

WORKSHOP

FORMAL AND INFORMAL COOPERATION IN HUNGARIAN CONDOMINIUMS*

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Abstract: Human interaction breeds conflicts and unresolved problems, which fortunately provide food for social sciences. One particular field of research, however, the theory of collective action, is concerned with the question of how people behave and act in groups when pursuing their common goals, how collective action for a collective good, that is cooperation, can – or cannot – take place. Groups are understood here, not necessarily only as political or interest groups and organizations – originally assumed by the founders of group theories in economic sociology and political science, but any social groups of individuals whose members share a common interest. This kind of broadening the scope of groups allowed the author to apply the analytical devices of the theory of collective action in a particular case, never before examined in this way. Thus the author selected the Hungarian residential condominiums, which could be regarded as communities “governing the commons” on the one hand, and groups of individuals who are part of an organization with common interests and goals on the other. In both aspects, in order to pursue their common goals they have to act collectively and to reach them successfully they have to cooperate – either formally or informally – with each other. Based on theoretical and empirical findings, the author introduced and controlled for various external (e.g. condominium regulation, political entrepreneur) and internal factors (e.g. trust and social capital) which had an influence on condominium communities’ cooperative behavior.

Keywords: collective action, cooperation, trust, political entrepreneurship

INTRODUCTION

There is a field of social life where collective action problems occur frequently and will not cease easily. These sometimes tiny but other times throat-cutting problems call for urgent solutions, otherwise the life of these micro communities would be

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unbearable and the consequences of not solving them would not only penetrate the people themselves, living in these communities, but would affect a larger segment of the society or even cause fierce political debates. Thus in our research we selected the Hungarian residential condominiums, which could be regarded as loose communities based on their externally defined “constitution”, the Condominium Law. The research topic was also embedded in a larger set of political and economic problems, namely the time period of the Hungarian transition and privatization, which had a significant impact on these micro communities’ life.

In these special communities people are destined to live together for an unspecified period of time, therefore the “game” is not “one-shot” but “iterated”, even though some participants can decide to “quit”. People in residential condominiums – by definition – have both their private properties and share common properties and facilities. The use of these latter as well as the overall management of the condominium necessarily induces conflicts among the members of these groups, which can be resolved only by their collective decision making and action. Thus condominiums can be regarded as communities “governing the commons” on the one hand, and groups of individuals who are part of an organization with common interests and goals on the other. In both aspects, in order to pursue their common goals they have to act collectively and to reach them successfully they have to cooperate with each other.

The paper is structured as follows. In the first part we briefly summarize the main results of the qualitative research program on the Hungarian Condominium Act, the purpose of which was twofold. The systematic document analysis on how the Hungarian Condominium Act had been developed enabled us to overview what kind of previously arisen problems have been remedied so far by institutionalized regulations, on the one hand, while we also got a clear picture about the latest state of affairs, on the other.

In the second part we introduce the reader to our empirical research program, in which we made an attempt both to set up a model of the cooperative behavior/potential of the Hungarian condominiums and also to test the related hypotheses with the help of various statistical methods. This article focuses on the last two hypothesis tests, although we summarize the whole research program and the hypothesis tests in the last “Conclusions and Policy Implications” part. Before that, however, we also presented a case study on the largest Hungarian condominium, demonstrating almost all problems touched upon in our theoretical as well as empirical research.

THE MAIN RESULT OF THE QUALITATIVE ANALYSIS OF THE HUNGARIAN CONDOMINIUM LAW

Since these “loose communities” primarily had to rely on their externally defined “constitution”, the first line of our research program was a qualitative empirical research. This consisted firstly of a systematic document analysis and literature review, on how the Condominium Law had been developed between 1924, when the first law came into force, and 1997, when the latest law was enacted in Hungary. In our

view, this legal framework represented “Leviathan”, an external or formal solution of the collective action problems. Formal or external solutions can be changed, however, by the policy-makers as well as the “players of the game”, in this case the condominium communities themselves. Therefore it was quite interesting additionally, to examine the political decision-making process of the latest condominium law with the help of structured personal interviews, collecting unpublished documents and visiting different conferences focused on condominium regulation questions.

This analysis of the basic rules of the “condominium game” enabled us to see what kind of previously arisen problems had been resolved so far by “institutionalized” regulations. Evidence suggested, however, that in 1997 a great chance to remedy the pitfalls of housing privatization was missed. It turned out that even in the case of condominiums, there was no “perfect” law; not everything could be regulated legally by external conflict-resolving devices. Ambiguous and questionable parts and still unsettled questions remained in the latest Condominium Law. Consequently, the rules of the “condominium game” were not established correctly, exposing the players – condominium communities – to more conflicts than necessary. Empirical evidence obtained from the research suggested that revision of the latest Condominium Law, moreover, a fundamentally new regulation was still needed. Until then, and parallel with it, condominium communities have to rely on their autonomous decision-making institutions and internal conflict resolution devices both to fulfill the legal gaps and to solve unforeseen collective action problems.

MODEL BUILDING AND HYPOTHESES TESTING: THE COOPERATIVE POTENTIAL OF THE BUDAPEST CONDOMINIUMS

The second part of our research program comprised of quantitative empirical research¹ on condominium communities. As mentioned before, the coexistence of private and common properties imposed special collective action problems, since the usage and maintenance of the common properties and facilities as well as the overall management of the common businesses necessarily induced conflicts among the condominium members. To override these problems, they both relied on the externally defined constitution and on their own collective decision making. When pursuing their common goals, for example reconstruction of the building or increasing of the common costs to finance it, residents had to act collectively. To reach these goals successfully, they had to cooperate with each other; otherwise the collective or public good was not provided.

