10 años de España en la Unión Europea.

Political Transition and Social Transformation in Hungary.
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The dynamics of Hungarian society and politics in the mid-1990s are shaped by the interaction of two forces. These are long-term processes of socioeconomic, spatial, and cognitive transformation of human actors and their physical environment, and rapid short-term changes in political institutions and public policies that the label “transition” denotes. The task at hand is to determine the salience of each to Hungary’s chances of implementing the region’s new postcommunist agenda of democratization, marketization, and the rule of law.

Pretransition pacts and understandings between the outgoing and the incoming political elites yielded ambiguous political and socioeconomic outcomes. Whereas these initial agreements made well-crafted provisions for Hungary’s institutional transition from a one-party communist system to a parliamentary democracy, such volatile matters as political justice and societal consensus on postcommunist policy, especially resource allocation, priorities were left in abeyance. At issue is the way in which the new institutional architecture and key political actors — the government, the Parliament, the political parties, the president of the Republic, and the Constitutional Court — have responded to public expectations for employment, stable living standards, and the state’s delivery of social-welfare services.

Hungary’s institutional transition was essentially completed in 1994 with the election of its second-round postcommunist government. However, the country’s socioeconomic transformation is still in progress. From this, I propose as the main hypothesis of this paper an open-ended scenario of manifest conflicts between the requisites, on the one hand, of democratization, marketization, and the rule of law,
and the imperatives of societal priorities and inherently unattainable social expectations for public goods, on the other. The task of reconciliation of requisites with imperatives is central to the new Hungarian democracy’s policy agenda.

In what follows I shall endeavor to identify and briefly discuss both transformative and transitive elements of Hungary’s recent past. In doing so, I shall combine the “functionalist” and the “geneticist” approach to the matter at hand. The former takes its departure from “long-term development of the socio-economic kind with emphasis on structural and environmental determinants of political change.” The latter focuses on “political choice and strategy by actors during the actual transition process”\(^2\). The aim is to set a framework for an argument concerning socioeconomic continuity and political stalemate in the mid-1990s. Accordingly, the following discussion will address: 1) Hungary’s Kadarist socioeconomic and institutional legacy; 2) elite-brokered institutional change — opportunities and internal contradictions; and 3) postcommunist socioeconomic trends, institutional performance, and public perceptions.

THE KÁDÁRIST LEGACY: A Viable Precedent?

Four decades of communist rule left a lasting imprint on every facet of life in Hungary. The coercive imposition of the Soviet model created political institutions, set patterns of resource allocations, shaped social interactions, and helped embed new and reinforce traditional values and cognitive orientations. The results are still with us today. To a remarkable extent, they are still defining characteristics of politics, the economy, the society, and public beliefs in the sixth year of “existing democracy” in Hungary. Much of this is true for the postcommunist states and societies of East Central Europe.

Since the onset of communist rule in this part of the world, indigenous East European versions of the evolving -Stalinist, Khrushchevite, Brezhnevite, and Gorbachev’s- Soviet model have yielded different national patterns. These have included ruling styles, economic strategies, social dynamics, and, though in the end the political outcomes were the same, different transition scenarios as well. National differences were due to historic traditions (including native political cultures), Soviet alliance-maintenance priorities, economic exigencies, the regimes’ legitimacy-building strategies, idiosyncratic leadership behaviors, and the national elites’ and the general public’s collective conduct under steady-state and stressful conditions.

Despite or because of the proliferation of unhelpful labels, such as “goulash communism”, “frigidaire socialism”, and the like, Hungary’s differentness from the rest of the communist bloc remains a somewhat elusive proposition. My own
investigation of the postwar record yielded six factors that, to a greater or lesser extent, set the country, its political regime, developmental strategies, and elite behavior apart from its similarly-communist-ruled neighbors. These are a) the exceptional harshness and the sheer dimensions of Stalinist political, economic, and social mobilization between 1948-1953; b) the revolution of 1956; c) Janos Kádár’s coercive-terroristic, and subsequently consensus-seeking political leadership; d) the regime’s sustained commitment to legitimacy-building through economic reforms; e) mutually self-limiting instrumental interaction between the regime and its internal opposition; and f) the outgoing and the incoming political elites’ pragmatic cooperation that spawned the National Roundtable Agreement (NRT) of September 1989. The basic provisions and the implicit understandings associated with this agreement still constitute the de facto charter for the modus operandi of all key political institutions today.

It is axiomatic that the combination of the generic Soviet-Leninist and the arguably unique aspects of Hungary’s experience under the Stalinist Mátyás Rákosi, the reform communist-patriot Imre Nagy, and the Quisling-turned-”good king” János Kádár constitute an ambiguous and in many ways contradictory legacy.

**Revolution and compromise**

With the Yalta regime, Soviet hegemony, and the ensuing Cold War as historical givens, the Hungarian people and their neighbors had only two available options: accommodation and survival, or resistance and inevitable repression. The second option, that is, an armed uprising against the regime and its Soviet masters in October 1956, was not a premeditated choice but a collective act of public outrage. It was rooted in two widely shared aspirations: the nation’s attempt to regain its freedom, and the people’s seeking to reclaim their sense of personal dignity and civic identity. With this in mind, it can thus be argued that there was an intrinsic causality between intolerable oppression and the revolution of 1956, on the one hand, and between that singular and regionally unique event and the rest of the hypothesized attributes that characterized people-regime interactions in Hungary in the next three decades, on the other.

The precedent of the 1956 revolution is not meant to be an all-purpose explanation for what came to pass in Hungary in the next thirty-three years. Other factors, such as the country’s relatively minor strategic importance for the USSR, the peculiar chemistry of Kádár’s personal relations with his Kremlin superiors, and many other external factors were also responsible for the relatively sheltered environment in which the people and the regime came to craft a common survival pact after the defeated revolution.

