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Modernisation of the Rural Regions at the Treshold of the Millennium in Hungary

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SUMMARY

During the second half of the 1990's the modernization processes in Hungary concentrated mainly in the capital and the northern part of Transdanubia (Western Hungary). This paper attempts to answer the question what happened to the settlements and agricultural entrepreneurs in small towns and villages of South and West Transdanubia which left at the periphery of modernization.

Chances to modernization for settlements in the South and Western Transdanubia included in this study are bad, with the exception of Keszthely and Hévíz. This situation is rooted in their geographical situations and existing and renewing differences in the hierarchy of settlements, and in the structures of different firms can be found in settlements. There are considerable structural processes taking place, the class of lumpen-proletariat starting to disappear earlier has reappeared. At the same time process of development of middle-class mentality are going on much slower than it was supposed by some researchers.

KEY WORDS

agricultural and non-agricultural entrepreneurs, development of middle-class mentality, modernization, regional development, social stratification, impoverishment

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Modernizacija ruralnih područja u Mađarskoj na pragu tisućljeća

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SAŽETAK

Tijekom druge polovice 1990-ih, proces modernizacije u Mađarskoj se uglavnom odvijao u glavnom gradu i sjevernom dijelu Transdanubije (Zapadne Mađarske). Ovaj rad nastoji dati odgovor na pitanje što se dogodilo naseljima i poljoprivrednim poduzetnicima u malim gradovima i selima južne i zapadne Transdanubije koja su ostala izvan utjecaja modernizacije.

Mogućnosti modernizacije ovih naselja u južnoj i zapadnoj Transdanubiji koja smo obuhvatili ovim istraživanjem, su osim za Keszthely i Hévíz, loše. Ovakvo stanje je posljedica njihova zemljopisnog položaja, te postojećih i obnavljenih razlika u hijerarhiji naselja kao i u ustroju nekih tvrtki koje djeluju u tim naseljima. Trenutno se odvijaju značajni strukturalni procesi. Stalež lumpen-proletarijata koji je već bio nestao, pojavljuje se ponovno. Istovremeno, proces razvoja srednje klase puno je sporiji od očekivanja nekih istraživača.

KLJUČNE RIJEČI

poljoprivredni poduzetnici, razvoj srednjeg stališa, modernizacija, regionalni razvoj, socijalno raslojavanje

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Post-communist changes and spatial differences

The transition period to the market economy in Hungary has been started much earlier than in the other Middle-Eastern European socialist countries as the first step of the reform processes was the introduction of the new economical mechanism in 1968, emerging partly from the Yugoslavian model at that time. There were new forms of private enterprises starting from the beginning of the 80's, and a series of reforms of economic laws was made possible by the decline of the economic situation after 1985. However, development of the institutional structure of the plural parliamentary democracy and fastening the change to market economy was made possible only by the foreign political situation in 1988-1989.

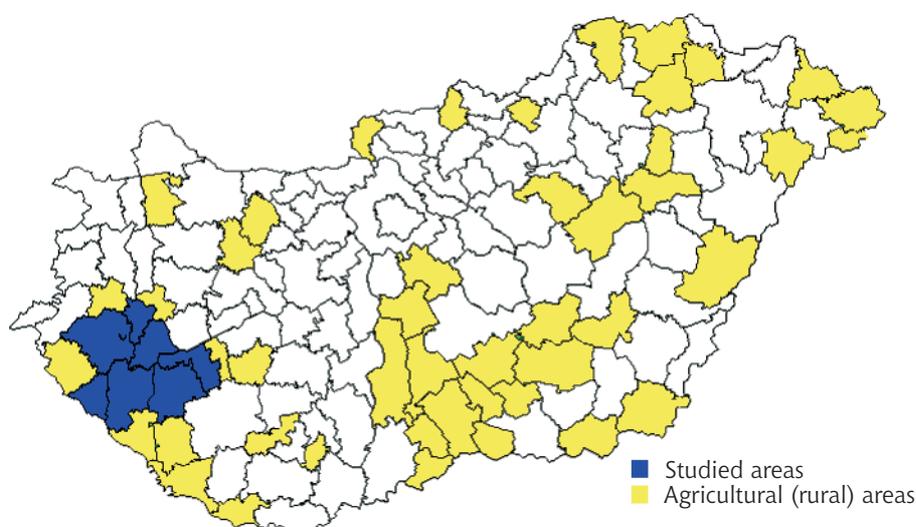
Market reforms (privatization, creation of market institutions, harmonization of European Union laws) starting in 1989-1990 accompanied the crash of foreign markets of Hungary - especially that of in the Soviet Union -, resulting in the nearly 20 percent decline of gross domestic product (GDP) by 1992-1993. The degree of decline was even greater than that of the „Great Economic Crisis” of 1929-1933. Investments and based on the privatization of state-owned properties, multinational and later middle and small-sized Western companies started businesses that time. The value of foreign investments was over 16 billion USD by 1998, and therefore foreign capital achieved fundamental role in Hungarian economy (nearly 70 percent of Hungarian products to be exported are made in factories of some multinational factories like Suzuki, Opel, IBM, General Electric, etc.). Rapid changes of the economical structure not experienced before had also effects on the structure of society. „Pyramid-like” social structure has been emerged by the end of the 90's as the majority of social researchers consider.

