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Lagging Rural Areas in Post-Socialist Hungary[1]

Abstract: *The early years of the post-socialist era saw the beginnings of massive regional and social differentiation in Hungary, which led to the emergence of three regional types. In the economic race there are those regions that develop vigorously, others that can be labelled as transition regions and still others that lag behind the first two. This holds true both for rural areas and the country as a whole. Rapidly developing rural areas lie in the vicinity of towns and cities with good employment opportunities, in favourable communication hubs, in resort areas or ones existing in isolation across the country. Rural areas lagging behind are invariably situated in regions that rely on heavy industry or only on large--scale farming.*

The lecture discusses, in detail, a survey on a village community in a typical backward region, where the proportion of losers amounts to two-thirds of the local society. It also seeks to identify the causes of the social gap in Hungary's rural areas, to explain why they are trailing economically.

Key words: *Hungary, rural areas, social structure, unemployment*

Historical background

Between the two world wars, economic conditions and social hierarchy were fairly similar in Poland and Hungary (Table 1). In Poland in 1930, 65% of wage earners worked in the agricultural sector and 17% in the industrial sector, while the corresponding figures for Hungary were 51% and 23%, respectively. Agricultural wage earners with no land of their own or with 0.5 hectare at best totalled 20% in Poland and 42% in Hungary.

On the other hand, the bulk of the land in both countries was still in the hands of landowners. This is indeed why I. Szabó, a well-known Hungarian historian, labelled the then Poland and Hungary the lands of 'myriads of nobles'. A high proportion of the nobility and hired agricultural labourers was only typical of Poland and Hungary between the two world wars. It was a completely unknown

[1] The study was prepared as a part of Research Project T04329 under the supervision of the National Board of Research Development.

Table 1. GDP per capita in USD at its 1937 value

Country	USD
UK	440
Sweden	400
Germany	340
Belgium	330
Netherlands	306
France	265
Austria	190
Czechoslovakia	170
Hungary	120
Poland	100
Romania	81
Yugoslavia	80
Bulgaria	75

Source: Berend, Ránki 1978, p.523.

phenomenon to the West and the East of the two countries. At that time in Western Europe middle-class peasant farms were prevalent, while in the Balkans small holdings were the norm.

I. Szelényi prepared a schematic diagram of the social hierarchy of Hungarian villages in three different eras (Figure 1):

1. The period before 1944 (with the social hierarchy prevailing at the time being the outcome of the development between the two world wars);
2. Immediately after collectivisation, i.e. in the early 1960s;
3. In the early 1980s (with the social hierarchy prevailing at the time being the outcome of the development during the 'heyday' of the state socialism).

He found that a duality characterised the hierarchy of rural society in all the three eras, duality meaning the simultaneous presence of feudalistic stratification and social hierarchy. In addition, feudalistic stratification influenced the development of social relations more profoundly than did social hierarchy. However, while feudalistic stratification prior to 1944 was modelled on feudal traditions, it was brought about by redistribution during state socialism.

A large-scale land reform was implemented in Hungary in 1945. One consequence was that 650,000 families earning a livelihood in agriculture were granted land. By 1961, full collectivisation of agriculture had been completed. From then on, state farms and production cooperatives cultivated 96% of the available land. Cultivated by pauperised self-employed peasants, the remaining 4% continued to be in private hands (Figure 1/B).

In contrast, in Poland (the only exception among countries under Soviet rule) no full collectivisation was ever implemented. In fact, a farmer could keep up to a