Freedom, or at least a longer leash in a cage, can be earned in many ways. Hungary’s choices in October 1956 were either to fight or to submit to the tyrant. In any case, the record is clear that the Hungarian people paid dearly — with blood on the streets of Budapest, with the execution of hundreds, the incarceration of thousands, and the
forced exodus of many tens of thousands — for the “goulash” and the relative personal autonomy that the denizens of the Soviet bloc’s “jolliest barrack” came to enjoy in the 1970s and in the 1980s.

The attainment of normalcy, or at least the absence of debilitating political and economic crises, has been the East European publics’ age-old aspiration. This is to be expected in the part of Europe that served as battleground in two world wars, was the scene of the Holocaust and other acts of genocide, and was the bloody political testing ground for transplanting the Soviet model to alien soil. In any case, Kádár’s Hungary in the 1970s came close to “normalcy” and managed to instil a consequent sense of public well-being that most people still consider as the benchmark against which to measure living conditions and the performance of the political incumbents in the mid-1990s.

Modernization and political steering

What were the main ingredients of those “golden years” of existing socialism in Hungary? To summarize a complex argument, it should suffice to state that the seventh decade of this century brought to Hungary the convergence, and the politicals manipulated payoffs of long-term trends in economic development, social restratification, cultural modernization, and cognitive transformation. Specifically,

- Prewar programs and the communist regime’s strategies of forced industrialization (albeit vexed by cyclical patterns of resource misallocation, hence unbalanced growth) laid the foundations for a semimodern industrial economy with the capacity either for continued misdevelopment or for “midcourse correction” by way of economic reforms.

- Regime-sponsored policies of social mobilization — including the initially aggressive promotion of low-status groups by class criteria — combined with major efforts to upgrade the public’s technical skills and educational qualifications and the regime’s subsequent abandonment of educational discrimination against members of the old middle class together yielded a new social context and, with it, the potential for the rise of a new post-totalitarian society in Hungary.

- In the mid-1960s the regime’s hitherto strident ideological stance gave way to cultural policies that were “socialist in form, national in content.” As an unintended consequence, such policies created new space for the revival of indigenous cultural traditions and also sowed the seeds of a new kind of national identity. The latter did contain elements of low-key nationalism, but it was mixed with a sense of consumerist contentment, bordering on smug pride, over well-stocked food stores, gratitude for the regime’s undemanding ideological expectations, and an unspoken endorsement of the self-effacing national leader’s “anti-cult of personality.”

On the “Materialist” and “Post-Materialist” (M and PM hereafter) scale of values and cognitive inclinations, Hungary’s “homo Kadaricus” was unambiguously “materialist” — but with a twist. Whereas the predominantly M-oriented western
European publics could afford the luxury of preoccupation with consumption and the even greater luxury of pursuit of both M and idealistic PM goals under the solid shelter of liberal democratic political institutions, the average Hungarian was bereft of choices of this kind. The regime’s repressive tolerance helped foster a new context of social interaction. It gave relatively free rein, in the Hungarian sociologists’ terminology, to the “realization of personal interests” in the nonpolitical realm. As the result, a “survival of the fittest” (or best-connected) bargain culture was born in Hungary.

The upshot was the rise of an ameliorated sense of civic identity, political infantilism, and the widespread revival of pathologies of amoral familism. These predemocratic values and deviant behaviors engulfed both the official “first” and the private “second” societies of Hungary6. Corruption and misuse of power above and widespread disregard of laws and administrative rules below were two facets of a symbiotic whole of moral decay and diminished civic competence. These have become modal behaviors that have remained largely unaffected by legal-institutional changes in the postcommunist period.

The temporal intersection of long-term socioeconomic trends with the regime’s decision to revitalize the economy by means of the New Economic Mechanism (NEM) was not a coincidence, but a matter of the incumbents’ political survival. The latter called for ideological innovation and institutional adaptation in the political realm. The task at hand was the redefinition of the ruling party’s style of governance from the “vanguard” to the “system-management” mode and the consequent empowerment of the state for the implementation of the party’s political will7.

Reforms: intended and unintended outcomes

Postmobilization statism was an inevitable corollary of the communist system-building process. The party’s hands-on management style became increasingly dysfunctional to the steering of a complex economy and a modern society. To stay on the top, the regime’s voluntaristic decision-making practices had to be brought in line with the requisites of cost-effective administrative implementation of the Politburo’s Delphic policy directives by the state. Institutional devolution was effected, both in Hungary and elsewhere in the Soviet bloc, by growing functional differentiation and the division of administrative responsibilities between the party and the socialist state.

The NEM began as an reform program with limited, mainly economic, objectives. For a variety of reasons, which I have discussed elsewhere, the NEM became a kind of Archimedean lever with which the regime, quite unwittingly, reshaped Hungarian politics, the economy, and society6. The story is complex, but what matters for our purposes is that notwithstanding its political ups and downs in the 1970s, the reform experiment liberated a multitude of hitherto latent political, economic, and social forces that eventually led to the demise of the political regime in the late 1980s. The party’s temporary power
sharing with the state for the implementation of reforms soon became a zero-sum proposition. The main beneficiaries were the state, the large industrial enterprises, regional power centers, and key “transmission belt” policy lobbies, such as the Trade Union Federation, the Young Communist League, and the technocratic intelligentsia.

The erosion of the political center’s authority was hastened by the incipient, but by the early 1980s full-blown, administrative autonomy of the system’s main institutional actors. With the onset of the succession crisis and Kádár’s decline as authoritative leader, new political space was created — and promptly filled by aspiring successors, assertive policy lobbies, and, increasingly, by democratic, reform socialist, and populist opposition groups. The rest, such as Kádár’s ouster in May 1988 and the regime’s negotiated liquidation a year later, is history that need not be retold here.

