JULIA SZALAI:

## Poverty in Hungary during the Period of Economic Crisis

## Introductory remarks

The aim of the paper is to give an account on the changes of the extent and composition of poverty in Hungary during the last 10-12 years - as they are reflected in the empirical facts.

As it is well known from the literature, the issue of poverty is far from being a mere scientific one. Heated debates on the "relevant" approach to it are heavily value-oriented, and are in the foci of political struggles nearly everywhere. The same is true for Hungary, where - as in other socialist countries - poverty has been regarded for long as a feature of the "capitalist past". It was an official conviction, that one of the great achievements of socialism was to combat it effectively and for ever. Therefore all those, who argued for its actual existence have been considered "enemies".[1] Thus the overt and publicly admitted

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[1] The first empirical survey on poverty was done by Istvan Kemény in 1969, based on the sample of the lowest decile of the 1967 - income survey of the Central Statistical Office. He also made an attempt to calculate subsistance minima for various groups in the early seventies. His calculations were handled as official secrecies. Partly because of his "unauthorized" researches, he had to go in exile in 1977. A decade later, two young social scientists working at that time also in the CSO (Gyula Benda and László Vita) wrote an excellent report on the demographic and social composition of the population in the lowest decile of the 1977 - Income survey, and they made some comparisons between their findings and those of Kemény, too. They neither were permitted to publish their analysis. On the contrary: the pure circulation and discussion of the manuscript even in the closed circle of scientists was forbidden at that time! (With the coming of "glasnosty", however, those early analyses of poverty will be

"discovery" of poverty is a relatively new phenomenon. Although I do not want to go into perticulars of that story, it has to be noted in the introductory words, that the ideological loads of the problem had and have serious consequences on the depth and tingedness of our real knowledge about it.

The present paper focusses on the measurable side of poverty, as it appears in material terms.[2] (The description of the multifactoral <u>causes</u> of poverty is not the subject of the writing. Though a detailed and exhaustive analysis would require it in a further step of the research.)

Although the reliability of the existing income - and household surveys for measuring even the restricted concept of poverty in terms of "lack of adequate income" is widely questioned,[3] the paper will mainly use those statistical

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published this year by one of the independent publishing hauses, "Századvég".) To complete the story of "discovering" poverty, one additional comment should be made. Namely, while the descriptions of poverty in its statistically measurable extent have been "secretized" repeatedly until recently, a great number of very good "local"accounts, important ethnographic and sociographic writings have been published during the last two decades of "permissive post-stalinism".

2 In the next part, I will shortly summarize the discourses among researchers about the "best" ways and methods of measurement.

3 See the arguments in the next part.

sources. One could say, that it is a mere practical decision: there are no other sources even to estimate the actual number of the poor and the trends of changes of poverty.

But there are two other considerations. First: income- and hausehold survey data are the bases of officially calculated indices of the subsistance level and that of the so-called social minimum. These calculations serve as arguments in struggles, and also in the planning of social policy measures against poverty (even if their political strength is quite vague). In that sense one could say, that income- and household survey data help in fact to define the "target group" of social policy. (It is a different question, how far does social policy really function in its most traditional field, i.e. in coping with the problem of the poor.)

The second reason for using mainly official statistical sources is that of the comparability in time and among countries.

The East European socialist countries experimenting with economic reforms of marketization have troubled with the "sudden appearence" of poverty, that has been denied in its mere existence. The sudden "discovery" caused political and even scientific controversies. Many argue (though misleadingly), that poverty is a product of marketization,

since it "has not been" in these societies before. The
opposite argument says (correctly), that ignorance is not
identical with non-existence. Economic reforms (and,
especially, the inescapable and welcome political
liberalization going with them) helped only the articulation
of the problem, that has also been with us before. The
official measures of the minima are reflecting the present
state of the battle. Since socialist ideology has directly
oriented and influenced even the emergence of "relevant"
statistical informations, the "reform-arguments" for a need
for statistics reflecting the social reality do not get ground
easily. The breakthrough of official calculations of the
minima and public estimations on the numbers of the poor (even
if they are the outcomes of undesirable compromises in their
present form) can therefore be regarded as a step forward. Let
us see first at the light of them, how for do they help us in
describing the intensity and the extension of social
constraints caused by poverty. The more sophisticated
questions (i.e., how much of the changes of poverty can be
devoted to the effects of the economic reforms; what kinds of
economic processes are behind the shifts in its inner
structure e.t.c.) can only be raised after a thourough
analysis of the existing data. The same holds, even more so,
to make well-established suggestions for the improvement of
methods of measurement.

The structure of the paper follows from these considerations.

The first part is an account of the data-collection of the income- and household surveys, with a short analysis of their advantages and limitations. Those aspects have to be kept in mind when evaluating the minima and their relation to average incomes.

Then the presentation and interpretation of the trends of poverty follow. The second (main) part of the paper attempts to give an insight to the changes of the extent and composition of poverty during the last decade of slow-down of economic growth and disordered functioning of the economy.

Some considerations on the findings and their possible relations to the crizis follow. The paper ends with a kind of meditation on an extended interpretation of poverty in present - day Hungary.

## Sources of informations; methodology

As it follows from the introduction, here I will deal exclusively with poverty in its material sense.[4] Even more

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4 In accordance with the international literature, there is a wide discourse also in Hungary on the most suitable interpretation and operationalization of poverty. There are different "schools" even among those, who refuse the pure cultural approach to it. According to one set of the considerations, poverty cannot be defined in absolute terms in twentieth century Europe, where the struggle againts starvation and mass diseases is over. Therefore, poverty can

accurately, with the lack of adequate income, and much less with the lack of wealth.[5]

As it was mentioned earlier, there are two types of statistical sources to get an insight into the standards of living of the total of the population, and to that of "the poor".

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be understood only in relative terms of income inequalities. Others argue (accepting Peter Townsend's approach to define objective relative deprivation), that the actually existing vitious circles of low education, bad housing, poor health, bad (or no) jobs and poor standard of living can only be shown with a combination of relative and absolute (normative) approaches. The latter means an incorporation of widely accepted standards of consumption, habits and ways of life into the concept. As to my knowledge, all the approaches of defining social and subsistance minima in Hungary do in fact combine the two extremes of mere relativity and exclusively absolute, normative definitions. As it turns out from the Appendix, that statement holds true for the finally accepted way of calculating the official standards of poverty, too.

5 For political reasons, until recently, wealth has not played a significant role in the standards of living of Hungarians. The only exception is the "wealth" put into housing. The lock of an independent dwelling (either state-owned or in private property) is one of the main demarcation lines in the society. The access to descent housing (that has been produced in the greatest part by the private households, by building or buying their private housing) is the central regulator of the everyday life of most social groups, determining alla aspects of life for a long period (standard and structure of consumption, overwork, participation in second economy activities e.t.c.). For its significance and central role in organising everyday activities, see: János Farkas—Ágnes Vajda: The Second Economy of House-building; in: Hungarian Harvest (eds.: J.Szalai et al.), Institute of Sociology of the Hungarian Academy of Sciences, Budapest, 1988.

The first ones are the country-wide income surveys run by the Central Statistical Office in every fifth year, using fundamentally unchanged methods of data collection since the early sixties. The advantage of gaining thereby relatively long-term trends is combined with the increasing inadequacy of the methods established in 1962. Let me describe them, since that knowledge on the "birth of informations" is needed to a thorough and cautious interpretation of the data presented below.

