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LAKE BALATON: DEVELOPMENT OF A UNIQUE REGION IN TRANSITION

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ABSTRACT - The area of Lake Balaton is one of the most familiar and, after the capital region, the second most frequented part of Hungary. No wonder, this region is an accentuated topic of Hungarian social, economic, and ecological researches. This paper aims to deal with its two crucial problems: first, this area does not compose a separate planning and statistical region, so it does not fit the NUTS system, which serves as base of development policy. On the other hand, this area needs to be handled as a complex, because, since the change of regime, it has had a decreasing development course and a lot of problems have arisen not only in local economy and, thus, in local society, but also in the context of environment.

Key words: Lake Balaton, tourism, regionalism, regional inequalities.

BALATON REGION IN FOCAL POINT

The area of Lake Balaton is one of the most familiar and, after the capital region, the second most frequented destination of inland and foreign tourism in Hungary. The surrounding of the approximately 600-km^2 large lake has been reckoned among the most developed areas of Hungary for decades, but after the change of regime, the region has lost heavily in its attraction. In the background stand environmental problems, such as lack of rainfall, excess growth of algae and decay of eels, while, on the other hand, the economic position has worsened as well: demand has been changed not only in terms of quality, but also in volume of tourism.

After the transition period, not only did local people pay great attention to the problems of their region, but also the interest of public and development policy arose. No wonder, this region is an accentuated topic of Hungarian social, economic, and ecological surveys. (The so-called Balaton Life Project stands out of these researches, giving the most comprehensive overview about the statement, problems, and facilities of the region.)

This paper aims to heighten two crucial topics. Firstly, it examines, from the development policy's point of view, the possibility of handling Balaton Region as a *real* region, since the level of regions plays a categorical role in the European Union, meaning the base of public financing. On the other hand, the paper deals with the economic power of the region, such as development position and course, inner inequalities, and main problems standing in the background. The time interval of this latter research is from 1994 to 2005.

IS IT A REAL REGION?

The spatial framework of this paper is the officially called Lake Balaton Resort Area (LBRA, used thereinafter also as synonym of Balaton Region), which was legitimated and marked in 1997, covering 52 coastal and 112 non-coastal (together 164) settlements around the lake. It is important to lay down that this framework does not fit the Hungarian administrative spatial division. (The planning and statistical units of Hungary can be described as follows: on NUTS-1 level, Hungary is subdivided into three parts; on NUTS-2 level, into seven regions; while on NUTS-3 level, the subdivisions match

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up with the 19 individual counties plus the capital, Budapest. The LAU-1 level consists of subregions, while the LAU-2 level is made up of settlements.) The borderline of the Balaton Region follows neither regional nor county- or subregional markings: the area is formed by parts of 3 regions, 3 counties and 14 out of Hungary's 168 subregions[2] (Figure 1*)*.