To sum up, from the interaction of long-wave processes of economic development, cultural modernization, social restratification, and cognitive transformation and the political regime’s adaptive political strategies, there evolved a peculiar kind of stalemate between the rulers and the ruled of Hungary. To politically survive the regime’s declining economic performance, the party retreated into a “rearguard” and ostensibly “hegemonic” mode of leadership. In doing so, nonparty actors — the state, the policy lobbies, the local communities, and various semiautonomous elite groups — occupied the abandoned bastions of power and sought to reshape the political arena to the benefit of sectorial interests.

Power realignment at the top was made possible by the NEM-induced transformation of many wage earners into semisovereign consumers and semiautonomous second-economy entrepreneurs. Although neither full-fledged citizenship nor a new civic society was in the cards, the NEM was the midwife to the birth of a new Hungarian middle class with an agenda of its own. As may be inferred from opinion surveys, the central themes were personal autonomy, job security, social incomes, law and order, and fear of political instability (neither the public nor the elites spoke of political democracy, free elections, and the restoration of national sovereignty). These were modest aspirations that, with the judicious use of sticks and carrots, a younger leader and a less intimidated ruling oligarchy could have accommodated. However, this was not to be.

Stagnant, then declining, living standards alarmed the survivalist elites and brought to the surface the regime’s illegitimate origins. At issue was the incumbents’ political responsibility for the impending collapse, in János Kornai’s phrase, of the “premature welfare state” in Hungary. The elites and the “homo Kadaricus” for whom they spoke had a vested interest in preserving the modest achievements — “little freedoms,” little cars, and well-stocked food stores — that Kádár had bestowed upon them since 1968. Each cohort in its own way comprised insecure, egalitarian, viscerally antimarket, frustrated petty bourgeois consumers. Each yearned for stability, strong leadership, and a predictable future — but not necessarily of a liberal democratic kind.
NEGOTIATED REVOLUTION:
ISSUES, PARTICIPANTS, AND OUTCOMES

The historic NRT negotiations of June-September 1989 between the outgoing reform-communist incumbents and the Opposition Roundtable (ORT)-affiliated intellectuals had two principal objectives. The first was to reach consensus on the modalities of Hungary’s peaceful institutional transition from one political system to another. The second pertained to the empowerment of citizens to become competent participants, mainly as voters, in the postcommunist political arena. Peaceful transition called for a combination of drastic institutional change, such as the withering away of the ruling party and the enactment of a revised constitution; procedural guarantees for party formation and free elections; and mutual restraint to prevent the nonelites from taking to the streets to promote their, possibly radical, agenda.

The regime’s NRT negotiators were “experts,” that is, experienced political managers and their lawyers from the Ministry of Justice. On the other side of the table were enthusiastic political novices, “experts” also in the roles of professionals and academic intellectuals. Their shared objective was the salvaging, retrofitting, and modernizing of the socialist state’s institutional architecture by bringing it into compliance with dimly understood “democratic” and “European” norms. No revolutionary changes were intended by either — outgoing and incoming — elite negotiators. Their common objective was to stake out the legal boundaries of political interaction among the democratically elected rulers (parties-in-Parliament and government), the “semistrong” head of state (the president of the Republic), the system’s new gatekeepers (the Constitutional Court), and the postcommunist public.

The NRT Agreement was as much a confidence-building measure as a list of urgent tasks that needed to be addressed by Prime Minister Miklós Németh’s “government of experts.” The label was self-chosen to denote the onset of a new style of governance by professional politicians, experienced administrators, and apolitical technocrats. The caretaker government’s correct execution and, in some respects overfulfillment, of the terms of the agreement in the months prior to the March-April 1990 free elections served as convincing proof of the outgoing elites’ good faith and commitment to peaceful change. As a reciprocal gesture, as well as a prudent measure to give the incumbent power centers (top bureaucrats, the military, and the managerial elites) a stake in postcommunist parliamentary politics, the opposition’s negotiators insisted on new electoral techniques. They held out for a combination of two ballots — one for a party list, and one for an individual candidate — to prevent the occurrence a year later in Hungary of an electoral landslide such as that of the Polish Solidarity in June 1989 (all in individual districts).
Hungary’s postcommunist institutions were built on unexamined foundations. In the 1980s the old regime’s core legitimacy problems had been socioeconomic rather than political or ideological. The disintegration and subsequent exit of the ruling party cleared the political arena of redundant institutional actors. Whereas new and revamped political institutions could be created with the stroke of a pen — as they were — neither the stagnant economy nor the pathologies of the ailing society were amenable to elite-pacted quick fixes.

The NRT negotiators’ deliberate failure to address economic and social issues was good politics but poor statesmanship. Moreover, the regime’s and the opposition’s flat rejection of the so-called third side’s bread-and-butter agenda left the postcommunist government’s future social partners alone to fend the best they could for the nonelites whom they asserted they represented. Thus, the new institutional edifice of Hungarian democracy was erected, if not necessarily on quicksand, on potentially unstable foundations with the exclusion of the intended beneficiaries from the planning process.

The foregoing critique of the NRT Agreement is not an exercise in “what if?” theories of recent history but is an opportunity to estimate the extent of mismatch between the Kádáríst socioeconomic “base” and the newly crafted political “superstructure”. At issue are the long-term evolution and, in the end, total hegemony of the socialist state and its relationship to the universe of socioeconomic actors under the old regime. Although Hungary’s much-amended constitution provided for a reasonable clone of the Soviet model, the old regime’s governing praxis and the nature of growing instrumental interaction among the state, the policy lobbies, and the agricultural, industrial and cultural managerial elites were, in all but name, pluralistic. Insofar as these institutional socioeconomic actors had sectorial interests to promote, their increasingly assertive bargaining posture vis-à-vis the government could have been best accommodated by emergence of a postcommunist “national salvation front”-led de facto one-party corporatist state rather than by a multiparty, let alone market-oriented, parliamentary democracy.

