



CORRUPTION
RESEARCH CENTER
BUDAPEST

The Quality of Hungarian Legislation 1998-2012 – Descriptive Statistics

Preliminary Results

Budapest, July 2014.

The Corruption Research Center Budapest was created in November 2013 in response to the growing need for independent research on corruption and quality of government in Hungary. Hence, the Center was established as a non-partisan research institute independent of governments, political parties or special interest groups. The aims of the Center are to systematically explore the causes, characteristics, and consequences of low quality of government, corruption, and regulatory failure using an inter-disciplinary approach. The Center also aims to help citizens to hold governments accountable through the use of robust evidence.

The Quality of Hungarian Legislation 1998-2012 – Descriptive Statistics *Preliminary Results*

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Abstract

This paper explores some basic characteristics of Hungarian national legislation in 1998-2012 through publicly accessible online administrative data. Our focus is on comparing the 2010-2012 period to former years. We propose that the investigated characteristics of laws – the number of days elapsed between submitting a bill and the publication of the final law; the type of the person/organisation who submitted the bill; the number of modifications that became necessary a short time after the publication of the law – serve as indicators for the quality of the law making process and the fragile balance between two basic requirements for legislation: (i) reacting to social and economic changes and (ii) providing a predictable environment for citizens, economic actors and civil organisations.

The preliminary empirical results point out that the accelerating law making process in Hungary since 2010 has had some negative effects on the stability of the legal environment, the adequate preparation of laws and the role of public consultation, and hence, the overall quality of legislation.

Introduction

It is clear that the institutions and legal system of a country – forming the framework by which the population lives and does business by – is of critical importance to long-term economic and social development. It is crucial to know whether or not the institutions of a country are predictable, fulfill expectations for legal certainty, and to what extent they protect private property, encourage innovation and strengthen trust.¹

The quality of the legislative process can be determined by two key considerations: on the one hand, it responds to social, economic and demographic changes, that is, it provides a flexible framework for the everyday activities of the general public, businesses, and civil society organizations. On the other hand, it provides reasonable permanence, predictability, stability, and allows citizens, businesses and civil society organizations to make plans for the future.

The economic analysis of laws and the legislative process helps to answer how institutions may have a positive impact on economic growth and strengthen market competition and democratic accountability. It also makes it possible to expose legal mistakes and legislative corruption, and thus enables the calculation of welfare losses.²

For the analysis of the institutions, legal certainty, the legal system, and their links with economic development and growth, researchers often collect information from economic actors (mainly company managers) about their views on institutional and legal factors.³ International comparability is a strong requirement in this case. In our research we narrowed our analysis to the study of Hungarian legislation - not based on perception, but focused on the analysis of objective data characterising the legislative process.

Our research aims to answer two questions: (a) what statistical characteristics describe the Hungarian legislative process in 1990-2012 - based on data from the preparatory stage of legislation, the parliamentary debates, and amendments to laws; and (b) how legal certainty is changing as a result of the frequency of amendments to laws.

This research report summarizes information that is publicly available on the Parliament's website (<http://www.parlament.hu/>). On this site written documents produced by the National Assembly, since 1998, are available as well as other information associated with these texts, such as submission and approval date, voting shares, and the person presenting it. This report spells out some preliminary results of the research program outlined above, mainly on the basis of data for the legislative period from 2006 to 2012.

¹ See North, DC (1981): *Structure and Change in Economic History*. New York: W. W. Norton; and Acemoglu, D. - Robinson, JA (2013): *Why nations fail to ? Power, prosperity and poverty origins*. HVG Books, HVG Publishing