The questionnaires of the income surveys collect detailed informations on earnings gained at the workplaces, and on regular and temporary in-cash benefits paid to the members of the households during the year in question. Although they also ask about second economy as a source of income (quite accurately about smallscale agriculture, and much less about gainful work in spheres outside agriculture), and collect data on transfers between households, those informations are much less reliable, than the ones reflecting take-up of incomes from the first economy. Problems emerge partly from the "translation" of agricultural production to cash-terms. Both, self-consumption and selling are calculated with sale-prices, thereby "overestimating" the income of those groups living mainly of self-consumption (i.e.: the poor). But even more important, that the income from non-agricultural second

economy activities and the redistribution among households (mainly between generations of families) is not followed correctly. Since the importance of the latter sources has been steadily increasing in the income of the families during the[*] last two decades,[6] the unreliability of findings of the income surveys has grown parallelly. All in all, actual data on income distributions have been increasingly biased toward those social groups, whose incomes are derived mainly from the state-controlled spheres of the economy (households without smallscale agricultural farms; the ones living exclusively or mostly from regular wages/salaries and benefits). That feature of the surveys is even strengthened by the fact, that data on the total of average incomes are adjusted to the outflow of incomes of the population, registered in the statistics on macro-economic processes.

As to the evaluation of "errors" caused by the given way of data collection, let me quote here two expert-opinions.

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6 See e.g. the findings of time budget surveys, especially data of the National Time Budgets of 1977 and 1986, showing a nearly hundred per cent increase of average time devoted to second economy activities.

"... the Hungarian society spends today one third of the total of working hours in various forms of the private sphere of the national economy. (The ratio was only around 15 per cent in the middle of the seventies.)

At the same time, macrostatistics on the income of the population show only a 12-13 per cent share of incomes deriving from gainful activities in the above defined private economy. It is an obviously absurd assumption, that the index of income per working hours in the private sphere is just one third or half of the relevant indices of the state and cooperative sectors. It was probably true in the sixties and seventies, that the hourly incomes in the private eonomy did not exceed those of the state-owned sphere ... The situation, however, has totally changed by the eighties. According to our survey of 1982. (Kolosi, 1984.), half of the working hours spent in the private economy is devoted to activities in the agricultural small farms, producing for self-consumption (where the hourly income is roughly equal to the one in the agricultural sphere of the relevant first economy). As to the other half, the average hourly income (according to reliable expert-estimations - Élteto, Vita, 1987.) is nearly two times higher in the private, than in the official spheres of the economy. Therefore one can say on good grounds, that in fact roughly fourty per cent of the total income of the population

comes from activities in the private sphere."[7]

Another approach considers different arguments:

"It is difficult to explain, better to say, there is only one explamation to the fact, that income surveys show relatively modest inequalities between the poorest and the rischest 5 per cent of the population. Can it be imagined, that the ratio of differentials is not more, than six between the citizens living in storeyed villas, driving Western cars, and the pensioners rummaging in the rubbish - bins? Data of the microstatistics based on inquiries of the population are adjusted to the outflow of incomes registered in the macrostatistics. Therefore the total sums of incomes of the population according to the two sources are identical. Can it be assumed, that the secondary redistribution of incomes among the various groups of the society (even if a part of second economy activities remains unregistered in the process of data collection) is so farreaching in its extension, that the richest part of the society is able to achieve its visible enrichment at such an expense of the poor? It is not probable. The only possible explanation can be, that a part of the total income of the population does not appear in the

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7 Tamás Kolosi: Inequalities in the Eighties; Minute Sheets No 2., Social Science Informatics Center, Budapest, 1989.

macrostatistics as such, but it is hidden in the amortization of the state-owned stocks[8]."[9]

Most of the above described arguments are valid in case of the other source of informations on incomes and poverty, i.e. the household surveys.[10]

The advantage of household statistics is obvious: there are no other sources to get mass informations on the composition and changes of consumption, on popular habits, on consumer behaviours e.t.c. With regard to the interpretation of their findings, however, two additional considerations should be mentioned.

First:

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8 Let me add on the basis of sporadic experiences on various "tricks" of invisible redistribution, that a further (though yet unmeasurable) part is hidden in the outflow of expenditures of the state budget.

9 Agnes Vajda: Notes on the Embourgeoisement Process; Paper presented on the Conference on Embourgeoisement, organized by the Section of Rural Sociology of the Hungarian Sociological Association, Budapest, September, 1989.

10 Regular household surveys on comparable samples were done yearly between 1978 and 1982. From 1983 on, the surveys are biannual. Data on income and consumption in the intercurrent years are produced by taking into account the reports on outflow of incomes and on the consumer price indices of the macrostatistics.

Although there are inquiries on incomes in the household surveys, too, they are much more sketchy, than those of the income surveys. Therefore, their findings are even less reliable in this respect.[11]

Second:

There are significant uncertainties with regard to the sample of the household statistics. The surveys deliberately exclude households on the two extremes of the income scale (including the "atypical", "disorderly" families of the poor — which is a serious loss from the viewpoint of our present investigation). In addition, since the method of data collection requires a relatively stable involvement and participation of the family, there is a quite high (and inreasing) rate of refusal. (On the top of it, refusals are unevenly distributed among the urban/rural, young/old, rich/poor e.t.c. families.) Although there are efforts for relevant substitution, their achievements are quite vague. Therefore the findings of the surveys present a bias toward the middle — strata, toward the "obedient" (more comformist) families, thereby strongly influencing the validity of conclusions on the structures and changes of consumption.

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11 The tendency of increasing divergences between the findings of the two surveys can be followed from the data on average monthly incomes in the A and B sections of Table 3. Data show, that the discrepancies are especially great (and growing) in case of households with active earners. (See comparable data for the years 1982. and 1987.)

Summarizing the pro-s and the contra-s, one can say, that the two types of the surveys are good and adequate sources for describing probable general tendencies and relations of the standards of (a part) of living in their time - and strutural aspects. They should be regarded with caution, however, as exact absolute measures of levels and distributions of incomes. The considerations of a multiple analysis and of avoiding arbitrary options have driven me in presenting calculations based on both types of the surveys in the following parts.

Before closing the sequence of methodological and interpretational notes, let me say some words about the point of departure of the presentation of poverty, namely about the officially calculated minimum of subsistance. (A detailed description of the methods and the underlying assumptions of the computations is presented in the Appendix.)

Although official computations are made for both, the social and the subsistance minimum,[12] I will use only the latter one. The considerations benind that decision lay in the "everyday" and "social policy" interpretations of poverty, mentioned already in the introduction.

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12 Official computations are published only since 1982. For completing the analysis, I made estimations for the minima of 1977, 1978 and 1980. Estimations were made on the bases of the Income survey of 1977, and from the Household surveys of 1978 and 1980. (The methods of the estimations are given in footnotes to Tables 1. and 5.)

As to the "validity" of the minimum-calculations,
problems emerge more from the sources of the computations
(i.e., the above indicated uncertainties of the income- and
household surveys), than from the technics of the method. That
statement seems to be confirmed by Table 2./A-B, and by Table
6., where I related the yearly values of the subsistence
minima to the average per capita incomes of the given year.
One cannot say, that the 50-67 per cent ratios are extremely
low. It is a different question, however, how far can people
really live on the amount of money of the minima. But as I
will try to argue later, the real dividing line in the society
is between those, who can compensate their relatively low
incomes derived from the formal (first) economy, and those,
who cannot. In that sense, there are poor among those having
an income, that appears to be above the subsistence level (if
they do not have any access to resources of the informal-
second - economy or to family help). And the opposite might
also be true (though with a smaller probability): some of the
"officially" poor might have a family-network or other
reserves of work, energy and time, that in fact pull them out
of poverty. It has to be added, however, that the tendency of
decreasing ratios of the subsistance minima as percentages of

average incomes[13] is a warning sign of the growing inadequacy
of the measurement. (See Tables 2. and 6.)