The “red” barons of industry were absent from the NRT process. However, they had been provided for through “spontaneous” and regime-assisted programs of privatization, thus with the opportunity to convert their economic power into political influence at a later point. On the other hand, the exclusion of trade unions, youth and women’s organizations, and representatives of local governments from the elite pacts of 1989-1990, though convenient for the principals, made for agreements that would prove vulnerable to redistributionist pressures from nonparticipating constituencies. The old regime, with all its faults, had at least listened to them and paid lip service to the legitimacy of their claims for higher social incomes and welfare entitlements.

To sum up, Hungary’s old and new political elites had much in common. Both came from the top layer of the new middle class, both had inherited or acquired status, privileges, and distance from the nonelites to protect and preserve. In terms of group interests and
political priorities, the negotiators represented but a partial spectrum — skewed heavily in favor of the old regime’s, intellectuals and midlevel professionals, of the mid-1980’s mainly meritocratic, nomenclature elites. Their institutional blueprint for the new house of democracy made no provisions for the care and feeding of its inhabitants.

POSTCOMMUNIST HUNGARY: 
SOCIOECONOMIC TRENDS, INSTITUTIONAL PERFORMANCE, AND PUBLIC PERCEPTIONS

Hungary’s freedom was won not at the barricades but at the Malta summit and at the NRT negotiations. Regardless of the venue, the outcome offered a historic opportunity for the fulfillment of the nation’s perennial quest for sovereignty and the public’s aspirations for political freedom, economic security, and improved quality of life in parliamentary democracy. The outcome also raised hopes for the restoration of Hungary’s place in the community of European nations. The realization of these hopes and aspirations hinged on the dynamic interaction of long-term socioeconomic and short-term political forces, as well as on intangibles, such as leadership, ideologies, and public opinion.

The economy and society

Let us begin with the economy. The object here is not to provide a macroeconomic overview but to call attention to such changes in existential conditions — work environment, income, and employment — that had measurable influence on public attitudes toward democracy, market, and government policies.

Central planning, budgetary allocations by ideological criteria, state ownership of means of production, chronic shortages, and in Hungary’s case high external indebtedness, were the main characteristics of socialist economies. Next to the earlier, essentially token, reprivatization of the agricultural sector that was confined to household plots, the revival of the NEM process in the late 1970s was the first step toward restructuring property relations in Hungary. In 1980 the public sector’s share in the “official” GDP (which did not factor in what the World Bank calls the “unofficial economy”) was 90 percent, versus 10 percent domestic private and zero percent foreign owned. The shares of these sectors in the GDP changed dramatically in the next fourteen years. The respective percentages and years: 76, 23, and 1 (1990); 70, 27, and 3 (1991); 56, 36, and 8 (1992); 42, 45, and 13 (1993). However, inclusion of the unofficial
economy, the actual public-private-foreign ratios were 83, 17 and 0 (1980); and 37, 50, and 13 (1993). According to a World Bank study, the share of the private (domestic and foreign-owned) sector in the GDP was 70 percent in 1990. Though not all of these are hard numbers, they are nevertheless indicative of major structural changes in ownership and control by nonstate actors.

Major corollaries of economic restructuring were declining output (in Hungary’s case about 20 percent of the GDP between 1989 and 1994), declining incomes (about 8 to 10 percent in real terms between 1990 and 1994), and pronounced shifts in the occupational structure. Of the last, the most notable was the rapid growth in persons employed in the service sector of the economy.

The ratio of employment in the public and private sectors was 49.8 and 50.2 percent in 1993 (and probably lower in the state and higher in the public sector in 1996). The labor force thus divided has been confronted with three state budget-driven and market-driven working environments. The first provided greater job security, better fringe benefits, and lower pay. The “competitive” sector (versenyszektor in Hungarian) offered less job security, fewer fringe benefits, longer hours, and 24 to 30 percent higher pay. The third working environment was the unofficial economy in which people from both sectors traded marketable skills for unreported incomes.

The unemployed and the unemployable represented a novel facet of the macroeconomic equation. The first, about 11 to 13 percent of the labor force, and the second, for which no reliable data are available, are the inevitable victims of a state budget and market-energized triage of downsizing because of obsolescent skills and/or of poor physical health. The combination of the redundant labor force, demographic changes, and the exceptionally high ratio of pensioners placed crushing burdens on the active wage earners. The ratio of economically inactive young and old household dependents to 100 active wage earners was 117:100 in 1987 and 167:100 in 1993.

Other economic indicators of rapid economic structural transformation, such as privatization, bank reforms, foreign trade, external debt, and a host of other “transition issues,” though highly relevant, will not be discussed here. It should suffice to say that Hungary’s comparative economic performance in a postcommunist “from Turkmenistan to the Czech Republic” context of twenty-eight states earned high marks (0.84 versus 0.19 and 0.90, respectively). However, neither such high marks nor Hungary’s designation as an “upper middle income” country in the World Bank’s (IBRD) World Development Report 1996 can account for the social impact of rapid economic change there.

The Kádár regime’s economic strategies and policies of social engineering generated new patterns of social mobility and social stratification. With the exhaustion of the economy’s growth potentials and the onset of political entropy, both processes came to a standstill in 1983. Upon the change of the political regime and the revival of the private economy, new patterns of social mobility and stratification surfaced after 1992.
The key trends in the distribution of wage earners by occupational category between 1980 and 1993 were, on one hand, in the shares of “executive/intellectual” and “white collar” categories from 30.3 to 39 percent, that of “entrepreneurs” from 1.5 to 7.2 percent, and of “independent farmers” from 0.6 to 3.3 percent; and, on the other, the trends showed a decline in the shares of semiskilled and unskilled workers from 28.5 to 17.8 percent, and of agricultural laborers from 15.8 to 5.6 percent.

Changes in the occupational structure may also be viewed as indicators of the economic winners and losers in Hungary’s postcommunist economic transition. According to one estimate, about one million people, or about 20 percent of the active labor force, were “winners,” and the rest were victims of stagnant or rapidly declining incomes and deteriorated living standards. The principal winners were those with higher education (8.1 and 14.5 percent of the labor force in 1980 and 1993, respectively); those with market-convertible skills, and specific elite groups with discretionary access to market- and “unofficial economy”- generated incomes, and the recipients of preferential resource allocations by government agencies.

