

Julia Szalai:

Social Participation in the Context of Restructuring and
Liberalization:
The Hungarian Case

Many of the books, essays and articles written in the last two-three years in Hungary, start with a sentence, similar to the one, I have to put into the first paragraph of my paper: Hungary (as all other countries of the East-Central European region) has definitely arrived to the milestone of a markedly new phase of its history. The crisis of the given political system has led to revolutionary changes sweeping over the whole of the region in 1989, resulting in an overall collapse of the reign of the Communist Parties. The recent events have produced a formerly unexpected and fundamentally new political situation, that will have deep, though yet mostly unpredictable impact on the political, economic, social and even national life of the future generations.

The parallelism of the political events (although their pre-history and the way of the revolutionary changes was significantly different country by country) offers the chance for broadening our approaches to the history of the reforms from at least two perspectives.

First, the steps and processes of separate reforms within the nation-states of "existing socialism" have to be re-analyzed and conceptualized from the previously quite neglected, but suddenly utterly important viewpoint of potential future forms and new alternatives of regional

integration (including the quite severe obstacles of revitalized nationalism and the uneven stages of development of the embourgeoisement process, the seemingly divergent orientations of some of the important institutions of the civil societies, too).

Second, the notion of the changes denoted consensually by the all-embracing broad concept of "reforms" has to be revised at the light of these radical events. Given the fact of the general collapse of the "socialist" regimes, it seems to be more relevant to speak about new questions of transition, instead of the future alternatives, and routes of further reforms. In that sense, the description of the reforms has to be put mainly into a historical perspective of contributing to the unresolvable crisis of the system within the given economic, political and social frameworks of totalitarian ruling, and, at the same time, opening the gate toward multiparty-based parliamentary democracies. Political formations and social settings of the future societies of the region might well be markedly different, while all of them seem to move toward market-based economies. Long-term historical processes and cultural traditions, however, seem to play an important role in defining and forming the actual content of the transformation, thereby deeply influencing the routes, stages and directions of transition.

Therefore I feel a great need to put the analysis of the reforms of the eighties into the broader context of the history of socialism of the last three decades in Hungary, that can be interpreted as a conflictuous, but partially

successful historical experiment of modernization, and as a tentative answer for the unresolved social and political constraints of the pre-war Hungarian society. I try to focus mainly on those elements of the story, that have grounded the latent shifts and transformations of the social structure in the last 10-15 years, and have ultimately led to the political expression of the already undergone changes in the form of the most peacefully and bloodlessly prepared free elections, opening thereby the gate to new parliamentary forms of ruling.

The 1956 Revolution: a key to the reforms in Hungary

It is quite frequently argued, that the ultimate explanation of the introduction of important reforms in Hungary as early as in the mid-sixties, can be found in the economic malfunctions of the system in its classical form, namely, that the resources of extensive growth based on central planning and the potentials of direct state-control over all important factors of production had been exhausted by that time. True, the further rapid extension of employment based previously on the myth of a limitless number of formerly non-employed people, i.e. an ample reserve army forever, has bumped against the actual availability of additional labour force; true, the chronic shortage of capital and the scarcity of raw materials has created obstacles to endless investments; true, the indices of economic growth have started to worsen around 1963, thereby threatening the main source of

legitimation of the regime, i.e. its supremacy in terms of its economic achievements.

Nevertheless, I would severely question on several grounds the inescapability of the reforms just because of their economic necessities. First, similar tendencies and difficulties have also been experienced by other socialist countries, that did not answer to the economic challenges with introducing reforms at that time. Instead, they tried to improve central planning and increase central control for another ten-fifteen years. Second, the divergent steps and measures taken by the Communist Parties throughout the histories of reforms in East-Central Europe have shown, that economic necessities do not determine the actual ways and forms of intervention. Neither the depth, nor the directions of liberalization can be explained by mere economic determinants. /1/

The market-oriented version of seeking solutions for the inbuilt tensions and constraints of the system (the so-called Hungarian way of reforms in the late sixties) seemed to be quite unique in the region for twenty more years. None of the countries has gone so far in developing the co-existence of two economies, i.e. that of the formal, state-regulated and the informal, private (so-called second) one. Nowhere has been so much introduced to decentralize the decision-making processes and to combine them with indirect forms of the reinforcement of the control of the central party-state with regard to all the core issues. Nowhere has been put such an effort on the steady increase of personal consumption in a

combination with the maintenance and permanent reproduction of the priority given to large-scale industrialization in the actual distribution of state spendings e.t.c.

Even these scattered examples should warn us not to look for exclusively economic explanations. The deeper determinants of the Hungarian peculiarities of socialism can be derived from a really unique current of events in its history, i.e. from the far-reaching impact of the uprising of 1956. The underlying causes of the major reform-inventions, as well, as the sometimes surprising openness and enlightenment of the Hungarian regime to introduce them, can all be originated from that historical fact. Its complex effects and its permanent, though hidden implications can well be understood by considering, that the revolution of 1956 was the first, and, until recently, the only radical grass-root critique of and real threatening to the totalitarian way of communist ruling, claiming basic rights of freedom and independence on nationwide grounds.

