



“Each minute presents us with a new opportunity to act freely, to do what we believe is right” (Laszlo Nemeth). In the life of Budapest, this minute has lasted since 1990, thanks to the voters’ decision and their newly acquired freedom of choice. During the first few years, Budapest’s development was shaped mostly by vague intuitions, although the liberal social and economic values that underpin it were clearly present from the outset. The emergence of the so-called Budapest model and the creation of the conditions for sustainable equilibrium (which is but the application of the nation’s sustainable development strategy at the municipal level) should clearly be credited to the city leaders’ unflinching commitment to pragmatic liberalism. The present volume sums up and draws conclusions on the brave struggles these leaders have had to wage over the past ten-plus exciting years. For me, perhaps the most important of these conclusions is that it is indeed possible to realistically “create the conditions for quality of life and prosperity in a metropolis” with stubborn honesty, respecting “everyday freedoms” and always heeding the principles of economic rationality, solidarity, and anti-corruption conduct, while avoiding populist promises and paternalistic methods. The example of Budapest and its leaders provides ample proof that pragmatic and progressive liberalism is deeply rooted in Budapest, as well as in Hungary, and beyond.

Dr. György Surányi
 Professor, Budapest University of Economics
 President, Hungarian National Bank, 1995-2001

Volumes of books, academic papers, and international reports have been written about how public sector reform “should” work in the post-socialist era. This is a book about how it does work. It is about a city that was built as a proud national capital, then fell into economic and financial decline, and again has become one of world’s great cities. It is a story of why political leadership matters to a city’s rebirth and financial integrity, and how that leadership and a dedicated team of “practical idealists” can pull together the skills of public management and craft a private market environment in a manner that leads to a new relationship between citizens and government—a government that the citizens understand and control.

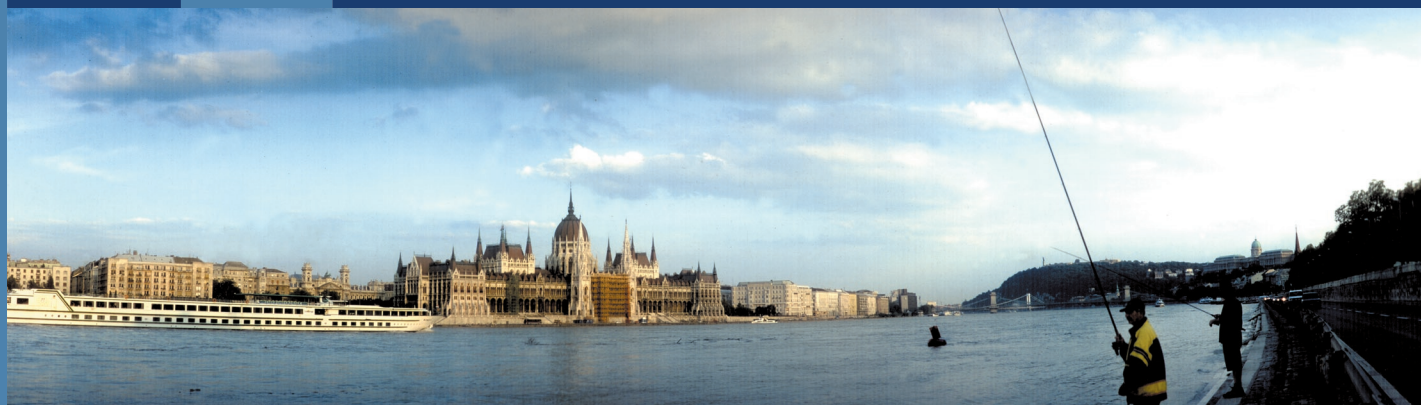
In its report *Entering the 21st Century* the World Bank proclaimed that, looking ahead to the next decades, well designed localization strategies will be key to sustainable development and poverty reduction. Budapest has been at this task for a decade, offering important lessons on how to achieve these critical goals. The Budapest model –and it is a model– is not all glamour and success. But the successes have far outweighed the failures. How this has been accomplished and why leadership matters makes this book key reading for policymakers, financial practitioners, and non-technicians alike.

Robert D. Ebel
 Lead Economist, World Bank Institute
 Expert on post-socialist decentralization



OPEN SOCIETY INSTITUTE
 Open Society Institute-Budapest
 Local Government and Public Service Reform Initiative (OSI/LGI)

Nádor u. 11., H-1051 Budapest, Hungary
 E-mail: lgprog@osi.hu :: <http://lgi.osi.hu>
 Tel.: (36-1) 327-3104 :: Fax: (36-1) 327-3105



EDITED BY
 KATALIN PALLAI

LGI Books

THE BUDAPEST MODEL

A LIBERAL URBAN POLICY EXPERIMENT

EDITED BY
 KATALIN PALLAI



Local Government
 and Public Service
 Reform Initiative



THE WORLD BANK

WORLD BANK INSTITUTE
Promoting knowledge and learning for a better world

THE BUDAPEST MODEL

A LIBERAL URBAN POLICY EXPERIMENT