Longitudinal (1972-1993) trends in the distribution of incomes indicate a gradually widening gap between the lowest and the highest 20 percent of recipients. Whereas in 1972 the lowest fifth received 9.9 percent of incomes, its share remained the same in 1992, then declined to 9.5 percent in the following year. The share of the highest fifth was 33.7, 35.7, and 36.6 percent in 1972, 1992, and 1993, respectively. These data, when put in a national context as measured by the Gini index, attest to a similar trend: 23.3 (1972), 21.1 (1977), 20.6 (1982), 23.5 (1989), 26.0 (1992), and 27.0 (1993). Thus, income inequality did not begin but only gained momentum with the onset of economic transformation in Hungary.

From the public’s viewpoint the problem has not been the market’s high valuation of and rewards for technical and managerial skills and entrepreneurial talents. Rather, it is the life style and conspicuous consumption of the upper one percent that is seen to be unjustifiable by market criteria, as well as morally reprehensible by the public’s quasi-egalitarian standards. Groups and individuals who have become vulnerable on this score are the new — partly managerial, partly “wild East”-type entrepreneurial — business elites and the new kleptocracy of politically-well-connected senior executives of industry, banking, and commerce. The “original accumulation” of these elites’ “capital” — nomenclature position, party membership, and political access — when converted into even higher positions, splendid homes, and luxury cars helped catalyze public skepticism about social justice in a parliamentary democracy.

Both, particularly the first, postcommunist governments have gone to extraordinary lengths to cushion the impact of economic transformation on the public. However, the disbursement of approximately 26-28 percent of the budget — arguably the highest percentage in Europe — for social-welfare purposes has failed to slow down the
exponential growth of those living at or below the minimum living 26 The numbers were one million (1980s), 1.5 million (1991), 2 million (1992), 2.5 million (1993), and 3 to 3.5 million (1994) 27. Though this trend is alarming, the actual dimensions of the problem have yet to be determined by realistic criteria.

Postcommunist poverty statistics are still based on assumptions of the early 1980s, which implicitly juxtaposed the regime’s egalitarian wage policies and ideological commitment to public well-being to Hungary’s, by then sharply declining, living standards. The yardstick of the old bankrupt welfare state is an unrealistic device with which to measure poverty — even in a “social market economy.” For this reason, IBRD and International Monetary Fund (IMF) numbers of around 10 percent ought to be closer to the mark. None of this is to deny the increasing severity of hardships faced by social victims of economic transformation. Poverty is harsh and is growing in Hungary.

On the other hand, it is essential to call attention to the postcommunist “winners” — particularly the overwhelmingly redistributionist, and on the whole well-off, intelligentsia’s unceasing efforts to keep the political incumbents on the defensive 28. The object has been to make use of the poverty issue to forestall, as long as possible, the full implementation of economic restructuring and, with it, the inevitable decline of public welfare, disguised as state patronage of culture, disbursed to intellectuals.

**Political institutions**

Hungary’s political transition was eased, yet vexed, by what the economist Eva Voszka called “the unbearable lightness of non-cathartic transition” 29. The incumbents’ deft avoidance of revolutionary showdowns, correct management of critical transition issues, and businesslike transfer of power to the freely elected new government reassured the public, and thus helped legitimate the new institutional status quo.

The change of the political system offered a onetime opportunity to effect needed institutional changes, as well as to implement the administrative elites’ long-incubating plans for more effective governance 30. The outcome may be called “changing things so everything would remain the same,” but such critical assessments overlook the incumbents’ professionalism and openness to change, and underestimate the new political elites’ determination to install democratic institutions and to restore popular sovereignty.

Due to space limitations, detailed analysis of the specifics of Hungary’s postcommunist institutional architecture will not be provided in this essay 31. Instead, a brief commentary on the underlying premises and inner contradictions of the institution-building process might suffice.

As stated in the Introduction, the country’s new political system rested on the interaction of five — one old, and four new or restructured — institutions. Their structure and intended functions were to be responsive to the old, the new, and the holdover elites’ vested interests; to public expectations for enhanced citizen
efficacy and systemic stability; and to Western pressures for legal-administrative measures for the implementation of democratization, marketization, and the rule of law in Hungary.

The state is the principal institutional survivor of the old regime. As the winner of a two-decades-long power struggle for resource allocation authority with the communist party, the state became central to the workings of the new and restructured institutions. It was the direct employer of 25 percent of the working population and, within it, of 63,000 (in 1969) and 108,000 (in 1990) people working in public administration. Thus, by virtue of its size, the state was “strong” but, in terms of its statutory responsibilities, it was woefully overextended and therefore weak for efficient governance. The state’s deconstruction and its reconstruction along principles of democratic accountability, yet of cost-effective management, were the main task of Hungary’s restyled cabinet government.

The elite pact-makers’ commitment to governability yielded, more-or-less on the German model, a “strong” prime minister — removable only by complex procedures of “constructive vote of no confidence” — and thus with limited accountability to the Parliament. This arrangement conferred broad powers on the chief executive, including those of the initiation of legislative action and of governance by administrative decrees by ministries and other government agencies. Since 1990, 95 percent of bills have originated with the government, and the ratio of laws enacted by Parliament to government decrees with the force of law was 374:1,660 between 1990 and 1993. Although the revised constitution reserved jurisdiction over a number of subjects, such as “fundamental civil rights” to qualified majority vote by the Parliament, the prime minister had ample leeway to govern as he saw fit.