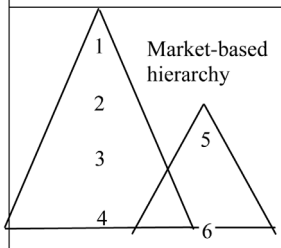
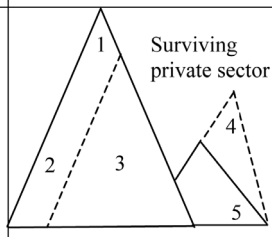
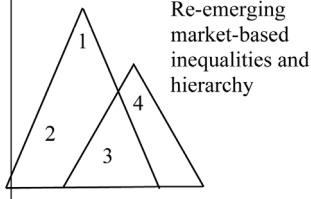
(A): Prior to and in 1944	*(B): Immediately after collectivisation in the 1960s*	*(C): In the early 1980s*
Traditional feudalistic stratification	Feudalistic stratification based on redistribution and bureaucracy	Feudalistic stratification based on redistribution and bureaucracy
		
Structural positions (A) 1. Landed nobility 2. Genteel middle class 3. Landed peasantry 4. Landless agrarian proletariat 5. Business middle class: bourgeois peasantry 6. Wage-earning labourers in the private sector of the economy	(B) 1. Cadre elite 2. Agricultural and industrial workers 3. Peasant workers (between the first and second economies) 4. A 'truncated area', from which former peasantry and bourgeois peasantry moved and were included in the hierarchy based on redistribution and bureaucracy 5. Pauperised self-employed peasantry	(C) 1. Cadre elite 2. Agricultural and industrial workers 3. Peasant workers 4. New entrepreneurs (part-time or full-time)

Figure 1. Social hierarchy of Hungarian villages
Source: Szelényi 1990, p. 389

maximum of 100 hectares of the land. Even as late as in 1989, only 24% of all land was cultivated by state farms or production co-operatives, the rest remaining in private hands (Bański, Stola 2002). Forcing this solution down the throats of the then Soviet leadership was attributable mainly to the influence of the Roman Catholic Church, which was strong compared to that of its Hungarian counterpart. During the era of state socialism some of those who cultivated sizeable tracts of land in Poland had viable modern farms. However, most peasant families, especially in the south-east, had just few hectares of land to cultivate and mostly obsolete equipment to cultivate them with. Government aid to agriculture was meagre, and often failed to reach smaller farms. As a consequence, they could only practise subsistence farming and were unfit or scarcely fit for market production.

Prior to state collectivisation, the agrarian population's attachment to private farming had always been very strong in Hungary. Relying on the Soviet model, the communist leadership in Hungary made efforts to put an end to it, sometimes resorting to brute force, but they only achieved it with collectivisation. Between 1948 and 1956 the most industrious farmers were at the receiving end, so they fled agriculture. After 1960 the party leadership realised that they had better make the most of private initiative – human resources in modern parlance. In 1961, immediately after the establishment of production co-operatives, the so-called household plot project was initiated. Under this arrangement, production co-operative members were each granted a 0.5 hectare piece of land, which they cultivated in a manner of their own choice. Later factory workers also became eligible for a small plot of land. This opportunity was mainly seized by first-generation factory workers. Initially, they only managed to meet their own consumption needs. Later, however, they switched to primarily labour intensive cultures (e.g. vegetables, fruit and sowing seeds) and animal husbandry (pigs, cattle and poultry), while remaining closely integrated with co-operatives. In other words, co-operatives provided the necessary input and bought up the produce. As it was the era of the shortage economy, the Soviet Union and the other Soviet bloc countries purchased Hungarian food surpluses.

In the 1970s and 1980s one-third of gross agricultural produce was provided by private farms. Statistics classified this type of production as small-scale farming. At the same time, non-agricultural activities were also conducted within the framework of co-operatives. Initially, these non-agricultural farms were involved in raw material processing. Later, however, they produced anything that socialist large industry was unable to manufacture or there was demand for. This arrangement raised the level of employment. Rural jobs were created even through locating some of the obsolete production plants of large urban firms to the provinces. Although wages were low, after work was over in the first job, a second job offered a supplementary income. Anybody was allowed to run an agricultural business in villages and small towns. This was called the second economy. A sizeable part of income was earned here (Figure 1/C).