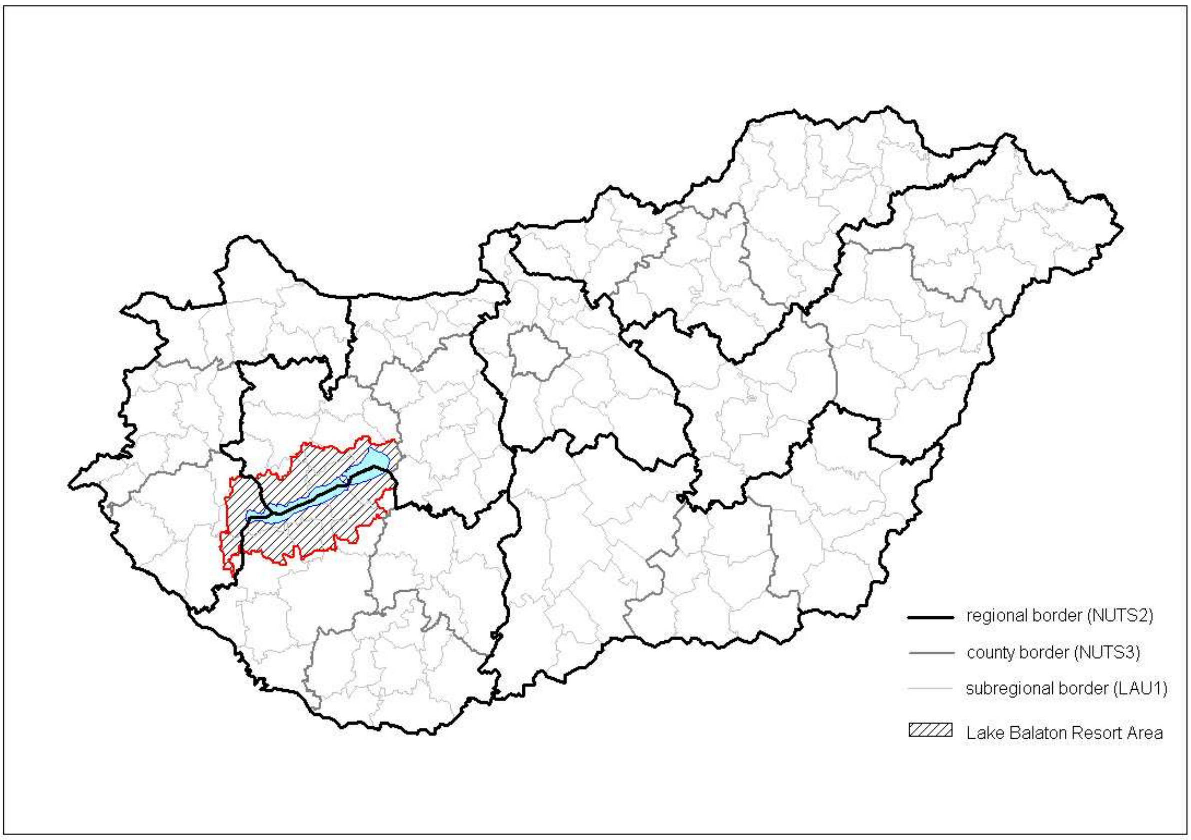

Figure 1. *The administrative spatial division of Hungary and the Lake Balaton Region.*

In contempt of the divided administrative situation, these 164 settlements build up a complex territory with a unique character and activity, namely tourism in the centre. The local importance of this sector shows that this region concentrates approximately one third of total commercial accommodations and of total holiday properties, while its territory (3780 km^2) is hardly 4% of the country's area and the number of population is 260 000, giving 2,4% of Hungary's total population. It is worth mentioning that, in addition, there are also 200-300 thousand holiday property owners, and this is the most frequented area of real estate acquisition by foreign citizens as well. Overall, about one million tourists spend their holiday here in peak season.

The tourists' character pervades economy in almost each segment. Letting out rooms and flats, and offering other services for tourists have always been accustomed activities and sources of additional income for a long time, so private sector was significant before the change of regime. The effect of the above-mentioned phenomenon makes itself felt nowadays through the relative higher enterprise activity, too. As result of the connections with foreign tourists – especially from both German states – local people acquired special skills (e.g. entrepreneurial ability, better command of language in comparison with national average), supporting the achievement of middle-class status. In spite of the worsening development position, Balaton Region belongs to the more developed part of

[2] In 2007, the number of subregions were changed to 174.

Hungary, according to the main welfare-indicators (Table 1); the values are more or less favourable than the "rural" average[3]. This advantage could be seen also on the field of infrastructure endowment, furthermore, the local people's educational level is a bit higher than average as well. Only personal income per capita seems to be lower, but it was proven that the difference between the factual and the declared personal income is higher than in other parts of the country since more remarkable part of total income avoid official channels of personal taxing (Jakobi – Kiss, 2003). It means not necessary illegal incomes, for example in the form of arising entrepreneurial income.