The translation of the postcommunist governments’ political will into administrative action — itself an arguable proposition, given the combined record of three prime ministers since 1990 — has been aided and thwarted by several factors. On the plus side, there was the (on the whole) cooperative, state bureaucracy and the new “superministry,” that is, the Office of the Prime Minister, with the statutory powers to make many things happen — with or without explicit legislative authorization. On the minus side, there was the new regime’s triple mandate — democratization, marketization, and the creation of a Rechtstaat — that brought into being an inherently unmanageable legislative-administrative agenda for the executive branch of the government.

The large-scale exodus of experienced senior bureaucrats from several key ministries to the private sector and their replacement by political appointees contributed to decision overload, administrative improvisation, and interminable delays in rulemaking and rule implementation. To their credit, both governments did what they could to fulfill the general intent of the NRT Agreement and thus lay the legal-institutional foundations
of a stable democracy. However, the results inevitably fell short of public expectations. To overcome perceptions of underperformance, prime ministers József Antall and Gyula Horn — the former more so than the latter — sought to cover up for the government’s unsatisfactory record. The means were the “carrot” of growing social expenditures and the “stick” of blaming historic and external scapegoats — Antall the old regime, Horn the IMF — for Hungary’s economic woes.

In sum, notwithstanding the government’s broad discretionary powers to effect, if need be by administrative fiat, proposed changes, these have been constrained by bureaucratic inertia, parliamentary opposition, the president of the Republic, the Constitutional Court, and the media. A combination of these impediments and of a multitude of self-inflicted political injuries led to the Antall government’s resounding electoral defeat in May 1994. Unless economic conditions improve, which is an unlikely prospect between now and 1998, Horn’s Hungarian Socialist Party (HSP) may have to settle for drastically reduced electoral support and possible replacement by a center-right coalition. The prime minister’s job could become a one-term proposition in postcommunist Hungary.

The political intent of the NRT Agreement and subsequent elite pacts was formalized in the revised and, since 1989 several times amended, constitution, as well as in laws, parliamentary resolutions, government decrees, and opinions of the Constitutional Court. Unlike the written provisions delineating spheres of legal competence, which need not be discussed here, the actual modus operandi of key institutions rests on implicit understandings and informal rules among the political elites. These may be characterized as a kind of floating, yet publicly never fully articulated, elite consensus in which themes of “self-limitation,” “understeering, yet governability,” “institutional self-perpetuation,” “constricted public participation,” and informal political bargaining are the operative components.

Over the years the manifest and latent elements of priority setting, decisionmaking, and interest adjudication coalesced into typical pathologies of postcommunist “transitional politics”: a mixture of dedicated professional and amateurish legislative work; thoughtful and reckless party rhetoric; principled and petty conflicts between top public officials; and disorientation, shared by all actors, as to the proper means and ends of the political game in a working democracy. These were growing pains of an emerging political class. Its members, as cabinet ministers and state secretaries, legislators, behind-the-scenes power brokers in parliamentary committees, party officials, and justices of the Constitutional Court, were searching for their proper roles and institutional personae in the new constellation of postcommunist politics. As will be shown below, the new public officials’ efforts to define their roles by discharging their respective responsibilities have met at best with skepticism, at worst with outright rejection, by the Hungarian public.
Public opinion: patterns of contingent consent

Since 1989 hundreds of polls have been taken to gauge public sentiment about issues of institutional change and socioeconomic transformation in Hungary. These data may be assessed either in a regional postcommunist or in a national context. The two are complementary and tend to support my earlier propositions about the generic and unique characteristics of Hungary’s transition and transformation.

Comparative surveys depict Hungarians as being the “most pessimistic” about their life prospects, “most skeptical” about the possible benefits of the market economy, “most committed” to values of socialism (yet “most attached” to their homeland), and “highest” on Inglehart’s M-PM scale. One could produce another list in which Hungarians are shown as being regionally the “least supportive” of many institutional and policy attributes of the transition period. These findings have left both foreign and Hungarian analysts somewhat nonplussed. Whereas the former tended to mystify the matter by citing the Hungarians’ “traditionally pessimistic outlook,” the latter obfuscate the issue by focusing on the uniqueness of the country’s Kádárist legacy as key to public perceptions. The truth, if there is one, may be somewhere in between. In other words, until and unless longitudinal survey data for 1972-1996 are factored in, these being the cognitive and affective components of the country’s economic modernization and social restructuration since the mid-1960s, both explanations will fall short of adequately accounting for the way the Hungarian public thinks and feels about democracy, market, and law in the 1990s.

Let us briefly consider some recent survey data on politics, political institutions, economic policies, social conflicts, and public expectations of the government. In 1995 one-third of the respondents could not correctly identify parties of the government coalition and the parliamentary opposition. This need not be surprising, because those with a “great deal,” “middling,” and “none whatsoever” interest in politics were 12, 34, and 25 percent of respondents, respectively. However, of those who were “very much” interested in politics, 84.4 percent were prepared to vote at elections.

- Whereas in the early 1990s 80 to 85 percent of the national sample approved of, or at least accepted, the multiparty system, 78.7 percent were either “totally” or “overwhelmingly” critical of the political parties. According to a late 1995 poll, such attitudes were also manifest in the public’s ranking, on a scale of 1 (total distrust) to 100 (complete trust), of political institutions. The president of the Republic (the nation’s well-liked grandfather figure) and the Constitutional Court (which had invalidated the government’s austerity measures as unconstitutional earlier in the year) were at the top with an average rating of 64 each. The political parties were at the very bottom with a rating of 22. The Horn government and the Parliament, with ratings of 27 and 28, were only a notch above the parties.
Evidence of the public’s gradual radicalization may be gleaned from the growing numbers of those who explicitly identify with one or another kind of political ideology: 68 percent in 1989, 85 percent in 1995⁴⁴. Although correlations between growing politicization and trends in public perceptions of social conflicts are unavailable, those who believed that conflicts were “very serious” between dichotomous sets of social actors grew significantly between 1990 and 1993. The pairs were in these years: “rich and poor” 36 and 56 percent; “law-abiding citizens and criminals” 29 and 56 percent; “young and old” 11 and 18 percent; and “believers and nonbelievers” 10 and 16 percent⁴⁵. These data may be illuminated by citing responses of “none” to the question “how much say do you have in your workplace?” which grew from 14 percent in 1989 to 48 percent in 1993⁴⁶.