Condominium regulation, however, represented only one – although extremely important – external solution to the collective action problems of these micro communities. Therefore in the following sections we introduce as well as control for other external and internal factors – based on the theoretical and empirical findings so

1 The quantitative empirical research was focused on Budapest.

far – which have an influence on condominium communities' cooperative behavior. Here we must mention that although the primary analytical method was of a quantitative type in this part of the empirical research, we also made a case study, explored in the next section, on the largest privatized blocks of flat type condominium in Hungary. The purpose of this approach was hypothesis- generating and sophistication rather than testing, since the large number of various condominiums did not allow us to use this method for the latter.

Part of the above mentioned external and internal factors corresponded to the theoretical framework, like the effect of group size (Olson 1971), self-governing institutions of communities (Ostrom 1990), political entrepreneurs and, connected to this latter, the role of trust and social capital in solving collective action problems of condominium communities. Other variables, however, were rather sociological, like social status of people living in the condominium or placement and criminal conditions, and were created in the light of our previous empirical research.

To synthesize all these factors above, we set up a model of condominiums' cooperative behavior, where the dependent variable was the so called *cooperation potential* (CP) of the community, influenced by various factors (independent variables). Here we only briefly introduce the whole model and then select one of the corresponding hypotheses,² which is in focus here. The summary of the whole research program and the hypothesis tests can be found in the “Conclusions and Policy Implications” part of this article.

$$CP = f(S, ST, P, CI, CE, RP, T)$$

where

- S*: size of the condominium
- ST*: social status of the community
- P*: placement and condition of the condominium
- CI*: condominium institutions
- CE*: perception of collective efficacy
- RP*: type of condominium representative
- T*: trust

Hypotheses tests³

Based on the model above and conditioned by the research results in the previous parts we formulated one of the following hypotheses:

Hypothesis A: The stronger the perception of collective efficacy, the greater the cooperative potential.

However, to get data on the perception of collective efficacy another sub-model should be formulated within the basic one. In this sub-model, the dependent variable

² The other hypotheses could be found in the *Appendix*.

³ Part of the statistical tests can be found both in the relevant paragraphs and Appendix 2. The “full version” can be seen at <http://www.ceu.hu/polsci/theses.html>

was the *perception of collective efficacy (CE)*, while the independent variables were RP and T:

$$CE = f(RP, T)$$

Hypothesis B: Insider condominium representatives (“political entrepreneurs”⁴) having trust-relations (social capital) with the community members strengthen the perception of collective efficacy.⁵ Consequently, insider political entrepreneurs increase the cooperative potential of the community.

As we mentioned before, external solutions were not necessarily coercive or restricted to the use of threats and offers, positive or negative sanctions, since altering the expectations of people, like persuasion, could also be treated as an external solution, therefore *political entrepreneurs* also belonged to this group. In our interpretation anyone can be considered a political entrepreneur who offers his/her services to solve the collective action problem in exchange for a profit.⁶ Such an entrepreneur can establish a collection organization, gather contributions, or provide the public good itself. In these cases the crucial function of the entrepreneur is to provide a different mechanism for pooling resources.

As far as altering one’s expectations is concerned, political entrepreneurs can function as coordinating mechanisms, not only by collecting and distributing information but also by manipulating the expectations of the individual members of the group, regarding the behavior of the other members. (Frochlich et al. 1971) As for this latter aspect, political entrepreneurs can alter group members’ sense of efficacy concerning their own contribution to the public good. In this way, they can play the role of an advisor or intermediary among the group members of trustors and trustees (Coleman 1990).

We also argued that trust and fear of exploitation in public goods dilemmas were interrelated issues. According to recent psychological research (Cremer 1999) perceptions of collective efficacy were crucial in promoting cooperation, because they helped to reduce the fear of being exploited by others. Generally, strong perceptions of collective efficacy can reduce people’s experiences of fear, consequently enhancing trust in the cooperative intention of others. Therefore, political entrepreneurs, by strengthening these perceptions of collective efficacy, can help to overcome this fear and increase trust among the members of a loose community.

In our analysis we examined “insider” and “outsider” entrepreneurs, namely insider and outsider condominium representatives, depending upon whether they

4 *Political entrepreneurs* belong to the group of external solutions, which are not necessarily “coercive”, restricted to the use of threats and offers, positive or negative sanctions, because altering the expectations of people, like persuasion, can also be treated as an external solution.

5 As we know political entrepreneurs can alter group members’ sense of efficacy concerning their own contribution to the public good. Trust and fear of exploitation in public goods dilemmas are interrelated issues. Strong perceptions of collective efficacy can reduce people’s experiences of fear, consequently enhancing trust in the cooperative intentions of others. Therefore political entrepreneurs by strengthening these perceptions of collective efficacy can help to overcome this “fear” and increase trust among the members of a “loose community”.

6 Here, profit is meant not only in monetary terms.

belonged to the community (condominium) or not. As far as the insider is concerned, these entrepreneurs were not necessarily working for profit, but could work for political support as well. As in real political life, some members of the community were ambitious enough to run in election for a committee membership or representative position in the condominium. These people, using their social capital, earned previously in successful actions, could easily be elected. Alternatively, we could also assume that these insider representatives or committee members – as we argued before at the institution hypothesis – belonged to an altruistic or principled type of condominium co-owner, who offered their help for the collective good from moral obligations and virtue, or just for the sake of good feeling, without any aspiration for rewards or material profit. Therefore we maintain our original form of reasoning, debating with potential alternative hypotheses and arguments, and assume that the above mentioned internal mechanisms, now focused on the role of the condominium representative, induce cooperation and not vice-versa. For instance, living in the community gives a better chance for the insider representatives to collect enough social capital in order to convince their fellow co-owners on the necessity of certain, sometimes burdening duties, such as the common cost increase. In this sense we share the view of Sabel (1993, 1994) and Gambetta (1988), who argue for some kind of predisposition to trust when cooperating with each other.