Table 1. *Several important indicators in Balaton Region, 2005.*

	value	national average = 100	rural average = 100
Number of graduated school classes per inhabitants aged 7-X*	9.5	98.9	101.9
Declared personal income per capita, 1000 Ft	514	85.6	94.7
Number of tax-payers per 100 inhabitants	43.6	105.2	106.6
Number of unemployed people per 100 inhabitants aged 18-59	6.9	102.2	89.8
Number of corporations with legal entity per 10 000 inhabitants	197	83.4	121.1
Number of corporations without legal entity per 10 000 inhabitants	1540	162.1	182.8
Local government's income from the local taxes per capita, 1000 Ft	41	105.0	152.1
Number of passenger cars per 1000 inhabitants	317	111.6	117.3
Length of drainage system per 100 km water pipes	62.5	110.0	117.6
Number of guests per 1000 inhabitants	4322	622.8	813.5
Number of nights spend in commercial accommodations per 1000 inhabitants	17122	883.0	1095.6
Number of NGOs per 1000 inhabitants	9.2	125.7	138.9

*01.02.2001, Census

Source of data: T-STAR database, CSO

Beside economic and apparently physical (environmental, hydrographical) unity of the region, there undoubtedly exists some kind of a social cohesion, too. Civil activity is much more intensive than national average (Osváth, 2008), reaching back to the turn of the 19th century (Bokor, 2001), while another survey confirmed a significant regional identity as well (Bokor et al, 2001).

Local society tried to be a bit more independent from central government, hence Balaton Association was found in 1904, and the formation of the self-governing county "Balaton" was also initiated in 1919. This permanent ambition and the worsening development course in the end of the last century made obvious the necessity of handling these settlements as a unique development unit: the border of LBRA was marked in 1997, and in parallel, it was named in the National Spatial Development Concept as one of the "integrated development areas" in Hungary. In addition, Lake Balaton Development Council and the Lake Balaton Development Coordination Agency were established with regional development tasks at the end of the '90s, although the idea of modification of county division and the foundation of an independent region or county failed. The confirmation of

[3] Rural average was calculated with the exception of Budapest, due to its extraordinary values and extra share of total, meanwhile other parts of the country seem to be homogenous; that is why relative position of a settlement or a region is more realistic in the mirror of this value.

socio-economic cohesion was just a partial success, because the independence in decision-making and the financial supporting from central government was accounted short by local people, even in comparison with the administrative regions or counties.

Generally, many reasons suggest that it is worth handling the surroundings of LBRA as a real region, namely: special regional or historical characteristics, high degree of civil activity and regional identity, existing regional cohesion and institutional background. These characteristics correspond to the bulk of the numerous definitions of region (Szabó, 2005). However, on the contrary, why is Balaton Region not part of the administrative regional system? There is a quantitative or statistical barrier: the size of the area is large enough for a county, but not for a region. And there is also a divisional problem: the present regional system would be destroyed, and the rest of the Transdanubian part of Hungary could not be subdivided into similar, specific regions. In these circumstances, handling it as an "inner (national) INTERREG" seems to be the suitable solution. In spite of local people's ambition, there is no real chance to embed Balaton Region into official regional division, but these bottom-up initiations help to harmonize decisions and enforce more attention from the government.

DEVELOPMENT POSITION, INNER DIFFERENCES OF THE REGION

Previously, it could be seen that Lake Balaton Region belongs to the more developed part of Hungary, but it is a legitimate demand to evaluate the economic role and position of this area within the country. The accustomed indicator of measuring the economic power of a region is GDP, which has primer importance in the supporting system of European Union. Hungarian Central Statistical Office (HCSO) has published this data on county level (NUTS-3) since 1994. Nevertheless, because of difficulties in evaluation, there are no data for lower levels, so a method has to be worked out to get an overall picture of the economic power of this special region.

The first attempt to estimate GDP in Balaton Region was published in 2002, referring to 2000 (Lőcsei – Nemes Nagy, 2003), which was later expanded with other years (Lőcsei – Németh, 2006). The starting point of the estimations were the official GDP data on county level, published by the HCSO, which was disaggregated to settlement level by spatial division of three indices having verified connection with GDP. Therefore, the amount of county GDP is distributed among settlements as a function of average share in personal income, number of registered enterprises, and amount of local government's income from the local taxes of the concerned county. As a result, we get an estimated GDP value for each settlement, which could be aggregated to the whole territory of the Balaton Region. The result of our estimation allows comparing Balaton Region with other counties and regions in Hungary. (In connection with the method, two things are important to stress. Firstly, GDP is indefinable on settlement level, and in addition, the method is a crude estimation, so it is worth using the technical term "*estimated economic power*" instead of GDP on settlement level. Secondly, the calculations were based on the official GDP values so elements of the hidden economy were not taken into consideration.)

