we carried out focus group analysis in four localities. Observation during our field work, systematic economic geographical descriptions of our experiences and impressions were the other means of getting information.

Variation of the local economy and its development is strongly attached to the problems of local employment. Scholars have attempted to define the LED generally and exactly in many ways so far. Their intentions were foredoomed to failure (Walburn, 2011) since the essence of LED lies in the grandeur of uniqueness. As a starting point of our research we accepted the approach according to which the local economy is the lowest operating level of economy where production and consumption can be connected directly (Mezei, 2006; Németh, 2011). We considered local resources, local products, local markets, also local communities with a certain autonomy, local institutions and finally the indispensable local key persons (local heroes) as central categories.

As a narrow subfield of our research this study focuses on the characteristics of paternalism played in LED. In the eight sample areas in Hungary we are presenting the phenomena of LED related to paternalism on the basis of a qualitative examination of in-depth interviews made with the local prominent personalities. To achieve this goal we found two of the ideal types of rural settlements elaborated by Flynn and Lowe (1994) useful: the paternalistic countryside and the state dependent countryside. The other two types (the preserved one and the contested one) will be described shortly next section. However, these latter types are of a lower importance from the angle of our analysis.

## **THE IDEAL TYPES OF RURAL AREAS**

In the majority of cases the geographical space of the local economic development (LED) is the countryside where Flynn and Lowe (1994) distinguished four ideal types. For their classification the authors regarded the opinion about the given area as a starting point.

The four ideal types are as follows:

- preserved countryside
- contested countryside
- state-dependent countryside
- paternalistic countryside

It should be taken into account that this classification is the result of an emotional, subjective approach to a certain extent so there can be some overlapping between the different types.

We suppose that the in-depth interviews made it possible to carry out a practice-based assessment of two types of the four, namely the paternalistic and the state-dependent countryside.

### **Preserved countryside**

It is in the consumer's interest of the middle class to preserve the countryside, and also it is the result of their particular attitude towards the rural area. Conservation of the traditional image of villages, the rural idealism, and preservation of naturality is the basis of rural tourism, for example. A village is the locality where smiling locals live their seemingly traditional life. However, in reality they wear modern clothes; folk customs are rarely parts of

everyday life. Is it possible that the urban middle class consumer needs his own deception reminiscing about their rural roots? The countryside, as a living space, has been transformed in the respect as the place of small gardens, village yards, and foods of good quality and the dwelling-place of people of common sense. It is dangerous to think of the rural idyll only with a kind of romantic feelings particularly in the field of the LED (Handlerné et al., 2012). A very good example for it is the settlement where organic farming takes place or where former urban moving to the countryside establishes eco-villages. Another example is when a religious community (for instance Buddhist) creates a particular way of life (Raju–Gowda, 2014), which is close to nature and attracts also tourism (see Buddhist temple near to Pásztó). Furthermore, historic villages belong to this ideal type, too (see Hollókó).

### **Contested countryside**

Perhaps, it is the contested countryside which is the most frequent type of settlements in the Hungarian countryside. Today, village researches and the media examine the situation of the villages of this type. There have been numerous attempting to solve their conflicts. The task of LED is to solve problems related to the small village's phenomenon, aging, migration, settlement ghettos, disintegrating communities by creating places of meaningful work. Therefore the possibilities are conflict-based. There are processes which result in a disadvantageous situation. Unemployment is the most oppressive for locals giving place to the closed hopeless way of living in the countryside, to the inability to act, and finally to the lack of both initiative forces and self-confidence. LED becomes effective in case of it can break through the wall, if it be able to prove even the countryside can be successful.

### **State-dependent countryside**

The state-dependent countryside strongly depends on state subsidies. The settlements, areas of this type sometimes prosper in some places, sometimes survive in other places and finally, sometimes hardly vegetate from these supports. The LED should create an alternative to reduce external dependence, to discover and utilize internal resources or to draw other resources effectively in. On the other side, however, the state should sponsor only those initiatives which are able to become real economic activities in a relatively short time. If the economic activities, state, community or private services cannot be sustained, it may cause that the given countryside loses its population, out migration increases.

It is interesting to talk about migration at minimum two levels. Visual form of it is the flow of inhabitants to a bigger settlements or occasionally abroad. Parallel you can see flow of knowledge, which is invisible. High-skilled people leave small settlements with their usable knowledge and competencies. Impact of them makes different local problems, gaps (Gál, 2006). As a result, the system will be more and more expensive to survive, it will get unsustainable from a financial point of view. A well-accomplished development could give a solution because LED reduces dependence on the state redistribution.

