

From State Socialism to Postsocialist Capitalism

Comments on “Class and the Social Embeddedness of the Economy: Outline of a Normative-functionalist Model of Social Class” by Ákos Huszár

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ABSTRACT: While appreciating the novelty of Ákos Huszár’s model, the article criticizes his normative concept of capitalism by drawing the attention to the essential differences between postsocialist capitalism and the normatively understood West-European and Anglo-Saxon capitalist development. Privatization has never been accepted by Hungarian society as legitimate. The dispossession of the working people, who were the “owners” of property in principle, reinforced unequal competition. This undermined social trust in the established norms and the new democracy, which rendered democratic institutions essentially fragile in Hungary.

KEYWORDS: postsocialist capitalism, privatization, unequal competition, social trust, underclass

Introduction

Ákos Huszár’s ambitious theoretical attempt to develop a new model of social class is a pioneering project, all the more so because class theory seems to have no place in modern sociology. This is especially true for the postsocialist countries, where the eventual and rapid collapse of communist regimes discredited the legitimizing narratives of official working-class histories; the events of the transition years disproved notions of a simple equivalence between class position and class consciousness that characterized the dominant trends in Marxist thought. There was no country in Eastern Europe in which workers supported any kind of democratic socialist alternative to the existing system. Nor was the East European political and intellectual climate favorable for revisiting working-class histories after the change of regimes: all forms of class theory were regarded as utterly discredited, and the working class was often uncritically associated with the state socialist past as intellectual elites invested in futures based on embourgeoisement which downplayed the social and political roles of industrial workers. Against this

mainstream current, it is refreshing to read an article which seeks to outline a new model of social class.

I am, however, critical of the way Huszár employs the normative concepts of both postsocialist capitalism and global capitalism in order to show that a certain degree of inequality is tolerated (furthermore, sanctioned) by society. While I agree with two central statements of Huszár that: (1) economic functions are embedded in social norms; and, (2) postsocialist transformation requires special consideration when developing new class models in Eastern Europe, in my critique I would like to take a closer look at the social norms, or rather the violation of these social norms, under postsocialist capitalism. That said, my paper is divided into five major parts. The first section introduces prognoses which critical thinkers formulated during the change of regimes. Here I seek to show that, contrary to the optimistic expectations of a quick catch-up with Western levels of consumption (Bryant – Mokrzycki 1994), these prognoses warned of the possibility of peripheral development and the establishment of autocratic regimes. In the second part I discuss the social embeddedness of privatization and I conclude that the way it was implemented essentially violated accepted social norms in the eyes of the public. This is why many people today consider the change of regimes to be illegitimate and why they look at big fortunes with suspicion rather than admiration. The third part gives examples of how the norms of equal competition are violated in the new, capitalist regimes and why the catchwords of moral renewal can be attractive to the “little man”. The fourth part discusses the inequalities of postsocialist capitalism which were not sanctioned by Hungarian society, and which explain why social and political programs that promise greater material equality and a new redistribution of property (which it is claimed will benefit local people rather than multinational or “foreign” capital) are popular among the public. In the fifth and last section I offer a general critique of the *Leistungsprinzip* and the concept of normative capitalism – since, in its radical form, the *Leistungsprinzip* excludes forms of solidarity and collective action and individualizes the representation of labor interests (see e.g. Trappmann 2013). Furthermore, the very existence of the *Realgeschichte* of peripheral development and postsocialist capitalism (with the survival of quasi-feudal elements – e.g. in Hungary [Hann 2012]) contradicts the concept of normative capitalism.

To conclude, while I agree with the project of developing a new class model, I am critical of the thesis that the inequalities of postsocialist capitalism are in line with the social norms accepted and sanctioned by society. My critical approach seeks to show that people are responsive to the catchwords of greater social and material equality and moral renewal precisely because they consider the emerging class structure to be unjust and illegitimate.

Critical Prognoses about the Change of Regimes

I will first reflect on Ákos Huszár's criticism that the class models elaborated in the Western sociological literature fail to take into account the specifically Eastern European phenomenon of postsocialist transformation, so they don't say much about it (and therefore it is necessary to develop a class model which pays sufficient attention to the wider historical-social context and the legacy of the state socialist past). Claus Offe (1996) has argued that such a requirement had not been present at any previous time in history, referring to the problem of what he called multiple transitions. Transition has been studied in the literature but in the former examples transition led from autocratic rule into parliamentary democracies (post-1945 Germany, Italy and Japan, the South-European democracies established in the 1970s, Argentina, Brazil, Uruguay, Chile and Paraguay [O'Donnell et al. 1986]). While in these countries democratic transition took place in a capitalist environment, in Eastern Europe capitalist transformation went hand in hand with the establishment of democratic institutions. Offe argued that the unique nature of the Eastern European change of regimes lay in the problem of simultaneous transformations. He stated that it was unlikely that economic transition could be successful in a democratic environment because of its enormous social and human costs, which would not bear fruit in the lifetime of the "transitional" generation (whose consent is, however, badly needed because democratic transition requires the *legitimacy* of transformation). Thus, Offe reaches the conclusion that the experiment of transplanting western models to Eastern Europe would open the Pandora's Box of paradoxes, which renders it impossible to make a valid prognosis for the future of the region. He, however, assumed that, even in the best case, weak democracies and weak capitalist regimes would be created in the ex-socialist countries, but in the worst case he did not exclude the possibility of *the restoration of a dictatorship*.

