Zoltán Sipos

Review of Book Entitled
Management for the Benefit of the Public

SUMMARY
The handbook entitled Management for the Benefit of the Public. Public Finance Administration and Management includes studies by well-known Hungarian authors, mainly economists. The book review emphasizes that in addition to being a gap filler innovative reference work, it is an excellent textbook for public service experts as well as for specialists in the early stage of their careers. Significance of the economic policy reforms and the specific need for a new type of public service managers are highlighted in this book. The author of the review points out that the professional methods, needs, required knowledge differ in the public and private sectors. The reviewer lists the main parts of the book and highlights the most innovative studies, quoting their conclusions. The review introduces evidences and data on the impact what this book has already had on education and public management development in Hungary. This part of the review is based on a recent conference organised by the State Audit Office of Hungary in Budapest.

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AN EVENT
State Audit Office of Hungary has organised a conference on 25th January, 2018, at its Headquarters in Budapest. University of Miskolc has co-sponsored the event. National Bank of Hungary has also contributed to the opening lectures. The conference titled: “Ethical public finance management in focus”, has significantly marked the strategic of the financial authorities and the Government of Hungary, to promote a reform of management training in public service organisations. Together they form strate-

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gic alliances with universities to support this effort.

As Tihamér Varvasovszky, vice president of the State Audit Office has expressed in his opening speech, the main question of this campaign is to develop the culture of organisational integrity in Hungary. Integrity model is based on a Dutch example, presented at an earlier conference abroad, where the Hungarian public finance sector leaders met this model and have started to introduce it in Hungary since then. Integrity model is bound for identifying, discovering and controlling risks of corruption in public organisations. A vast development had been initiated for the introduction of this model in Hungary since then.

A major step and result towards this development is the publication of a professional book. It is also a textbook for public managers, as it had been presented in the conference. Participants of the meeting presented evidence on the results brought forward by the publication of this book in serving the public benefit. Some findings will be further discussed at the end of this paper.

A book, its reasons and theoretical background

A well known paradigm in the circles of economic science is the term of “mainstream economics”, meaning the dual structure of the main theoretical directions in this field. The two main findings are essentially contradicting with each other, and they may rather be mentioned as beliefs or “religions” of economists. These two approaches are the liberalist belief, convinced in the almightiness of the market, and the neo-Keynesian belief, trusting in state intervention for the purpose to avoid crises. World financial crisis beginning in 2008 had convincingly testified and verified the untenable nature of liberal principles in the present time. Countries of the world, including those which are repeatedly emphasizing the liberalist principles, bailed out their teetering banks slipping towards bankruptcy, from funds of the state budgets with huge amounts. This way, state intervention has become again accepted, or, at least, a de facto tolerated weapon against deeper crises in economic policy.

In Hungary, before the changes in political systems and institutions and the economic transformation, the development of economic paradigms had taken a special direction. The formerly exclusive and general Marxist “state religion” had gradually faded away. Nevertheless, its professional and ideological representatives, interestingly enough, shifted to a radically liberalist ideology, as, for instance, to monetarism and other similar directions of the theory. They started to declare the all-around-efficiency of the market and emphasized the negative role of the government as a wrong economic performer. This ideology was in conjunction with the requirements of the International Monetary Fund and the World Bank as well. It had been supported with full energy by the domestic financial and economic theory forming elites. (This process had been described by István Szerdahelyi, in an unpublished study with full sincerity and in a clear analysis. The manuscript does not announce any year or date, but based on resources and on reference dates it might be dated back to around 2006; see Szerdahelyi, n. d.)
Several other economic theoreticians, observing the development of welfare states, and trying to learn from the mistakes made there, and also from mistakes of “market socialism”, tried to position themselves outside of the mainstream economics. They especially preferred the institutionalist approach of the economy and institutionalist analysis in economic theory. This has been the theory, describing developments in the world economy in the best way: new situations and new competitors emerging in the world economy, and competitive structures changing due to institutional developments and reforms. They witnessed the reappraisal of certain developing countries, to the center of power in terms of competitiveness, by developing their economic institutions in a targeted way and having a responsible state economic policy supporting this development. They trusted the market to a very limited extent only and tried to organise their markets in a very active way. At least, they saw, that institutional structures in a country could, but must not make obstacles to technological and economic development. The dominant success of multinational or transnational companies has also demonstrated: the economic success and competitiveness depends on the capabilities of economic performers: how they are able or not able, to control environment, politics and culture.