The last comment on the reliability of the minima can
more or less set us at ease. In the 1984. public opinion
survey on the standards of living, the Central Statistical
Office interviewed the population about estimated incomes they
regard necessary for various living standards. In their
analysis, the researchers related the average values of the
two lowest grades[14] to the subsistance-, and to the social
minimum of 1983. As it can be seen from Table 3., the results
oscillated around 100 per cent, showing higher evaluations
sometimes on the official, and sometimes on the lay side. One

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13 The decrease follows from the method of computation. Since
there is a shift among the poor toward an increasing
proportion of more numbersome families with children (see
later), the relatively high and increasing rate of food
consumption affects the actual values of the minima in a
downward direction. (The higher-than-average increase of food
prices in the recent years /see Table 14./ exercise a similar
effect.) With regard to the even more marked decrease of the
ratios for the households of pensioners, the possible
explanation is the increasing redistribution among generations
within the (extended) families. A great number of pensioners
have no other means to help their children and grandchildren
with financial difficulties, than to "feed" them. Thereby the
increasing ratio of food-consumption characterizes their
households, too.

14 The two lowest standards identified in the questionnaire
were:"income adequate for meeting very restricted needs" and
"income covering modest needs".

can say, however, that the differences between the two
evaluations were not very significant. It would be    an
overstatement to say, that the lay-estimations legitimize  the
official results, but, at least, they do not question it.

   All in all, the calculations (better to say: estimations)
below on the extent of poverty, that are based on the official
subsistance minima, give  us the numbers  of the poor  near to
the  lower  limits  of  a  range  of  possible  alternative
approaches. Nevertheless, the  results seem to  be justifiable
within the framework of the given logic.


## Changes in the extension and composition of poverty


   This part of the paper attempts to describe the trends of
poverty during the  ten years period  between 1977. and  1987.
The choice of the starting  point of the period is  due partly
to  the  methodological  requirements  of  firm comparability.
Changes in  the economic  situation of  the country,, however,
also would orient us to start with 1977, and examine the 10-12
years period since then.

   1977 was  the last  year of  relative "prosperity". From
1978 on,  the indices  of the  yearly growth  of the  national
income and that of the  GDP have shown a steady  decrease, or,
at best, stagnation, and were significantly below the  average

indices of the privious period. The average yearly growth of
the national income between 1970 and 1977 was 6 per cent, and
it dropped to 1,3 on the average of the next ten years; the
relevant indices for the average yearly growth of the GDP show
a drop from 5,8 to 1,9 per cent. The new economic policy
declared by the Party (HSWP) in 1978 attempted at balancing
the unfavourable processes by enforcing foreign trade and
restricting inner usage of the yearly product. Trends of
investments and consumption show a relative decrease, though
the means of realizing the priorities of a new, export-
oriented economic policy have started to affect the two
spheres in different measures and within different periods
throughout the decade. The given framework of the paper does
not give us a chance for a detailed analysis of the process.
With regard to our special interest here, it should be
emphasized, however, that the quantity and quality of public
consumption (public services in education, health care,
transportation e.t.c.) have suffered most. Rates of personal
consumption increased slowly (though unsatisfactoryly) in the
first half of the decade. But because of exhaustion of most of
the mobilizable reserves (wealth and, especially, extra work)
of the population, recent years have shown an absolute
decrease on the average.

It is quite evident to ask then: has the drop of productivity of the economy led to a growth of poverty in the country? To put it in other words: have the unfavourable processes of the macro-economy gone parallelly with the increase of the number of those, who could not cope with the consequences (e.g. growing difficulties of employment, inflation, more rigorous regulations on earnings, high personal income taxes e.t.c.)? Or have there been other ways of sharing/shifting the burdens?

The measurable answers to these questions are not unanimous.

Table 4. presents the numbers and rates of those living below the poverty line defined by the subsistance minima. Calculations were made on two bases.

Part A (based on the income surveys) shows a 100.000 increase in the number, and one per cent increase in the ratio of the poor between 1977 and 1987.

Part B (based on the household surveys) presents data for several intercurrent years between 1978 and 1987. The trend is less clear from those data, though a tendency of increase can be stated. Data suggest, that the ratio of the poor was the highest around the middle of the eighties, and it decreased to the ratio of 1980 by 1987. Anyway, the total number of the poor seems to be between 1.100.000 and 1.800.000, and their

ratio between 10 and 17 per cent. Those average indices are quite surprising. One would assume more marked and unanimous increase at the light of longlasting unfavourable processes of the economy.

The ratios and their tendencies are different, however, between the two major groups of the population; between those, who live in households, where there are active earners, and the members of the households of pensioners. The risk of poverty was markedly higher in the latter group in the first half of the period. It is one of the most dramatic changes, that those tendencies have turned round. There has been some 3 per cent increase in the ratio of the poor among active households, while the risk of poverty dropped by some 10 per cent in the families of pensioners.

Before overestimating the "positive" meaning of the latter fact, two remarks should be made. Let me remind first to the relatively worse (and worsening) rate of the subsistance minima of pensioner-households in relation to the average incomes, that puts the ceiling very low. Secondly, there has been a significant exchange among pensioners during the period. The real poor are those (now mostly over 70), who retired some 10-15 years ago with very low pensions, that have lost their purchasing power in the meantime, during the recent years of relatively high rates of inflation. Many of them died

in the last few years, while a great number of new pensioners entered, with significantly higher pensios. The improvement of the ratios is mainly due to that process of exchange.

Table 5. helpes to refine the picture gained sofar on the characteristics of poverty. The introduction of the additional aspect of the type of the settlement illuminates, that the risks to drop below the poverty line are significantly higher among urban dwellers (especially in families with active members), than among the rural population. On the top of it, the scissors seem to open. While the ratio of the poor remained roughly the same between 1985 and 1987 in both groups of active and retired families, the rural indices show some improvement. That causes an increasing over-representation of the urban poor: while the ratio of urban dwellers among all inhabitants was 56 per cent in both years, the ratio of urban poor among all those below the poverty line increased from 61 to 68 per cent.

The explanation can mainly be found in the diverging access to means of compensation. Most probably, the rural population has reacted to the growing inflation with a grandious intensification of work in the informal economy of agriculture. The chances for a similar reaction are much smaller for urban dwellers, though several survey data show an increase in their agricultural participation, too.

Nevertheless, the urban way of life, the pressure of acceptable "urbanized" behaviour and the given circumstances of living leave probably much more restricted spoce for a continuous gainful compensation, by the intensification of self-consumption. Although other spheres of second economy activities (repair work, house building, services e.t.c.) might be open in principle, the lack of useful informations about the markets, the lack of (even a modest) capital, and, last but not least, the family circumstances of the urban poor (see below) raise serious limits.

The next set of tables (Table 7-13) presents the inner composition of the social strata of the poor from various aspects, and relates the structure of poverty to the general one of the society.

As several analyses have underlined it[15], income differences according to the occupation of the head and/or of the members of the household seem to diminish gradually in the Hungarian society. They are substituted, however by other dividing factors of the life cycle of the family, their participation in the informal economy e.t.c. Without denying the importance of different earnings of professionals in high

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15 See for example the introductory summaries to the reports of the income surveys.

positions and the unskilled workers employed in the crisis-spheres of the economy, the decisive factors of actual differences of income - as it has been mentioned several times - are (increasingly) outside the world of employment.