The estimation resulted that in Balaton Region, approximately 522 billion HUF of GDP were produced in 2005, which is 2,4% of Hungary's total. It means that Balaton Region is equivalent to a medium or small-sized county, regarding also economic power. Compared GDP to population, the region has a favourable position: in 2005, GDP per capita was 2063 thousand HUF (94% of national average). Let's make an attempt and place the Balaton Region among counties, as if it were a "virtual county". It would have taken the 6th place in this theoretic rank (Figure 2), confirming a relative good position. The capital and other four counties, located in the Northwest of Transdanubia and characterised by manufacturing industrial activity, would precede it.

We want to pinpoint as well that the three counties sharing the LBRA (Zala, Veszprém and Somogy) stand in worse position, meaning that the more developed parts of these counties should belong to the Balaton Region, while the other parts are relatively underdeveloped.

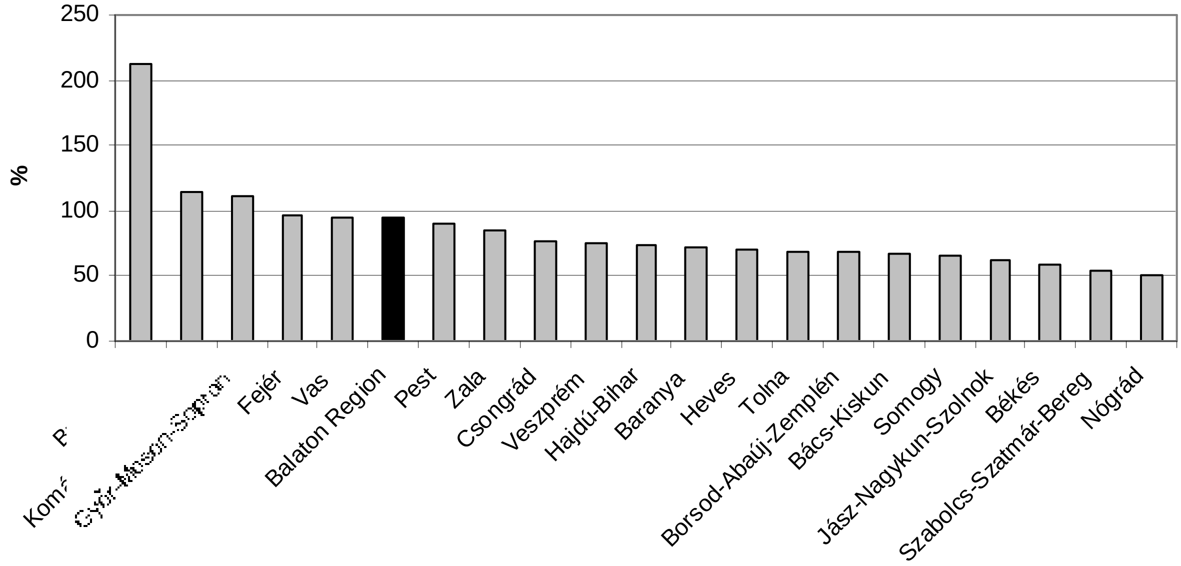

Figure 2. GDP *per capita in Hungarian counties and Balaton Region, 2005 (national average = 100%).*
(Source of data: Central Statistical Office in counties; estimation in Balaton Region)

By analysing time series (Table 2.), the crucial problem of the region comes to the surface: the advantage over other parts of the country fall into decay. Between 1994 and 1996, only Budapest had higher GDP per capita than our region. In 1994, in Lake Balaton Region, GDP per capita was 18% higher than the national average, but in 2004, the value decreased below average. The degree of regression is almost unprecedented among counties. It is only Tolna county that lost more and Békés that lost almost the same during the period, a situation which has to be a serious warning for decision makers! Furthermore, the tendencies are worsening in the mirror of rural average, therefore the decline of the region is not only caused by the fast growth of the capital, but also by the lack of ability of keeping step with the bulk of the counties. Even if Balaton Region belongs to the relative developed part of the country now, its economy shows signs of a crisis. We may perceive the backsliding of a once outstanding region.