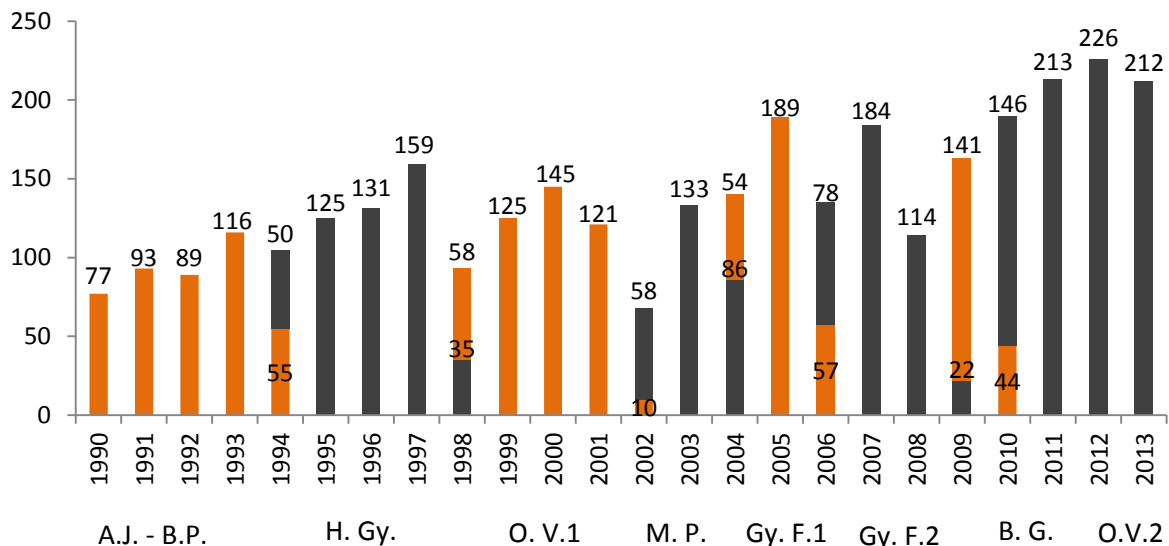
² "We Began with the question of legal regimes Which Economic Growth and better support the development of markets . The analysis in this paper can hurt Suggests That question will require making progress on moving beyond the simple Dichotomy Between common law and civil code regimes thathas thus far dominated the literature . This Suggests That model , abstracting from (admittedly Important) issues of judicial corruption and the quality of law enacted in legislatures , the Important Distinctions Between legal regimes are found not in the reliance on code versus caselaw but Rather in the Institutional Determinants of judicial incentives and the capacity for a legal regime to generate legal Investments in Human Capital harm reduce for legal error . See Gillian K. Hadfield (2008) : The levers of legal design: Institutional Determinants of the quality of law , *Journal of Comparative Economics* , Volume 36 , Issue 1 , March 2008 , pages 43-73 , http://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID992880_code49181.pdf?abstracted=988800&MIRIAM=1

³ Daniel Kaufmann, Aart Kraay , Massimo Mastruzzi (2008): *Governance Matters VII : Aggregate and Individual Governance Indicators , 1996-2007* , June 24, 2008 , World Bank Policy Research Working Paper No. 4654 , http://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID1151867_code332182.pdf?abstractid=1148386&mirid=1

1. The number of published laws fluctuates significantly by years

1. The quantity of new bills and laws per year has a significant effect on their quality because it determines the time available for preparation, development of impact assessments and for public consultation. Figure 1 shows that in 2011-2013 a comparatively high number of bills were passed and published by the Hungarian Parliament.

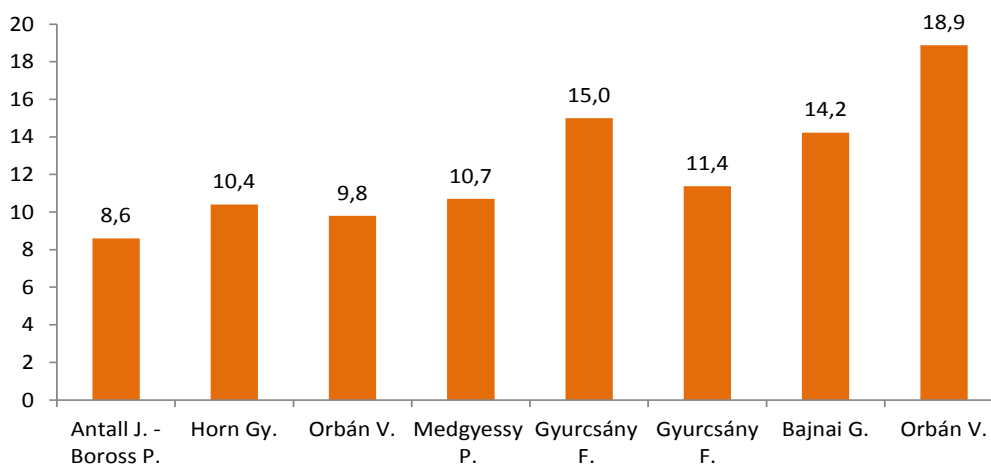
Figure 1: Number of published laws per year and government



Note: When data concerning one year are represented in two parts, an election took place or the prime minister was changed. A list of prime ministers is available in Appendix 1.