Nonetheless, to obtain data on the perception of collective efficacy we developed a sub-model, in which the independent variable was the perception of collective efficacy (*CE*), while the dependent variables were the type of condominium representative (*RP*) and the role of trust (*T*).

$$CE = f(RP, T)$$

After that we proposed another hypothesis – strongly related to the previous one – stating that insider condominium representatives (political entrepreneurs) having trust-relations (social capital) with the community members, strengthen the perception of collective efficacy. Consequently, insider political entrepreneurs increase the cooperative potential of the community.

To test the relevance of these assumptions we turned to logistic regression. First we wanted to capture the social capital, trust relations phenomenon, which is not an easy task in quantitative terms. Nonetheless, we found some useful pieces of information as to the condominium representatives' relation with the community. Indirectly, the answer to this question shed some light on the personal contact, trust relation of the representative with the community members. Presumably, when he or she had quite balanced, good relations, it meant that people were satisfied with his/her work as well as supporting him or her in different common issues. As for the latter, there were useful data on the agreement of common cost increase, a topic which belongs to the hottest issues at a condominium association meeting.

In the first logistic regression model, the dependent variable was the condominium representative's (CHR) relation with the community, while the independent variables were the type of condominium representative (insider or outsider) depending on whether he lived in the condominium or not and whether he/she worked voluntarily or

as a professional, called “job type” in the model. Although the model produced overall 66% of the cases (see *Table 1*) we attempted to draw some conclusions based on the B_i coefficients.⁷ Looking at both the representative and the job-type coefficients, there was a significant relation with the dependent variable. Namely, if the condominium representative was a professional, moreover an outsider political entrepreneur, this had a negative impact on the relation with the condominium community.

Table 1. Relation with the community

Observed	Predicted		Wald	df	Sig	R	Exp(B)
	0	1					
,00	263	54	9,2381	1	,0024	-,0991	,4847
1,00	130	96	11,2547	1	,0008	-,1120	,4725
		Overall	11,7666	1	,0006		

We obtained almost the same results when examining the agreement on common cost increase, for example (see *Table 2*). In this case, this latter one was the dependent variable, while the previous two factors were the independent variables. The negative impact result has strengthened our view that condominium representatives not living in the community and working as professionals, could not gather as much social capital as their counterparts, the insider, voluntarily working representatives. This was in harmony with certain anecdotal findings of ours, when conducting the legal-analytical part of our research. Representatives of various non-governmental organizations (NGOs), especially those who represented the interest of the condominium community, had reported on the same experiences. Namely, when the representative was from among the condominium co-owners, despite the fact that he/she was not working as a professional (who presumably was equipped with more knowledge and experience in condominium management as compared to the ‘volunteers’), he/she could develop better personal relations with the community members. Knowing the community better as well as working and living there were all in favor of this type of ‘political entrepreneur’. Since his/her work was done before the community, monitoring was much easier than in the case of an outsider, for instance. We know that trust is based on learning and continuous conflict resolutions, which enables partners to cooperate in the long run. Consequently, insider condominium representatives have a better chance to lay down the basis of trust and also to strengthen the feeling of collective efficacy.

7 See the Variables in *Table 1*.

Table 2. Agreement on common cost increase I

Observed	Predicted		Overall					
	0	1						
,00	0	0	83,02%					
1,00	1	1	41,78%					
			65,93%					
Variable	B	S.E.	Wald	df	Sig	R	Exp(B)	
JOBTYPE(1)	-,6895	,2419	8,1232	1	,0044	-,0912	,5018	
REPRES(1)	-,6897	,2257	9,3391	1	,0022	,0998	,5017	
Constant	,5022	,1627	9,5310	1	,0020			

Moreover, we made another logistic regression, where new independent variables were put into the analysis (see *Table 3*). Besides job-type and relation with the community, we examined the impact of time spent as a representative in the community⁸ and also the number of years living in the condominium⁹ (where he/she was an obvious insider), then the number of condominiums the representative had managed.¹⁰ As for this last factor, we assumed that the more houses the representative managed, the less time and energy was spent on one community.

This time the model reproduced almost 70% of the cases,¹¹ while the two previous explanatory variables (job-type and relation and the number of years spent as a representative) had a statistically significant impact¹² on the dependent variable, namely the agreement on common cost increase. If the condominium representative had spent less than three years in his/her office in the condominium, it had a negative impact on the agreement variable, a result which provided additional evidence for the role of trust and social capital. The longer the condominium representative was in office the more social capital he/she could gather, thus the more probable it was that people trusted him/her and also supported his/her work. To agree on common cost increase – as we mentioned before – is one of the most debated issues in a condominium association meeting, thus persuading the co-owners requires much effort from the representative. Nonetheless, if he/she is on good terms with the members, who know that the proposal for the increase is well founded, and that the representative is a trustworthy person, based on work previously done well, then reaching a final agreement seems much easier.