Table 2. *Estimated economic power (GDP) per capita in Balaton Region.*

	1994	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
1 000 Ft	500	631	749	903	1049	1149	1408	1583	1701	1878	2007	2063
national average = 100	*117.7*	*115.1*	*110.8*	*107.4*	*105.2*	*101.5*	*104.3*	*105.6*	*100.6*	*100.4*	*97.9*	*94.4*
rural average = 100	145.0	141.5	137.6	133.8	130.3	127.0	130.9	133.4	129.6	127.0	124.0	122.5
virtual rank	*2*	*2*	*2*	*5*	*5*	*5*	*5*	*3*	*3*	*5*	*6*	*6*

Only in 2000 and 2001 turned the trend, but it was not enduring. The temporary amelioration is presumably due to the ripple effect of global recession (relocations of multinational firms), which kept back the growth of manufacturing in Northwest Transdanubian counties, so the real cause was the downturn of competitors and not the growing of economy in LBRA. No wonder that, after the recession, these counties overtook it again.

Thereinafter, we will check if Balaton Region is homogeneous or heterogeneous according to the inner differences, and whether the whole region is in depression or some settlements could have kept their prosperity. Inner inequalities were examined in three dimensions: firstly, highly significant differences could be seen between the 52 coastal and 112 offshore (non-coastal) settlements; secondly, administrative standing (town or village) could cause differences; and thirdly, development course and position might be diverse in the three counties (Somogy in South, Veszprém in North and Zala in West).

Tourism, and therefore economy, is highly concentrated on the coastal zone (Figure 3 and 4). Coastal settlements have on average 2.1 times higher values than non-coastal ones, which is the highest break inside the region among the examined three dimensions (Table 3). The 16 towns are in better position as well (the ratio between towns and villages is 1.4), but this categorisation overlaps the previous one, because 11 towns, in which approximately 70% of total urban population and 80% of total GDP is concentrated, are located in the coastal zone. Finally, just a smaller part of inequalities can be examined due to the different character of the three counties. In this dimension, the most developed parts belong to Zala county, but "Economic Power per capita" is here just 1.2 times higher than in the worst parts of Somogy. It is conspicuous on the map (Figure 3) that the settlements not reaching even the half (!) of the rural average are located distinctly in the southeastern parts, also in non-coastal zone of Somogy county. Therefore, it is worth examining every county by dividing it to coastal and non-coastal parts. There is no remarkable difference between the northern and the southern coast of the lake but more between non-coastal parts! It is by far most disadvantageous in the villages of the southern periphery, where the non-coastal zone in Somogy county has 20-30% less economic power in comparison to the lakeshore area of the northern coast.