### **Paternalistic countryside**

In so called Eastern-Central Europe tradition of the paternalistic countryside has its root in the historical development of the past. One of the key problems of the late, and thus specific, development was the attitude with land which probably still works in certain regions of Hungary. Both property and the interest of its holders can be regarded as a dominant force. It was Mellár Tamás (2012) who said only those should have been holders of the land who could cultivate it. The other important condition is that this person should be a local inhabitant. In the present macroeconomic environment large-scale cereal production is the most beneficial

from the point of view of making profit. There should be wide-spread properties as Serge Latouche (2009) and László Csaba (2011) defined.

According to researches the historic structure of land ownership from the period between the two World Wars strongly determined autonomy and initiative spirit of people living in a certain area. „The historically overwhelming importance of small estates” gave opportunity „for peasantry to make their living from their own lands and also to evolve an entrepreneurial culture rooted in peasantry” which „assumes a greater entrepreneurial potential even today”. It is a determinant factor and also important from the point of LED that „where the individuals are separated from each other, the entrepreneurial potential is weaker too and thus there are less micro and small enterprises than in an area where the net of relations is dense... and the importance of the small estate within the structure of land properties imply the greater number of smallholders while dominance of the large estate supports the greater number of agrarian proletariat” (Kopasz, 2005).

Social capital (concept from Pierre Bourdieu /1986/) affects other capitals. The paternalistic social system changes the social capital; first of all, it excludes it from „the game”: the separated players, anyway, who are close to each other in point of space and interests, are connected to each other by the central power in this type of system. It reduces the chance of development and maintenance of informal relations. Besides, it makes the ideal of „subsidiarity” of the EU its own irony. Development which gains its resources from local conditions stops, local initiatives are either forced back or they fade. „The good father-syndrome” results in formation of a strong net of vertical relations and at the same time, the horizontal net of relations is subordinated to.

A significant part of the inhabitants of the Hungarian countryside expects the authorities to solve their employment, social and their other problems comes from the tradition of the Socialist era. The local community, which is regarded as the driving force and base of local economy, has not grown stronger, with the exception of the local government. (Though in the last few years we have been witnessing how local governments grow weaker.) However, the local institutions do not always offer the mental base which would be able to plan and then to carry out strategic programs to develop local economy, moreover, to work out the range of local product(s) of premium quality which would be related to the name of the settlement as a brand. According to some scientific literature the local economy is strongly connected to local heroes, the key figures of the local community (Handlerné et al., 2012).

## **PHENOMENA AND FEATURES OF THE STATE-DEPENDENT COUNTRYSIDE IN THE LIGHTS OF IN-DEPTH INTERVIEWS**

The examined areas do not belong to the most underdeveloped, dependent areas of Hungary. It is *Besence* which highly needs development of social economy, because of the level of unemployment; therefore it depends on state resources. The key problem of its future is what fortune has in store for the local co-operative, also if they manage to find new directions of prosperity. It is *Besence* which is strongly characterized by the ideal type of *state-dependent countryside*.

The situation of *Oszkó* is better, less dependent on state subsidies.

*Mórahalom* does not belong to the settlements in need of state subsidies. Its successful tenders, prospering enterprises provide it with the necessary independence.

In spite of the increasing unemployment experienced in the last few years, *Pásztó* does not entirely depend on the state but the direction of present changes is disadvantageous.

*Szarvas* proved to be a settlement hardly depending on the state. Due to the successful tenders, investments it has a positive view on future in the fields of both culture and economy, together with unemployment rate under the country average.

*Fertőd* does not have to face with problems of employment; its favourable position depends on the relations across the Hungarian-Austrian border and employment abroad. Both the settlement and its population live a relatively common offline life.