Historically in Hungary the traditions of Keynesian analysis did not have a strong position. State intervention and activist economic policy in our culture seem to bear a negative value judgment, even in economic theory. The “magic triangle” of the neo-Keynesian approach only raised interest because of the continuous intentions to curb inflation. The visible state intervention in the economic life and all market controls by the government have been declared as “centrally managed economy” and badly reminiscent of the uniform state ownership of the means of production. Other economists, standing on a platform of monetarism, refused all interventions and all meaningful economic policy steps, except for active monetary policy, as the regulator of money supply. Monetary policy as such, would focus only on rate of interest regulation and open market operations, as tools.

Refusal of government intervention from different platforms in a uniform way, resulted in several problems in economic development. Among others, analysis of government intervention efficiency did not appear in economic research and theory formation. Similarly, research and higher education as well, did not turn much attention on the economic role of government fiscal and development policy, industrial policy, mixed economy and public service management. These topics have been missing from the mainstream economic publications. Universities have a shortage in demand as well as in supply for a longer period of time to initiate public management programmes for the public good.

Nowadays, when improvement of national competitiveness is more important than any other consideration (and this should be done, in essence, not by pushing wages down, but rather by giving human capital and knowledge a better value and more chance) there is an urgent need for analyzing public finances and its regulations, determination of ethical standards in government intervention, and setting standards for the description
of optimal measure and allocation of government intervention.

This is the point, which gives a basic rationality to this book. This volume is a gap-filler and a professional compensation of shortages in theory and methodology during the last decades.

Other than that, there are further obvious reasons for publishing a book like this. Professional literature of public finances and its management can be seldom found, still in our days. For this reason, as written by László Domokos, president of the State Audit Office of Hungary: “The State Audit Office of Hungary has initiated and supported the compilation and publishing of a book which is explicitly targeted to the managers of the public sector organisations, and which had been written by excellent experts. There are plenty of books prepared for the private sector managers. Nevertheless, management principles and methods are not fully transferable into public sector organisations. As we know, the measure of success in the private sector is profit. On the contrary, in public sector institutions, the mission of activity is the service of the public benefit. So, there was a need for such a book, which considers the public benefit as a target function and builds all knowledge, a manager has to know, on this foundation. Only this way we hope, that managers of public organisations can be efficient, following the logic of organisational integrity.”

Based on this consideration, this book may give a wide basis for further research and economic analysis in the fields of public goods, public finances, ethical service of public benefit and management of public economics. At the same time, the book had been prepared as a textbook as well, for the present and future managers of the public sector. The book, as a whole, is very didactical and well understandable material and it is easy to learn.

György Matolcsy, president of the National Bank of Hungary, sees the rationale of the timeliness of the book very similarly. “It is a firm belief of the National Bank of Hungary, that the increase of competitiveness of Hungary largely depends on the efficiency of the public sector and on the management of it. The National Bank of Hungary, therefore, considers it to be an especially important task to increase and share modern, good quality and competitive knowledge. Strengthening the dedicated, public service oriented, responsible behavior in the public sector has a direct effect on economic and social environment, businesses and citizens as well.”

Hungary executed an efficient budgeting reform in 2010. Later it was followed by a structural reform and a strong institutional overhaul and development. After this, the National Bank of Hungary has led a decisive change in monetary policy. Following all these reforms, a result has emerged: the economy could start a new growth on a new trajectory. After a very long time, a solid growth again appeared in the Hungarian economy. All these changes, have arisen from a professional side in a realistic way, may be called as a specific, Hungarian New Deal.