8 The variable had two values: less or more than 3 years spent as a representative.

9 The variable had two values: less or more than 3 years living in the condominium.

10 The variable had two values: managing less or more than 4 condominiums.

11 See the *Classification Table*.

12 See in the *Variables Table*.

Table 3. Agreement on common cost increase II

Predicted		0		1																															
Observed		<table border="1"> <tr> <td></td> <td>0</td> <td>1</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>0</td> <td>65</td> <td>34</td> <td></td> <td>65,66%</td> <td></td> <td></td> </tr> <tr> <td>1</td> <td>36</td> <td>96</td> <td></td> <td>72,73%</td> <td></td> <td></td> </tr> <tr> <td colspan="2"></td> <td colspan="2">Overall</td> <td colspan="2">69,70%</td> <td></td> </tr> </table>							0	1					0	65	34		65,66%			1	36	96		72,73%					Overall		69,70%		
	0	1																																	
0	65	34		65,66%																															
1	36	96		72,73%																															
		Overall		69,70%																															
Variable	B	S.E.	Wald	df	Sig	R	Exp (B)																												
YEARLIVE (1)	-,6391	,7874	,6589	1	,4170	,0000	,5277																												
YEARREP (1)	-,6459	,3088	4,3757	1	,0365	-,0868	,5242																												
CHNUMB (1)	-,3044	,7353	,1714	1	,6789	,0000	,7376																												
RELAT2 (1)	-1,6642	,2996	30,8584	1	,0000	-,3024	,1893																												
JOBTYPE (1)	-,6467	,3116	4,3080	1	,0379	-,0855	,5238																												
Constant	1,6371	,2886	32,1729																																

We also examined the reconstruction issue, now in terms of the effect of various representative variables on the outcome-dependent variable, namely the elevator reconstruction (see Table 4).

Table 4. Logistic regression: elevator reconstruction

Predicted		yes		no		Percent Correct																													
Observed		<table border="1"> <tr> <td></td> <td>y</td> <td>n</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>yes</td> <td>90</td> <td>39</td> <td></td> <td>69,77%</td> <td></td> <td></td> </tr> <tr> <td>no</td> <td>50</td> <td>75</td> <td></td> <td>60,00%</td> <td></td> <td></td> </tr> <tr> <td colspan="2"></td> <td colspan="2">Overall</td> <td colspan="2">64,96%</td> <td></td> </tr> </table>							y	n					yes	90	39		69,77%			no	50	75		60,00%					Overall		64,96%		
	y	n																																	
yes	90	39		69,77%																															
no	50	75		60,00%																															
		Overall		64,96%																															
Variable	B	S.E.	Wald	df	Sig	R	Exp (B)																												
REPRES (1)	,7498	,3530	4,5108	1	,0337	,0845	2,1165																												
JOBTYPE (1)	-,5039	,3736	1,8193	1	,1774	,0000	,6042																												
CHNUMB (1)	1,0895	,3456	9,9352	1	,0016	,1501	2,9727																												
RELAT2 (1)	-,2563	,2929	,7657	1	,3816	,0000	,7739																												
Constant	-,3951	,2881	1,8807	1	,1703																														

This time we put four explanatory variables into our logistic regression model, i.e. whether the condominium representative was insider or outsider, whether he worked as a volunteer or as a professional, the number of condominiums he managed and, finally, his relation with the community. When looking at the B_i coefficients two variables showed a statistically significant impact on the dependent variable.¹³ This time the external political entrepreneur, i.e. the outsider condominium representatives' work positively affected the successful outcome, a finding which seemed contradictory to our hypothesis. The other variable, the number of condominiums, which exceeded four, however, supported our earlier assumption that carrying out any kind of reconstruction work was rather a question of skillful and professional management. Usually outsider condominium managers were professional ones, dealing with more condominiums, and equipped with more knowledge, even in handling reconstruction. This is why they were in a better position when talking to

13 See the Variables Table.

engineers, or building entrepreneurs and in bargaining about the price of the work as compared to an insider, volunteer condominium manager who usually managed less than four houses.

Therefore, from the point of view of renovation, it seemed that outsider probably professional condominium managers were more successful, although persuading the community required more time and energy from them. This latter statement was supported by a study¹⁴ related to the original condominium survey we were also relying on. The authors of a booklet made for condominium managers suggested smoothly persuading the community on the advantageous features of the modernization project. The booklet warned those managers who were outsiders and professionals, who had more condominiums, and were thus dividing their time into many communities, should be careful. This latter kind of representatives could be more successful if they cooperated with someone from the community as a “vice-representative” – a representative of the representative – did, who better knew the co-owners and could develop good personal relations with them. In our view this clearly suggests that these vice-representatives have more social capital than their ‘bosses’ and act as intermediaries between the trustor – condominium community – and the trustee – the external political entrepreneur. Thus there is no discrepancy between our hypothesis and this final result. Although outsider condominium representatives were more successful in carrying out renovation projects, it seemed from our additional research that they had to use the ‘power’ of the insider political entrepreneur as well.

The final step, however, was to control the validity of the last hypothesis, whether insider condominium representatives increased the cooperation potential of the community. We made this test in two steps. On the one hand we made a factor analysis¹⁵ with the help of which we could make a latent variable, the insider, voluntarily working condominium representative having a potential impact on the original dependent variable – the participation rate – tested by logistic regression (see *Table 5*) on the other. The chi-square test supported the use of the model, which produced overall 67% of the cases.¹⁶ More importantly, the statistically significant positive B_i coefficient¹⁷ of the insider representative variable was in harmony with our basic assumption.