In the Hungarian literature Erzsébet Szalai had pointed out this possibility as far back as 1989. The Hungarian sociologist explained the collapse of state socialism through structural factors inherent to the regime (such as the exhaustion of its adaptive capacities) and the appearance of a new elite, which *was no longer interested in the survival of the regime*. According to Szalai's prognosis, the consumption level of the new elite in the new regime would catch up with that of the Western elite (a phenomenon which she calls 'new capitalism'), while the remaining part of society would be affected by massive unemployment, impoverishment and the downgrading of their former social status. In 1989 she wrote:

"I don't exclude the case that in order to halt the continuing economic depression, *the bureaucratic new elite will experiment with the introduction of a reform dictatorship*.¹ This presupposes the support of strong parties. The purpose of the dictatorship is the

1 The emphasis in italics here and throughout the quote is mine.

weakening of the power of the new large industrial manager elite, the enforcement of a compromise, and the mass import of foreign capital... I, however, think that this is no real alternative. Even if the bureaucratic new elite were successful in winning over the strong parties neutralizing the new large industrial manager elite *and excluding the strata, which can't articulate their interest or possess a weak bargaining power, from the political sphere*, the democracy of the elite and the security of foreign capital would be undermined by frequent hunger riots. I think that the turbulent state of society would sooner deter foreign capital from the country than sufficient profit could be accumulated to satisfy the poor and the larger segment of the middle class, which is falling from grace. In order to suppress opposition, harsh and ruthless measures are needed – these methods are, however, alien from the new elite, which studied and worked in Western countries. Further, *a strong dictatorship would be unacceptable in the eye of the Western political public opinion* (whose judgment is important for the new elite). Finally, I expect the weakening of the power of the new elite because the intensification of economic and social tensions would increase its internal conflicts.” (Szalai 1989: 68–72)

The (still) ruling communist party, the MSZMP (Hungarian Socialist Workers' Party), would have to deal not only with mass unemployment but outright revolution should an extensive, “maximal” structural reform program be realized (Földes 1989).

While a revolution failed to materialize, the disappointment of those who hoped for a quick and low-cost “transition” (which as Bryant – Mokrzycki (1994) rightly argue, combined the desire to catch up with Western levels of consumption with the maintenance of universal employment)² manifested itself in the electoral victory of postcommunist parties throughout Eastern Europe in the middle of the 1990s. However, the job security and the standards of living that the masses enjoyed in Hungary under state socialism could not be restored. The social prognosis that Erzsébet Szalai outlined on the eve of the change of regimes was fulfilled in many regards.

The above argumentation sought to support the thesis that any new class concept in Hungary should take postsocialist transformation into account. I fully agree with the thesis that Ákos Huszár develops in an earlier study (Huszár 2012) that the class models outlined by Erzsébet Szalai and Zsuzsa Ferge are good examples of the structural explanation of transformation. Both concepts of state socialism rely heavily on the process of rational redistribution by the state. Konrád – Szelényi (1979) and Erzsébet Szalai formulated a pioneering thesis about the rise of a new, technocratic elite which “administered” the change of regimes in Hungary and profited most from the privatization of state property, next to foreign capital (Szalai 2001). Iván Szelényi's extensive Eastern European studies supported Szalai's thesis that the technocratic elite could convert its economic capital into political and

2 For a critique of “transition” see Bartha (2010).

economic capital under postsocialist capitalism (Eyal et al. 1998). Tamás Krausz documented, using the example of the Soviet Union, how the Soviet political elite turned away from the social program of self-management and the democratic reforms of socialism and supported the neoliberal project advocated at that time by Yeltsin (Krausz 2003). In *Revolution Betrayed* Trotsky had already predicted that as soon as the nomenklatura felt that its political power was endangered, it would not hesitate to privatize state property and thereby preserve its power over society (albeit he was writing about the whole of the Soviet power elite, without distinguishing the technocratic elite) (Trotsky 1937).

As presented above, critical prognoses for postsocialist capitalism were already developed before the actual collapse of state socialism. These prognoses, however, received little publicity and were limited to a narrow group of intellectuals who were critical of both socialism and capitalism (as it actually existed). At the time of the general euphoria the opinions of these circles did not reach wider society – partly because many of the authors failed to distance themselves from the discredited Communist regime (Szalai 2004a).