The author of the present paper is actively participating in the Hungarian economic sector and in the higher education. No similar breakthroughs have ever happened during this time. (Several promises could have been heard from different sources about growth during decades…). These results mean a new
quality, and the institutional system and people creating and promoting them, have created a new value.

For a better and more objective evaluation of the professional contribution of the book, it seems to be important to emphasize the main factors securing the efficient operation of market economy. Market economy cannot be properly operated without the unconditional respect towards private property. But this is a scarce resource in transition economies. In these new market economies, the system of mutual relationships, a re-distribution of wealth according to merits, a network of offering access to privileges are still very strong and the system does have less respect to private property. Regulations can be treated “flexibly”. This inherited culture of re-distribution from earlier times is a phenomenon formed during the decades of state and collective property. A well known saying from those times states: “If something belongs to all of us, we may take it home”. The biggest danger for transition economies is not the threat of economic crises, but rather the moral laxity which long-lasting and stayed with us for several years in these societies. Broadly tolerated practices are the unreliable and broken promises, incorrect and delayed financial settlements, bribes and corruption. These are exactly the real problems in the economy, which can be hardly understood by managers arriving to Hungary from more developed countries.

All these externalities practically make the efficient operations of markets and the proper “invisible hand” regulation impossible. Therefore, free market ideologies are not realistic nowadays in Central and Eastern Europe. There is a vast need for the visible hand of the state to help the market operate and serve the public interests, the ethics and the social welfare.

A book: content and authors

The book consists of five major parts. In the first part, authors are dealing with the service of the public good. György Kocziszky and Krisztina Szegedi contributed to this part by one-one chapters, whereas Gyula Pulay wrote five chapters. The first part defines the category of public benefit based on the concepts of public goods. Pulay gives a definition for public benefit as follows: “A totality of objectives, which are in the focus of efforts of a community, members of which are achieving these objectives together by sharing their thoughts, by joint effort and work.”

According to a definition, public goods are: “Goods, services, consumption of which does not involve rivalry, consumption by one member does not affect the access of others, and nobody can be excluded from it (as, for instance, a lighthouse).” Pulay has introduced the term of intangible or theoretical public goods. These are: “Principles, values, rights, which are needed to help the public benefit and should succeed in the economy and society. These are, for example, fairness, honesty, reasonability.” In economic life, one can find some special public goods, which are not free of charge. He calls them “civilizational public goods”, defined in the following way: “A certain group of goods, which are not public goods by nature, namely, there is a possibility of exclusivity and divisibility in using them, but the society considers them to be semi-public goods in a certain
quantity and quality and provides them to the members of the society as public goods.”

An especially interesting and progressive term for the developing theory of state intervention is Pareto-improvement, which means: “A change in the distribution of goods in a way that it is increasing the utility of consumption of at least one participant, without any decrease of the utility of consumption of other participants.”

It seems to be important to point out that public goods in this context are not always necessarily free of charge. The social reproduction of these goods needs resources, just as in case of other non-public goods and services. Public sector can be defined as the producers and distributors of public goods. This activity is becoming more and more crucial during the economic development.

An extraordinarily interesting study can be found at the beginning of the volume. It had been written by Professor György Kocziszky. The chapter titled “Ethics of public finances” gives a definition for the term as follows: “Ethics of public finances: this is an activity of formulating and structuring principles, which are relevant to public finance management and public property administration, including setting objectives, planning, distribution, control of utilization and so on. It is a part of applied ethics.”

The writer of this chapter introduces the historical development of ethics related to cultural changes, relationships between morality, ethics and value systems, the ethical public financing system and the analysis and management of special ethical risks. It is right to point out the essential problem of moral order: “Moral-
cure the transparent, regular, controlled, efficient, effective and useful utilization of given resources. These processes have to cover all activities of the public organisation, either related to a public activity for public benefit, or to the management activity itself.”