That decisive historical event and its socio-political implications had to be taken into account for decades, regardless to the shockingly brief and only temporary victory of the revolutionary forces of the civil society. The uprising itself was defeated after two weeks, and the basic frames of the totalitarian reign were successfully reconstructed by joint Hungarian and Soviet efforts within the extremely short period of a few months, nevertheless, the status quo of the pre-1956 period could never be fully reproduced anymore. Given the perspective of thirty years of its outbreak, we can state,

that after all, the system has remained the same for the whole period of the four decades of Communism in all of its structural features. Yet, 1956 means an important line of break in it, not only in political, but (as will be discussed below) in social and economic terms.

The lessons drawn from the revolution have become the point of departure and the most important (though contradictorily interpreted) collective experience of both, the rulers and the ruled. Neither those in power, nor the greater majority of the society being in a silent opposition to them, could forget those lessons, nobody has, however, spoken about them openly for thirty years. Even the mentioning of the revolution has become a taboo and a case for sanctions (not to speak of any attempts for its public analysis). The base of consolidation (from 1963 onward) and the spectacular success of Kadarism lied in the powerful generalization of "secretizing" and privatizing people's feeling and remembrance of it. The real surprise of the Hungarian case is, that despite all the efforts taken to break the collectivism of the experience of 1956 in claiming freedom and autonomy, it turned out to be the main source of previously failed social integration. Its far-reaching ascendancy and deeply understood conclusions have been present in the everyday communications, using an unofficial meta-language, in the accepted and tolerated ways of "normal" behaviour, in the forms of pragmatic, non-ideological approach to matters of administration, in the never-open bargaining processes between

institutions, between bosses and employees, in the face to face relations of individuals, e.t.c.

In short: the impacts of 1956 have vividly lived with us in the working, though not in the articulated self-image of the society. Without these historical antecedents, one cannot find a reasonable explanation, how the reforms of Kadarism introduced around the turn of the seventies could strike root and survive amid the rigid surrounding of classical post-Stalinist regimes. /2/

The very limited liberalizations of the mid-sixties with their mostly unexpected outcomes (see below) have rendered the social bases for those important and quite unique innovations.

We have to turn now to deeper sociological explanations to make it clear, why and how could it really happen.

The key of the success can be detected in the largely unconsciously and unintendedly found impetus of further development in searching forms of consolidation after the defeat of the revolution. That unintendedly found ground was the space, that the Kadarist policy created for the realization of the unfinished and interrupted embourgeoisement process of the pre-war period, without giving up the basic features of the totalitarian character of the power-structure and the political order. It is important to emphasize, that the consolidation of the sixties has not led to fundamental changes in the principal functioning of "socialism". The centralization of power, its property-bases given by the domination of state ownership, the paramilitary way of administering economic and social life exclusively from the

top to the bottom, the direct interventions into the everyday working of production and distribution e.t.c. have remained unchanged and have continuously determined the scope of "independent" institutional actions as well, as all the basic frames of the lives of the individuals from their birth to their death.

The innovation of Kadarism and the actual content of its politics lied in the relaxation of direct coercion, accompanied by a partial "rehabilitation" of the right for privacy, given the unconditioned acceptance of the rules of the game.

That space of "permitting" a limited scope of individual decision and action should be clearly distinguished from civil rights: the latter is guaranteed by legal forms and by a variety of institutions of the civil society. The former is a matter of political goodwill of those in power and of sufficient obedience of the powerless: at best a fragile compromise between them.

Nevertheless, the actual content of that compromise has been a tacit acceptance of some space for individual autonomy, that has led to the realization of the above mentioned historical tendency of a partial and restricted embourgeoisement process, better and more accurate to say: to the completion of the interrupted petty bourgeois development of the Hungarian society.

As far, as members of the society successfully adapted themselves to the conditions dictated for them (but without their consent) from above, they have gained some ground for

individual options and activities. They became free to make choices within the frames of compulsory employment in the socialist firms (that was a great achievement after several years of enforced migration and sanctioned direct orientations to the designated workplaces); they could choose the form of schooling for their children within the planned and state-controlled limits of enrollment (that was also a step forward after prohibitive and politically administered educational careers, following the primary goal of "cadrefication" in the early period of Stalinism); they could make individual decisions on the use of their leisure time (the obligatory forms of adult education and compulsory "collective" actions was given up) e.t.c. In other words: any open questioning of the rules and of the decisions was forbidden (and heavily sanctioned), but their acceptance was not a case of direct coercion anymore. Those, who confirmed the tacit rules, have even gained some autonomy and additional rewards, too. In principle, one could shirk, and find the always given, though hidden sidedoors. Success has been an issue of individual abilities and capacities. Its turn to a base of a gradual crystallization of collective actions and institutions has been rigidly controlled, however.

