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**Márk Áron Éber:**

**Class Structure of 'Hungarian Society' in the Modern World-System**

**A historical outline**

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**Márk Áron Éber**

**Class Structure of 'Hungarian Society' in the Modern World-System<sup>1</sup>**  
***A historical outline***

How can we describe the class structure of 'Hungarian society' embedded in the structures of the capitalist world economy? This study is the first stage in a more thorough piece of work aiming at giving the best possible answer to this question. This historic outline attempts to present the transformation of the class structure of 'Hungarian society' embedded in the structures of the capitalist world-economy throughout a long period of time (*longue durée*). The methodological and theoretical approach of the study is supported by world-systems analysis. The historical analysis will dominate in the study, without a detailed introduction of theoretical foundations.

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The capitalist world-economy as a modern world-system is the global system of capital accumulation. The 'Hungarian society' of the era joined that system in the form of a continental division of labor in the 18th century. The Habsburg Empire developed a division of labor between the north-west and the south-east, similarly to the European continent. The eastern regions (including the 'Hungarian society') primarily appeared on the Western markets with agricultural products and raw materials (mainly with crops, livestock and the raw materials of the metal industry). In exchange, they purchased industrial products of the latest technology from the Western regions. That – primarily – agricultural profile stabilized the agricultural role of the region, thus rigidifying the structure of 'Hungarian society'. Most of the profits of agriculture accumulated in the hands of the land-owning noblemen, i.e. primarily the aristocracy, which strengthened and stabilized the existing structure of estates. The liberation of the villeinage, which could have served as a cheap labor force, was delayed to the late 19th century. Instead, the establishment of villeinage was reinforced.

The four centuries between 1492 and 1914 brought great geographical discoveries and colonization, i.e. the 'discovery' and the subjugation of the 'world' by the Western European core (Böröcz & Sarkar 2012a, 2012b). While East-Central Europe (including 'Hungarian society') joined the capitalist world-economy in a *semi-peripheric* position, the Western European core powers colonized and peripheralized most of the outside world. Therefore, the rise of Western Europe must be interpreted along with the system of relations between the core and the (semi-)periphery in the capitalist world-economy, which expanded worldwide (Böröcz 2009).

Beyond the fact that the 'Hungarian society' of the era joined the capitalist world-economy in a semi-peripheric position, *it has remained in that position to date*, despite the changing historical circumstances. Its 'underdevelopment', 'delayedness', 'lagging', rigidized structures ('refeudalization', the 'deviation' from Western-type development, the 'deformity' of its structures, the remaining estates, the 'second villeinage' and the

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reservation of the personal dependence of the villeinage)<sup>2</sup> *is not an immanent feature of the region, but the historical result of the relations between the core and the (semi-)periphery, i.e. the outcome of unequal development* (Amin [1973] 1977). This East-Central European phenomenon is the outcome of the division of labor between the (north-)west and the (south-)east within Europe and the Habsburg Empire.

### **FROM THE AUSTRO-HUNGARIAN COMPROMISE TO THE PEACE TREATY: 1867–1920**

The formation of the modern class structure of ‘Hungarian society’ is related to the Austro-Hungarian Compromise of 1867, i.e. the birth of the Austro-Hungarian Monarchy. Strengthening industrialization, modernization and urbanization in the 1870s expanded the scope of the capital relations of capital property and free labor: the industrialization of the agrarian country gained momentum (Kövér 1982). Most of the capital necessary came from the overaccumulation crisis of the core. Under such conditions of production, the capital which could not be returned resulted in a profit crisis in the core. The export of capital toward the (semi-)peripheries in East-Central Europe, primarily by Austrian and Czech banks, led to considerable credit and direct capital inflow. On the one hand, this capital investment resulted in spectacular development (industrialization, urbanization, and urban, railway and infrastructure development). On the other hand, the region became more dependent on the capital of the core. Nevertheless, the direct investment broadened the social and industrial structure of modern capitalism by expanding the urban working class and establishing the previously almost missing forms of bourgeois society.