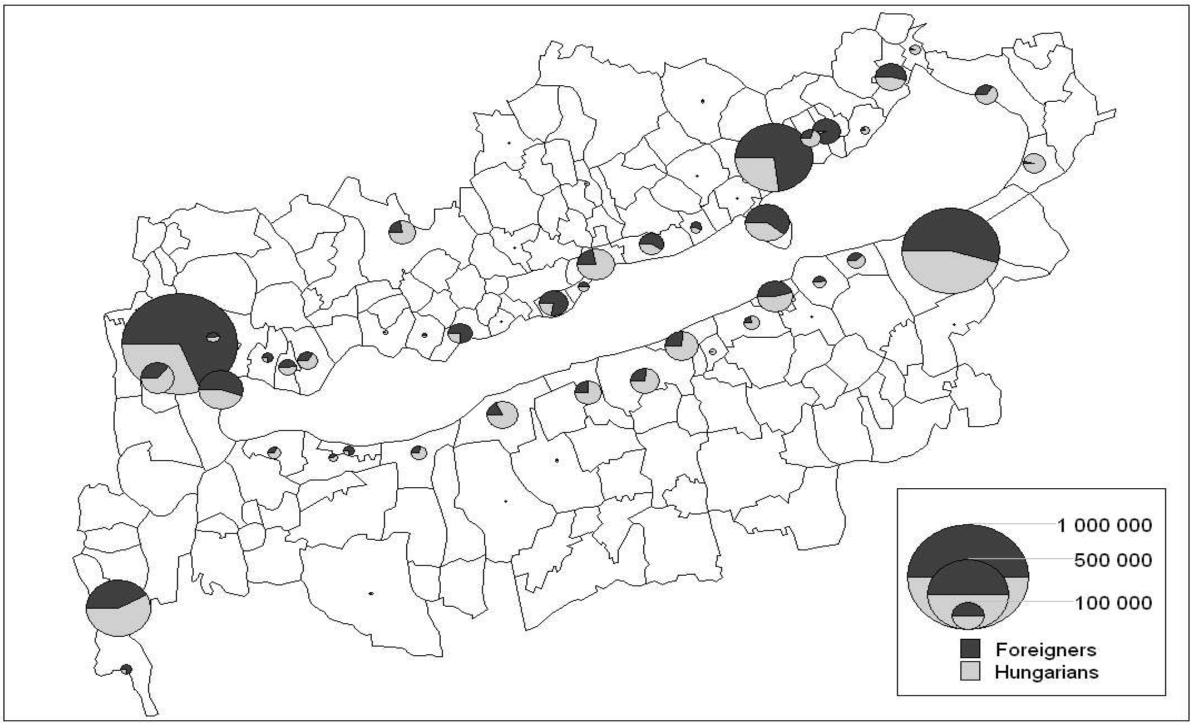

Figure 3. *Number of nights spent in commercial quarters, 2004.*
(Source of data: HCSO, T-STAR Database)