The most recent reference of this study is to draw attention to the strict legal regulations of the formation of state budget: “According to the regulations of the Fundamental Law debt has to be kept under 50% of the GDP. Or, until this goal is achieved, public debt in percentage of GDP has to be decreased in each and every year.”

A study from József Poór and Mártonné Karoliny, introduces important fields of public human resource management, including planning, controlling, field of work analysis, competence analysis, selection, task of ensuring resources, performance management, compensation management etc. The sub-chapter introducing differences between private and public sector tasks is really very interesting.

As an addition, it is worthwhile to mention two different theoretical and practical models of public sector related to human resource management. These two models are the centralized (career oriented) and decentralized (position oriented) systems, which are present in international context in public HR systems. In a career-oriented system, a high level of special expertise is required from candidates applying for public sector positions, and they are selected based on a competitive exam. Necessary degrees are exactly required, but then, the career path is legally guaranteed for the members of public sector managers’ community or faculty.

Under the second version, the position oriented model, employment is more flexible. Candidates are selected only for a certain position. Decision on employment is made by the top manager of the public organisation. Both models have significant advantages and disadvantages compared to the other model. Major advantages of career-based system are accountability, high level of expertise, but, disadvantages are less flexibility and sometimes a low level of performance. This model is the preferred one nowadays in Hungary as well. (See more analysis on the two models in a study by Balázs, 2014.)

Thirdly, the most complex and the longest part of the book examines topics of public administration and management with a considerable care. This part has eight chapters (studies), authors of which are: Károly Barakonyi, György Norbert Szabados, Csaba Berde, Erika Garaj, Antal Tóth, László Domokos, Melinda Nyéki, Katalin Jakovác, Erzsébet Németh, (in two chapters), Csaba Hatvani, Margit Horváth, Csaba Lentner and Bianka Parragh.

Károly Barakonyi emphasizes the importance of strategy formation and strategic management in public sector and in public finances. According to his opinion, crises, which are shaking the world from time to time, would be avoidable or at least weakened in several cases, by using proper strategic management methods. His vision is really considerable and respectable. In his approach, the best option of economic policy is probably not the defensive strategy against all negative external and internal effects, but the offensive, pro-active strategy in economic policy for the achievements of targeted objectives in managing the economy.
Bianka Parragh and Csaba Lentner have contributed to the main topic of this part by a supplementary chapter. This study introduces the process of employer-employee debates, the theory of interest coordination, consensus seeking, and participation. A more practical description is given on the basis of principles and regulations of these processes in Hungary. The chapter demonstrates the system and methods of labour relations, including strikes. It goes into details related to the basic statutes of Hungarian Government Officers’ Faculty, its tasks, ethical codes and principles. Finally, it gives an outline on interest-representation and interest-enforcement activity of chambers of commerce and business.

One excellent example of applying specific scientific achievements on the public sector, is a study written by László Domokos and his co-authors. This chapter of the book covers risk management problems in public organisations. A very interesting and innovative approach helps to describe and introduce organisational questions, process management, decision making and monitoring aspects of public management. This study considerably enriches the domestic (Hungarian) professional literature in risk management analysis.

Fourth main part of the book bears the title “Continuous innovation”. In principle, it analyzes organisational behavior, process- and quality management, and innovative capacity of the public sector. Authors of this part are Gyula Bakacsi, Antal Tóth, Ferenc Farkas, Csaba Makó, Miklós Illésy, and Mariann Veresné Somosi. Professor Bakacsi describes the essential specialties of organisational behavior in the public sector. He has a rich methodological and theoretical background and he is familiar with the main specific features of this field as well. He points out: “Public service management has a major challenge: on one side, highly qualified and motivated employees can behave as independent problem solvers. On the other side, task-oriented management is also necessary, as objectives of the public organisations are determined by the external environment and/or by supervising authorities.” Furthermore, he says (without comment): “Public servants have a responsibility to remain on the level of an executive manager, otherwise they step over to the realm of politics.”