With or Without Society? The Birth of Postsocialist Capitalism

A new class concept should take into consideration the social embeddedness of capitalism in Hungary. And here it is worth taking a wider look at the history of the development of capitalism in Hungary. As Ferenc Erdei's famous class model of interwar Hungary shows, the country was characterized by a strict caste society, in which "quasi-feudal" structures persisted alongside other elements which were undoubtedly modern; notably the urban proletariat brought into existence by capitalism (Hann 2012). We may find highly critical reflections on this "quasi-feudal" society in contemporary Hungarian literature ("Elmegy a kútágas/Marad csak a kútja/Meg híres Werbőczy/Úri pereputtya/Árvult kastély gondját/Kóbor kutya őrzi/Hivásd a törvénybe/Ha tudod, Werbőczy").³ The rules of equal competition thus "traditionally" remained invalid in Hungary. I will not get into a discussion here about the proposal that neither in developed Western countries is this normative approach valid: England is characterized even today by a caste society and competition between Western enterprises is not equal. However, in the former countries talent is, after all, sufficient for success; in Hungary, meanwhile, success is traditionally linked with string-pulling, something which Gyula Rézler sharply criticized even in the 1930s (Tóth 2011) and the Hungarian writers Kálmán Mikszáth and Zsigmond Móricz even before this. After 1945 there was a massive change in the elite in Hungary; both the Rákosi and Kádár regimes, however, built on

3 Rough translation: "Only the well is left/Deprived of the sweep/Together with the gentry families/following Werbőczy's lead/Stray dogs are guarding/the crumbling walls of the former castle/Make a new legislation/If you can, Werbőczy.." Werbőczy was a famous Hungarian legislator of the 16. century.

existing structures and mentalities. Therefore it is unjust to blame only János Kádár or the leadership around him for the fact that even though an industrial society was created under state socialism, a “quasi-feudal” mentality continued to exist alongside the modern structures, just as it did in interwar Hungary (Hann 2012). I think of the continuing importance of string-pulling, informal individual bargaining (Burawoy – Lukács 1992) and state control of private competition. The appearance of a new elite and the luxurious lives of its members (not even comparable with the luxury of today’s elite!) continue to trigger critical responses from contemporary Hungarian literature and working people (Majtényi 2009, Bartha 2004). Condemnation of the “rich” frequently is reported during surveying: workers complain because worker-peasants live better lives than they do (Bartha 2009). Lately, the same critique has been directed against those who work in the private sector.

And here I arrive at the most essential point of my criticism of Huszár’s study. One of the central theses of his model is the proposition that economic functions are *embedded* in valid social norms. But how do we identify valid social norms in contemporary Hungary? Are capitalist norms represented across the country, or do people feel an essential resentment towards postsocialist capitalism? Indeed, the norms of equal competition have been consistently violated and the “Fall” is linked with the birth of postsocialist capitalism: according to public opinion it was the postsocialist elite who benefited most from privatization – in any case, people who had connections under socialism “were close enough to the fire” to benefit. This is why cases of political corruption and stories of enrichment through dishonest means are widely publicized. Enrichment *in itself* is linked with corruption and disgrace or, even in the best case, with informal bargaining, string-pulling, the use of contacts, etc. in the eyes of the public. This is why the situation of János Kóka (who travels by private plane and wears a watch which costs millions of forints) evoked only envy and disapproval instead of the admiration usually granted a successful entrepreneur.⁴ “Behind every great fortune there hides a sin” – states Ben Mezrich (2010). This statement would meet with definite approval from the contemporary Hungarian public.

Privatization increased social mistrust since postsocialist capitalism everywhere created greater social and material inequalities than those which existed under state socialism. The drastic reduction in heavy industry resulted in massive unemployment and foreign capital created unfair competition for domestic enterprises which badly lacked capital and infrastructural investment (Swain 2011). Western authors also criticized neoliberal capitalism as a new “colonial” project for Eastern Europe (Gowan 1995; Amsden et al. 1994). To the question what kind of new structural positions postsocialist capitalism created in Hungary, we can answer that – in accordance with Western trends – it decreased the size of the industrial sector while significantly

4 This example can be seen as an aberration rather than a product of capitalism of course (see Csepeli et al. 2005).

increasing the share of the service sector in the economy. Outsourcing, however, reinforced structural inequalities between the East and West; this explains the relatively low proportion of capitalists and the high proportion of unskilled workers in Hungary in comparison with Western Europe. Szalai's model thus fairly depicts the state of internationally-structured inequalities, or the inequalities *embedded* in the global capitalist economy.