The most marked inequalities appear according to the ratio of earners/dependants in the household, and that fundamental tendency has been an important characteristic of the income distribution of the state-dominated society of the last decades. What is new about it, is its shift from a relatively high weight of elderly adult dependants toward children. The changes of the last 10 years follow from the above indicated tendencies of moving away toward an increased proportion of families of urban active earners among those in poverty. While the typical poor of the sixties came from rural setting, was relatively old, lived alone or with his spouse on pensions or on welfare, the typical poor of the eighties lives in urban active families, is relatively young, and brings up (several) children.

Tables 7. and 9. show, that while there has been a modest decrease of the weight of active earners in the population between 1977 and 1987, there is a marked increase of their proportion among the poor. The opposite is true for the changes of weights of pensioners, and a parallel decrease charactirizes the share of adult dependants (mainly non-

employed, aged housewifes). The most shocking fact is the rapid growth of the weight of children among the poor, while their ratio in the population has practically not changed . It is a most serious measure, that half of the individuals living in poverty in the late eighties are children, and roughly 40 per cent of them are under age 6. The risk of urban children is 28 per cent to drop below the poverty line, while the risk on the average is around 15-16 per cent. (See Table 13.) (Rural children are also at danger, though their indices are somewhat lower, than those of the urban peer-groups.)

Another change over time is, that beside the "traditional" poverty of families with several children, the disadvantagous processes have reached the families bringing up on child only (See Table 11.). While the ratio of children in families with one child has decreased on the average of active households, the opposite has happened in the poor families. (The ratio of children of small families /mostly with two active earners/ has slightly increased among the poor, from 24 to 25 per cent between 1977 and 1987, while it has decreased significantly, from 34 to 17 per cent in the population of all active families.)

Findings on the composition of poverty and on the changes of the characteristics of both, the population of the lowest decile and that below the subsistance minimum show, in short, a marked shift toward the overrepresentation of young urban families with children.[16] The risk of poverty seems to reach children in all types of families, regardless to the size of it. (To avoid any misunderstanding, the last statement indicates the _direction_ of the changes, and not the identity of actual risks, that are obviously higher in numbersome families.)

The increasing overweight of young urban poverty challenges the politics of social policy of the last two decades. Namely, that it has withdrawn both, from a descent promotion of public services (including schools, day care facilities, meals for children e.t.c.) and from the modernization (even the preservation) of an adequate social security, that could cope with the individual and social constraints of poverty. Instead, it has focussed increasingly on "patching the holes" here and there, and moved toward the direction of haphazard "helps of emergency".

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16 The higher- than- average rate of women on child care grant is an indirect sign of the "age" (i.e. the early life cycle) of the family. (See the explanatory footnote to Table 7.)

The above described findings on the changes of poverty also indicate the relation emphasized several time in the paper: families without access to compensatory sources of the informal economy impoverish, and might drop below the poverty line even in case of having regular earnings from employment in the formal economy.

## Some conclusive thoughts

In the finishing part of my paper, I have to attempt to answer the question of direct interrelations between economic processes and the changes of poverty. I do not want to repeat facts and trends described sofar, but here I have to point to some additional tendencies of the last years.

As it turns out from Table 14, one of the main uncertainties of the economy during the past decade has been the situation of the state budget. In a country in transition from centralized directives toward marketization, the stable regulation of the economic processes toward the desired goal would require a long-term policy of the order of interventions, without steps of permanent derangement of all actors (enterprises, households, employers, employees e.t.c.). Instead, the balance of the state budget has been put on the top of the priority list of short-term economic policy,

generating an endless sequence of "inventory" interventions and increasing exploitation of the reserves of the country. The tendency has been to shift the burdens to the population, namely, to the actor, that has been most capable of coping with them. It is in fact a surprising achievement of the society, that in the first half of the decade it could effectively compensate the exploitative tendencies of the state-controlled spheres by moving increasingly toward the family-controlled sections of the informal economy.[17]

The actual capacity of the greater part of the society has reached its limits. Rapid changes of the last two years seem to lead to an absolute increase of poverty, that has been more or less avoided until now.

It is extremely hard to separate the longlasting and favourable steps toward re-building the economy on market bases from the disadvantegous and dangerous interventions in the name of marketization. Nevertheless, I would argue, that the changes of poverty analysed in the paper are not the consequences of the former, but of the latter ones.

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17 One of the most important findings of the comparison of data of the National Time Budgets of 1977 and 1986 is the fact, that on the average, the society has nearly doubled the working time spent in the informal economy. See the Introduction to the Time Budget of 1986 (written by Istvan Harca); CSO, Budapest, 1987.

Table 1.
Subsistance levels in Hungarian currency /FORINTS/ and in USD /on the basis of yearly average rates of exchange/

| | 1977[x/] | 1978[x/] | 1980[x/] | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Per capita subsistance minima in FORINTS** | | | | | | | | | | |
| Households with active earner/s/ | 1400 | 1470 | 1750 | 2010 | 2160 | 2330 | 2510 | 2620 | 2850 | 3310 |
| Households without active earners | 1150 | 1250 | 1640 | 1840 | 1950 | 2130 | 2320 | 2430 | 2640 | 3010 |
| National | 1370 | 1440 | 1730 | 1990 | 2130 | 2300 | 2480 | 2590 | 2810 | 3260 |
| **Per capita subsistance minima in USD** | | | | | | | | | | |
| Households with active earner/s/ | 34,18 | 38,79 | 49,18 | 54,87 | 50,62 | 48,50 | 50,08 | 57,17 | 62,18 | 65,66 |
| Households without active earners | 28,08 | 32,98 | 46,09 | 50,23 | 45,70 | 44,34 | 46,29 | 53,02 | 57,60 | 59,71 |
| National | 33,45 | 37,99 | 48,62 | 54,33 | 49,92 | 47,88 | 49,48 | 56,51 | 61,31 | 64,67 |

Source: Statistical Yearbooks

x/ Subsistance minima are officially calculated only since 1982. The values for 1977, 1978 and 1980 are estimated ones, with the assumption, that the ratio of the national subsistance minimum to the average monthly per capita income was the same for those years, as for 1982 /the year of the first official calculation/. Average monthly per capita income data are drawn from the Household surveys for 1978 and 1980, and from the /more accurate/ data of the Income survey for 1977.

Table 2.

Subsistance minima and average per capita monthly incomes of households with and without active earners

A: Computed from the income surveys
B: Computed from the household surveys

| Years | Households with active earner/s/ | | | Households without active earner/s/ | | | Households with and without active earners /National averages/ | | |
|---|---|---|---|---|---|---|---|---|---|
| | Subsistence minimum /Fts/ | Average monthly per capita income /Fts/ | Minimum as a percentage of the average income | Subsistence minimum /Fts/ | Average monthly per capita income /Fts/ | Minimum as a percentage of the average income | Subsistence minimum /Fts/ | Average monthly per capita income /Fts/ | Minimum as a percentage of the average income |
| | | A: from the income surveys | | | | | | | |
| 1977x | 1400 | 2409 | 58,1 | 1150 | 1876 | 61,3 | 1370 | 2333 | 58,7 |
| 1982 | 2010 | 3455 | 58,2 | 1840 | 2998 | 61,4 | 1990 | 3385 | 58,8 |
| 1987 | 2850 | 5390 | 52,9 | 2640 | 4634 | 57,0 | 2810 | 5262 | 53,4 |
| | | B: from the household surveys | | | | | | | |
| 1978x | 1470 | 2339 | 62,8 | 1250 | 1975 | 63,3 | 1440 | 2287 | 63,0 |
| 1980x | 1750 | 2778 | 63,0 | 1640 | 2581 | 63,5 | 1730 | 2751 | 62,9 |
| 1982 | 2010 | 3190 | 63,0 | 1840 | 2903 | 63,4 | 1990 | 3146 | 63,3 |
| 1983 | 2160 | 3382 | 63,9 | 1950 | 3154 | 61,8 | 2130 | 3345 | 63,7 |
| 1985 | 2510 | 3957 | 63,4 | 2320 | 3730 | 62,2 | 2480 | 3920 | 63,3 |
| 1987 | 2850 | 4575 | 62,3 | 2640 | 4411 | 59,9 | 2810 | 4547 | 61,8 |

x/ See footnote to Table 1.