The actual frame of autonomy was restricted to the individual and to the strictly private sphere of the family. The content that people gave to the given frame, was the realization of their petit bourgeois aspirations, that never could be met in the previous decades of history.

Those massive aspirations have widely been present in the pre-war working class and peasant society, but have remained unrealized, first because of the crisis of the war, and later because of the oppress and prosecution of those drives during the years of Stalinism. But the aspirations started to work as soon, as the minimal favourable conditions have been created for their realization. And the Kadarist offer was of that kind. It did not support openly, but at least tolerated individual efforts put to atomized ways of advance and progress, led by the drives of improvement of material well-being. The frames outlined above, are nothing else, but the relevant frames of the typical petit bourgeois way of life, division of labour and everyday behaviour. /3/ They could be fitted into the basically unchanged machinery of the system, since they have not required more, than the relative autonomy of the households, the relative freedom of the use of time, the relative fulfilment of private consumption. And those prerequisites were given. The rest belonged to the sphere of social answers and reactions, to the above mentioned unrealized aspirations.

Let us see now, what kinds of private economic activities have grown amid the given limits of autonomous work and production. Their extension and general regulatory function may really be a matter of surprise. As it will be argued below, they gradually have developed to a significant sphere of the Hungarian economy, that has contributed not only to the relative prosperity of the country throughout the

seventies, but to an efficient postponement and diminuation of its economic crisis, too.

The most important and first "permitted" sphere of petit bourgeois autonomy and organization of work has been the informal economy of small-scale agricultural production. The rapid increase of second economy participation in it cannot be understood without the already mentioned widespread agrarian-peasant tradition of the Hungarian society, that the formal restructuring of employment in the Stalinist era of forced industrialization has not abolished. Since the coercive cooperativization of private lands after the revolution was accompanied by allowing the members to keep a small household plot (maximum 1 acre) for their own use, families started to organize their lives and labour force participation of their members by combining the relative advantages of employment in the state-sphere and membership in the cooperative sector, this way assuring for themselves relatively higher industrial-urban incomes and a parallel access to self-controlled agricultural production.

The second main branch of activities of the informal economy has been centered around construction: 882000 new privately owned flats (75 per cent of all the new flats) were built exclusively by family efforts between 1971 and 1985, and 81 per cent of the financial resources of the expenditures on housing were covered by the private households in 1985 (overwhelmingly from their work in the informal economy). Another aspect of the spread of this type of second-economy participation is shown by the fact, that 3 per cent of the

adult population is involved in one or another type of the informal construction-industry ("naturally", in addition to their "normal" work in their first-economy workplaces) on any given workday of the year. That means, that 374 million hours of work were devoted to these activities in 1986 (which equals to about 4 per cent of the yearly total work-capacity used by the first, state controlled economy.) /4/ Those activities generally involve the work of not only the whole of the family, but even that of neighbours and relatives, based on and regulated by a complicated form of longterm work-exchange.

Beside the above described main forms, the informal economy already embraces a wide range of services and the more traditional smallscale repair-work and industrial labour, too. Their gradual spreading and development reflects the transformation of skills, the significant changes of needs and the widespread shift of ways of life toward more urbanized forms, generated by the major restructuring of the economy and the relatively new mobility patterns that followed it throughout the history of the last decades. /5/

Some comprehensive data can give an impression on the overall extension of the development of the second economy, that has gradually become an integrated part of the lifestyle of the overwhelming majority of the adult society.

Although it is quite difficult to measure just because of its informalities, various expert estimations (based on time budget- and income survey data) count with a 60-75 per cent participation rate of the employed population in one or another form.

40 per cent of the total of agricultural production of the national economy has been produced by the small household plots during the seventies. In some branches of agriculture, export has been based almost exclusively on the products of them.

According to the data of the last countrywide representative survey on social stratification and living conditions in 1981-82, /6/ 59 per cent of all of the households had a garden or a small farm used for agricultural production and cultivated by the family itself. 55 per cent of them produced some extra for sale, after covering the needs of the household.

Data of regular household surveys show, that some 13-18 per cent of the yearly income of families comes from activities in the second economy, beside the even more important (though unmeasurable) role of saving expenditures by self-supplying production in it.

One can summarize the findings as follows: the hidden embourgeoisement process has really developed to a quite significant degree during the thirty years of Kadarism. Its engine was the given by the "postponed demand" /7/ of social history, that the policy of the regime successfully has built into the maintenance of its fundamental character. The other side of the coin is equally important. The eventual success lasted as long as individual autonomy, the family-investments of work and income could meet formerly unrealized and otherwise unrealizable consumption needs.