Thoughts expressed in the in-depth interviews show the way of thinking of the local key persons quite well:

- *„The ownership structure of lands is over-concentrated: although many have a plot of 1 ha (10 000 square meters), which is generally left unutilized, and that is why the official statistics might as well conclude to be in the state of partition.” „The overwhelming part of lands is owned by one or two big entrepreneurs who cultivate them in large-scale farming which does not need labour force and do not intend to sell some parts of their lands.”*
- *„It is a very big problem that the former co-operative employed two thousands workers who are mostly unemployed today, while the lands of the former co-operative are cultivated by two or three people with huge agricultural machines and with few employees. It would have been better if the subsidy of purchasing agricultural machines had been worked out more carefully by the state regulations.”*
- *„People, due to the social benefit and other income supports, have forgotten how to work which implies a huge problem in case of successful public works programs: public workers have to be separated from real employees because they erode the work ethic, yet the public works program as it is would be a good initiative.”*  
If there is no way to earn a livelihood, the structure of state-dependent countryside seems to fall to pieces and thus for the people living in the countryside there is no other way than: *„People escape to construction works to the capital, to Budapest, or abroad. It's a shame. It can't be a positive view on future...”*
- *„People in the countryside have been transformed that means they have started to think as urban who sell their work-force in stereotyped forms conveyed to them by the state and scientific experts via the media. They have become the part of pseudology about them in mental sense, too. It can be clearly heard in the words of an agricultural entrepreneur of Pásztó out: „People's attitude is very bad, they are not able to take something in hand, and they are not able to start something which is due to Socialism, to the paternalistic way of thinking.” „They take it for granted all acting on them. They don't feel their obligations.”*
- Weakening of the attachment of local relations is represented well in the words of one of the clergymen: *„There is no humanity, morality, commitment, responsibility. I miss especially the latter one: for example, there is a local handball team but the players don't often go to the matches because they don't feel that they belong to here, that they have to take the responsibility...”*
- The entrepreneurs have a typical idea of the state role: *„The state task should be to make living possible, to give legal security, to be efficient; there should be a small state.”*
- *„There are some new tendencies which show, some smaller groups believe, it is really possible to do something locally in both economy and culture. This viewpoint is getting more and more accepted by others too, so they become active instead of being languish.”*

- *„There are a lot of unskilled people in the region, problems are in their mentality. Each initiative is connected to one person; the so-called key personalities are very determinant.”*

## **ROOTS, PHENOMENA AND FEATURES OF PATERNALISTIC COUNTRYSIDE IN THE LIGHTS OF IN-DEPTH INTERVIEWS**

In relation to paternalism manifested in the LED we are intending to show the approach which is in connection with capital, local ownership and local attachment (localpatriotism). However, on the other side, people who sell their workforce lack capital and property necessary for production and thus they expect solution to their problems from outside. It is not exclusively a feature of the state-dependent countryside. This phenomenon can be observed in towns even more. Paternalism, paternalistic way of thinking has deeper roots both historically and mentally than dependence on state itself, both in the countryside and in towns.

It was Karl Marx (1978) who theoretically elaborated the concept of different capitals. As a theory it was perfectly elaborated, what is more, it was niche (Illés and Michalkó, 2011). However, the political plan of acts based on it failed there, where human enterprises often do, when Marx started to see himself as a Messiah. In any case, paternalism is strongly connected to the concept of capital, to the restricted land and productive capacities and as a result, to formation and fixation of system of relations.

The phenomenon of paternalism, which is without doubt very strong in our country, cannot be related only to a political theory, an ideology, a party or a regime. It is rather the social manifestation of a general feature of human nature. It can be said that the right-wing, quasi-legal Horthy-era before the state socialism was paternalistic; that the fate of the country was in hand of a few privileged who decided on crucial questions at bridge parties. It can also be said that this era gave birth to paternalism by maintaining the hunger for land, by anchoring the capitalist structure. However, it can also be stated that during decades of the left-wing Socialist autocracy atomisation of the society, destruction of the existing communities and expansion of the one party's power on their ruins gave birth to a net of relations where people were in relation of an agent both personally and also with the state. There was no real relation between people, theoretically it was not able to, by they could avoid the state power and which could be independent. Consequently, the few privileged people of the Horthy-era, the elite, were replaced by leaders of one the party. It is disputable what kind of change we can see in it. In any case, it is certain that both periods preferred uncritical loyalty to the independent way of thinking, initiatives and value creation.

In countryside paternalism differs from urban one from the point of view that there are less connecting points, there is not a big social network from which radiation could be realized. The local hero can become a successful determinant factor more easily. Even in the last political system the urban population turned to Free Europe Radio and today to Brussels when it is about presumed or real conflict of interest, while the rural population practically did not see more than the village or district government. That is why local heroes could, and so they can even today, have such a great effect in villages and in smaller towns due to their position, they can represent „the whole world” for the local society.