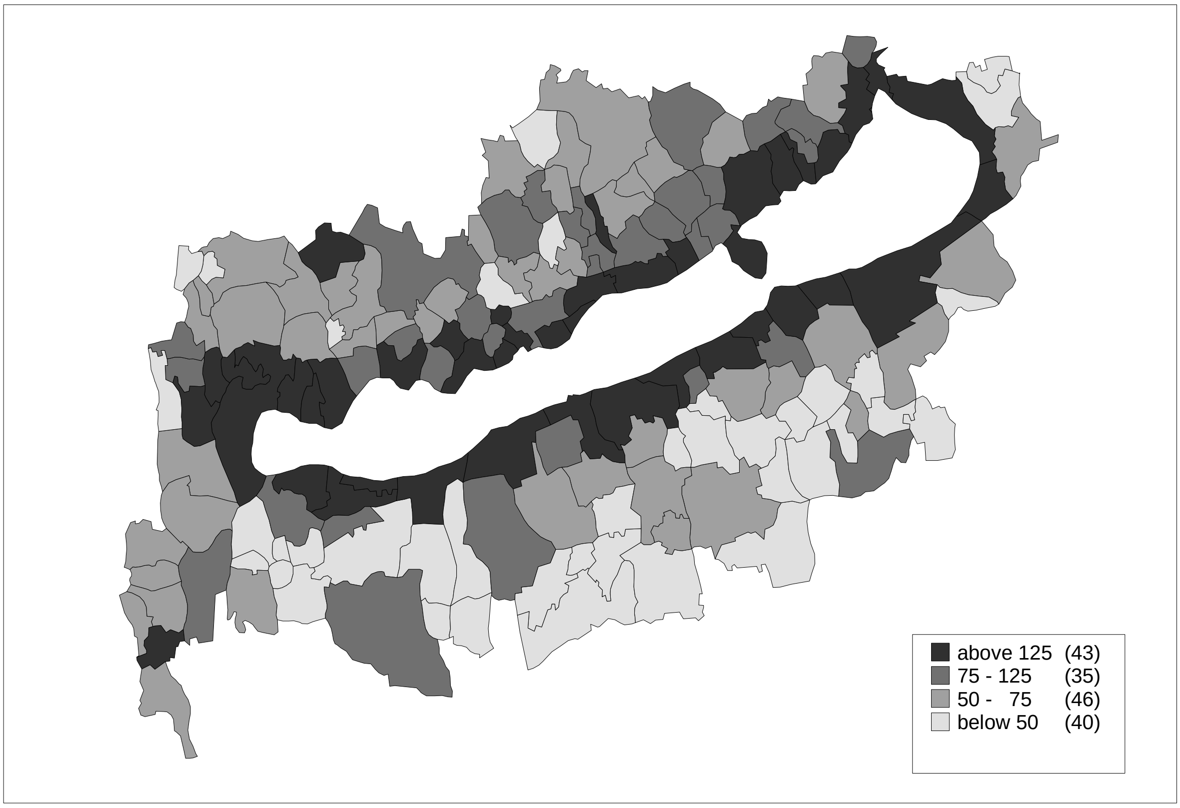

Figure 4. *Estimated Economic Power per capita in the Lake Balaton Region*
(rural average = 100%), 2005.

Table 3. *Estimated Economic Power per capita in different parts of the LBRA, 2005.*

	1000 HUF per capita	**rural average =100%**	**share in economic power (%)**	**share in population (%)**
Balaton Region	2063	122.5	100.0	100.0
coastal	2628	156.0	74.2	58.4
non-coastal	1276	75.7	25.8	41.6
towns	2364	140.3	61.4	53.5
villages	1717	101.9	38.6	46.5
settlements in Somogy County	1980	117.5	42.9	44.7
coastal	2739	162.6	32.1	24.3
non-coastal	1084	64.4	10.8	20.4
settlements in Veszprém County	1984	117.8	34.1	35.3
coastal	2446	145.2	23.1	19.6
non-coastal	1419	84.2	11.0	15.8
settlements in Zala County	2392	142.0	23.0	20.0
coastal	2689	159.6	18.9	14.6
non-coastal	1584	94.0	4.1	5.4

The most astonishing, but nevertheless understandable result of the research is that most developed parts of the region, namely the coastal zone and the towns suffered a higher loss, whilst the non-coastal settlements, first of all villages, could keep their relative level of economic power (Figure 5). The regional disparities within the LBRA decreased obviously, but in the background stand the stagnation or the loss in position of the more developed parts.