The process has crushed the unchanged structure of property, power and legal institutions of the given system by the late seventies, and has led to the general economic, social, political and legitimational crisis of it. That two-sidedness of the Hungarian social reform can best be described, as the ambiguity or the one-sidedness of the petit bourgeois development, that, after its consumptional fulfilment could not be continued and developed to the more advanced forms of embourgeoisement of the relations of production and of social life. Given the absolute predominance of the "socialist" property- and power relations, essentially alien to the rules of the market, the petit bourgeois private economy could not organically grow to the entrepreneurial forms of profit-oriented production and redistribution. The material performances of the society have remained frozen into private consumption, they could not lead to a flow of capital, work and income, their achievements (both, in physical and cultural sense) could not be inherited, reproduced and utilized by further generations: sons and daughters had to start again everything from the beginning. They had first to establish their pillars of existence and social membership in the official, formal sphere of economy and institutions (accepting the often irrational requirements of adaptation), then gaining a chance for autonomy and participation in the second, informal society. Any efforts to escape and to turn the sequence has been regarded "deviant" and has been sanctioned in various forms.

Therefore the developed wealth and the rich networks of the division of labour of the informal economy could never grow to an integrating system of the market within the given structure and working of socialism. The stretching force represented by the expansion of it and the gradual development of relative autonomy of the members of the society based on their formally never acknowledged achievements, was highly dependent on and deeply geared in the supremacy of the "socialist setting", that is, dictated and restricted by the dominance of the non-market rules of the first economy and the institutionalized power of the party-state. The essence of the overall crisis of the system (that has become manifest in the eighties) can be described by the unresolvable conflicts of the already developed, but oppressed bourgeois potentials and the given "socialist" frames.

Let me now turn to a somewhat more detailed analysis of those conflicts by summarizing the main features of the crisis. That could lead us to an interpretation of the main events and interventions of the last phase of "existing socialism" in preparing the transition to a new economic and political order around the end of the decade.

The main features of the general crisis of classical socialism in the eighties in Hungary

It is one of the major tasks of the coming years to analyse the relative weight of social, economic and political factors in the evolvment of the overall crisis of the system

around the mid-eighties. The required historical distance to the sweeping flow of events has not yet been given, however, for any balanced, unbiased description of the interplay of the decisive forces. A brief listing of some of the rapidly developed and manifest phenomena serves more to give an insight into the speed and intensity of the changes, than an attempt to explain their actual occurrence. The latter will be a matter of extended research and of thorough analyses, hopefully rendered by joint efforts of social and political scientists of the future.

It probably goes without saying, that the significant change of the political climate owed mainly to the important reforms of Gorbacsev in the field of Soviet relations toward the "socialist" countries of the European region had a favourable impact on accelerating the already ongoing domestic reforms.

The Gorbacsev-reforms had a decisive role on the cleavage within the Hungarian Communist Party and the state apparatus. That has come to a more or less institutionalized and open break between those committed to more classical forms of ruling (the "hard-liners") and the so-called "reform-communists". The unresolvable political conflicts within the Party have ultimately led to the defeat of Kadarism and to the fall of the old Politburo on the important Party Conference of May, 1988. The rapid decomposition of the once sanctified "unity of the party" concluded in the final break of it by October, 1989. The Party Congress ended with the victory of the "reform-communists", who declared the transformation of

the ruling Party into a new, so-called socialist party. The new organization, the Hungarian Socialist Party aimed at collecting those former communists, who took upon themselves the historical continuity, but, at the same time, accepted the commitment to values of the Euro-communism and to the radical marketization of the economy, including all its social-, political- and power-implication and the necessary restructuring of the property-relations. The new party declared its full support of private ownership and its willingness to establish the political forms and pre-requisites of the multi-party based parliamentary democracy.

The outstanding role of intellectuals also has to be registered among the important factors of the transitory period. Many of them have rapidly become the organizing figures of the new social movements and (later) of the new parties. But their involvement has been significant in the less directly political forms of activities, too. The intensive participation of thousands of professionals in nearly all the relevant fields of preparatory work has certainly contributed to the extreme speed of elaboration of the potential frameworks of a new system. Just to give some examples: several hundreds of well-qualified professionals (university lecturers, researchers, those in advisory jobs and even great numbers of the state-bureaucracy) were taking part in the preparation of new legal regulations (especially of the new Constitution), in advising on the transformation of management of the socialist firms, in introducing reform-oriented measures of the monetary policy of the country, in

preparing the forms of new local self-managing constituencies with all of the required electoral, administrative, financial and regulatory details, in the planning of the transformation of the health system and in that of the social security, e.t.c.

Professional participation has not been accompanied by political consensus. On the contrary: the essence of the participation was as much reflected in the actual content of the work, as in its contribution to the crystallization of divergent political strands. The latter impact turned out to be profoundly important with the emergence of the institutionalized forms of political participation, i.e. the parties.