Along with the public’s declining sense of political efficacy there has been evidence of the respondents’ anxiety over the deterioration of their personal and family status in the social hierarchy. Hungary’s homo Kadaricus, regardless of party affiliation, insists on the preservation of a state-guaranteed generous social safety net. On the other hand, she and he are also highly conscious of their social status. However, determinants of social standing have changed from nomenclature position and politically differentiated access to public goods to market-defined terms of consumption and life style. According to a 1993 survey, 44 percent who identified themselves as belonging to the lower middle class had perceived themselves as members of the middle class in the previous year. The good news is that “political beliefs” were seen by only 6.2 percent as salient to the determination of one’s social status. The bad news is that 46 percent of the sample believed that now it took access to “high job titles” and “informal contacts” to make one’s way in the world⁴⁷.

Much of the foregoing may be summarized by referring to data shown in Tables 1 and 2. Public assessments of the Kádár era according to the respondents’ party affiliation are quite unambiguous. In any case, once the responses are discounted for nostalgia, naivite, and wishful thinking, we are confronted with a set of widely shared and strongly held expectations that cut across party lines. Judged by views of the younger Fidesz and the older HDF voters, differences of opinion, where they did exist, may be attributed as much to demographic factors as to party affiliation per se. Notwithstanding the change of the regime in 1990, the society’s “report card” on the Kádár era changed surprisingly little since 1988⁴⁸. At any rate, it was this electorate that put Gyula Horn’s government in office in 1994.

It is axiomatic that public expectations of József Antall’s Christian democratic government have not diminished since 1993. Indeed, next to the voters’ massive rejection of the Antall regime’s ideological arrogance and political style, it was the mirage of “a loaf of bread for 3.5 Forints” and the return of “experts” to public administration that energized the public to oust the first round government⁴⁹. As shown by the Horn-led socialist-Free Democrat coalition government’s rapidly evaporating public support since March 1995, people still expect miracles of the political regime⁵⁰.
Table 1. PUBLIC OPINION ON THE KÁDÁR REGIME ACCORDING TO RESPONDENT PARTY PREFERENCES (1993) (IN % OF THOSE SAYING “YES,”)\(^{31}\)

<table>
<thead>
<tr>
<th>What were the main characteristics of the Kádár era?</th>
<th>HDF*</th>
<th>AFD</th>
<th>ISP</th>
<th>HSP</th>
<th>Fidesz</th>
<th>CDPP</th>
<th>National sample**</th>
</tr>
</thead>
<tbody>
<tr>
<td>There was economic development</td>
<td>76.8</td>
<td>83.0</td>
<td>89.0</td>
<td>92.5</td>
<td>86.1</td>
<td>89.7</td>
<td>85.9</td>
</tr>
<tr>
<td>People lived better</td>
<td>51.5</td>
<td>69.6</td>
<td>68.9</td>
<td>82.6</td>
<td>70.1</td>
<td>63.2</td>
<td>68.3</td>
</tr>
<tr>
<td>There was significant social development</td>
<td>58.8</td>
<td>72.3</td>
<td>76.7</td>
<td>83.5</td>
<td>73.4</td>
<td>68.4</td>
<td>73.6</td>
</tr>
<tr>
<td>There was law and order</td>
<td>63.8</td>
<td>46.4</td>
<td>48.6</td>
<td>24.2</td>
<td>34.3</td>
<td>38.6</td>
<td>37.4</td>
</tr>
<tr>
<td>There was great oppression</td>
<td>37.7</td>
<td>32.1</td>
<td>32.4</td>
<td>15.7</td>
<td>25.3</td>
<td>24.6</td>
<td>25.5</td>
</tr>
<tr>
<td>They failed to solve social problems</td>
<td>66.7</td>
<td>61.6</td>
<td>66.2</td>
<td>30.0</td>
<td>48.8</td>
<td>59.6</td>
<td>49.1</td>
</tr>
<tr>
<td>Freedom was missing</td>
<td>83.4</td>
<td>77.0</td>
<td>95.5</td>
<td>60.5</td>
<td>66.3</td>
<td>79.9</td>
<td>73.5</td>
</tr>
</tbody>
</table>

* HDF = Hungarian Democratic Forum; AFD = Alliance of Free Democrats; ISP = Independent Smallholders’ Party; HSP = Hungarian Socialist Party; Fidesz = Fidesz-Hungarian Citizens’ Party; CDPP = Christian Democratic People’s Party.
** Of those who did express party preference

Table 2. PUBLIC EXPECTATIONS OF THE GOVERNMENT ACCORDING TO RESPONDENT PARTY PREFERENCES (1993) (IN % OF THOSE SAYING YES)\(^{32}\)

<table>
<thead>
<tr>
<th>The government ought to</th>
<th>HDF*</th>
<th>AFD</th>
<th>ISP</th>
<th>HSP</th>
<th>Fidesz</th>
<th>CDPP</th>
<th>National sample**</th>
</tr>
</thead>
<tbody>
<tr>
<td>See to full employment</td>
<td>98.9</td>
<td>86.2</td>
<td>79.4</td>
<td>82.4</td>
<td>89.1</td>
<td>92.1</td>
<td>88.9</td>
</tr>
<tr>
<td>Take care of the unemployed</td>
<td>91.3</td>
<td>93.8</td>
<td>77.2</td>
<td>92.0</td>
<td>89.2</td>
<td>98.0</td>
<td>98.8</td>
</tr>
<tr>
<td>See to the delivery of health care to the citizens</td>
<td>97.3</td>
<td>93.3</td>
<td>96.0</td>
<td>100.0</td>
<td>92.5</td>
<td>100.0</td>
<td>95.1</td>
</tr>
<tr>
<td>Take care of old and retired persons</td>
<td>100.0</td>
<td>98.3</td>
<td>94.9</td>
<td>98.9</td>
<td>98.6</td>
<td>100.0</td>
<td>98.7</td>
</tr>
<tr>
<td>Reduce differences in incomes</td>
<td>83.4</td>
<td>77.0</td>
<td>95.5</td>
<td>60.5</td>
<td>66.3</td>
<td>79.9</td>
<td>73.5</td>
</tr>
</tbody>
</table>