2. it is relatively hard to draw clear-cut conclusions from Figure 1 as the underlying length of legislative periods varied per prime minister. In order to make comparisons clearer Figure 2 shows the monthly average of published laws in each government cycle. It is clearly notable that in the era of the Orbán-government, elected in 2010, the average number of newly published laws per month increased significantly (19).

Figure 2: Number of published laws under each government, monthly average 1990-2012

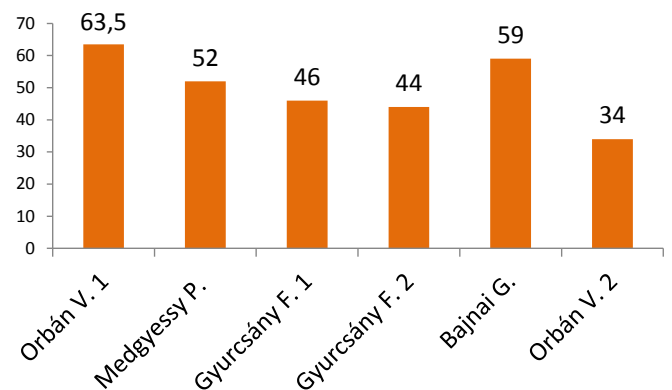
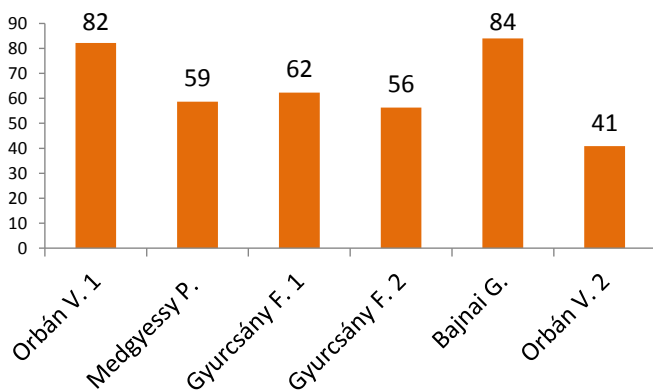


2. Less time for preparation and debate

3. The growing number of new laws passed has caused the time available for preparation, debate and decision-making to decrease since the change of government in 2010. The average number of days between the introduction of a bill and the publication of the final law in the official journal was 41 in 2010-2012, which is the lowest value during the analysed period (1998-2012). The number of days available for preparation and debate stagnated in 1998-2010, during the first Orban-government (1998-2002) it was 82 days, during the Bajnai-government (2009-2010) it was 84 days and between these two periods it was 56-62 days. The decrease in recent years is conspicuous even if we are looking at the median instead of the average – so when we are looking at the “value in the middle”, compared to which half of the laws were published faster and half of them slower. This value is less affected by the few laws with extremely short or long legislative process.

Figure 3: Average number of days elapsed between introduction and publication of a bill

Figure 4: Median number of days elapsed between introduction and publication of a bill



n=458, 276, 300, 398, 185, 607

4. The decreasing time period between the introduction of a bill and publication of the resulting final law could indicate a faster, more efficient preparatory and decision-making process, but also could signal that the scope for preparation and public consultation is shrinking. To decide which interpretation is more adequate we should examine the quality of preparatory work in detail. The next section discusses this.

3. The increasing significance of bills submitted by Members of Parliament

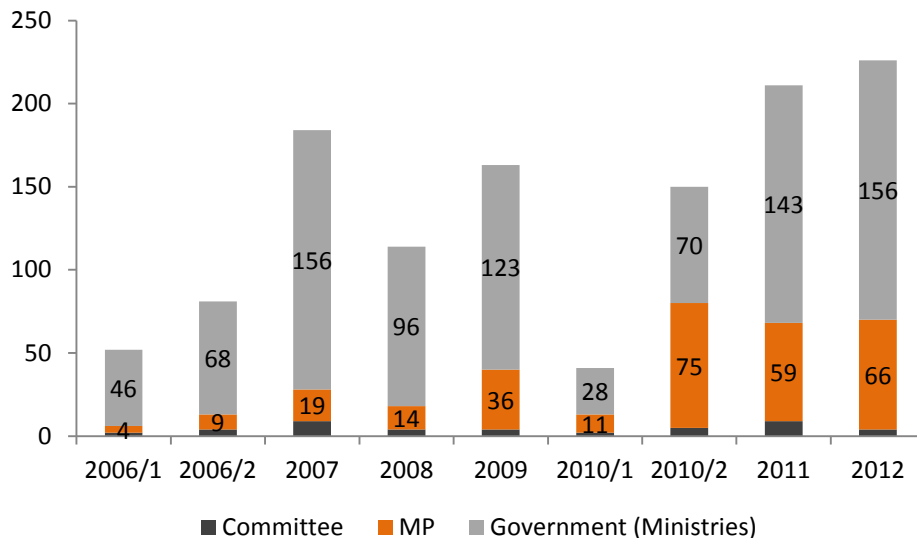
5. There is an important difference between bills submitted by Members of Parliament (MPs) and those submitted by ministries or committees of the government. In the case of MPs' bills, certain phases of the decision making process can be skipped. These phases are, for example, ministerial and public consultations, which are normally part of the standard procedure of law-making.