Table 3.

Lay-evaluations and professional /official/ calculations of the subsistance minimum and of the social minimum, according to the type of the household /1983-84/

| Type of the household | Average monthly per capita income adequate for meeting very restricted /minimal/ needs /Fts/ | Official monthly subsistance minimum /1983/ /Fts/ | Official sum, as a percentage of the lay-evaluation /%/ | Average monthly per capita income covering modest needs /Fts/ | Official monthly social minimum /1983/ /Fts/ | Official sum, as a percentage of the lay-evaluation /%/ |
|---|---|---|---|---|---|---|
| Households with active earners, together | 2ooo | 216o | 1o8 | 268o | 264o | 99 |
| Out of them: | | | | | | |
| - Couples /two adults/ | 272o | 253o | 93 | 366o | 31oo | 85 |
| - Couples with one child | 22oo | 235o | 1o7 | 295o | 287o | 97 |
| - Couples with two children | 178o | 2o6o | 116 | 236o | 251o | 1o6 |
| - Couples with three children | 158o | 178o | 113 | 2o8o | 219o | 1o5 |
| Households without active earners, together | 219o | 195o | 89 | 293o | 233o | 8o |
| Out of them: | | | | | | |
| - Pensioners, living alone | 256o | 223o | 87 | 346o | 258o | 75 |
| - Households of pensioners, with two adult members | 211o | 187o | 89 | 28oo | 226o | 81 |
| All households | 2o3o | 213o | 1o5 | 272o | 259o | 95 |

Source: Dr. István Baranyai-Judit Salamin: Public opinions on the living standard, with an emphasis on the financial characteristics of the livelihood of various social groups; Manuscript, CSO, Budapest, 1986; and my own calculations

# Table 4.

Number and ratio of the persons living below the subsistance level

A: Calculated from the income surveys
B: Calculated from the household surveys

| Years | Number of persons living below the minimum /rounded data/ | | | Ratio of those living below the minimum, as a percentage of the total population, living in /%/ | | |
|---|---|---|---|---|---|---|
| | in the households with active earner/s/ | in the households without active earners | in all households | households with active earner/s/ | households without active earners | all households |
| **A: from the income surveys** | | | | | | |
| 1977ˣ | 963700 | 274200 | 1.237900 | 1o,7 | 18,0 | 11,7 |
| 1982 | 9o6700 | 195700 | 1.1o24oo | 1o,o | 11,9 | 1o,3 |
| 1987 | 1.191200 | 152800 | 1.344000 | 13,5 | 8,5 | 12,7 |
| **B: from the household surveys** | | | | | | |
| 1978ˣ | 1.3148oo | 322800 | 1.637600 | 14,4 | 21,1 | 15,4 |
| 198oˣ | 1.1799oo | 2474oo | 1.4273oo | 13,2 | 17,2 | 13,8 |
| 1982 | 1.36oooo | 2187oo | 1.5787oo | 15,o | 13,3 | 14,8 |
| 1983 | 1.4768oo | 3149oo | 1.7917oo | 16,5 | 18,o | 16,7 |
| 1985 | 1.426300 | 247400 | 1.673700 | 16,o | 14,2 | 15,7 |
| 1987 | 1.279500ˣˣ/ | 188800ˣˣ/ | 1.468300ˣˣ/ | 14,5 | 1o,5 | 13,8 |

x/ See footnote to Table 1.

xx/ The 1987. Household survey gives income distribution for all households with and without active earners, and presents the relevant ones for the relevant urban and rural households, too. The row here was computed on the basis of the aggregated table, calculating with the official minima for households with and without active earners, respectively.
Numbers in Table 5., however, were calculated from the separate urban/rural tables, on the bases of estimated minima. The different bases of the computations are behind the

Table 5.

Estimated urban and rural subsistance minima for households with and without active earners; the number and rate of those living below the minimum - 1985, 1987[x]/

| Type of the household | Subsistance minimum /Fts/ | | Number of those living below the minimum | | Ratio of those living below the minimum, as a percentage of the population of the group /%/ | |
|---|---|---|---|---|---|---|
| | 1985 | 1987 | 1985 | 1987 | 1985 | 1987 |
| Urban households, with active earner/s/ | 2770 | 3150 | 879.000 | 865.400 | 17,7 | 17,3 |
| Rural households, with active earner/s/ | 2180 | 2480 | 549.600 | 418.200 | 13,9 | 10,7 |
| Urban households, without active earners | 2530 | 2880 | 151.800 | 137.100 | 16,0 | 14,5 |
| Rural households, without active earner/s/ | 2060 | 2340 | 95.400 | 73.400 | 12,1 | 9,6 |

x/ As it can be seen from Table 1. and from the detailed data of the Appendix, urban/rural averages of the minima are not computed officially by the CSO. Therefore only estimated values could be presented here. Since income distributions for the urban and rural population were published only in the 1985. and 1987. household surveys, estimations could not be made for the previous years. The estimation was based on the average of the ratios of urban/rural minima of the subgroups. Thereby I computed with the multipliers of 1,27 and of 1,23 for households with and without active earners, respectively.

Table 6.

Monthly values of subsistance minima and of average monthly per capita incomes in various types of households /1977[x], 1982, 1987/

| Type of the household | Subsistance minimum /Fts/ | Average monthly per capita income /Fts/ | Minimum as a percentage of average income /%/ |
|---|---|---|---|
| | **1977** | | |
| Urban households, with active earner/s/ | 1400 | 2409 | 58,1 |
| Rural households, with active earner/s/ | | | |
| Urban households, without active earners | 1150 | 1876 | 61,3 |
| Rural households, without active earners | | | |
| National | 1370 | 2333 | 58,7 |
| Out of the households with active earners: | | | |
| Those having no dependent children | 1640 | 3098 | 52,9 |
| Heving 1 dependant child under age 19 | 1540 | 2386 | 64,5 |
| Heving 2 dependant children under age 19 | 1340 | 1976 | 67,8 |
| Heving 3 dependant children under age 19 | 1160 | 1614 | 71,9 |
| | **1982** | | |
| Urban households, with active earner/s/ | 2220[xx] | 3542 | 62,7 |
| Rural households, with active earner/s/ | 1750[xx] | 3255 | 53,8 |
| Urban households, without active earners | 2010[xx] | 3362 | 59,8 |
| Rural households, without active earners | 1630[xx] | 3252 | 50,1 |
| National | 1990[xx] | 3385 | 58,8 |
| Of the households with active earners: | | | |
| Those having no dependent children | 2360 | 4748 | 49,7 |
| Heving 1 dependant child under age 19 | 2210 | 3471 | 63,7 |
| Heving 2 dependant children under age 19 | 1920 | 2865 | 67,0 |
| Heving 3 dependant children under age 19 | 1660 | 2353 | 70,5 |
| | **1987** | | |
| Urban households, with active earner/s/ | 3150 | 5641 | 55,8 |
| Rural households, with active earner/s/ | 2480 | 5065 | 49,0 |
| Urban households, without active earners | 2880 | 4769 | 60,4 |
| Rural households, without active earners | 2340 | 4465 | 52,4 |
| National | 2810 | 5262 | 53,4 |
| Of the households with active earners: | | | |
| Those having no dependent children | 3350 | 6042 | 55,4 |
| Heving 1 dependant child under age 19 | 3140 | 5353 | 58,7 |
| Heving 2 dependant children under age 19 | 2720 | 4571 | 59,5 |
| Heving 3 dependant children under age 19 | 2350 | 3643 | 64,5 |