Some institutions, as a quasi Foucault's heterotopias (1967), are typical regional phenomenon of the dependent paternalistic countryside. We found two examples for it during our research: one of them is the international summer camp for Jewish children in Szarvas, and the other one is the Esterházy castle in Fertőd. Their features are the following: their venue is almost independence from the actual place; and their services (premium camping, premium culture, organization of concerts). None of them is for the locals:

practically neither the guests nor the skilled labour force is (or hardly) a local inhabitant. The local workers are employed only for positions of cleaner, maintainer and servicing employee. Their operation, development do not relate to the settlement, the settlement can hardly interfere in their affairs. The connection between the institution and the local authority is fragmented in both cases. Neither of the institutions is within the sphere of action of the local government.

The relation between paternalism and capital is specific. The widely distributed ownership is favourable for the LED. However, entrepreneurial and risk-taking forces can be formed only in case of a certain level of capital concentration: yet their presence is indispensable for the economic growth. Consequently, if we refuse the LED utilizing an extreme autarchy and basically intend to utilize the market mechanisms, we have to find the suitable proportion of income inequalities, the appropriate interval between the possibly acceptable income differentials. It is a necessary and conscious step to achieve that discourse on capital cannot be only mere demagogy to make political capital.

### **Case studies**

Results of our research show a specific image on real state of rural development and LED and the present forms of paternalism by settlement in Hungary.

*Besence* is in an especially disadvantageous situation. A significant part of the land is not owned by locals, the co-operative has to rent it. The remaining area was broken into small pieces, as tenancies in common, as a result of privatization after the political transformation. The lack of land hinders public employment too and does not make possible for locals to become small-scale entrepreneurs. It can be observed that the so-called project-class has become dominant representatives of which interfered in the development of the region without knowing local features or local society.

*Oszkó* has similar features to *Besence*, though the in-depth interviews did not give an exact data on the current land ownership. The importance of land ownership is dominant in this small settlement, too, but the proportion of lands in foreign, Austrian possession is not known. Disappearance of the former significant animal husbandry shows the unfavourable situation quite well. Another feature is that the area of the former co-operative and its equipment park are concentrated only in the hands of a few people. Prosperity of the settlement would practically stop without external resources. On the other hand, the strong civil organizations together with strong patriotism of the locals stimulate the endogenous forces of the LED.

Development of *Mórahalom* shows a diversified image based on agriculture and tourism. The constructions of the thermal bath and the hotel have been supported by EU-tenders clearly represent a paternalistic approach based on the local government. The civil organizations have a significant initiative force. The local inhabitants strongly attach to the settlement. It can be concluded from the in-depth interviews that the structure of land ownership is more manifold than any of the above mentioned two settlements regarding the homestead farmers. Besides traditional family farmsteads there are vegetable and fruit producers who apply more advanced technologies. The local co-operative, established in the industrial park, is a positive example for the LED. The firm processes vegetables, mostly coming from local lands, to ready to cook finished products. In *Mórahalom*, because of historic and economic reasons, the local economy is defined in connection with agricultural products which had been successfully achieved for 10 years by *Mórákert Co-operative*.

Paternalism of *Pásztó* is connected to the local government and of industrial-service type. The owners of lands and the ownership are similar to the ones in *Oszkó* and *Besence*. A very restricted group, and in many cases not the locals, are the important land-holders (for example lawyers for the sake of hunting rights). Neither the local government has no the



necessary land to introduce agricultural public works. The local government has „lost” the hospital, which was renovated by it, but its co-operation with a part of the local entrepreneurs is fairly problematic. It is a specific feature here that the local elite, meant as the elite based on income or business ownership, support the local cultural and social programs but strictly staying in the background.

According to the research, Szarvas meant an exception from the settlements being prosperous. It was a typical example for positive paternalism. The local authority strongly supports local enterprises, besides giving assistance in applying for tenders. The entrepreneurial activity which involves almost the tenth of the population is outstanding among the examined settlements. The local government successfully utilizes the inner resources of the settlement (arboretum, the river Holt-Körös); it realizes investments with local and unique values (water theatre, mini-Hungary). It is also characterized by a successful industrial establishment based on agriculture (poultry sector). These results are due to a local hero, the efficient mayor who is considered by others as a person with enlightened absolutistic management style owing to the activity of whom local relation (political) conflicts do not hinder development of the settlement.