A very interesting final conclusion can be found in the chapter “Innovation management”, by Csaba Makó and Miklós Illésy. They call forth the attention that in Hungary, the percentage of employees taking part in innovation development, is much lower than in the European Union (as an average number), and, it is even lower than in the transformation economies, post-socialist countries. They express a very definite opinion on an important issue: “Contrary to common beliefs, innovative activity of the public sector is considerably high; nevertheless, there are plenty of un-exploited possibilities yet.”

The fifth part of the book focuses on: “Efficiency of management work”. Authors of the three chapters are József Nagy, Gyula Király, and Erzsébet Németh. The study written by József Nagy, titled “Management style and organisational culture” is calling forth attention by its motto already. A saying from Emil Tonk is as follows: “Those who think that obtaining knowledge is expensive, do they count the costs of being ignorant?” In
this study, the reader can follow the main theories of management and managerial styles. The author emphasizes that most important managerial capacities and competences are equally important in both the private sector and the public sector. The study analyzes different generations: baby boomers, X, Y, Z generations all having their specific features from the points of view of manageability, controllability, administrability. Conclusions of the study in this regard, are in conjunction with the accumulated empirical evidence in higher education.

Closing conclusion of the study points out, that organisational culture is considerably important in public management: “In the public sector, the new public administration culture represents an opening towards the value system of service providing firms. Ethical behavior and personal integrity are in the focus of efforts. This may mean a strong organisational culture, securing ethical behavior in critical situations as well.”

A BOOK: EVALUATION AND RECOMMENDATIONS

This book has been a considerable effort from all points of view, towards constructing the missing theory of “public benefit”, and the principles of its application. The starting points are the principles of public goods and public interests. It adds to the scarce domestic (Hungarian) professional literature on topics like ethical behavior and integrity. The book also gives an excellent text and educational material for tutors and for public service management, and an input support to responsible public decision making. There is an obvious intention for more efficient enforcement of public benefit and for protection of cleanliness of public service. Intentions to prevent and fight corruption, and to promote efficient and optimal utilization of public funds, are also included in this effort. All these intentions and efforts are in essence constructive, positive and honest. Credit is due to the book’s professional experiment, which should be appreciated, in which prominent contributors from several different professional fields are involved. The book is about to search for new paths, and for efforts to go further. Summaries, lists of terms, control questions, recommended readings and lists of references, located at the end of every chapter, help a lot in understanding, learning and applying terms. This also facilitates its use as a textbook for studying, making the text really didactic.

The uniform nature, vision and standardized level of quality of chapters are a considerable success of the experiment. Despite the large number of authors, the volume is of high quality standard, strongly forming opinions and firm beliefs.

It seems to be natural, that such a large scale, innovative, gap-filling experiment in professional literature, and its various parts, may and will have critical responses as well. However, one can only hope, that these critical observations and debates will remain on the field of professional, constructive, creative discussions, and do not step over to the slippery soil of ideological and political remarks.

The editor, Mária Bábosik, and her work have to be appreciated. Her task could not be easy at all, considering the large number of contributors and the colorful, huge volume of the materials
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Piled up together. Majority of the authors have expressed several innovative thoughts in a consistent way. Most of them remarkably contributed to the development of this scientific and professional field.

While reading the chapters, in the mind of the reader, several considerations emerged. The following observations scratch the surface only, but these are constructive proposals for further development of this material.

1) Every thesaurus and encyclopedia of this kind, embracing very broad fields of research and study, gives a momentary cross-section of the present state-of-the-art and the standing of science and profession. This is true in the present case as well. In the first part of the volume, there are theoretical definitions which may need further clarification. Regarding the theory of public goods, we can say, that a more exact terminology would be beneficial. We should differentiate “real” public goods from those, which are not free of charge, and there is a problem in their utilization: the conflict with “fare-dodgers” or “freebie passengers”. Perhaps, it would be appropriate to select free public goods from those which have to be paid for. The latter items do not fit into the definition of public goods, as they may have exclusive access and do not have unlimited availability.