Source: Own calculations based on the Income Surveyes of the CSO.

x/ See footnote to Table 1.

xx/ Estimated values. Estimations were made with the assumptions described in the footnote to Table 5., taking into account the income distribution of the urban/rural population from the income survey of the same year.

Table 7.

Composition of the total pupulation and of the population living in the lowest decile,[x/] 1977, 1982, 198

/Calculations are based on the income survey of the year/

| | 1977 | | 1982 | | 1987 | |
|---|---|---|---|---|---|---|
| | Composition of the population of the lowest decile /%/ | Composition of the population of all households /%/ | Composition of the population of the lowest decile /%/ | Composition of the population of all households /%/ | Composition the population below the subsistance minimum xx/ /%/ | Composition of the population of all households /%/ |
| Active earners | 18,6 | 47,o | 23,7 | 45,7 | 32,7 | 45,1 |
| Persons on child care fee or grant[xxx/] | 3,3 | 2,5 | 4,8 | 2.2 | 4,2 | 2,o |
| Pensioners | 25,5 | 18,6 | 17,3 | 2o,3 | 14,9 | 21,7 |
| Children aged under 6 | 15,o | 9,o | 18,9 | 9,o | 13,o | 7,3 |
| Studying children | 19,4 | 15,4 | 21,9 | 17,2 | 26,1 | 19,8 |
| All children | 34,4 | 24,4 | 4o,8 | 26,2 | 39,1 | 27,1 |
| All other dependants | 18,2 | 7,5 | 13,4 | 5,6 | 9,1 | 4,1 |
| Together | 1oo,o | 1oo,o | 1oo,o | 1oo,o | 1oo,o | 1oo,o |

x/ On the basis of decile-distribution of per capita income.

xx/ Fully comparable data of the 1987 Income survey have not been published yet. Nevertheless, some computations were made about the composition of the population below the subsistance minimum. Taking into account, that the population living below the subsistance minimum refers roughly to the population of the first two deciles, the presented data "improve" the picture in relation to the probable actual one. /As far, as it could be checked, the composition of the second decile is markedly closer to the average, than that of the lowest one./

xxx/ Child care fee is an earnings-related cash-benefit for the first years after child-birth, helping parents /mothers/ to stay at home, while their employment-status is guaranteed. Child care grant is similar in function, but much less in value. It is a benefit for the third year after child-birth, but it is a monthly flat-rate sum, equal to about one-third of monthly average female earnings.

Table 8.

Composition of the total population and of the population living in the lowest decile×/ of households with active earners, 1977, 1982, 1987

/Calculations are based on the income survey of the year/

| | 1977 | | 1982 | | 1987 | |
|---|---|---|---|---|---|---|
| | Composition of the population of the lowest decile /%/ | Composition of the population of all households with active earners /%/ | Composition of the population of the lowest decile /%/ | Composition of the population of all households with active earners /%/ | Composition of the population below the subsistance minimum xx/ /%/ | Composition of the population of all households with active earners /%/ |
| Active earners | 30,1 | 55,8 | 31,4 | 54,0 | 39,3 | 54,3 |
| Persons on child care fee or grant xxx/ | 5,3 | 3,1 | 6,3 | 2,6 | 4,7 | 2,4 |
| Pensioners | 3,3 | 5,5 | 3,4 | 9,2 | 4,8 | 8,4 |
| Children aged under 6 | 22,8 | 11,3 | 23,7 | 10,5 | 15,2 | 8,7 |
| Studying children | 27,8 | 18,9 | 26,6 | 19,7 | 30,6 | 23,3 |
| All children | 50,6 | 30,2 | 50,3 | 30,2 | 45,8 | 32,0 |
| All other dependants | 10,7 | 5,4 | 8,6 | 4,0 | 5,4 | 2,9 |
| Together | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 |

x/ See the first footnote to Table 7.

xx/ See the second footnote to Table 7.

xxx/ See the first footnote to Table 7.

Table 9.

Composition of the total population and the population living below the subsistence level, 1978, 1987

/Calculations are based on the household survey of the year/

| | Composition of the population living below the subsistence minimum | | | | | | Composition of the total population /all households/ | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| | in the households with active earners | | in the households without active earners | | in all households /active + inactive households/ | | | |
| | 1978 /%/ | 1987 /%/ | 1978 /%/ | 1987 /%/ | 1978 /%/ | 1987 /%/ | 1978 /%/ | 1987 /%/ |
| Active earners | 31,7 | 33,1 | — | — | 26,9 | 25,7 | 46,5 | 43,3 |
| Persons on child care fee/grant x/ | 5,2 | 4,5 | 1,5 | 1,6 | 4,6 | 3,9 | 2,7 | 2,0 |
| Pensioners | 5,8 | 3,7 | 59,4 | 57,8 | 13,9 | 15,8 | 15,4 | 24,4 |
| Children aged under 14 | 40,7 | 46,0 | 6,7 | 8,9 | 35,6 | 37,7 | 22,9 | 20,8 |
| Studying children over 14 | 4,3 | 4,0 | 1,6 | 1,5 | 4,1 | 3,4 | 4,3 | 5,3 |
| All children | 45,0 | 50,0 | 8,3 | 10,4 | 39,7 | 41,1 | 27,2 | 26,1 |
| All other dependants | 12,1 | 8,7 | 30,8 | 30,2 | 14,9 | 13,5 | 8,2 | 4,2 |
| Together | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 |

x/ See the third footnote to Table 7.

Table 1o.

Distribution of the population in all households with active earners, and in the ones below the subsistence minimum, according to the number of dependent children, 1977, 1982, 1987

/on the basis of the income surveys/

| Households with active earners, where the number of dependent children is: | 1977 | | 1982 | | 1987 | |
|---|---|---|---|---|---|---|
| | Distribution of the population in all active households /%/ | Distribution of the population below the subsistence minimum /%/ | Distribution of the population in all active households /%/ | Distribution of the population below the subsistence minimum /%/ | Distribution of the population in all active households /%/ | Distribution of the population below the subsistence minimum /%/ |
| 0 | 27,9 | 9,9 | 29,4 | 1o,9 | 3o,8 | 11,7 |
| 1 | 33,5 | 24,3 | 26,8 | 22,5 | 26,8 | 25,o |
| 2 | 27,8 | 34,6 | 33,2 | 35,9 | 32,7 | 34,8 |
| 3 | 6,4 | 11,o | 7,5 | 13,4 | 7,3 | 14,8 |
| 4 or more x/ | 4,4 | 2o,2 | 3,1 | 17,3 | 2,4 | 13,7 |
| Together | 1oo,o | 1oo,o | 1oo,o | 1oo,o | 1oo,o | 1oo,o |

x/ Minima for the households bringing up four or more children are estimated.