The origins and engines of the party-formations have been the old and mostly underground oppositional movements of the previous decades, that could be characterized with different degrees of radicalism toward and refusal of the given Communist ruling. Given the new political space, they have rapidly developed to institutionalized formal party-organizations, that soon have been joined by the once existed, suddenly revitalized old parties (the so-called "nostalgic parties"), too. Within a year after the official declaration of the Communist Party's willingness to prepare the free elections required for a transition toward a multi-party democracy, 52 parties have emerged and have taken over the articulation of different social interests and political needs.

All the above listed important changes in the spheres of foreign and domestic policy have yet mostly immensurable contributions to and impacts on the details of the transformation, that the country has definitely and irreversibly started. Nevertheless, the content and essence of the future processes seems to be dependent mainly on those broader social, economic and institutional potentials and tensions, respectively, that have not always been expressed in direct political forms, but have given the actual meaning of the Hungarian version of the crisis of "socialism". The further advance of the already seated new forms, the further directions of the already undergone social changes, the given constraints and the intensive conflicts of diverse interests will be highly determinant on the development of future tracks and ways of transition.

With regard to their outstanding role in the potentials and limitations of the immediate future, let me now describe some of the main features of the most decisive fields of the economy /8/ and those of the basic social relations in the eighties.

Beside the already described tensions deriving from the incontinability of the formally unintended, though tolerated embourgeoisement process, the warning signs and symptoms of a manifest and unresolvable economic crisis have been accumulated by the end of the seventies. /9/

1977 was the last year of relative "prosperity". From 1978 on, the indice of the yearly growth of the national income and those of the GDP have shown a steady decrease, or,

at best, stagnation, and were significantly below the average indices of the previous 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 double challenge of the relatively high standard of consumption (an unquestionable political requirement of the legitimacy of Kadarism) and the limitless hunger of quantitative economic growth of the decreasingly productive socialist firms has been bridged by the serious foreign indebtedness of the country. This way, the outburst of the manifest crisis could be postponed for some years, but the postponement had to be paid later.

The worsening of the economic performance has threatened the fragile balance by the late seventies. That has led to new priorities of the economic policy. The confession of the crisis was unavoidable.

The new economic regulations and incentives declared by the Party in 1978 attempted at countervailing the unfavourable tendencies by enforcing foreign trade and restricting domestic 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.

With regard to its dangerous social consequences, it should be emphasized, that the quantity and quality of public consumption (education, health care, transportation, e.t.c.) have suffered most, concluding in an intolerable impoverishment of their services and in a desintegration of their systems, thereby heavily contributing to the rapid increase of social inequalities of the eighties. /10/

Rates of personal consumption increased slowly (though unsatisfactorily) in the first half of the decade. That can be owed to the fact, that the great bulk of the population has reacted on the relative decrease of their earnings in the first economy by intensifying participation in the second. /11/ Thereby statistical measures show the paradox of the yearly decrease of real wages, accompanied by a modest increase of real incomes. Because of the exhaustion of most of the mobilizable reserves (wealth and, especially, extra work) of the society, recent years, however, have shown an absolute decrease of the average indices of both, real incomes and standards of consumption, too.

The open confession of the economic crisis (named euphemistically "the increase of economic difficulties" at that time) has first led to restrictions of the imports and to various attempts at modifying economic management, by introducing more normative (all-embracing) regulations of rewards and selectivity, thereby simulating the processes of differentiation of the market.

However, simulations are not identical with organic challenges, as it has well been reflected by the typical reactions of the actors of production. Instead of turning toward the market-like behaviour of improving their productivity, the socialist firms have answered with attempts to improve their relations and their favored positions in the setting of socialist-type management. The regulations and the drives to get exemptions of them (by achieving individual liberalizations of the general restrictions of import and investment) have become the main issues of bargains between the enterprises and their "indirect" directorates, the ministries and the Central Planning Office. The outcome of the numbersome atomized negotiations has repeatedly been the loosening of the intended goal of the introduction of new aimed initially to inspire competition and higher standards of efficiency. The strong bargaining potentials and the intensity of their countervailing interests has led to the cyclical market-simulating measures, re-assertion of the individually gained privileges of the most powerful large firms in key-positions of industry, thereby "successfully" conserving the old structures and their constraints.

The weak and non-institutionalized resistance of the agents of the socialist redistribution (called the "soft-budgetary limits" by Kornai) has resulted in a vicious circle of permanent increase of state-spending on subsidies for running everyday production. The ultimate outcome of the unstoppable increase of subsidies accompanied by the lessening degree of economic performance has been a steady and dangerous

increase of the deficit of the state budget, carrying the threat of a total collapse of the system from about 1985.