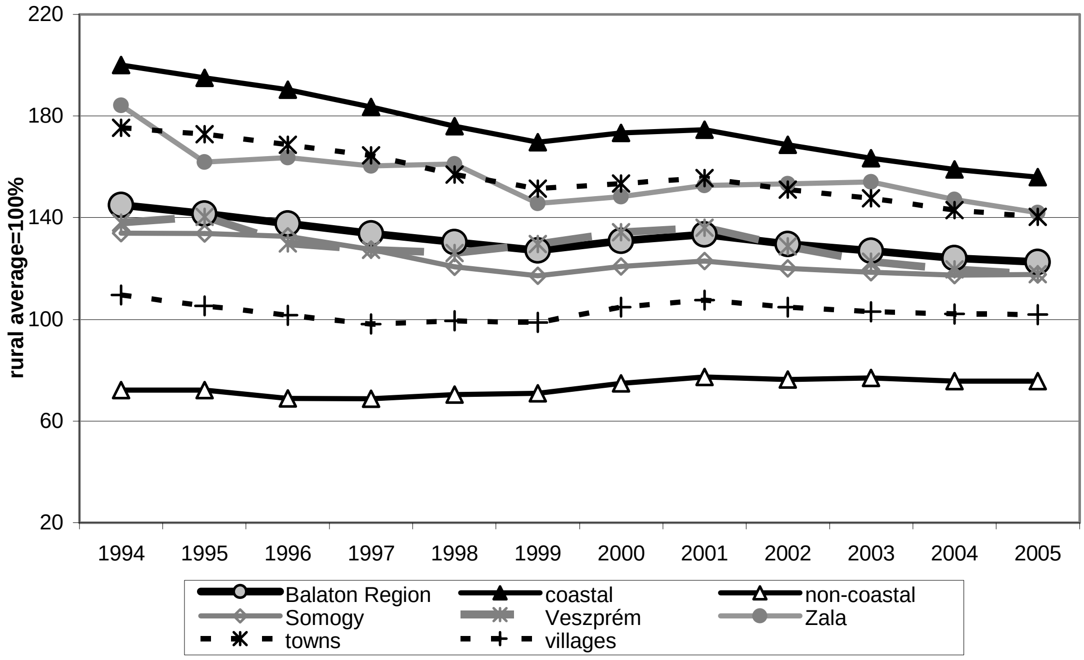

Figure 5. *Development trends in Lake Balaton Resort Area according to Estimated Economic Power (GDP) per capita, 1994-2005.*

Even the southern periphery was able to conserve or probably to mend its position! The differences among three counties were not remarkable in the mirror of transversal data, since the curves illustrating long-time series are similar to each other and to the course of the whole Balaton Region as well. One of the most developed parts belonging to Zala has suffered very high decrease, since the share of disadvantageous coastal zone is here the largest. After all, it is distressing that there are no signs of changing tendencies and no curve takes a turn to the better.

CAUSES AND CONCLUSIONS

No doubt that the crisis of tourism stays in the background of economic problems, as it could be seen in the stagnation of values of coastal settlements. The starting point of the problems was the reduction of the number of guests in the '90s. The external reason was the decrease and change of demand of tourists. After the change of regime, the Hungarian economy went through a typical transition crisis, therefore the quality of life, or the level of domestic tourism relapsed, moreover, the "social-tourism" subsidized by the state came to an end. German tourists stayed away as well, since Balaton did not mean any more a meeting point for the people coming from the East and the West side of Germany. Additionally, following the worldwide tendencies, the average number of spent nights has also decreased. At the same time, mass-tourism was not so attractive any more, tourists rather aimed at getting more and better services. The internal reason for reduction was probably the lack of development on the supply side. Lack of quality accommodation, no resort opportunities in case of rainy weather, lack of motorways, traffic jams and high level of prices – these circumstances were changing very languidly. Lack of rainfall, excessive growth of algae and decay of eels contributed at evolving rapidly a negative image of the lake, which could be turned to positive very slowly! Furthermore, a significant problem was represented by the county-divided administration and hence the problematic partnership – this barrier had to be surpassed in the first place. Local people and entrepreneurs have had the bitter experience of it, and have made an effort to change the situation.

Oddly, the development in the region is evident thanks to local activities. Some problems, such as the coordination, the administration, and the harmonisation of development plans, are solved or ceased. Traffic conditions became better by lengthening M7 motorway on the Southern side of the lake. "Ecological crisis" was a headline of the media, but fortunately, these voices were confuted by nature itself – nowadays the quality of water is excellent, and environmental issues get real attention. Goods and services were undoubtedly "overpriced" in a certain period, and after the price decrease, it became known also for public opinion, although a bit later (Szabó, 2006).

The results of efforts do not yet appear in the above-depicted time series. Why not? Firstly, local actors have presumably right on the score of reasons, namely they hold financial sources insufficiently to put development plans into practice. Furthermore, there are some problems difficult to be solved. Since tourism is a seasonal activity, resulting temporary profit, income, or employment in economy, it means also temporary load on infrastructure. (One of the most important goals of development plans is to lengthen the season.) Thirdly, local people do not get all the profit from region's economy, because a remarkable part of entrepreneurs and workers come from different parts of the country, therefore they pay common charges at their permanent address or premise.

Beyond these barriers, local people have to face the fact that a tourist region is not competitive with the most developed Northwestern part of Hungary. The relative loss of LBRA could be commented at the turn of Millennium, but there is no sign of getting better even in the recent years. It raises the question whether this specific region could challenge other regions characterised by manufacturing activities.

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