However, this form of inequality was not institutionalized (let alone sanctioned) by Hungarian society. I can explain the Hungarian susceptibility to conspiracy theories through this legitimacy gap ('the postcommunist elite sold the country to foreign capital', 'a narrow elite profited from the change of regimes', 'multinational companies destroyed Hungarian industry with the assistance of the Hungarian state governed by "Communists"', 'they only wanted to acquire Hungarian markets', etc.). My research confirmed the presence of strong anti-multinational feelings and *resentment* among the large, postsocialist, industrial working class even in 2004 (Bartha 2011). Their experience of the change of regime was that valuable factory units were sold, production was reduced as there was no demand for their products and management could not develop the required infrastructure, in sharp contrast with multinational companies which brought new technology to the country (Bartha 2013b). "We can't utilize our knowledge and this market economy has just knocked us out" – this was the general opinion and the feeling of my interviewees. It is not accidental that workers were disappointed "in capitalism": their skills and knowledge were downgraded under the new regime while they had to reconcile themselves with the fact that, even though people were also not equal under the Kádár regime, social-material inequalities significantly increased since 1989. Many of my interviewees complained that their children can't compete with the children of managers, doctors and lawyers who start their adult lives with much better chances (having had access to private language courses, sports classes, dance schools, ski camps, etc.).

Criticism of the new regime failed, however, to translate into a full-fledged anti-capitalist critique. Workers typically expect the state to protect domestic producers from multinational companies and unfair competition, and see a strong state and a kind of "third-road" national capitalism as a positive alternative. This can be explained through many different factors – the lack of a strong anti-capitalist public sphere, the discredited notion of 'the working class' and deeper historical-economic reasons which have tended to conserve the backwardness of the region (Hann 2012).

A Non-normative Capitalism

Here I arrive at my next criticism which deals with the issue of how homogenous the categories of Huszár's class model are. I argue that one should distinguish between public and market sectors because success is achieved through different norms and values. The public sector even today guarantees certain (albeit decreasing) security

and predictability; in the private sector, however, only multinational companies guarantee a predictable career (at least more so than smaller enterprises with less capital). I therefore consider Szalai's model (which distinguishes between multinational sector employees and domestic sector employees) to be relevant. The latter are described as poorly-paid, badly exploited '*bricoleurs*' who are often informally employed and who live from one day to the next, while the former are considered to be part of the new labor aristocracy (Szalai 2004b). At the same time, Szalai stresses the differentiated character of the Hungarian working class; the very weak (or non-existent) class consciousness and the weakness of local trade unions, both of which severely hinder domestic workers from developing into a class – and of course, from representing their labor interests.

Norms of success are likewise different. Ákos Huszár stresses that, in the public sector, the period of service is proportionate to pay and better career opportunities (managerial positions, top functions, etc.) but in reality political connections can (and frequently do) overrule this condition. In other words, we often find, in reality, systematic contra-selection. In the market sector, thanks to increased competition, results count more in principle.

After reaching the conclusion that the structure of vacant positions in Hungary significantly differs from that of advanced Western countries, it is worth taking a closer look at the question of how these positions are filled. Ákos Huszár assumes that this process is governed (or at least should be governed) by a normative order, equal competition and a performance-based pay system. In practice, however, we see that society strongly mistrusts the existing democratic institutions (Laki 2009), and that the technocratic elite of the late Kádár era acquired property through privatization *at the expense of the general public*. As one of my interviewees, a Rába employee who became an entrepreneur, put it:

“Plundering capitalism...the Communist gang which was close to the fire gained fortunes after the change of regimes. Everybody knows this, and it is a different question that the newspaper *Kisalföld* is silent about similar issues. He [the manager] bought two dredgers which the factory bought for 100 000 HUF, but he got them for 5 000 HUF when the unit was privatized. This was an enterprise and what I did was also an enterprise...but we started out with *unequal chances*.⁵ He became the manager of a factory with 500 workers and he invested nothing in his business because he even stole 5 000 HUF from the factory. Nine out of ten enterprises were created this way in this country. I ask you: what is the difference between socialism and today's system? Our balance will always be negative because we cannot produce anything, because they sell everything. We won't have any national property. What was advocated after 1945 – that everything belonged to the working people... now, I ask you, *where* is that property? Either it was sold to foreigners or it went

5 Stress is mine.

into the bank accounts of these types of Hungarian businessmen. I mean also the management of this factory who are stealing the last pennies from the workers – here is the property!”

How then are vacant positions filled in contemporary Hungary? A few empty positions can be found at the top of the pyramid and the majority of capitalist positions have already been filled. It is doubtful that in the given international economic environment and under the constraints of the performance of the Hungarian economy this circle can be extended. In the middle strata, schooling is usually the dominant criteria for getting a job; however, today when it is a European requirement to increase the number of college graduates (although the present Hungarian government advocates the opposite) it is a valid question which criteria really determine the fulfillment of positions, which require special knowledge and which can ensure a satisfactory income. This is one reason why the state can be “omnipotent”, since working in the public sector still carries prestige as the state can offer a secure job, income and career opportunities. The market sector can’t provide enough jobs for (young) university or college graduates. This again reinforces “quasi-feudal” practices and mentalities in the fulfillment of jobs.