From the mid-1960s, the government provided substantial financial support for agriculture. Subsidies to it accounted for approximately 3% to 6% of the GDP. The income earned was not reinvested; rather, it financed improvements in living standards. Improvements in villages meant either the refurbishment of existing houses or the construction of new ones. New houses were better equipped with modern conveniences and much more spacious. As soon as the house was complete, the next item on the list of consumer goods was a car, followed by a second home; finally came holidays. This was roughly all the freedom the socialist state dispensed to its citizens. Villagers encouraged their children to move to towns or cities so that they would not have to work as much as they did. They wanted them to have an easier life. As a consequence, villagers became 'large-scale investors' in urban housing construction. By the 1970s living standards in villages had caught up with those in towns and cities. This was a unique

development both historically and regionally. Earlier and in the surrounding countries villagers were poorer than city dwellers. Nevertheless, large spatial differentiation materialised in rural areas, and brought about changes in the hierarchy of village societies (Figure 2/A).

While the social hierarchy of villages used to assume the shape of a symmetrical pyramid (Figure 1) – that is, those at the bottom of the social ladder were the most numerous – by the 1980s it was not the underclass, but rather those on somewhat higher levels of the social hierarchy who represented the highest proportion of village society. The reason for this was that people worked in two 'shifts': one was the first economy (i.e. their primary jobs in factories or production co-operatives), the other was the second economy (i.e. household plot production after work and at weekends).

In 1990, with the fall of socialism, the collapse of the Soviet market, government aid to agriculture slowing to a trickle and farms being privatised, the overwhelming majority of villagers lost their jobs in the first economy. For periods of varying lengths they became unemployed. As this phenomenon affected masses, the hierarchy of village societies once again assumed the shape of a symmetrical pyramid (Figure 2/B). The reason for this change was that the middle classes and those under them had begun to slide down the social ladder.

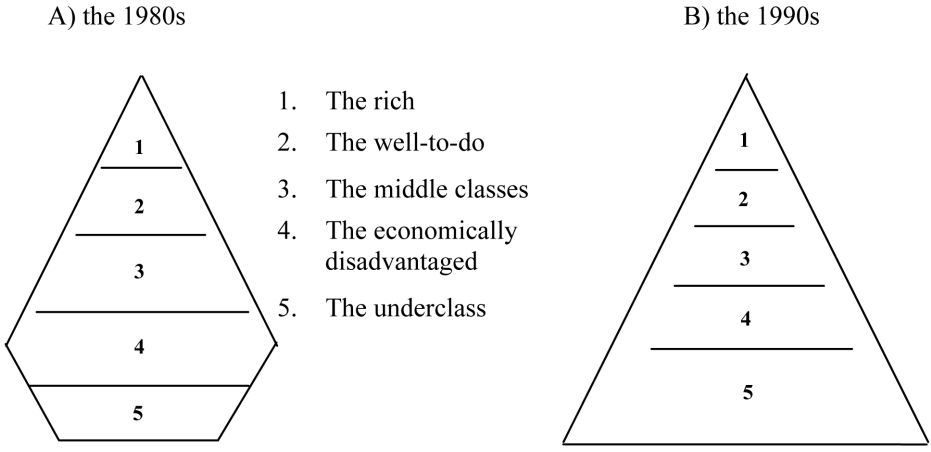


Figure 2. Stratification of village societies A) the 1980s B) the 1990s
Source: Kovács, 1991

Rural societies in the era of new capitalism

Sociologists in Hungary tend to refer to post-socialism as the era of *new capitalism.* In the post-socialist era, territorial and social differentiation proceeded in parallel. While in the 1980s the difference between the income of the richest 10% and that of the poorest 10% of society was 1:5.8, today it is close to 1:10. *The upper middle class*, representing the richest 10% of society, is the winner of this new capitalism. At the bottom of the inequality scale are *the losers*. Accord-

ing to bleak estimates, their proportion amounts to two-thirds of society, while optimistic estimates put it at one-third of the population. Between the top and bottom ends of the scale are *the middle classes*, which have managed to preserve their earlier social status and quality of life. But at the same time it have to mentioned that one of the main sources of differentiation under socialism were not only associated with income differences, but with the non-monetary capacity of accessing goods and services.