What is cause for concern regarding MPs' bills is that it is not clear who, which organisations and whose interests had an influence on the bill⁴. This process is markedly less transparent than the alternative.

6. While governing through bills submitted by MPs could be faster, its social legitimacy is more limited and it increases the risk that important interests and professional considerations will not have an influence on the final decision. This could result in passing inadequate, erroneous regulation – sometimes maybe just because of incomplete information. In general terms, the increasing rate of MPs' bills could increase also the risk of government failure.⁵

7. Figure 5 shows that since 2010 a higher number of bills submitted by MPs have been passed compared to the former government period.⁶ This also translates into a considerably higher proportion 30%-50% under the second Orbán government compared to 10%-20% under the previous governments.⁷

Figure 5: The number of published laws by type of submitter per year, 2006-2012



n=81, 184, 114, 163, 41, 150, 211, 226

Note: When data concerning one year are represented in two parts, an election took place or the prime minister was changed. A list of prime ministers is available in Appendix 1.

⁴ Tóth, István János – Cserpes, Tünde – Kotek, Péter – Vereckei, András: Kormányzati kudarcok, járadékvadászat és korrupciós kockázatok a magyar villamosenergia-szektorban, in: Szántó, Zoltán – Tóth, István János – Varga, Szabolcs (ed.): A (Kenő)penz nem boldogít? Gazdaságszociológiai és politikai gazdaságtani elemzések a magyarországi korrupcióról, BCE Szociológia és Társadalompolitika Intézet Korrupciókutató-központ, Budapest, 2012. március. pp. 99-239. http://www.crc.uni-corvinus.hu/download/szz_tij_vsz_a_kenopenz_120330.pdf

⁵ About the reasons of government failures see: Besley, T. 2006: Principled Agents? The Political Economy of Good Government, Oxford University Press, New York.

⁶ The data analysed in the following sections are available for us only for 2006-2012, so the analysis is limited to this period and thereafter "2006/2" implies the period after the election in 2006.

⁷ 2010/2 is excluded from this comparison due to the low number of laws passed, only 39.

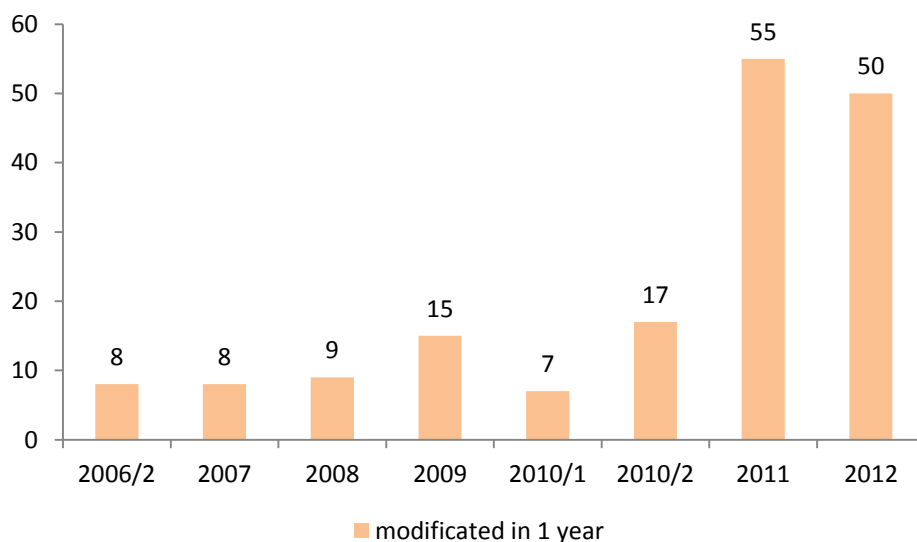
4. Modifications within one year

8. In this section we analyse how soon a passed and published law is modified. Modifications could become necessary, on the one hand, because of the pressure from economic and social changes typical of turbulent times such as the financial crisis of 2009-2010. On the other hand, poor preparation could also result in quick amendments when the shortcomings and negative effects of the law emerge after it came into force.