Table 11.

Risks of dropping below the minimum, according to the number
of dependent children /households of active earners only/,

1977, 1982, 1987

/on the basis of the income surveys/

| Households with active earners, where the number of dependent children is: | Ratio of those living below the subsistance level, as a percentage of the total population in the group | | |
|---|---|---|---|
| | 1977 | 1982 | 1987 |
| O | 3,4 | 3,3 | 3,5 |
| 1 | 7,7 | 7,5 | 8,6 |
| 2 | lo,5 | 9,6 | 9,8 |
| 3 | 14,5 | 15,9 | 18,8 |
| 4 or more[x] | 56,1 | 49,4 | 51,6 |

x/ Minima for the households bringing up four or more children
   are estimated.

Table 12.

Composition of the total population and the population living below the subsistance level, according to economic activities and to the type of residence 1985, 1987

/Calculations are based on the household survey of the year/

| Type of residence; economic activity | Composition of the population living below the subsistance level /%/ | | Composition of the total population /%/ | |
|---|---|---|---|---|
| | 1985 | 1987 | 1985 | 1987 |
| Urban, active earners | 21,8 | 23,8 | 25,o | 25,1 |
| Rural, active earners | 12,1 | 9,6 | 2o,1 | 2o,1 |
| Urban, on child care fee/grant x/ | 2,9 | 3,2 | 1,1 | 1,1 |
| Rural, on child care fee/grant x/ | 1,4 | 1,2 | o,9 | o,9 |
| Urban, pensioners | 6,2 | 6,4 | 11,2 | 12,o |
| Rural, pensioners | 3,9 | 3,o | 9,4 | 9,7 |
| Urban children xx/ | 27,o | 29,4 | 15,2 | 15,o |
| Rural children xx/ | 16,1 | 15,4 | 12,2 | 12,o |
| All other adult dependants /mainly housewifes/ /urban + rural/ | 8,6 | 8,o | 4,9 | 4,1 |
| Total | 1oo,o | 1oo,o | 1oo,o | 1oo,o |

x/ See footnote to Table 7.

xx/ The category includes all children under age 14, plus those, who are studying in day-courses of secondary or higher education.

Table 13.

Risks of dropping below the minimum 1985, 1987

/on the basis of the household surveys/

| Type of residence and economic activity | Ratio of those living below the subsistance level, as a percentage of the total population in the given group | |
| --- | --- | --- |
| | 1985 | 1987 |
| Urban, active earners | 13,9 | 13,4 |
| Rural, active earners | 9,6 | 6,8 |
| Urban, on child care fee/grant | 42,1 | 40,3 |
| Rural, on child care fee/grant | 25,3 | 18,6 |
| Urban, pensioners | 8,7 | 7,5 |
| Rural, pensioners | 6,6 | 4,4 |
| Urban children | 28,2 | 27,8 |
| Rural children | 21,0 | 18,2 |
| All other adult dependants /urban + rural/ | 28,0 | 27,6 |
| Total | 15,7 | 13,8 |

Table 14.

Some measures of macro-economic processes, 1978-1988

| | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Yearly rate of growth of the GDP /%/ /Standardized with annual price indices/ /Previous year = 100,0/ | 104,6 | 101,5 | 100,1 | 102,9 | 100,7 | 102,7 | 99,7 | 101,5 | 104,1 | 100,4 | |
| Yearlychange of the terms of trade /%/ /Terms of trade of the previous year = 100,0/ | 99,4 | 98,2 | 100,4 | 99,2 | 97,8 | 97,4 | 99,0 | 96,4 | 101,0 | 102,4 | |
| Yearly rate of growth of the deficit of the state budget /%/ /Unstandardized with annual price indices/ /Current deficit of the previous year = 100,0/ | 121,6 | 125,0 | 211,1 | 83,2 | 139,2 | 45,5 | 36,0 | 766,7 | 328,3 | 75,9 | 29,7 |
| Yearly change of consumer prices /%/ /Average of the consumer prices of the previous year = 100,0/ | 104,6 | 108,9 | 109,1 | 104,6 | 106,9 | 107,3 | 108,3 | 107,0 | 105,3 | 108,6 | 115,7 |
| Yearly change of food prices /%/ /Average of the food prices of the previous year = 100,0/ | 103,6 | 110,2 | 113,4 | 103,4 | 104,8 | 105,1 | 112,1 | 106,3 | 102,0 | 109,2 | 115,9 |
| Yearly rate of growth of the per capita real income /including personal incomes only/ /%/ /Per capita real income of the previous year = 100,0/ | 102,5 | 99,7 | 99,8 | 102,1 | 100,3 | 101,1 | 100,9 | 101,7 | 102,4 | 100,4 | 98,9 |
| Yearly growth of the real value of the substistance minimum /%/ /Real value of the substistance minimum of the previous year = 100,0/ | 100,5 | .. | 101,1^x/ | .. | xx/ 102,9 | 99,7 | 99,7 | 100,7 | 99,1 | 99,9 | 100,3 |

x/ Growth of real value between 1978 and 1980.
xx/ Growth of real value between 1980 and 1982.

Source: Statistical Yearbooks.

Table 15.

Consumer price indices of 1988 in the households with active earners

/Average prices of 1987 = 1oo,o/

A: According to the level of income
B: According to the number of dependent children

| | Basic goods of everyday consumption | House-building /-buying/ | Goods bought less frequently or of less importance | Luxury goods and services | All goods /and services/ together |
|---|---|---|---|---|---|
| **A: According to the level of income** | | | | | |
| **Level of income** | | | | | |
| Low | 12o,1 | 125,5 | 114,9 | 114,7 | 119,o |
| Medium | 118,6 | 124,7 | 114,9 | 111,9 | 116,5 |
| High | 116,1 | 123,o | 114,4 | 111,7 | 115,o |
| **B: According to the number of dependent children** | | | | | |
| **Number of children** | | | | | |
| None | 113,9 | 123,8 | 114,o | 112,3 | 114,1 |
| One | 118,2 | 123,o | 114,8 | 111,9 | 116,2 |
| Two | 12o,8 | 124,o | 115,2 | 111,3 | 117,3 |
| Three or more | 122,o | 124,1 | 115,3 | 112,8 | 118,9 |

Source: Changes of the Level of Consumer Prices in 1988., Minutes on Consumer Prices No 1. /edited by Gáspár Fajth/, CSO, Budapest, 1989.

Table 16.