Fertőd is an agricultural settlement with significant tourism close to the Austrian border. Its most important particularity is the position near the border that is why connections across the border are determinant factors. Foreign employment is excessive with commuting or circulating manner. The proportion of land ownership by Austrians is not known precisely but it must be significant. The value of ownership is shown by the fact that some Austrian land-holders renounced their citizenship and became Hungarian citizen in order to own lands and to cultivate those legally. The lack of cohesion in the settlement hinders the LED. Fertőd was established around the Esterházy castle from two settlements with different socio-economic backgrounds. Serious conflicts in co-operation, strong individualism and employment abroad weaken relations inside the community implying a very weak internal paternalism.

## LOCAL ACTORS OF PATERNALISM

In the eight regions, with the exception of Szarvas, institutions of the *local governments* proved to be the largest and the most stabile employers because they perform public services. However, the in-depth interviewees did not see more opportunity of employment in public institutions. It implies that employment and in some cases, partly debated over-employment is state-funded. Increase of indirect state employment related to local governments cannot be expected. On the one hand paternalistic traditions are clearly strengthened by the determinant feature of state employment and on the other hand local employees are made vulnerable by it. Level of local over-employment would not be sustains if reduction of state redistribution will happen. The necessity of public employment hardly questioned by interviewed men but its extent was considered to be exaggerated and its practice too diversified by them. However, at the moment the interviewees could accept it in the lack of a better solution.

*Local heroes* are the key figures in occupational extension. They are second actors of paternalism who live in the settlement or have strong connections to and who initiate activities, successfully realized projects, coordinate different tasks. Recognition of these local heroes and their keeping locally are of basic essence in actions of LED to extend employment. Co-operation between the *project-class* and local heroes resulted the most successful projects and tenders. They are the most important factors in local economic development.

## **LOCAL HEROES – AS POSITIVE LOCAL PRODUCTS OF PATERNALISM**

In each place of research personal feature and role of key figures; initiators had especially importance in local economy. We recognized that in fact they were well-identified persons with local connections who made initiatives, successfully accomplished projects and coordinated tasks. However, the question is how are they accepted as local heroes by the local community? Or, what will be the future if the key person leaves the region for any reason or perhaps he dies?

*„Each initiative is connected to one person, the so-called key figures are extremely significant”* said one of the interviewees outlining the above written thoughts.

Describing the phenomena of the local heroes we cannot forget about the mechanism of the so-called free rider-syndrome well-known in economics and social psychology. From his internal vocation, responsibility taken for the community and his need for recognition by the community a local hero invests enormous energy in his activity not expected by others. Free riders around him reap benefits of it without taking any risk and with less energy than they invested in. Everything goes on the basis of a tacit agreement accepted by the parties.

If the external intentions to development try to avoid these local heroes, reduction in efficiency would be expected, and sustainability of the project may be questioned. Thus, we can put the question why the representatives, very rarely hyenas, of the project-class, with a high level of political commitment, would avoid local heroes? According to our observation we can give answer that the values of exemption from country level politics (aloofness from political parties) and of pragmatism are typical of behaviour of local heroes. In case of members of the project-class most of the development resources would like to make their own, it is really worth them to avoid *„these strange locals”* who want to select in relation to external resources instead of being happy without hesitation about *„the external intention to help”*.

## **THE PROJECT-CLASS – THE CASTE OF PROJECT MANAGERS AND PROJECT WRITERS**

Representatives of the project-class can be regarded as a particular intermediary sphere of state paternalism besides bureaucracy. One of our interviewees explained that the project-class can be found everywhere in the developed world who is closely related to politics. They live practically from development projects. There is an good example in Ormánság, for that where not the local needs are important, though organization settled there to realize the project there and carries out programs without authentic knowledge of the region (Szabó, 2012). The authors can complete the indeed fairly appropriate remark above that the members of the project-class can be regarded as a kind of intermediators who link the macro level with the micro one, thus they represent a kind of a middle level. That is why inhabitancy may not be expected. However, *„double life”* living also in the region, is necessary when the project is on. Without that the development projects are foredoomed to failure themselves and probability of their sustainability takes to one. Non-intentional effect the culture of dependence evolves (Garcilazio, 2011) with similar symptoms to ones are well-known as effects of direct state redistribution in order to restrain differences in the level of regional development either before or after the political transformation.