Erzsébet Szalai speaks of two models of capitalism in Hungary: the first *laissez faire* model is being replaced by a semi-autocratic/autocratic regime because only major foreign and domestic capital can restore rule over an increasingly divided society (Szalai 2012, 2013). I stress her thesis that capital is creating no new jobs on the semi-periphery (Szalai 2013). The role of capital in the administration of the state is well demonstrated by the fact that the quality of training schools is centrally downgraded by the removal of so-called general knowledge classes from the curriculum – as if those who are at the bottom of the job hierarchy do not need the general knowledge which would help them develop a critical perspective about the whole system (instead of accepting wholeheartedly and uncritically nationalist-populist ideologies, or conspiracy theories favored by the far right). It remains an open-ended question whether an autocratic government can be durably established in Hungary; here I have strong doubts. Time’s arrow points forwards, in spite of the greatest Turul statues, or the most efficient shamanic ceremonies. As Chris Hann (2012) stated, the bitter postsocialist experiences which facilitated a historical perspective focused on the past and the politics of *resentment* (about Trianon, about state socialism, about postsocialism, etc.). Hann’s criticism has much in common with Szalai’s sharp critique of what she calls “new capitalism”.

...and if the Competition is Unequal? The Losers of Postsocialist Capitalism

The next important set of questions concerns the homogeneity of life chances, lifestyles and a common (political) consciousness.⁶ It is well known that the life chances and life quality of the lower classes are worse than those of the upper social strata and they have fewer social contacts. However, in postindustrial societies the real dividing line is not between workers and capitalists (since if we consider an information scientist or a foreman in an Audi subsidiary to be a wage worker, then we can conclude that wage workers live better lives than, for example, self-employed “capitalists” who own small shops) but rather between the employed and the unemployed. And here I am not speaking about the prospects of starvation but of perspectives about the future, since it makes an essential difference what career opportunities a profession offers (and what the consequences are of exclusion from the job market). The normative *Leistungsprinzip* turns essentially *against* workers and employees: after all, they got what they deserved! Under the postindustrial regime, capitalist control over employees significantly increases, precisely because of the abolishment of collective wage agreements. In the market sector the majority of employees are paid according to performance/output, and if (for example) an employee has a low output because of personal crisis, they can only count on the sympathy of the employer.⁷

In an article published in *Le Monde diplomatique*, Marie Bénilde gives a fully-fledged critique of the functioning of American techno-capitalism (the outsourcing of production to China which deprived millions of Americans of their jobs, the employment of a cheap and ruthlessly exploited workforce, cruel working conditions, the banning of trade unions [the former CEO of Apple, Steve Jobs, recommended to Obama that the government should weaken teachers’ trade unions in order to “revolutionize” education])⁸ and we can endlessly continue the list of inhuman and humiliating methods employed by American “corporate” culture (dismissed employees can no longer enter their offices and their personal belongings are sent to them in the post – the method shows frightening similarity to the view under Stalinism that the unmasked “enemy” should be removed from society because, as confirmed criminals, they would surely try to undermine socialism). This appraisal of techno-capitalism is not, however, limited to Steve Jobs and his biographers; as an example I mention here Manuel Castells, one of the first authors to criticize the expansion of the informal sector in advanced capitalist countries (Portes et al. 1989); however, he later devoted a trilogy of books to the Silicon-valley revolution which contains only few criticisms of techno-capitalism. Postindustrial capitalism

6 There is no opportunity here to discuss the anthropological literature in detail. See the impressive work of Ágnes Kapitány and Gábor Kapitány (2007) and Zigon (2009).

7 From the Hungarian literature see Somlai (2007) on the social and human consequences of postindustrialism/postfordism.

8 Marie Bénilde: Az Apple, Steve Jobs és az amerikai neokapitalizmus. <http://magyardiplo.hu/kezdlap/667-az-apple-steve-jobs-es-az-amerikai-neokapitalizmus>

was, however, very creative in how it dealt with the abolishment of collective wage agreements and maximally exploited *Leistungsprinzip* – even at the cost of the extreme exploitation of workers.⁹ After all, even in the case of so-called creative jobs there is a huge (fresh) graduate reserve army at the gates¹⁰...