Some /further/ measures of macro-economic processes, 1978-1988

/Some aspects of the changes of price-indices/

| | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Yearly change of the terms of trade[x] between food prices and the average prices of all other goods/services /%/ /Terms of trade of the previous year = 1oo,o/ | 98,7 | 1o1,7 | 1o5,7 | 98,4 | 97,3 | 97,2 | 1o5,o | 99,1 | 95,8 | 1oo,7 | 1oo,3 |
| Yearly change of food prices for some social groups /%/ /Average of the food prices of the previous year = 1oo,o/ | | | | | | | | | | | |
| - Households of wage/salary earners | 1o3,7 | 11o,o | 113,5 | 1o3,6 | 1o4,8 | 1o5,o | 112,4 | 1o6,3 | 1o2,1 | 1o9,4 | 12o,8 |
| - Households of peasants in cooperatives | 1o3,5 | 111,1 | 113,4 | 1o2,9 | 1o4,7 | 1o5,8 | 111,8 | 1o6,3 | 1o1,6 | 1o8,4 | 119,6 |
| - Households of pensioners | 1o3,2 | 11o,4 | 113,4 | 1o3,o | 1o4,6 | 1o5,1 | 111,6 | 1o6,4 | 1o2,o | 1o8,9 | 118,3 |
| Yearly change of consumer prices for some social grups /%/ /Average of the consumer prices of the previous year = 1oo,o/ | | | | | | | | | | | |
| - Households of wage/salary earners | 1o4,6 | 1o8,9 | 1o9,2 | 1o4,6 | 1o6,8 | 1o7,4 | 1o8,2 | 1o6,9 | 1o5,4 | 1o8,5 | 116,7 |
| - Households of peasants in cooperatives | 1o4,6 | 1o9,3 | 1o8,6 | 1o4,6 | 1o7,1 | 1o7,2 | 1o8,1 | 1o6,4 | 1o5,1 | 1o8,4 | 116,9 |
| - Households of pensioners | 1o4,6 | 1o8,3 | 1o9,2 | 1o4,3 | 1o6,8 | 1o6,8 | 1o8,4 | 1o7,8 | 1o4,8 | 1o8,5 | 115,3 |

x/ The average rate of growth of food-prices, as a percentage of the average rate of growth of all other items of consumption

Source: Statistical Yearbooks; The Changes of Consumer Prices, CSO, Budapest, 1989.

## APPENDIX

"The minimum of socially justified needs /in short: social
minimum/ is an income adequate to meet not only the
conventionally accepted basic needs, but /assuming rational
economic behaviour/ it also incorporates the acceptable, though
modest satisfaction of needs for goods and services, that are
widely justified by the society at the given general economic,
social and cultural level.

The subsistance minimum is a smaller income. It serves
only the very modest satisfaction of conventionally accepted
basic needs of everyday life.[x/]

In defining both, social and subsistance minima, the
assumption was made, that the family already has its independent
dwelling. Therefore, the minima do not contain incomes for
buying /building, getting/ a flat. On the other hand, the
costs of housing maintenance are incorporated. /.../

There are marked differences /in their needs and in running
their households - J.Sz./ between the households of active,
and of inactive earners, between families without  dependent

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[x/] The officially calculated subsistance minima are some 21-22
per cent lower in value, than the social minima of various
types of the households. As it turned out from the personal
communications of the statisticians actually producing the
data, they regard the calculations of the social minima
more accurate and more justifiable. They argue, that the
extracts from the social minimum to get the subsistance level
in fact "eat" the modest reserves built in the former one.
Thereby those "restrictions" do not leave the families any
space for individual decision-making and to assert their
preferences in consumption. /J.Sz./

children and the ones bringing up one or more, between those living in urban or in rural settlements. Therefore the following types of households were identified for the purpose of the calculations.

A. Households with active earners

1. One parent with one child
2. Couple without children
3. Couple with one child
4. Couple with two children
5. Couple with theree children

All households with active earners[a]

B. Households of pensioners

6. Living alone
7. Couples

All households without active earners[a]

C. All households with and without active earners[a]

[a] The averages also contain otherwise non-identified /all other/ types of households in the group.
The categories listed above were subdivided according to the urban/rural type of the settlement. /.../

The basis of the method of calculation is a given the ration, well-known for a long time, i.e., the lower the level of income, the higher is the ratio of food consumption in the total of consumption. Keeping in mind that relationship, the

nutritional needs of persons of different ages and sexes were taken, that had been defined by the National Research Institute of Dietetics on the grounds of international normatives and of their own researches. Those norms were the bases of defining the "food-basket" that satisfies nutritional needs at a relatively low price. Taking into account the average consumer prices, the Forint-values of food consumption of the various types of the households were calculated in the next step. ...

The costs of housing maintenance were handled separately in the process of calculation. The cause behind it is the serious housing situation, having the effect, that significant numbers of the Hungarian families actually do not live in flats adequate to their needs in terms of size, inner structure and quality. Therefore the costs of housing maintenance were defined item by item on the grounds of empirical facts, reflecting the actual situation. /14 different types of dwellings were identified. The costs of their maintenance were related to the given types of the households in the rate of their actual share of the dwellings with different sizes, different forms of ownership and levels of comfort./

Other personal costs of living were defined by regression--analysis, based on the minimal needs for food-consumption and on the empirical data of the household surveys.[x] Thereby the

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[x] In accordance with the above reasoning, the costs of housing maintenance were extracted from the total expenditures before the computation of regressions, and they were added later separately, in the formerly described way. /Personal communication of the statisticians./

great arbitrariness of normative definitions of needs over food consumption could be avoided. At the same time, calculations on the grounds of empirical facts help the consideration of actual habits of consumption. The minima defined with the above described assumptions make it possible to regroup expenditures on different items in the households, according to their own preferences."[x]

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[x] Working Paper on the Methods of Calculating the /Social and Subsistance/ Minima, and Some Propositions for Modifications; Manuscript, Department of Statistics on the Standard of Living of the Central Statistical Office, Budapest, August, 1989.

Officially published subsistence minima /per capita mounthy averages/

/in Forints/

| Type of the household | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 |
|---|---|---|---|---|---|---|---|
| Households with active earner/s/ /all/ | 2010 | 2160 | 2330 | 2510 | 2620 | 2850 | 3310 |
| Out of them: | | | | | | | |
| One parent with one child | 2230 | 2400 | 2590 | 2790 | 2920 | 3170 | 3680 |
| Couple without children | 2360 | 2530 | 2730 | 2940 | 3080 | 3350 | 3840 |
| Out of them: urban | 2710 | 2920 | 3150 | 3390 | 3540 | 3850 | 4410 |
| rural | 2120 | 2270 | 2460 | 2650 | 2780 | 3020 | 3460 |
| Couple with one child | 2190 | 2350 | 2440 | 2730 | 2860 | 3110 | 3610 |
| Out of them: urban | 2410 | 2590 | 2790 | 3000 | 3150 | 3420 | 3970 |
| rural | 1910 | 2050 | 2210 | 2380 | 2490 | 2710 | 3150 |
| Couple with two children | 1920 | 2060 | 2220 | 2390 | 2500 | 2720 | 3180 |
| Out of them: urban | 2120 | 2280 | 2460 | 2640 | 2770 | 3010 | 3520 |
| rural | 1680 | 1800 | 1950 | 2090 | 2190 | 2380 | 2780 |
| Couple with three children | 1660 | 1780 | 1920 | 2060 | 2160 | 2350 | 2780 |
| Households without active earner/s/ | 1840 | 1950 | 2130 | 2320 | 2430 | 2640 | 3010 |
| Out of them: | | | | | | | |
| Living alone | 2090 | 2230 | 2420 | 2650 | 2800 | 3040 | 3470 |
| Out of them: urban | 2240 | 2390 | 2600 | 2850 | 3010 | 3270 | 3730 |
| rural | 1800 | 1910 | 2070 | 2270 | 2400 | 2600 | 2970 |
| Couples | 1760 | 1870 | 2040 | 2210 | 2330 | 2530 | 2890 |
| Out of them: urban | 1940 | 2070 | 2260 | 2450 | 2570 | 2790 | 3190 |
| rural | 1610 | 1710 | 1860 | 2020 | 2120 | 2300 | 2630 |
| All households with and without active earner/s/ | 1990 | 2130 | 2300 | 2480 | 2590 | 2810 | 3260 |

Source: Statistical Yearbook, 1988., Budapest, CSO, 1989.