## **BUREAUCRACY AS THE OLD-FASHIONED SUSTAINERS OF PATERNALISM WHICH IS FAR FROM LED**

In connection with every form of legal extension of local employment the interviewees listed those administrative regulatory obstacles which impede local initiatives and attempts from the state level to the local one. We perceived that in the vision of the future, made by the national state bureaucracy, the world of the county does not even occur faintly as a site of local economy and local employment (Péti et al., 2012). Over-regulation is the essence of bureaucracy in Central-Eastern Europe. The manager of an enterprise, owned by foreign capital, said „*I do not think that the Hungarian law is efficient because it is too complicated and also it does not sanction against law-breakers with due stringency.*”

## **LACK OF CAPITAL AS A FACTOR STRENGTHENS PATERNALISM**

Capital means not only financial capital but also social and nature ones for us, has determinant importance for LED. In connection with financial capital we have to be aware of clearly that it can be formed not only locally. The amount of the available local capital depends on the measure of withdrawal and remittance. It is exclusively dependent on the system of revenue-expenditure formed by the state. Higher level of withdrawal expressly means a higher level of paternalism. More interviewees exposed important thoughts about:

*„It is a principle of economics that there is a need for capital. There is no development without capital. If there is no internal capital, it should be added from external sources. The necessary knowledge should be understood under the capital namely skilled workers.”* said one of our interviewees correctly.

*„To keep the existing resources inside is a very important element of local economic development. In addition, attention should be paid to external sources admit that does not make us dependent. If a program can only be sustained by external resources, it will not be sustainable for long time. Consequently, the external resource is not a bad thing in general but it should support utilisation of the internal resources”-* concluded another interviewed person.

Lack of capital has been a general problem for the Eastern-Central European region since the beginning of capitalist development. Without any doubt the optimal source of the extension of local employment would be the accumulated local capital and other types of capital if they are pushed into motion. Lacking them locals have to turn to external sources.

Human capital in our case study means innovative persons with a significant knowledge of local conditions who are able to value the local resources and to push them in motion as local heroes. As we have mentioned earlier to keep them in the locality is an essential task. Only in case of lack of them it is worth resorting to an external source. Support of immigration and return of emigrants, or their visits has both opportunities and risks exactly like the import of financial capital (Smith and Atkinson, 2011; Illés and Kincses, 2012).

## **CONCLUSIONS**

Hungary is one of the younger and peripheral member states of the EU, in which the state of rural regions is a major issue, caused by the existing spatial differences in development, than in the older member states forming the central areas. The objective is to form a liveable (small, green, smart, sustainable) countryside which can be realized by local economic development (LED).

Paternalism has deep roots in the so-called Central-Eastern European region. By examining the opportunities of the ideal type of paternalistic countryside within context of the extension of employment of LED, the presence of the local heroes were concluded to be the most important factors. They can be the new representatives of paternalism which is relatively independent from the state. It can be added that although they carry the paternalistic traditions on, they still have an important part in moderation of destroying external effects (state, bureaucracy, representatives of the project-class). For it they undertake conflicts even against bureaucracy as representatives of the central power.

Opinions and experiences of the local stakeholders gave a specific image on the complex situation of the present countryside even through with this small number of examples. In seven regions out of eight the institutions of the local government proved to be the largest employers performing public services. It is very interesting that the interviewees of the in-depth interviews did not find more opportunities to increase employment in the public institutions. It seems to be that over-employment is there even today.

Our research showed that the new public works program was assessed in an extremely wide scale. One of the firm owner said that public workers had to be separated from other employees because they erode the work ethic. On the other hand, other one mentioned that the public works program could be a good initiative. Due to the transformation of the role of work and the low external respect self-employment seems to be a better chance in LED instead of selling their own work skills. We have to add that in many places successful self-employers were found not only among the local heroes.

The former Hungarian characteristics of paternalism occur even today. Determinant in that down in the country power structures created such conditions for life, fixed in social stratification, wide condition for life of serfs, servants, agricultural proletariat, commuting industrial workers, unemployed youth, that heavily influenced strongly affected against autonomy, entrepreneurship, and responsibility. If there is a local hero in the settlement who is independent from the state, state bureaucracy and project-class, there is a chance to achieve successful rural development, realization of LED.

Besides local heroes who concentrate on utilization of the internal resources, a strong local attachment, local ownership, local capital, local institutions and innovative force, manifested in local products of special quality, can be a remedy to external paternalism.

First and last the features of the paternalistic countryside appear on the level of institutions of local government and local heroes. The local paternalism is connected to a strong local government (mayor) and persons with entrepreneurial spirit regarded as local heroes. Mórahalom, Szarvas, Bazsi and Rimóc can be much better characterized by the local paternalism as Pásztó, Besence, Oszkó and Fertőd.

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