What can we say about the life chances and the internal solidarity of the communities? I agree with Ákos Huszár that a class model based on occupational categories may be relevant here because the quality of life of a successful domestic entrepreneur does not differ much from that of a manager of a multinational company. However, it is important to call attention to a problematic point of contemporary class models and this is how they define the working class. Zsuzsa Ferge fully and Erzsébet Szalai partly outline a model of contemporary Hungarian social structure on the basis of the relationship between capital and labor. Both consider the working class to be an independent category (albeit they don't speak of class because of the lack of a common class consciousness). I think that both are right in the argument that the workers occupy an *ambiguous* position in the class hierarchy. Membership in the low- middle-and upper classes unambiguously indicates social status, while “workers” *can belong both to the low and middle classes* (Ferge 2010). And this is where I also see the ambiguous position of today's working class. After all, what does it mean to be a worker when traditional large industry has ceased to exist? Is a plumber who works as an entrepreneur a worker? Can we call the badly-paid, lowly-positioned white-collar workers in the service sector workers? And what is even more important: what shapes their consciousness, *the desire of the middle classes to migrate to the upper classes, or is a shared consciousness about those who are excluded rooted in this group?*

Erzsébet Szalai defines workers as being “those who live from the selling of their workforce but they don't fill managerial positions in any sense of the word. This definition thus relies on two factors: firstly, it considers the capital-labor relationship and secondly, occupational hierarchy” (Szalai 2011: 80). Within the working class Szalai distinguishes four groups: graduates who have job security, graduates who lack job security, non-graduates who have job security and non-graduates who lack job security (Szalai 2001: 81). It is important to note that in her analysis a degree only serves as a “ticket” to a better job and it offers no guarantee, while without a degree the “losers” can only hope for a miracle or emigrate if they want to improve their chances.

The above definitions, however, fail to answer the question of whether the lower classes and the working class think in terms of classes (with equal chances in life). On the basis of my labor research, the answer is a definite no. I argue that national-populist ideologies can be attractive “catchwords” *precisely because the notion of class is not widespread in the consciousness of the lower classes* (Bartha 2013b). This is

9 Burawoy (1985) argued very early on that postindustrial capitalism would develop towards hegemonic despotism.

10 See Bartha (2013a) for a more detailed analysis.

understandable and it can be explained precisely through the *Leistungsprinzip*: *who would identify themselves voluntarily as a loser?* Is it not normal that the wage workers in the service sector identify with the middle class and they consider themselves to be white-collar employees instead of wage workers? Ferge and Szalai call the working-class consciousness fragmented; it is, however, a valid question whether today there is class consciousness at all – at least in the lower classes. Traditional working-class communities (which indeed meant living and working communities of individuals) have been dissolved and the term “worker” in Eastern Europe is heavily burdened with the discredited legitimizing ideology of state socialism. And who would identify voluntarily with the losers or the relics of a discredited social(ist) era? It is worth comparing Szalai’s research on youth (2011) with Katherine S. Newman’s American life history interviews (Newman 1988, 1999).¹¹ Newman investigates how the American middle class that was socialized under capitalism experiences downward mobility, and how the habitus (using Bourdieu’s terminology) tries to adapt to the changing conditions and environment. In Newman’s studies, society does not change; the United States continues to regard downwardly mobile families as losers, a notion which is shared by their children who seek to escape from their family environments. Where then is the “revolution” here? Or rather: is it possible (or “profitable”) to rebel against the system in the semiperiphery when the center itself does not move? Instead of the world “revolution” that Trotsky advocated, the periphery has realized the program of “socialism in one country”: its lessons warn us that the opportunities of the periphery are at best constrained by developments at the center.

Of course, we can add that it was not only the state socialist past which created the fragmented working-class consciousness and the weakness of labor representation in Hungary. Foreign investors also preferred trade unions under the tutelage of management and cheap labor to the strong trade unions of the Western model (Tóth 2013). My own research confirms the conclusions of András Tóth: trade unions are generally held to be puppet organizations whose only advantages are the Christmas presents they provide and the holiday accommodation they offer at reduced prices (in enterprises which still have holiday camps or weekend houses...)

A closer look at the Hungarian underclass is even more depressing. When discussing the inequalities created by Hungary’s new capitalism, Zsuzsa Ferge stressed that one million jobs were lost and were not replaced (Ferge 2012). It is important to bear this data in mind when the government speaks of a “work-based” society. Ferge estimates the proportion of losers from the change of regime to be around 45–50%; the situation of about 30–35% remained unchanged and 20–25% won. Poverty is, however, durable in Hungary: on the basis of a panel survey of 3,000 people, from those who were poor in 1992, 60% remained poor after fifteen years, and

¹¹ On Szalai’s book, see Bartha (2012) in more detail.

only 7% succeeded in improving their situations. These are very disappointing data and they support the notion that Hungarian society has become increasingly closed. This explains the ambiguous evaluation of the Kádár regime: a vision of greater social and material equality is confused with a longing for a strong state, order and an autocratic government, a preference that was evinced in many interviews. It is worth citing an empirical study which concluded that in 2000 Hungarians that perceived there were two basic insecurities: public order and income (Ferge 2012: 34). We can find likewise interesting relationships among the variables of gender, education, income and desire for security (also supported in my interviews): women and those with little education more desire security, and there is a marked difference between the poor and the non-poor: among the non-poor 12% were in favor of having more security, while among the poor this figure was 45% (Ferge 2012: 37). In Hungary the only group which ranked freedom highly and held security to be less important and thought that the new system was better than the old one consisted mainly of winners of the change of regime.