No survey has been conducted on the proportion of the individual strata within each settlement type in Hungary. A study on poverty in Eastern Europe found that the poor mainly lived in rural areas (Domański 2001). Still, of all the countries involved in the study[2], this was the least true for Hungary.

The 2001 census data reveal the following breakdown of the 10 million Hungarian citizens by settlement type:

Budapest	Other cities	Villages
17.4%	48.0%	34.6%

Active age population (15–64 years) varies among the settlement types (Figure 3).

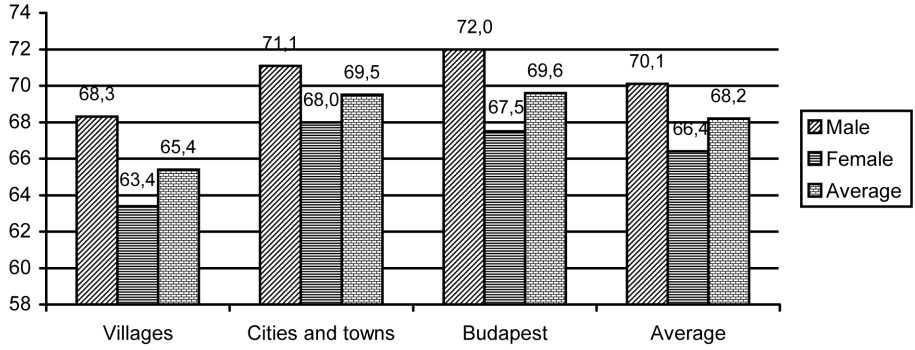


Figure 3. Proportion of the active age population within the individual settlement types in a breakdown by gender
Source: 2001 census data

The reason why the proportion of the active age population is the lowest in villages is that the elderly and children represent the largest share in total population.

There are three large groups of the active age population: the employed, the unemployed and the economically inactive. In 2001, 53% of the active age population was employed in Hungary. The corresponding figure for the EU 15 was 68%. It is safe to assume that the share of those employed in the active age population in villages was below the national average (Table 2).

[2] Bulgaria, Hungary, Poland, Romania, Russia and Slovakia.

Table 2. Proportion of the employed, the unemployed and the economically inactive within the active age population (in %)

Settlement types	Employed	Unemployed	Inactive
Villages	47.9	7.3	47.8
Other cities	53.9	5.8	40.3
Budapest	60.3	4.0	35.7
Total	53.0	6.0	41.0
Difference of village averages from national average	–5.1	1.3	6.8

Source: 2001 census data

The gender ratios of the employed in the active age population are as in Table 3:

Table 3. The gender ratios of the employed in the active age population (in %)

Settlement types	Ratio of the males employed to the number of active age males	Ratio of the females employed to the number of active age females	Ratio of the employed to the total number of the active age population
Villages	54.2	41.5	47.9
Other cities	59.4	48.7	53.9
Budapest	66.1	55.1	60.3
Total	58.8	47.6	53.0

Source: 2001 census data

The ratio of the inactive is especially high in villages. There are also great differences in the spatial distribution of the inactive village population (Figure 4).

One of the major consequences of the changes in the economic and social policies in the 1990s was a dramatic increase in the proportion of the economically inactive and, hence, the unemployed (Figure 5). The proportion of the economically inactive and the unemployed[3] is higher in villages, though they are mainly concentrated in the North East and the South East. Those, who lost their jobs, opted for early or disability retirement, given the opportunity. Younger women decided to become 'full-time' housewives and/or mothers.