9. To ensure comparability, Figure 6 shows the rate of laws that needed to be modified within one year after their publication in the official journal. In this way the results aren't influenced by the fact that earlier laws are more probable to have been amended simply because of the longer time passed since they were published.

10. It is clearly visible that the number of laws modified within one year is extraordinarily high in 2011 and 2012. This applies also for the rate of these modified laws (Figure 7).

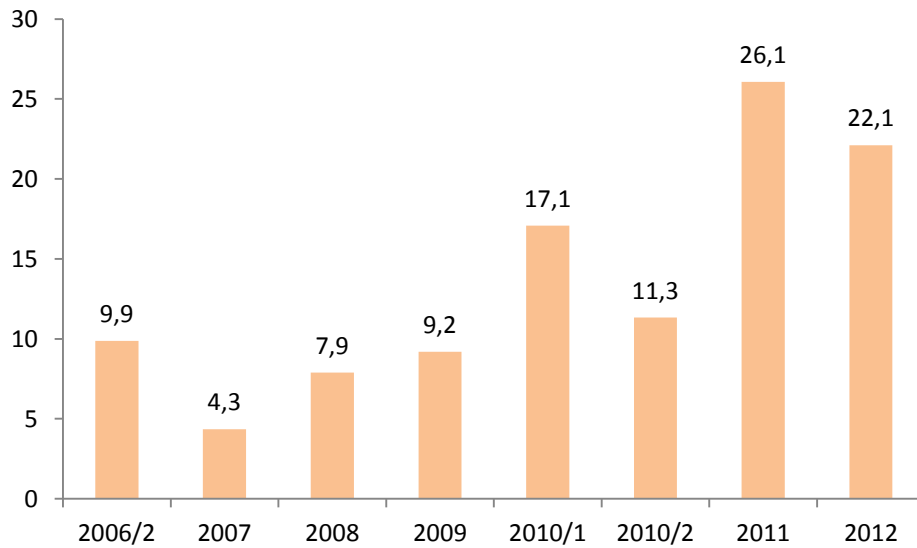
Figure 6: Number of laws modified within one year, 2006-2012



n=81, 184, 114, 163, 41, 150, 211, 226

Note: When data concerning one year are represented in two parts, an election took place or the prime minister was changed. A list of prime ministers is available in Appendix 1.

Figure 7: Rate of laws modified within one year compared to all published laws, 2006-2012, %



Note: When data concerning one year are represented in two parts, an election took place or the prime minister was changed. A list of prime ministers is available in Appendix 1.

Conclusions

11. After the Hungarian government changed in 2010, more laws came into effect than in former years with significantly less time devoted to the preparation and the parliamentary debate of these bills.

12. The growing number of bills submitted by MPs indicates the shrinking room for public consultation and professional preparation.

13. The number of laws that were modified within one year increased in 2011-2012 compared to former years.

14. The above three findings together point at the potentially deteriorating quality of law making in Hungary since 2010. While further work is due for exploring the causes of these outcomes and their ultimate effects on society and economy, they already provide empirically verifiable results to the on-going debate about the present state of legal certainty in Hungary.

Appendix

A1. Prime Ministers in Hungary, 1990-2012

Start date	End date	Prime minister	Party
May 23. 1990	Dec 12. 1993	Antall, József	MDF
Dec 12. 1993	Jul 15. 1994	Boross, Péter	MDF
Jul 15. 1994	Jul 6. 1998	Horn, Gyula	MSZP
Jul 6. 1998	May 27. 2002	Orbán, Viktor	Fidesz
May 27. 2002	Sept 29. 2004	Medgyessy, Péter	
Sept 29. 2004	Jun 9. 2006	Gyurcsány, Ferenc	MSZP
Jun 9. 2006	Apr 14. 2009	Gyurcsány, Ferenc	MSZP
Apr 14. 2009	May 29. 2010	Bajnai, Gordon	
May 29. 2010	to date	Orbán, Viktor	Fidesz

Notation: ----- : elections