The more and more seriously felt pressure of the need to increase exports because of the worsening balance of payment has led to radical price-reforms around the turn of the eighties, aiming at adjusting the domestic price-system to the price-structure of the world-market. The hope and the rationale of their introduction was to diminish the hunger for cheap (or "free of charge") subsidies of the state economy, by exposing directly it to the rigid rules and the inescapable competition of the open market. The outcome did not confirm those hopes. The mere adjustment of the prices to the standards of the West (not accompanied by any serious changes of domestic relations of property and power) has once again not "invited" the warmly desired spontaneous mechanisms and behaviours of the market. Instead of a significant break of industrial monopolies and/or of improvements of productivity and performance, the new measures on the calculation of the sale-prices resulted in an extension of the "range" of the bargains, thereby further desorganizing the economy. Beside the ongoing efforts to loosen the restrictive regulations mentioned above, new issues of negotiations have entered the stage. The mostly successful bargains on the "accepted" level of prices of the given firm, or (in case of refusal from above) on a descent and sufficient subsidy of the price-scissor have in fact contributed to the deepening of the crisis, instead of diminishing it. The actual result of the price-liberalizations has been a steady increase of the

formerly relatively low and controllable price-level, concluding into the dangerous and quite serious spontaneous inflationary processes of the second half of the decade.

The proliferation of experiences on the failed innovations have gradually led to more and more obvious recognitions on the nature of the socialist economy. The main conclusions can be summarized, as follows:

Even the most radical simulations of the market cannot really substitute it. The reforms can manipulate with as many tools, elements and measures of the market-systems, as can be invented, their introduction and expected favourable impacts will not lead to the automatical emergence of the structural relations of the market. Even the smartest innovations will always be broken on the countervailing structures and forces of the fundamentally untouched, non-market-oriented "socialist" relations of property and power. Therefore the core issue of the reforms is that of a radical change of the given structure, instead of skillful modifications and improvements of it.

Really radical reforms can only be expected, if the state-owned property (being in fact the property of an anonymous "colletive", therefore of nobody) will be converted, and put into the hands of designated and identifiable owners in regulated forms of taking risks and responsibility.

"Privatization" (as the claim is called inaccurately) and general reforms of the property-relations have become the main field of conflicts and of political debate in the last two years. The actual outcome is yet unclear, and it is highly

dependent on the changes of the power-relations of the country.

The actors of the economy (the state-bureacracy and the managers of the enterprises) have two-sided interests with regard to the privatization-process and to the meaningful establishment of the market. On the one hand, their long-term interests dictate the creation of new bases for successful adjustment and well-grounded performance. On the other hand, any restructuring might on lead to a nearly unavoidable weakening of their position and power on the short run. The continuous clash of long-term interests in change with the short-term ones of the status quo is reflected in a permanent ambiguity of relations and behaviour, causing serious instability and, recently, effective anarchy in matters of production and distribution.

The impact is most severe on those without a real say and protection. Great masses of the unskilled and semi-skilled labour force (first of all, the gipsies, older workers and women of the countryside) have gradually lost the security of their jobs, without any perspectives of choice and mobility. Given the practically missing network of labour exchange, retraining, and the underdeveloped and impoverished level of social services (not to speak of the lack of a powerful trade union movement), the threat of unemployment has become a general feeling among them. Their servient attitudes toward the management of their workplaces and the usual acceptance of the worsening working conditions and dropping wages is

confirmed in their eyes by the social experience of the recent years.

The increasing rates of actual unemployment of the last decade have not yet been met by the loudly argued expectations of an improvement of productivity and the healthy restructuring of industry. Instead, dismissals seemed to reflect the state of affairs of social and political conflicts of the given firms with their management "above" and hardly have been guided by justifiable economic considerations.

All the burdens of the desorganization of the production, piled on by the consequences of the increasingly restrictive monetary measures (aimed at "managing" the economic crisis) have been put on the shoulders of the third actor of the game, i.e. the "silent" society. The inflatory effects (extra transfers, higher-than-average wage-rewards e.t.c.) of the temporary financial compromises among the powerful groups and institutions of the first economy have worked also toward that direction.

As it has already been pointed out, the population has answered with a permanent and significant intensification of the rates and timely duration of participation in the second economy. /12/ However, their chances to do so have never been identical, and on the top of it, the recent currents have significantly increased the social distances in this respect.

Let me finish my outline of the crisis of the eighties with some remarks on those, who seem to be practically excluded from any chances of countervailing the steady worsening of their situation, namely the poor.

Poverty in Hungary never was abolished, but the "new" features of it in recent years can be discovered in the fact, that it has become a symptom not only of increasing inequalities, but of a break in social integration. /13/

While the typical poverty of the most prosperous years of the late sixties and the seventies could be characterized by the inadequacy of income originating from low wages and pensions (combined with a disadvantageous ratio of earners and dependants in the family) or from the traditionally low earnings in agriculture of the rural elderly, the poverty of the eighties seems mainly be generated from social exclusion.