The underclass is by no means identical to the unemployed or the active age economically inactive population, though there does exist a close correlation between them. Long-term unemployment leads to financial deprivation. They live hand to mouth, in a state of vegetation. The income of one-third of the Hungarian society is below the monthly average of 100€ per capita. The underclass in rural areas cannot produce food for their own consumption, as they did not learn how to back in the socialist era. This hits children particularly hard, as poverty surrounds them: they experience it at home, in the neighbourhood and at the places of their relatives. This is the social environment in which they grow up. Moral insanity becomes the order of the day for them. A government decree

[3] Persons who co-operate with employment offices qualify as unemployed. Co-operation means that they report to such offices at certain intervals and must be willing to accept suitable job offers. There are some who, after a while, get tired of reporting, which leads to their exclusion from the social assistance system.

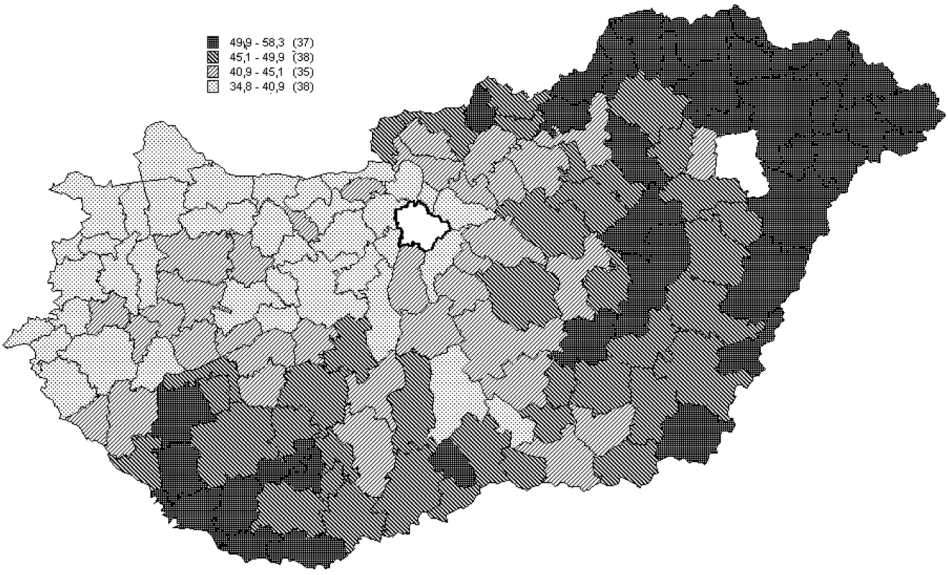


Figure 4. Proportion of the economically inactive village population within the active age village population (The reason why datum for the Hajdúböszörmény small region is 0 is that there are no villages in it. It is comprised of three towns).
Source: 2001 census data

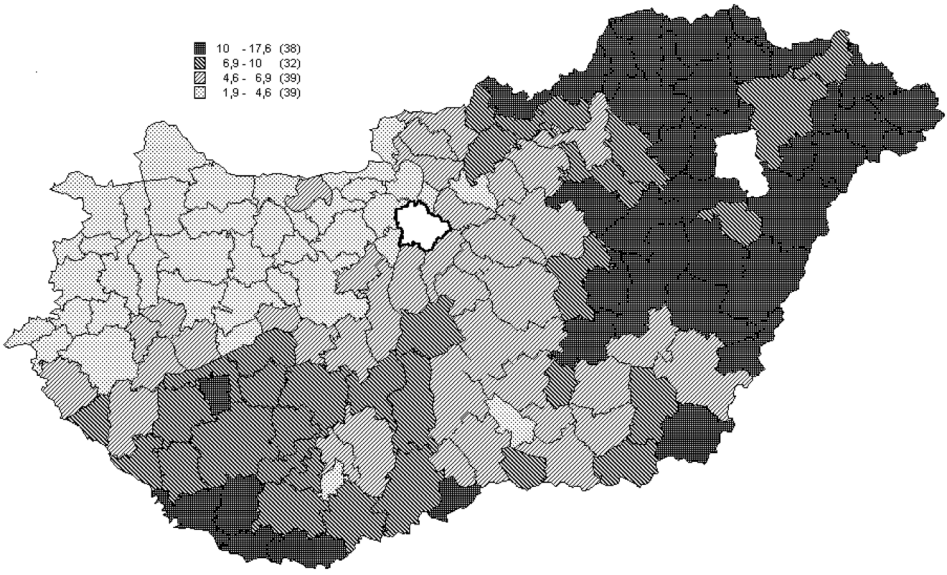


Figure 5. Ratio of the unemployed in villages to the active age village population (The reason why datum for the Hajdúböszörmény small region is 0 is that there are no villages in it. It is comprised of three towns).
Source: 2001 census data