Ferge explains the great Hungarian inequalities by referring to history (the survival of quasi-feudal structures, economic backwardness, etc. which have led to the contemporary, sharp political division of the nation). She also points out the excessively great independence of self-governments, something which is also sharply criticized by János Ladányi (2012), who holds it to be one of the reasons for multiple deprivations (e.g. segregation at school). Ferge cites György Kecskeméti who in 1937 sharply criticized the Hungarian “third road” ideologies advocated by the peasant-populist movement:

Today just like in the second half of the 1930s, “*the right-wing political parties seek to win over the social strata, which according to their class and disposition sympathize with the political right, with essentially left-wing promises.*”¹² The left-wing promises are targeted at increasing general material welfare and sometimes they are directed against the rich with an emancipatory rhetoric, but *the right-wing social electoral camp is not enable to universalize these demands*. This is not possible because of the exclusive principle of categorization, which carries an emotional weight (Ferge 2012: 55; emphasis in the original).

If we link these statements with the empirical surveys which show how important the middle class, feeling its social status to be endangered, considers security to be (even at the cost of “limited” democracy), we can understand the social success of the rhetoric of the present right-wing political parties which promise order, security and a “work-based” society (with performance-based rewards).

Poverty is measured in Hungary using TÁRKI’s household panel surveys, the panel surveys of KSH HKF and the EU-SILC (Változó Életkörülmények) panel surveys conducted on large samples since 2005. Ferge gives the following cautious

12 György Kecskeméti [1937] (2002)

estimate: if we hold that the lowest-income social strata is poor (without including the retired), one-third of them (7-8% of the non-retired population) may be poor over many generations. This means 5-600,000 people. The situation of other families who can be considered poor deteriorated after 1989 (it is worth recalling that Ferge estimated the proportion of losers to be 45-50%). Ferge concludes that poverty is not temporary: true, second-hand shops are better than no shops, but second-hand clothes won't help families escape from poverty. Poverty can only be overcome through the help of an elaborate, extensive, targeted social program which would need to be wholeheartedly embraced by more than one government.

Poverty and "social ghettos" existed under state socialism even if the regime tactfully refused to give wide publicity to social problems. One of the outcomes of the change of regimes was the *accumulation of deprivation*. The significant loss of industrial jobs particularly badly affected unskilled workers, many of whom could find no new long-term employment. Ladányi (2012) gives a sadly expressive description of how through the help of a program of so-called rehabilitation of a living area the Roma population was effectively excluded from the city of Budapest and how flats, which were distributed according to social needs, were privatized. As a result, the Roma population concentrated in areas where housing was cheap. These are mainly small villages (*törpefalú*) where there is no public transport, no job opportunities, no schools, no training or public work, no doctors and, in general, no infrastructure which would provide the framework of a decent or at least normal life. These families are thus condemned to live under these primitive conditions and their children will also suffer from multiple deprivations as they rarely even finish primary school. I cite the most important conclusions of Ladányi's empirical study:

"Geographical segregation, the segregation of the poor, and primarily that of the Roma population, sharply increased after the change of regimes. If one looks at the maps of where the unemployed, the uneducated and the Romas are concentrated, these maps are easily interchangeable. The relationship is so strong among the processes of segregation that they show the same tendencies. In the North-eastern, Eastern and Southern and South-western regions of the country there is a concentration of small, poor, and multiply disadvantaged settlements (*törpefalú* or *aprófalú*), where there is a very high concentration of the excluded and multiply disadvantaged Roma population." (Ladányi 2012: 175)

This diagnosis and the data that one-fifth of the population of the country lives in segregation – the facts are similar to those contained in Ferge's book (Ferge 2012) – give a sad picture of contemporary Hungary. Ladányi sharply criticizes Roma self-governments which have failed to represent the interests of poor Romas and (very often) even those of the Roma in general. He also criticizes educational segregation which enables the "good" schools (e.g. church schools) to effectively exclude Roma

children who are considered to be “problematic”. Educational segregation reproduces multiple deprivations since Roma children who attend “special” schools (often schools for mentally retarded children, or for children with behavioral problems) see no positive examples or role models and only experience exclusion. No wonder that many fail to even finish primary school which outright excludes them from the job market. A contemporary Hungarian class model should pay sufficient attention to the problem of a large underclass.

And here we are back to the criterion which significantly determines the life chances of the classes and this is *perspective*. It is not only living standards that are low in the social ghettos but also perspective. After all, what can one do with a primary school (or even with a secondary-school) leaving certificate,¹³ which would be a great step forward for the poor Roma youth? What perspective can a poor young man who lives in a *törpefalu* where there is no employment, and who can't afford to pay rent in Budapest have? I stress my conclusion that Hungarian society is becoming closed – at least for the lower strata. I return to my original question: how are vacant positions filled in contemporary Hungary? Is it fair competition (whatever that means) that determines how (good) positions are filled? After all, many young Hungarians don't even get a chance to participate in higher education – and there are large differences among the market values of the different degrees. Surely a Cambridge or Oxford graduate has different chances than a young man who has gained a degree from a college school in the Hungarian countryside – even if the latter is equally able (perhaps his family could not afford a better university). Where then are the equal chances in contemporary Hungary?