During the „post-communist” changes it was proved that neither earlier economic policy nor that of social policy had appropriate tools to ease the rapidly increasing social-economical imbalances and novel political solutions have to be found to solve problems accumulated. European Union became almost the only source for these new political solutions. Efforts for assimilation to the European structures could have been (and can be, as well) realized in almost all fields of economy, of policy, and that of the society, therefore in every respects connected to regionality.

The question of spatiality was first appeared politically as the reform of the regional administrative system in 1990 in Hungary. A new system based on autonomy of settlements was formed contrary to the former municipal councils. The administrative, decision-making role of the counties became considerably restricted and the cooperation between municipalities was set up on voluntary basis. Ambition of joining to the European Union and increasing differences in regional development were those significant factors which forced the parliament to legislate the law of regional development in 1996. The idea of region was first appeared in this law in the Hungarian legal history.

Seven regional councils were created in overall of the country after accepting this law. Regional development councils consist of representatives of counties, settlements, employer and employee organizations, economic chambers, and educational institutions of the given region. These councils possess considerable developmental resources which could be utilized on application basis.

However, the idea of regionalism does not only appear in the autonomy system: a number of associations in the small regions, regional cooperation networks over



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Figure 1. Areas evaluated in this study and the agricultural development of small rural areas

country borders, and other formations were organized after 1990. These regional cooperation units of different sizes, besides their own resources use financial sources paid out by either the Hungarian government or by European Union applications granted for their economic and social developmental projects.

MATERIALS AND METHODS

The evaluation was completed by data survey of 90 questions. Altogether 300 agricultural and non-agricultural contractors were reported from 22 settlements of South and Western part of Transdanubia included 3 towns and 19 villages. In this study it is attempted (i) to give a brief introduction on the spatial aspects of the economical processes could be observed in Hungary in the 90's; (ii) to outline the position of the Eastern regions of Zala and Western regions of Somogy counties, as the thorough objectives of this study in the economical structure of Hungary; and - based on the preliminary results of a data survey of small enterprises done in 1998 - (iii) to reveal those main social stratification processes which could have been observed in the villages in Hungary in the 90's.

Developmental differences in regions in Hungary

Economical development concentrated chiefly onto the capital and on the Northern part of Transdanubia but another center of South-East direction over the capital (Gödöllő, Kecskemét) is under development, as well. Other regions of Hungary like South-West Transdanubia, and so settlements in the triangle of Zalakomár-Somogyvár-Zalaszentgrót studied in this survey, and moreover villages got into worst economical situation (with the exception of Hévíz and Keszthely in the area of Lake Balaton).

What was the reason of this situation?

These changes root in at least three reasons as follows:

1. *Globalization*, which created very strong competition and grants only dynamic and outstanding production, so even the smallest local business activity is placed into a concurrency situation, mainly in field of production, but in trading as well. In case of the latter, small shops have to compete with the extensive trading mechanism (stores) of multinational companies (as an example, Rewe-group built 100 Penny Market during approximately 2 years in Hungary).
2. *Geographical situations*. „Those settlements, enterprises, and families where there are no highways running to, from which Western markets can be considered distant, where there are no elite positions through which capital from monetary redistribution process concentrated onto Budapest could be achieved, there only the losses coming from the original redistribution of capital can be recorded” (MATOLCSY and DICZHÁZY, 1998).

3. *Differences found and created continuously in the hierarchy of settlements*. Settlements studied are in Somogy and Zala counties whose GDP values are less than that of those counties which can be found in developed regions (according to data collected by the Central Office of Statistics in Hungary, GDP per capita was 3300 USD in Somogy county, 4092 USD in Zala county, 8187 USD in Budapest, 4810 USD in Győr-Sopron- Moson county, while the country average was 4402 USD in 1996). Gross domestic product values per capita of settlements investigated were probably much less than that of their counties. Villages have not considerable industrial and trading background, the tourist industry play only limited role in their economy (as is the situation of Zalakomár, Buzsák, and Kéthely), they are in the periphery of the tourist centers.