2) Sub-title of the book promises to deal with public finance administration and management. Despite this important promise, public finance is being analyzed only in a few chapters. Of 27 chapters, only 2 are dealing with this important matter. Public financial management does have a sophisticated structure and a complicated system, related to central banking, state budgeting, monetary and fiscal policy etc. This may be the next task for analysis and the future path for new research started in this volume. Efficiency of government policy, for example, is a competitiveness indicator in certain indexes, such as WEF (World Economic Forum) Competitiveness Index.

3) Besides management, marketing also appears in most of professional analysis and literature. Public service and its management are very scarcely known for the public opinion: it is a foggy, secret, mystic phenomenon. The shift of organisational culture towards service-oriented activity, development of client-oriented public administration, makes it necessary to make an attempt to summarize the principles of non-profit marketing activity in this field. Public management has to be transparent and acceptable for the public opinion as well. The shortage of marketing philosophy and references is a problem in a management textbook.

4) There are several chapters in the book, which approach the problems of public management starting from the general topics of management. Special problems of public management are only mentioned and analyzed at the end of the studies. It is recommended that a more explicit, consistent and relevant orientation of the research should be set for further research.

5) Last, but not least, digital world and the applied informatic solutions should have received more focus in any management textbook of the 21st century. No public administration system can work without them, so they would deserve a part of this research and educational project.

Again, it has to be emphasized, that these observations do not diminish the
values of this very innovative, new professional achievement. These recommendations are pieces of advices only for future research and further development.

I recommend the book for those who have a keen interest in public service, either in the theoretical research, or in the practical work. Especially recommended is this book to public servants and those who prepare for public service work. Besides them, all economists, legal experts, managers and social science experts may take use of it.

AN EVENT AND A BOOK: EVIDENCES ON RESULTS AND IMPACT

The conference held on 25th January, organised by the State Audit Office, has provided evidences related to the impact of the publication of this volume and its utilization in public management education, during the relatively short time after its publication.

Lecturers of the conference did point out that the model of organisational integrity has an essential philosophy, and this is following the leadership of positive values, and avoiding any situation leading to corruption acts. Moreover, strengthening this integrity is the responsibility of managers of public organisations.

From an organisational integrity point of view, lecturers, especially György Kocziszky, focused on the compliance system of public managers. In this model, a manager or an employee of a public organisation most fulfill three requirements, which are: 1) knowledge of legal regulations and following them, 2) knowledge of ethical regulations and following them, and 3) professional suitability.

It has been emphasized that there is a shortage in higher education in Hungary: ethics is not a regular course in business programmes. This is also a critical observation which has to be dealt with.

As a result of the organisational integrity project, and also of the publication of the book presented at the conference and also in this present article, a joint research activity has been initiated between the State Audit Office and the Miskolc University. The University introduced a special postgraduate programme in its offer, titled "Public service analyst". Hopefully, other universities will join this initiative.

Besides, part time trainings have been organised for the first managers of four different professional fields in the public services. 18 top leaders of county museums have already successfully graduated from the programme with success. In three other fields there are similar trainings, including institutions of child care, social institutions and maternity homes. These institutions went through audits by the State Audit Office beforehand, and the managers are now being trained for the proper practices.

All these programmes can and use the book *Management for the Benefit of the Public* with success and good result.

State Audit Office has had a project to strengthen organisational integrity culture in public organisations since 2009. The original objectives were to map corruption risks and to promote the integrity based cultures and that way of thinking in the public service. Gyula Pulay in his lecture mentioned some indicators of the development since then. He said that National Bank of Hungary and the State Audit Office together, initiated a survey-
ing process for measuring integrity level of public organisations. Participation in surveys was voluntary for the organisations. Number of participants had been 1462 in 2013. Since then, this number has grown up to 3346 in 2017. The number of public institutions having a Code of Ethics also has grown by 19% in the same period.

Lecturers emphasized also the importance of values in the public service. Probably there is no “good state” without good public servants and managers. This was the message of this book and takeaway from the conference event as well.


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