Conclusion: A Critique of Normative Capitalism

A contemporary valid class model should take into consideration the structural position of a country embedded in the global capitalist economy (and its unequal structural relations) and the social consequences for the (semi)periphery. One of these consequences is migration. What will happen to the youth who choose to migrate; how is the government prepared to help them return to their home country, *how can they be re-integrated* and how does having foreign job experience facilitate social mobility? While in the East it is customary to view the West as a “paradise”, many forget that in the West there is also ruthless competition for better jobs and only a few succeed in fully integrating into foreign societies. Thus a *responsible* social policy should effectively facilitate the return of foreign workers if they accumulate enough capital and decide to return home.

Above I sought to outline some critical thoughts about the validity of Western models to Hungarian society. One of the most important features of Eastern

¹³ Abitur.

European societies is that they are not yet crystallized (at least in the middle and upper strata)¹⁴ (Kalb 2012, Swain 2011). It can happen that today's successful entrepreneur will end up in prison tomorrow or won't be able to repay their loans, their degrees in economics and law, which promised a good career at the beginning of the 1990s, may have lost their value by the millennium (let alone degrees in communication or political studies...). The weakening of class consciousness (or its historical weakness) facilitates the strengthening of nationalist-populist ideologies and renders politics unpredictable.

I would like to formulate one more criticism of normative theories. While it is true that economics functions *embedded* in social norms, we can't deny the right of sociologists to criticize these norms – even if they are (deeply) rooted in society. Let's take a well known historical example: in the Germany of the 1930s Nazis sought to win over the masses with the promise of (greater) social justice – after all, they wanted to exclude the Jewish 'profiteers' from society in the name of this ideology! In the 1930s the contemporary Hungarian elite likewise sought to solve the social question through the appropriation of Jewish property (Aly – Gerlach, 2005). Many people were convinced that this ideology was correct, even if many war prisoners were worked to death and major German capitalists profited from the war (Bartha – Krausz 2011). These norms cannot be considered normative.

While the *Leistunsprinzip* may be an important driving mechanism of the economy, we should recognize the traps which the ruthless realization of this norm holds for society. The *Leistunsprinzip* should be counterbalanced with the essential principle of human solidarity – after all, even if there is equal competition (which rarely happens in reality!) this will inevitably lead to the exclusion of the less gifted and the creation of a large underclass. On the one hand we will observe the accumulation and transfer of advantages and all forms of capital (the transfer of cultural capital from one generation to the next is nicely documented in Hungary, see e.g. Szelényi 1992), while on the other hand some families will only be able to transfer a multiply disadvantaged position to their children. One of the most important characteristics of postsocialist capitalism is not that a starving army of proletariat is confronted with a little group of capitalists, but rather that differences are increased in relation to life chances. In Anglo-Saxon and Western societies it is very difficult to fall from grace if one starts from a good position, while there is an increasingly difficult path to travel from the bottom (or underclass) to the lower or middle strata. Disadvantages multiply precisely because many poor young people in the "ghettoes" see no future whatsoever apart from drugs, alcohol and crime, which at least make them forget the lack of other perspectives. On the other hand,

¹⁴ Here I would argue with Szalai who thinks that the mobility of Hungarian society was closed at the beginning of the millennium. There are signs that the *laissez faire* model has been replaced by an autocratic model but politics is likewise incalculable and therefore the social field can also change.

however, inequalities are increasing enormously: students from elite universities are “winners” even as undergraduates (as we can learn from movies such as *The Social Network*). In the underclass the formation of a common consciousness is hindered by the fact that many believe that their “value” is determined by their performance or that they get what they deserve. This is why they aspire to membership of the higher classes; everybody is afraid of social exclusion. Next to Nazi Germany I can cite another historical example: in Stalinist Russia many truly believed that the arrested Communists were indeed spies, enemies and saboteurs and of course, we see many careerists who seek to exploit the social atmosphere of general fear and mistrust. This process is depicted in *Children of the Arbat* by Anatoly Rybakov, where he shows how a young man (a committed Communist) becomes victim of a show trial and even his best friends believe that he betrayed the cause. I can also mention here the book *Wild Swans: Three Daughters of China*, the autobiography of Jung Chang, in which she depicts how her father, a Communist officer, was persecuted by his deputy who aspired to occupy his position in the administrative hierarchy during the cultural revolution. These examples show us that we should be able to criticize social norms, even if they are not violated as spectacularly as they have been under postsocialist capitalism. The next generations will decide whether the ‘heretics’ or the normative scholars were right...

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