14 Rabenhorst et.al. 1999.

15 See *Appendix 2*, Factor Analysis.

16 See the *Classification Table* in the LR model.

17 See the *Variables Table* in the LR model.

Table 5. Logistic Regression: cooperation potential

Predicted		Low cooperation		High cooperation		Percent Correct	
Observed		L	H	L	H		
Low cooperation	L	0	0	0	177	0	,00%
High cooperation	H	0	0	0	359	0	100,00%
						Overall	66,98%

Variable	B	S.E.	Wald	df	Sig	R	Exp(B)
INSREP	,2678	,0958	7,8107	1	,0052	,0924	1,3071
Constant	,7220	,0931	60,1859	1	,0000		

**A CASE STUDY:
THE LARGEST RESIDENTIAL CONDOMINIUM IN HUNGARY¹⁸**

As mentioned before, we made a case study during the empirical research on the largest – privatized blocks of flat type – condominium in Hungary. The purpose of which was first of all hypothesis generating and sophistication, but it offers a good illustration for the above, partly-explored hypothesis tests as well.

The largest residential condominium that can be found in Budapest, comprises 884 flats/co-owners, therefore they call themselves the “Village Condominium”.¹⁹ The most salient difference, between a real village and this house is, however, that most people living in it do not know each other, which has severe consequences for the cooperation potential of the whole community.

This is a high-rise, blocks of flat type, privatized condominium divided into 15 staircases and built in the early 1970s. The majority²⁰ of the previously state rental flats were sold to the sitting tenants at a very favorable price and the condominium association was founded in the same way as most of the others in 1992. To remind the reader, this meant that the local government was the only founder, and as soon as the flats were sold, the owners signed the ready-made Master Deed, consequently, it was not a consensual founding agreement of all co-owners concerned. Mass and non-strategic housing privatization had severe impact on the life of Hungarian condominiums, especially on those which belong to the more than 200 flat-condominium group. This huge number of co-owners is hardly able to govern the commons and act in a cooperative manner, thus the management and functioning of condominium is very difficult and troublesome. We assume the Olsonian large, latent group effect in public goods dilemmas does work here.

18 Based on a personal communication with Gy. Réti, the “Village” condominium representative.
 19 If we just multiply the number of flats with an average of 3 occupants – assuming two or four-member families in the mostly two-room apartments – we get more than 2600 people living in one house, the number of a not so small village.
 20 Only 22 flats remained in the hands of the local government and rented to the tenants.

To support this view, let us mention that the average participation rate on the condominium association's meeting of the "Village" community is 10-13%.²¹ This means that usually 80-90 co-owners decide on most questions, except those which require unanimous agreement. One example for a huge collective action defect was the possible revision of the Master Deed and the creation of the condominium By-laws allowed by the 1997 Condominium Law, which could not happen because one (!) co-owner from the 884 did not want it. The most striking aspect of this was that this co-owner first accepted, then, one year later turned to the court and attacked the consensual agreement of the others. The community could decide with unanimous agreement to delete certain topics and paragraphs from the Master Deed and to put these into the By-laws so as to ease the management of the condominium, like alienation of the common property, constituting one of the hottest issues in their life. Moreover, because this one co-owner prevented any opportunity to revise the old-fashioned and quasi Master Deed dating back to privatization, the community could not apply many new elements of the 1997 Condominium Law, either. One the most severe consequences of this shortcoming was, that the community was deprived of the opportunity to hold partial association meetings or vote in written form. In the light of the usual participation rate, we dare say that this step of the given co-owner was an insane and harmful action against the whole community.²² The very question of democracy, how to appreciate the view of the minority but at the same time to protect the rights of the majority against malevolent, self-defeating individual actions – presented in this case – is a tangible and hard issue in the life of this condominium community.

Nonetheless, usually the association's meetings are mainly constructive and there are only some people who try to undermine the agreement of the others, as well as the work of the condominium representative. On the other hand, it seems that generally the same co-owners take part in these meetings, and usually they are middle aged or old people. Young co-owners – although they are numerous – are very reluctant and feel no commitment to participate in common decision making. The more troublesome aspect is that they do not feel like being property owners and thus partners in common businesses and management. On the contrary, they rather expect good management from the elected condominium officials and their share is "limited by the entrance of their private flat" in collective decision making, in their view.

Another disappointing phenomenon, already belonging to the governing the commons, i.e. autonomous decision making and action of the community for the collective good is, that people do not keep the earlier agreed and accepted "House by-laws". For instance, larger private renovation work (e.g. dismantling or cutting the concrete walls) is strictly regulated, needing the approval of the condominium manager/technical assistant, responsible for the safety of the whole building.

21 But only the second round of the association meeting is decisive, as we have learnt from the legal analysis.

22 We think this is a concrete case of irrationality, or as Elster says, when rationality fails (Elster 1990), which is still part of the theory. One explanation for such behavior can be that the reasons behind the action of this co-owner are nudged by passions and therefore seems irrational, from the point of view of public good provision or collective action solving in the condominium community.

Nonetheless, many co-owners neglect such regulations and do not inform the managers.

As far as the Village's financial condition is concerned we can say that they are one of the cheapest condominiums in Hungary, co-owners paying common costs around HUF 3000 per month/premise.²³ From this point of view the huge size is rather an advantageous feature and also essential income is gathered from the 40 shops and offices rented to various entrepreneurs, as well as from huge advertisements put on the top of the 10-story building. The proportion of the common cost from the total income exceeds only 10% of that of the rental income (50% and 40%). Both the income and the expenses are measured in ten millions of HUF,²⁴ so one can imagine what a huge enterprise the "Village" is. The condominium management is well functioning, however, having the condominium representative and his paid staff in the back. To run such a big building is impossible without professionals, like appointed housekeepers or managers, technicians, accountants, emergency and cleaning staff, etc. They even set up a paid security guard to improve the not so good criminal conditions of the building and its surroundings.²⁵ There is also an elected, so-called Accounting Committee, the members of which help voluntarily in the work of the representative as well as play the role of a supervisory committee, in the name of the condominium community.