was issued in March 2005 in an attempt to improve things. To ease the situation, from September 2005 onwards, based on means-testing, 130,000 children at kindergartens and the junior section of primary schools are provided lunch free of

charge. Furthermore, municipalities must see to it that children in disadvantaged families do not go without food during school holidays either. Lack of money is often associated with poor health and limited mobility. Their combined effect is long-term marginalisation and segregation (Szoboszlai 2004).

The question arises how Poland – which in the socialist era followed a development path that was completely different (at least as far as agriculture was concerned) from Hungary's – was able to preclude a slump into underclass status on a massive scale.

In this connection, P. Starosta drew attention to the *"peasantisation"* of the countryside: "as a result of the economic crisis and removal of the hidden labour surplus in industry, the number of part-time farmers in the entire economy was reduced considerably. Persons employed in urban industrial firms lost one of their sources of livelihood and became again members of the exclusively peasant class. Meanwhile, lack of jobs in the countryside meant that land had once again become the main source of livelihood for many inhabitants of villages. Possessing land helps to mitigate the consequences of unemployment caused by industrial firms going bankrupt. The surplus of redundant labour is temporarily retained in villages by operating small and medium-sized farms. Thus, sudden impoverishment is partly checked. Processes of social *polarisation are checked* too and *social conflicts are defused"* (Starosta 1994, p. 73).

Social stratification illustrated by the example of a Hungarian village in a disadvantaged region

In 2001 we carried out a questionnaire survey in Somogyapáti, a village in south-east Hungary. One of the objectives was, among other things, the mapping of the social stratification of the village, which lies 6 kilometres from a small town and 50 kilometres from a regional centre. Before the regime change, the majority of the population worked in a canning factory in the town. After the regime change it went to the wall.

The village has a population of 581, translating into 150 households, of which 129 were included in the survey. Interviewees were mostly heads of families, of whom 25% were old age pensioners, 24% had jobs (either in the neighbouring town or in the regional centre), 21% were disabled pensioners, 7% were unemployed and 5% were farmers. To the question 'When did your family live better?', 66% said that that they had been better off before the regime change, 5% said that they lived better now, 21% said there was no difference and 8% did not reply. Figure 6 shows the social hierarchy of the village.

A glance at the chart reveals that, at the turn of the millennium, the social hierarchy, at least in this village, was no longer of the shape of a pyramid, and that the society of this village had become divided. At the bottom of the social heap is the rural underclass, which 'the able' had left behind. Those who remained were no longer wanted by society. Their culture is a subordinated culture as opposed