Differences in the economical development of Transdanubia and that of the Eastern part of the country surpassed less developed Zala region and Somogy county. Gross domestic product (GDP) per capita in Somogy county is only 7,1% higher (equal to 220 USD) than that value of Borsod-Abaúj-Zemplén county. For example, Zala county has only the approximate share of 400-600 million HUF from the 1997 budget of 20 billion HUF of the Phare-projects and most of this sum is for infrastructure development, contrary to projects going on in the Eastern part of the country which have budgets of several billion HUF. However, regions focusing this study on did not participated in any projects sponsored from that above budget of lower amount. There is no doubt that new regional policy has declared the demand for that developmental resources has to be distributed according to official statistical parameters characterizing the economical development of the regions. The best feature of this is the regional value of brut gross domestic product (GDP) per capita since this refers to the regional equivalent of the summary parameter characterizing the development of the national economy. Considering these just distribution of supports and resources could be achieved.

Correlation of the structure of settlements and that of the companies

Three hundred agricultural and non-agricultural contractors were interviewed in more than 20 settlements aiming to map their economical and social situations and, moreover, their past (where did they come from, from which social strata) and their visions on the future. Three towns of Keszthely, Hévíz, and Zalaszentgrót and villages with different population sizes (between Zalakoppány having 500 inhabitants and Zalakomár of 3600) were included in the report. Besides regions of this study are considered in the common knowledge as one of the most developed area of the country, dominated by small and medium size enterprises, our evaluations show much faster economical development of towns and villages in the Lake Balaton area where tourist industry is of higher rank. Small villages are espe-

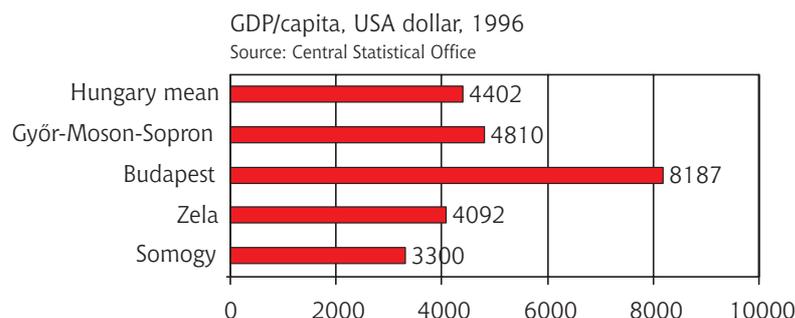


Figure 2. GDP/capita, USD in different counties, in the capital (Budapest), and the country average in 1996

cially in bad economical positions. The vast majority of unemployed persons are living there and ethnic-social problems are deep.

Depopulation of villages has been started after the Second World War. Real estates with lowering values were bought up by gypsy people for 10.000-100.000 HUF in many places. With the disintegration of cooperatives the only employer was ceased in many cases, whereas working places in towns became unattainable because of greater distances and lack of qualification. These are the primary reasons of unemployment can be observed in villages included in this study. There is only one greater company in Nemesvid (in Somogy county) in foreign own manufacturing cable bunches. It give employment to mainly semi-skilled workers and because of it is in a monopolistic position in the surrounding labour market workers earn a bare living. This village has settled down to the strategy of survival, and the majority of contractors are really compulsion contractors.

Middle-size villages are in a somewhat better position. The breaking point for Buzsák, Kéthely, and Zalakomár is that tourist industry and tourist centers (Balaton, Zalakaros) are reasonably close. A part of their population belongs to contractors having own shops and villas in tourist centers or they provide services as bricklayers, painters, restaurant-keeper, or seasonal workers. Concentration of capital and developmental strategies can be observed beside survival strategies in the situation of contractors.

Parents of 57 responders from the overall of 267 took part in some enterprises (from which 31 persons has been working in field of agriculture, 9 did trading- and 8 did industrial activities, and 7 were working in other kind of enterprises) according to the survey presented here. Twenty three contractors followed their parents or grandparents in their business activities, 19 and 57 became compulsory contractors because of losing their jobs and because of having no other possibilities, respectively. So, for one third of contractors doing business activity was the only chance to earn income and with great probability they would quit they business activity and would become labourers if having stable existence (there were 1 million enterprises functioning

in Hungary in 1997, 96.65% of which employing less than 10 employees, classified as micro-enterprises).