To turn back to the common cost issue, however, the number of non-payers is not very high, but there are some co-owners who, either because of financial problems or their social circumstances, continually do not pay their share. The majority of these people belong to that group, which cannot pay or contribute, as opposed to those who refuse to pay or contribute to the public good. Handling the problem is within the authority of the condominium representative who uses rather internal than external devices in their case. More properly, as we will see later, in the quantitative analysis, they belong to the group of condominium representatives, who tries to apply rather humanistic than legal methods, like starting litigation, in resolving this severe problem. Later we will explore the notion of humanistic methods as well.

The condominium began accumulating financial resources in the form of a reconstruction fund from its foundation, since they could not apply for governmental and/or bank loans otherwise. They have already had two big renovation projects, one of the roof, the other of the elevators, and more minor ones, like that of the door bells and electric entrance doors. The overwhelming part of these reconstruction works was financed from their own resources, but they continuously apply for the above-mentioned external resources as well. They can proceed only step by step, as any renovation or modernization in such a huge building needs enormous money. After the recent elevator reconstruction, they plan to replace the badly insulated and functioning windows of the whole building – meaning all together 710 pieces – in the near future. If they coordinate the window reconstruction, they can better bargain with

23 Just for a comparison, a winter-month heating bill is between HUF 10–20,000.

24 In 2001 the income was HUF 76 million, while the expenses, including the reconstruction fund, somewhat exceeded HUF 70 million.

25 For instance, for many years, poor, homeless people have looked for shelter in the heated staircases and garbage rooms of the house. Many elderly condominium co-owners were really frightened to step out of their flat in the evenings.

the building entrepreneurs and have much lower price offers than individual co-owners can obtain. The majority of co-owners has agreed to wait until next year, but some of them, however, mainly the newcomers, are impatient and do not want to wait for the common work and have done on their own, regardless of the higher prices.

To inform and to convince the co-owners about the necessity for reconstruction was the difficult job of the condominium representatives, but until now he and his predecessor were successful in it. At the end of this case study, we will discuss why he is a key figure of the community. Nonetheless, they have to face non-manageable reconstruction work as well in the near future. Most of the co-owners are not aware of the fact that these kind of pre-fabricated, high-rise buildings were planned to last 30–35 years, which is over soon. The internal water and sewage system is used up and is in so bad condition that urgent repair is needed. To replace the old pipes and other materials, however, needs coordination of co-owners living on ten floors above each other, to be at home for even more days if necessary. In the light of the present non-cooperative behavior of the co-owners with regard only to the attendance at the association's meeting,²⁶ it is unbelievable that this could be managed somehow. For instance, the gutter system running the rainwater from the top, should be put to the common property staircase, instead of the private property internal places built for various pipes running from the bottom to the top of the ten-floor building. This is only a small part of the troublesome reconstruction and technically manageable. From a theoretical point of view, the resolution of the collective action problem here is 'communization' instead of privatization of the collective goods. Nonetheless, it would be nonsense to put the other, e.g. clean water and sanitary system to the staircase, because the co-owners are not able to cooperate with each other. How to solve this would be a great work for even the theoreticians, not to speak about the concerned condominium representative/manager.

If we touched the privatization or market solution of public goods dilemmas, however, we have to mention that this kind of external device was also applicable in condominium communities. It seems useful especially in the case of common pool resources, like common water supply and heating system. The water use constitutes a very clear example of the free rider problem. The individual co-owner – as we know, quite rationally from his/her point of view – thinks that if the water use is financed by the whole community anyway, it does not matter how much water is used or wasted. To prove this, let us mention that until the common water tap in the garbage rooms was dismantled, many people used it for private purposes, like washing their car or even cooling the water melon on hot summer days. To stop this, the "Village condominium" initiated a project to install private water meters in each apartment in order to promote self-control over the water usage of each co-owner. With the help of this controlling method, the "CPR"-water problem, i.e. unlimited use of the water, seems to be solved, since the overall consumption of the condominium has significantly diminished and they could save more than HUF 4 million annually (more than 7% of their total expenditure).²⁷ Another, 'partial privatization' device is the modernization of the

26 Later other signs of it mentioned too.

27 The cost-benefit balance of condominium co-owners, opting for controlled water usage after the first year was positive.

heating system and placing special thermometer taps onto the radiators, work which has just started.²⁸ Although heating can not technically be controlled like water usage, co-owners still have the opportunity to modify the warmth of the radiator, though to a limited extent,²⁹ thus to save energy as well.

As far as other characteristics of the cooperative behavior of the very heterogeneous people living in the condominium is concerned we cannot be too positive. The very low participation rate on the condominium association's meetings, and the non-property owner manners of most people have already been mentioned, but these belong to ignorant and negligent human behavior. Nonetheless, we can meet with even community-destroying and harmful actions of certain co-owners, who purposively litter the elevator, damage the entrance doors and doorbells or even put eggs³⁰ into the mailboxes of their fellow co-owners with whom they have some kind of conflict. In such a huge building, committing malevolent actions without any penalty is very easy, despite the fact that there is paid security guard. The cost of material damage of one week equals to that of one year in another, more cooperative and other regarding condominium communities. The immaterial or moral damage caused to the benevolent majority of co-owners cannot be measured, however. Most of the people living in one staircase do not know each other and they even do not greet each other when entering the elevator, for example. In the best case their neighborhood is limited to the same floor, comprising six flats on each. This is the largest number of co-owners having some kind of friendly relation, which can be a basis for trust and other internal solutions, like altruism or collectivism, to the collective action problem. Therefore, the only remedy within the given condominium model prescribed by law, would be to have condominium association meetings with delegated co-owners representing these smaller number of people of each floor. Such delegates, having some kind of trust relations, would better know the people represented and could take the responsibility to decide and act in their name if appointed. Monitoring their activity by the represented co-owners would be easier as well, thus a further guarantee for reinforced cooperative behavior built on trust, could be obtained. The only and primary shortcoming of this solution is that the accepted 1997 Condominium Law left out this kind of opportunity, although the Bill still offered it for such large condominium communities.