* HDF = Hungarian Democratic Forum; AFD = Alliance of Free Democrats; ISP = Independent Smallholders’ Party; HSP = Hungarian Socialist Party; Fidesz = Fidesz - Hungarian Citizens’ Party; CDPP = Christian Democratic People’s Party.
** Of those who did express party preference
CONCLUSIONS

The main findings of this paper may be summarized as follows:

-Hungary’s institutional transition and socioeconomic transformation have been interactive parts of an elite-led long-term “third”- and “fourth-wave” process of institutional adaptation, economic modernization, social differentiation and value change;

-The road from institutional protopluralism to parliamentary democracy, from the symbiote of the first and second economy to a market economy, from a new middle class to an emerging civil society, and from the homo Kadaricus of the “jolliest barrack” to frustrated window shoppers of the “saddest shopping center,” is still under construction in Hungary;

-Political sea changes in the past 40 years, were ushered in by cathartic events, such as the 1956 revolution; by strategic leadership decisions, such as the inauguration of the NEM; and by political pacts, such as the NRT Agreement of 1989. In each case, the elites sought to devise political contracts and new legitimating principles to shore up a new modus vivendi for the regime and the public. In each case it has been an institution-led escape from the past, as well as a process to recalibrate the economy, reshape the society, and restore systemic stability;

-Given the multitude of internal socioeconomic and psychological and external (mainly economic) constraints, rapid implementation of the Hungarian “new democracy’s” threefold strategic agenda of democratization, marketization, and the embedding of the rule of law, is not in the cards in the 1990s. Instead of a picture perfect democracy, smoothly working market economy, and contented citizenry, second best solutions will have to do for some time to come. The mismatch between the Kádáríst institutional legacy and the new political architecture, between economic misdevelopment and the imperatives of the market, between moral decay and civic probity have not been overcome - nor will they be anytime soon.

Withal, the glass is more than half full: institutional changes have become irreversible; free enterprise has taken deep roots and will soon dominate the economy; and the people, however dissatisfied with inept politicians and clumsy policies, do believe in democracy and do vote for the party and the candidate of their choice. Hungary is no longer a barrack, but the half-built home of ten million free, albeit discontented, citizens. Democracy works, and it is there to stay.
Political Transition and Social Transformation in Hungary

Notes


4. The paradigm of an “externally oriented state” that Andrew Janos proposed to explain the “divergent developmental trajectories of communist states” fills an important gap in the inventory of standard explanations on the old regimes’ strategic choices when addressing policy dilemmas within national units of the communist international system. Postcommunist East Europe’s dependence on the West poses similar problems for the new incumbents. Janos, A.C. (1996) “What was Communism: A Retrospective in Comparative Analysis” *Communist and Post-Communist Studies*, vol. 29, 1:1-24.


8. pp. 82-116.


10. Interview with Dr. Péter Tölgyessy, MP (Alliance of Free Democrats) October 9, 1995, Budapest.


14. Sik, E., “Valóságdarabok a magyar háztartási panelből” (Factual Segments from Hungarian Household Panel Surveys) in Andorka et. al., p. 165.


23. “The Gini index is a summary measure of the extent to which the actual distribution of income or consumption differs from a hypothetical uniform distribution in which each person or household receives an identical share. The Gini index has a maximum value of 100 percent, indicating that one person or household receives everything, and a minimum value of zero, indicating absolute equality.” Gelb et. al., eds. Report 1994, p. 227. With a Gini coefficient of 23, Hungary was the most “redistributionist” among eight transition economies in 1993. See ibid., pp. 68-69.


36. On these matters, see commentaries in the Hungarian national press, in the weekly *Heti Világgazdaság* and *Magyar Narancs*, and monthly journals, particularly *Beszélő*, *Társadalmi Szemle*, *Kritika*, *Mozgó Világ*, and in scholarly quarterlies, such as *Politikatudományi Szemle*, *Sociológia*, and *Replika* for 1990 through 1995.

37. Many of these have been summarized in the national press and in special reports issued by the principal Hungarian polling organizations, such as Median, Szonda-Ipsos, Gallup, TARKI, the National Statistical Office, as well as by academic departments of various universities.


39. A useful approach might be the development of aggregate indices of long-term social science indicators and corresponding baskets of polling data in a national context as controlled for variance from appropriate crossnational data sets.


42. p. 115.


44. Gazsó and Gazsó, op. cit., p. 141.


46. p. 779.


másik társadalom. A lakosság, a párttagság és az értelmiség képe a pártrol” (The Other Society. Views of the Public, Party Members, and the Intellectuals on the Party). Shown as Table 19 in Tökés, “Murmur and Whispers...”

49. As the Free Democrat ideologue Miklós Szabó explained, “There is a widely shared myth about the Nemeth government [of November 1988 - May 1990]. It hints at a popular belief that the entire Kádár era had been a kind of prelude to 1989-1990 as having been a protracted, but on the whole well-intentioned attempt at reforms and at making the country a more livable place, rather than the Hungarian version of Brezhnevite stagnation.” Szabó, M. (1996) “Multunk jelene. A hatalomváltás kritikai hagyománya” (The Presence of our Past. The Critical Legacy of the Change of the Regime) Beszelő, June [Internet edition], http://www.enet.hu./beszelo/4-05.htm p. 7 of 8.


52. Ibid., p. 138.