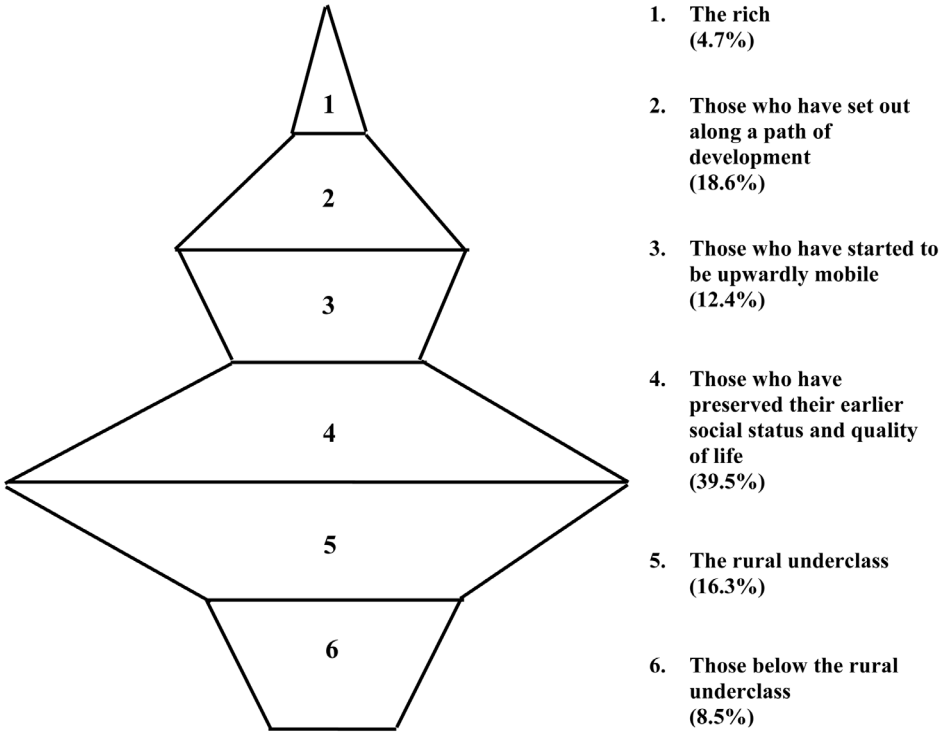


Figure 6. Social stratification of Somogyapáti, 2001
Source: Kovács, 2004

to the mainstream culture. This class is also divided into two. One is '*below the rural underclass*'. Those who belong to this category have one thing in common: they were unable to fit in even during the socialist era, that is to say, they did not have a steady job then either. Women are now full-time mothers, and they do not make a secret of the fact that they have children in order to make a living. Men receive income support and take odd jobs if there are any. Indifference, apathy, alcoholism and lack of ambition are rife. Without a doubt, these people are defenceless. Only 1 of the 11 interviewees said that he also blamed himself for the fate that had befallen him. The rest blamed others for the turn that their lives had taken. 'Rural underclass' means the 'shop floor' in village societies. In the era of socialism members of this class were integrated into the lowest strata of the society. Although they often changed jobs, they had a more or less continuous work track record. With the regime change this became a thing of the past. A typical way out for men is disability retirement and for women is childbirth. They have a low opinion of the village in which they live, and they expect municipalities to provide jobs for them. They are unhappy with their lot and it is they who criticise public safety the most. Certain members of both groups often commit crimes for reasons of livelihood.

The living conditions of those who have managed to preserve their earlier status and quality of life stagnate. They exercise moderation in their needs and their

state of mind can be characterised by contentment. They take life in their stride. In the former regime they constituted the working class. Today they are mostly old-age pensioners.

Above them at the next rung of the social ladder are those who 'have started to move upwards, but they can still slide back', as it is still uncertain whether they have set out along a path of development. They are the ones with the strongest attachment to agriculture. They cherish ambitions, have plans and a vision for the future and work hard to turn them into reality. They are middle-aged and – more often than not – single or live in a single-parent family. If these families were two-parent ones, they would be able to set out along a path of development. In villages the lack of co-operation between family members, mainly between those of similar age and belonging to the opposite sex, may hinder career advancement.

In villages, those who set out along a stable path of development are better qualified than the persons included in the previous category and all are married or have a live-in partner. As a rule, they have a steady job. Along with professionals, they constitute the village middle classes.

Above them are the rich, who mostly declined to be included in the survey. They do not have local roots, as most of them moved there after the regime change. One group contains such Hungarian nationals as a well-known pop star or an entrepreneur from the neighbourhood of Budapest. They have employees, raise horses, had a large house built and have their large courtyards surrounded by walls. The other includes foreign nationals, like the Swiss, Germans and the Dutch, who do up old houses and rent them out to their fellow countrymen. These groups have no contact with local people, and form a closed community.

Social inequalities are growing year by year, and this fact is particularly conspicuous in rural regions.

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