Finally let us study the role of the condominium representative in solving the public goods/collective action problems. The "Village" has had two representatives since its foundation; both were "internal political entrepreneurs", being members of the community. The present representative, a retired, very charismatic old man, has been in office for more than three years. He was a high-rank manager in a nearby shipbuilding factory and has been living in the house for thirty years, thus he knows personally or by face many of the co-owners. Moreover, he has a dog, which fact is helpful for him in building personal and even trust relations with people. There are a lot of co-owners who have dogs also, and they frequently meet in the park in front of the building. In such occasions people are friendlier and open for personal discussions,

28 Counting about HUF 60 million for the condominium community.

29 There is a centrally controlled degree – around 20–22 Celsius degrees – that can be increased.

30 Unfortunately far worse things, like dog shit, has been put into them also.

they even ask for his advice in family problems and debates. He is another regarding, trustworthy man, who keeps his word and acts in a responsible way for the community, which is felt by many of the co-owners. His predecessor was similar to him, thus it was not by chance that each renovation project has been accepted, for instance. However, there are some co-owners, for example the one already mentioned at the beginning, who try to undermine his work. He has just been called to the territorial court because this given co-owner brought a suit against him and the Accounting Committee as well, saying that they were corrupt and stole the money of the condominium. Both the court and the Hungarian Tax Authority investigation found nothing to support this charge. Nonetheless, the suit is not over, since this co-owner accused the judge of biased treatment and turned to another court again. The most disappointing feature of this whole legal procedure was that however strongly he asked many of the condominium co-owners, knowing his work well to support him before the court, only few of them attended. Symbolically, negligence and ignorance for the interest of whole community has prevailed again.

Although this, and similar actions lessen his enthusiasm and effort needed for other, more important tasks in the condominium management, he still does not give up. He believes that most people in the condominium are good and can be motivated somehow, but it needs tremendous time and energy. The “communication hypothesis”, i.e. communication with people has an impact on the group cooperative choice in social dilemmas has been proved in his case. Here stands an example of it. Since he prefers humanistic methods even in inconvenient, financial debates, like managing the problem of common cost non-payers, first he tries to discover the reason for deferral through personal discussions and only after that does he try to find the best method. For instance, in the case of an old, pensioner woman, living in very bad social circumstances, he discovered that her sons owned the flat, and were responsible for payment. He called the rather aggressive and ignorant owners several times by phone, but after more attempts he finally convinced them to help their mother as well as to pay back the overdue common costs. Very often he has to fight psychological wars against some co-owners, but successful cases and resolved problems just strengthen his trust relation with the community. He even does not want to hide his faulty actions or shortcomings and rather informs the community of them at the meetings, which, as his experience has proved, brought him further respect from his fellow people. The trust and fear of exploitation hypothesis did have some empirical support also, since he as an insider political entrepreneur has strengthened the feeling of other members of the community, that it was/is worth acting for the public good.

CONCLUSIONS AND POLICY IMPLICATIONS

In the qualitative part we briefly introduced an extremely important external factor, namely the Hungarian Condominium Act. The systematic document analysis on how the Hungarian Condominium Act had been developed enabled us to overview what kind of previously arisen problems have been remedied so far by institutionalized regulations, on the one hand, while we also got a clear picture about the latest state of affairs, on the

other. As far as the theoretical implications are concerned, we would conclude that the latest condominium act, on the one hand, resembled and tried to return to the original 1924 regulation and model created for small, purposively and voluntarily founded, homogeneous co-owned condominiums. On the other hand, however, it incorporated many elements from the pre-privatization (1977) model as well as other regulatory parts necessitated by the substantially new circumstances of the Hungarian housing privatization. Nonetheless, the message of this research part was: even in the case of condominiums – seemingly a minor issue in the political governance and regulation of a country – there was no “perfect” law, and not every existing and potential collective action problem could be regulated legally by external conflict resolving devices. As one leading politician of those days said, it would have been illusionary to expect to solve every single problem of residential condominiums. Notwithstanding the truth of this statement, generally people expect a law to create as unambiguous and consistent a situation in a given field as possible. Although ambitious initiatives and efforts of diverse political forces created the 1997 law, the rules of the Hungarian condominium game were not settled properly; therefore the real players, the condominium communities, were exposed to more conflicts, collective action problems than “necessary”.

In the quantitative, empirical research part of our program, we made an attempt both to set up a model of the cooperative behavior/potential of the Hungarian condominiums and also to test the related hypotheses with the help of various statistical methods. Briefly listing the hypotheses, first we draw some theoretical conclusions, and later practical ones related to policy implications.