The economical inefficiency for the enterprises are well-characterized by the fact that nearly 50% of them use helping hands of family members, friends, or colleagues unpaid and this is returned also by works or by other means. If casual, paid workers are added to the counting than 80% of the enterprises employ labour for what they do not want or can not pay their common duties (considerable part of casual workers work also in the so called „black economy“). From 257 enterprises only 74 has one ore more employees.

Therefore, considerable part of the enterprises are in fact micro-enterprises in poor financial conditions and has to struggle with numerous drawbacks. They can not get credits for they business operations. The areas of their business activities are connected to their villages and to the surrounding rural regions where usually people have restricted financial resources.

Contractors having stable market and good ability to produce profit (maximum of 10% of them) work mainly in towns and cities, where most joint ventures can also be found.

Reorganizations of the village societies

In Hungarian villages of the 90s considerable restructuring processes has been started. The proportion of 15-20% of village employees work in cooperatives and 5-10% of them has the chance to become „citizen-peasant“. Another 5-10% can find a job as labourer in their own villages. The rest of 50% has to work in other place than their home and have to complement their income with works in agriculture, and 20-25% of active rural population live from casual work or from subventions available for unemployed persons.

Two reorganization processes observed side-by-side are stressed here: one is the appearance of rural underclass (lumpen-proletariat) and the other is the development of middle-class mentality.

The process of lumpen-proletariat development concern rural population without any qualification, majority of which are gypsy people. A great part of them also has neither adequate financial conditions nor market infor-

mation. Their situation in the labour market seems to be totally hopeless. Their basic living is ensured by state subsidies for maintaining their families and also by state subsidies for unemployment and for other reasons. They usually do casual works, they are collecting mushrooms, herbs, and other miscellaneous things. In some cases, they do criminal activities.

This multiple disadvantages usually are inherited to their descendants determining their social situations and lifestyles for decades. At that moment, social or state willing to stop fundamentally this situation can not be recognized. Nevertheless, the existence of these villages has incalculable consequences on the whole society (it indicates similar processes than that of in the suburban slum areas).

The second process of development of middle-class mentality can be traced in several dimensions. Cultural dimension, middle-class lifestyles, fundamental value of individualism and middle-class and political rights for freedom connected to these are of primary importance beside strong connections to private properties. Development of middle-class mentality taking place in the country - transition from peasant lifestyle to market-oriented, family-based economy - was delayed centuries in Hungary, as was usually observed in other Middle-Eastern European countries. The role of family enterprises was increasing after the turn of the century and in the period of between the two World Wars, but could not affect fundamentally the position of large estates playing important economical-political role in the Hungarian society. Radical land reform carried out after the Second World War open space for development of middle-class mentality in the country, which was, in turn, upset by collectivization. SZELÉNYI (1990) explained the revival of agricultural family enterprises experienced at the end of the 70's - at the beginning of the 80's as the return to the ground for development of middle-class mentality.

„Processes of development of middle-class mentality which has been started during the peaceful years of Kádarianism created, in fact, the development of middle-class mentality based on the wide-spread „second economy”, the special structure of social inconsistency, which is now under disintegration, the inconsistent system of social disparity becomes consistent, or it is called in everyday speech, winners and losers of the political changes are born.” (RÓBERT, 1994).

The process of middle-class development in the 90's is very complex because controversial effects and tendencies mixed in it. Connected to the increasing number of enterprises the number of owner persons belonging to the middle classes has been grown. At the same time, the middle classes of which existence was found in the „second economy” before the political changes lost their positions. Second economy as social reproducing process and as personal and family-scale source and strategy for income supplement connected typically to the time of socialism, and as so it has no alternative per-

spective. Those who could not move from the second economy to full-time enterprises (because of lack of either qualification, or financial resources, or loss of market, or other reasons) have to be faced to the restriction of their incomes resulting greatly in changing their social positions.

The process of middle-class development means that a considerable part of those who came from the second economy (skilled workers, less qualified intellectual workers, certain groups of the intelligentsia, and lower level managers) will fall out from this social category, and in the meanwhile, newly formed groups evolved in the era of market economy (higher-class managers, contractors, a group of intelligentsia with high qualification working in market conditions) become parts of the middle classes.

As in summary we can conclude that social imbalance caused by fundamental structural changes taking place earlier in the Hungarian society have not only been increased but their characteristics have also been altered. Development of middle-class mentality of the rural regions has been going on slower than was expected by some researchers. Increasing social differences has been resulted in revitalizing of the class of lumpen-proletariat formerly diminished. Besides other challenges regions has also to be faced to these two ones in forthcoming years.

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