The most important signal is not so much the increase of the extent, but the marked shift in the composition of the poverty of the last decade.

While the number of the poor has oscillated between 10 and 17 per cent of the population during the period of manifest economic crisis from 1978 onward, the rate of children among the poor (in the lowest decile of the income distribution) has increased from 33 per cent in 1971 to 39 per cent by 1982 and to cca. 45 per cent by 1987. A parallel shift from rural to urban poverty can be registered, too. Those at highest risk are among the families in low-paid jobs, and/or with frequent occurrence of unemployment. Poverty among the urban dwellers has already reached not only the numbersome families, but also the small ones, bringing up only one or two children.

The marked restructuring of poverty can mainly be owed to the crisis, and much less to the "unavoidable side-effects" of marketization.

Many of the restrictive interventions in the name of marketization, however, have led to create a "forgotten part" of the society. The deliberate and serious cuts of social spendings (argued mostly by the inescapable constraints of the deficit of the state budget) have a salient role in it. The most affected social groups are mainly those, who have based their lives and aspirations on the incentives, orientations and regulations of the past forty years of "socialism". They moved to urban settlements, answering actively the challenges of industrialization; they gave qualifications to their children, that seemed to be favourably applicable in a "socialist" economy; they gave up their peasant roots and traditions even in their way of life by occupying the large closed housing estates built "for them". Thereby they have often lost any potential access to the compensating second economy. In short: they are highly dependent on the on the "socialist state", who, at the same time, has rapidly disappeared from behind their back. They are the real victims of "socialism", who are "thrown out of the boat".

They seem to be actually imprisoned in their lives and circumstances nowadays, without any routes out. A more responsible economic and social policy of marketization should and could find some market-conform solutions for their integration, too.

Research on the poverty of the transition should focus on discovering the promising and fruitful points of departure for such a policy. But the detailed suggestions for it lead already out of the scope of the present paper.

Notes

- 1/ See the works of János Kornai, Tamás Bauer, Attila K. Soós and others; especially: Tamás Bauer-László Szamuely: The Organization of Supervising Industrial Management in the European Member-Countries of the Comecon: Some Conclusions; Közgazdasági Szemle, 1979/1.; Tamás Bauer: Planned Economy, Investments, Economic Cycles; Közgazdasági és Jogi Könyvkiadó, Budapest, 1981.; János Kornai: The Shortage; Közgazdasági és Jogi Könyvkiadó, Budapest, 1980; János Kornai: On the Present Situation and the Perspectives of the Economic Reform in Hungary; Gazdaság, 1981/3.; Attila K. Soós: Reforms and Restrictions in Hungary and in Yugoslavia; Tervgazdasági Fórum, 1985/1.
- 2/ For further discussion of the problem, see: Mihály Vajda: Is Kadarism an Alternative? in: Mihály Vajda: Russian Socialism in Central Europe; Századvég Kiadó, Budapest, 1989.
- 3/ The petit bourgeois lifestyle and work ethic is laid on the limitless use of individual energies and working capacities, as the only mobilizable resources of performance, given the total lack or the limited availability of capital. It is typically built on smallscale production, that is oriented by material needs of consumption, instead of the entrepreneurial motive of profit and accumulation. It is most frequently based on the rationale of labour-intensive forms of cooperation

within the family and the neighbourhood. And those conditions were the ones, that were really given by the post-1956 liberalization and by its socio-political regulations.

- 4/ Data on informal construction were calculated by Agnes Vajda and János Farkas, who gave an excellent description of the gradual development and surprising achievements of the informal economy in one of their recent papers. See: János Farkas-Agnes Vajda: The Second Economy of Home-Building; in: The Hungarian Harvest; Institute of Sociology; Budapest, 1988.
- 5/ I have to refer here to the vast literature on the social consequences of the socialist way of industrialization and urbanization, and on the marked changes of ways and patterns of social mobility. See for example: Zsuzsa Ferge: A Society in the Making, Penguin Books, Harmondsworth, 1979.; Iván Szelényi: Urban Development and Regional Management in Eastern Europe; Theory and Society, No.2., 1981.; Rudolf Andorka and Tamás Kolosi, eds.: Stratification and Inequality, Institute for Social Sciences, Budapest, 1984.; Iván Szelényi: Socialist Entrepreneurs, Polity Press, Cambridge, 1988.
- 6/ See: Social Stratification, Living Conditions, Way of Life II., CSO, Budapest, 1986.
- 7/ I refer here to a process later interrupted and therefore "postponed", that was presented in a convincing and illustrative way by Ferenc Erdei in his "Changes in the Hungarian Peasant Society", when he analysed the changes

of the rural world of pre-war Hungary: "We call the process of this shift bourgeois development, which precisely means that the peasantry disorganizes its feudal structures and is integrated into bourgeois society. In brief, the peasant becomes a petty bourgeois farmer or an agricultural labourer.