In the first hypothesis test we attempted to verify the validity of the Olsonian large, latent group effect in collective action translated to the case of residential condominiums. As we observed, the large size of the condominium community was in negative relation with its cooperation potential, a finding also supported by the demonstrative case study on the largest Hungarian condominium. According to the second test, however, the worst type was the high-rise, blocks of flat condominium (as opposed to the inner city and suburban ones), where the members’ social status was the lowest, having also a negative impact on their cooperation potential. As for the third hypothesis, dealing with the condominiums’ conditions and surroundings, we would conclude that the slum-like placement of the condominium had a negative impact on the cooperation potential of the condominiums.

Then focusing on the next topic of condominium institutions, we analyzed how communities tried to “govern their commons” by different organizations and institutions, being either formal or informal. In our view, internal solutions help individuals living in communities to develop such rules and mechanisms that later could become institutionalized, external solutions for future conflict resolution. Therefore we would conclude that the cooperation potential of condominiums, able to set up autonomous, voluntary institutions and apply alternative, internally induced methods in conflict resolution as well as managing their common businesses in a more strategic way, was higher than those that applied methods prescribed by law. Both this finding and the next one, in connection with the role of the insider political entrepreneur, the condominium representative, were strongly related to the internal solutions of condominiums’ collective action problems, i.e. altruism, collectivism and

especially trust and social capital. More precisely, it turned out that voluntarily setting up an Accounting Committee and being a member of it, or finding humanistic methods to handle the problem of common cost non-payers needed something else than in the latter case (initiating long-lasting law suits, for instance). Furthermore, to have good relations with the community or to convince the co-owners of the necessity of a common cost increase or reconstruction, needed some form of trust relations and accumulated social capital. Communication and information about the co-owners either from the side of the Accounting Committee or from the condominium representative both helped to strengthen some kind of 'community feeling' and to decrease their fear of exploitation in public goods dilemmas, thus condominium members' perception of collective efficacy was also enhanced.

Finally, in the light of the aforementioned, we would draw our practical conclusions as well as present our policy implications. First of all, notwithstanding its positive feature and merits – as compared to the “transition model” – the 1997 Condominium Act still needs revision. Especially problematic are those aspects that constitute the most severe obstacles in the life of Hungarian condominium communities, like the question of being a legal entity and/or forming new legal forms of housing community. In many parts the revised law should just incorporate earlier versions of the 1997 Condominium Act, like enabling the communities to have delegated associations' meeting, setting up condominium supervisory institutions or differentiation between the roles of the condominium representative, etc. Moreover, if this revised law were prescriptive rather than permissive and descriptive, then future disputes on various explanations both within the condominium communities as well as in legal procedures could be minimized.

As for policy implications related to the first and second tests mentioned above, we would suggest transforming these huge, very heterogeneous condominiums with many people living on low living standards, into other housing forms. Such new housing forms could be like the non-profit housing companies, which would help them to override most of their collective action problems. Then, in connection with the “surroundings hypothesis”, better governmental programs and support (even indirectly through favorable bank loans), both on the national and on local levels in housing reconstruction, would allow condominiums struggling with criminal problems and slowly degrading to the level of slums, to develop and to step out of the vicious circle. Good initiatives have already been observed, but more fundamental changes in housing policy as well as financial resources channeled to housing reconstruction – especially for the huge blocks-of-flat housing stock – from the governmental budget would be necessary and urgent.

As far as the last two hypotheses are concerned, our final results have not only supported the political entrepreneur and social psychological theories but also provided another reason for revising that part of the latest condominium act, which deals with the role of condominium representatives. This law did not distinguish between the functions of the condominium manager and those of the condominium representative, which are quite different. The first function is a professional/managerial position, while the other is a political one, presupposing trust relations with the community members. The two can

obviously be fulfilled by the same person, but should be separated by the law, as originally intended by the policy makers.

**Appendix 1
HYPOTHESES**

Hypothesis 1: The larger the community, the less the cooperative potential of it (relying on the standard argument of the Olsonian collective action theory).

Hypothesis 2: Condominiums where people have low social status are less cooperative.

Hypothesis 3: The more slummy the placement of the condominium, the less the cooperative potential of the community.

Hypothesis 4: Sophisticated condominium institutions strengthen the cooperative potential of condominium communities (based on the “governing the commons” argument).

Hypothesis 5: The stronger the perception of collective efficacy, the greater the cooperative potential.

Hypothesis 6: Insider condominium representatives (“political entrepreneurs”) having trust-relations (social capital) with the community members strengthen the perception of collective efficacy. Consequently, insider political entrepreneurs increase the cooperative potential of the community.

**Appendix 2
HYPOTHESIS TEST:
FACTOR ANALYSIS/INSIDER CONDOMINIUM REPRESENTATIVE**

Table 1. Correlation matrix

		CHR lives in the CH or not	CHR works voluntarily or not	CHR's ralteion with the community
	CHR lives in the CH or not	1.000	.610	.061
Correlation	CHR works voluntarily or not	.610	1.000	.040
	CHR's ralteion with the community	.061	.040	1.000

Table 2. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.503
Bartlett's Test of Sphericity	Approx. chi-Square	253.599
	df	3
	Sig.	.000

Table 3. Communalities

	Initial	Extraction
CHR lives in the CH or not	1.000	.801
CHR works voluntarily or not	1.000	.796
CHR's relation with the community	1.000	2.114E-02

Extraction Method: Principal Component Analysis

Table 4. Total variance explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.618	53.946	53.946	1.618	53.946	53.946
2	.992	33.072	87.019			
3	.389	12.981	100.000			

Table 5. Component matrix^a

	Component 1
CHR lives in the CH or not	.895
CHR works voluntarily or not	.892
CHR's relation with the community	.145

Extraction Method: Principal Component Analysis.

a) 1 components extracted

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Review of Sociology 11 (2005)

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