This process goes on unavoidably and its factors have already developed in Hungarian society to the extent that its full realization is just a matter of a relatively short time. Technological development, the merciless capitalistic system of economic life and changes in all walks of human-social atmosphere constitute the actual factors of changing the lives of peasants so radically that they can no longer live under the traditional conditions of the peasantry. However the feudalistic structure of the Hungarian society has not yet been destroyed either by the Hungarian bourgeoisie, or by the Hungarian working class. What is more, it has not been invalidated by them in an unambiguous way; our peasantry, when giving the traditional peasant forms up, will not face an ambiguously bourgeois social structure, but rather a more or less bourgeois, but, in many respects, still feudalistic establishment ... leaving the traditional forms of peasant's life has already reached its upper limits while the integration into a more or less bourgeois structure has effectively started." (Ferenc Erdei: The Hungarian Peasant Society; in: Ferenc Erdei: Essays on the

Hungarian Society /in Hungarian/, Akadémia Kiadó,
Budapest, 1980)

8/ My summary of the most significant features and traps of the economic crisis is mainly based on the analytical works of Erzsébet Szalai, László Antal, Tamás Bauer, János Kornai and the "Turnover and Reform"-group of influential economists.

9/ Table 1. gives a general picture about the tendencies of the most important macro-economic processes between 1978. and 1988. It summarizes those currents of economic events, that have more or less direct impacts on the inequalities of incomes and consumption of various social groups. It also gives an insight to the relative shifts of burdens of the crisis among them, indirectly pointing to the gradual increase of inequalities of power and protection.

Table 1.

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	102,8	100,7	102,7	99,7	101,5	104,1	100,4
Yearly change 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	97,8	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	145,5	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/ %/	102,5	99,7	99,8	102,1	100,3	101,1	100,9	101,7	102,4	100,4	98,9
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=100,0/	98,7	101,7	105,7	98,4	97,3	97,2	105,0	99,1	95,8	100,7	100,3
Yearly change of food prices for some social groups %/ /Average of the food prices of the previous year=100,0/											
- Households of wage/salary earners	103,7	110,0	113,5	103,6	104,8	105,0	112,4	106,3	102,1	109,4	120,8
- Households of peasants in cooperatives	103,5	111,1	113,4	102,9	104,7	105,8	111,8	106,3	101,6	108,4	119,6
- Households of pensioners	103,2	110,4	113,4	103,0	104,6	105,1	111,6	106,4	102,0	108,9	118,3
Yearly change of consumer prices for some social groups %/ /Average of the consumer prices of the previous year=100,0/											
- Households of wage/salary earners	104,6	108,9	109,2	104,6	106,8	107,4	108,2	106,9	105,4	108,5	116,7
- Households of peasants in cooperatives	104,6	109,3	108,6	104,6	107,1	107,2	108,1	106,4	105,1	108,4	116,9
- Households of pensioners	104,6	108,3	109,2	104,3	106,8	106,8	108,4	107,8	104,8	108,5	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. and my own calculations.

10/ I wrote in more detail about these processes elsewhere.

See e.g.: Julia Szalai: Health and Health Care in Hungary, UNESCO, Paris, 1987.; Education and Social Policy, Manuscript, Budapest, 1989.

11/ The latest countrywide representative time budget survey of 1986 gives us informations on the amount of time devoted to the informal economy. The comparison of the results with those of the survey of 1977 shows a significant increase, both in absolute and in relative terms. "Our data show, that time devoted to smallscale agricultural production, to house-building activities in the informal economy and to repair-work has been increasing tremendously. It is well known, that these types of work serve basically the reduction of expenditures of the households. However, agricultural production can contribute to the direct increase of earnings, since the ratio of sale is relatively high. Therefore the work-fund of the economy as a whole has not been decreasing. Remembering, that the number of those economically active has been decreasing significantly (between 1977 and 1986 - J.Sz.), then our conclusion has to be a statement about a serious increase of workloads of the relevant social groups. We have to add, that the share of activities in the second economy has been increasing significantly within the whole of the economy, since the ratio of time spent on them was 28,9 per cent in 1977, and 35,5 per cent in 1986." (See: "Time-Budget; Changes According to the Time-Budget Surveys of Spring, 1977 and

Spring, 1986., CSO, Budapest, 1987.) (The report was written by István Harcsa and Béla Falussy.)

- 12/ For detailed data on participation in the second economy around the mid-eighties, see: "Work-activities and the Economizing of Time" (Data of the Time Budget Survey of 1986/87.); CSO - Institute of Sociology, Budapest, 1989.
- 13/ The description here is a summary of the main findings and conclusion on my recent study of poverty of the eighties. See in more detail: Julia Szalai: Poverty in Hungary during the Period of Economic Crisis; Manuscript, Bp.1989.