The ‘Hungarian society’ that became more and more embedded into the Habsburg Empire, then into the Austro-Hungarian Monarchy, later on into the continental division of labor and the capitalist world-economy of the 18th-19th centuries, in a dependent position, integrated into wider relation systems of socio-economic reproduction. The capital accumulation of the core and the ‘delayed’ and ‘odd’ embourgeoisement, industrialization, modernization and urbanization of the East-Central European semi-periphery coincided with the expansion, the redistribution and the intensifying exhaustion of the peripheric regions colonized by the core powers. World War I – making an end to the Austro-Hungarian Monarchy – cannot be interpreted without considering the imperialistic struggles of the colonizing powers of the West, i.e. without the colonial-imperialistic struggles of the capitalist class fractions which were used to improve their profit-making chances by means of the military and political apparatuses of the modern Western European states (Böröcz & Sarkar 2012a, 2012b). The tragedy of the Austro-Hungarian Monarchy that lost World War I and was partitioned by the winners was not primarily the ‘dismemberment of the nation’s body’, but the fact that ‘Hungarian society’ *became defenceless economically and geopolitically* (Berend et al. 1976: 435–440).

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The ‘Hungarian society’ of Dualism was not a homogeneous structure. The historical formation resulted in the extrusion of dissimilar structures and the inclusion of different

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<sup>2</sup> See Niederhauser 1962; Pach 1963.

forms (Erdei [1943] 1980). The legal bodies and institutions were similar to the 'real' capitalism of the core, but the content was deformed, the capitalism remained 'simulated' (Leopold Jr. [1914–1917] 1988). Nevertheless, the development of the 'real' capitalism of the core and the 'simulated' capitalism of the East-Central European semi-periphery was interrelated: the 'simulated' capitalism, criticized by Leopold Jr., was subordinated and indebted to the 'real' capitalism of the core (Leopold Jr. [1914–1917] 1988).

The legal principle of *una eademque nobilitas* (rights and privileges of the nobility conceived as a whole) obscured the variety of social positions in the nobility. The real differentiation of noble society evidently remained unchanged even after the elimination of the nobility's privileges (Choncha 1910). The elimination of the legality of the estates, the liberation of the villeins, the introduction of public burden, i.e. the transformation of legal forms, did not automatically lead to a single bourgeois social structure or a class structure. Industrialization, urbanization and the capitalist transformation subverted or reformed neither the entire labor structure nor the whole of the social structure. The first signs of class structure appeared and developed, especially in the urban areas at the turn of the century, although capitalization did not change the whole of the previous social structure of estates. The class structure was wedged into the relations of the estates: as Lajos Leopold Jr. and Ferenc Erdei emphasized, the class structure was seen as a peripheral, "alien", "inorganic" and "colonial" formation. The prestige hierarchy of the estate-based social structure sectioned the property hierarchy and the class structure of the society of the era (Leopold Jr. 1912, especially: 159–160). According to Győző Concha: you could not "find your way in the real labyrinth of society" if you tried to interpret the structure of 'Hungarian society' with the apparent property and class differences without considering the estate differences and prestige (Concha [1927] 1935: 650, cf.: Erdei 1976a: 24). That is why he answers his question "Is there a Hungarian society?" with the provocative reply right in the title: "There is not" (Concha [1927] 1935).

That is the main reason the historian György Kövér argues like this: "In the period we examined [i.e. under Dualism], the class principle was not really well-outlined in the stratification in Hungary. The middle lines were blurred, but the two poles (e.g. dealing with the formation of the local political decision mechanism or a deepstream issue like poverty) could have functioned very much like classes." (Kövé 2001: 98.) The two poles of the bourgeois and the working class, i.e. the upper and lower poles, are apparent, however, this does not define the whole structure of society, it is not the class principle that organizes the whole of the structure. That can be the reason why a contemporary economic and social historian maintains: "...the transformation in the 19th century in Hungarian society reformed the groups – the 'blocks' of the historical-legal estates were cut into behaviour sociological 'chips' in a secular reform – but they formed neither 'new estates' nor 'new classes' at the time." (Kövé 2001: 110.)

## **BETWEEN THE TWO WARS: 1920–1945**

The end of Dualism, the breakup of the Austro-Hungarian Monarchy and the peace treaty terminating World War I reached 'Hungarian society' in a total economic collapse, in a completely new geopolitical and geo-economic environment (Berend et al. 1976: 435–440). The proletarian revolution of the Soviet Republic in Hungary was an attempt to establish a Soviet-type proletarian dictatorship. After its collapse, the Entente, the winner of World War I, along with the national bourgeoisie, was interested in the restoration of

the previous agrarian-industrial or 'feudal-capitalistic' system (Berend et al. 1976: 470–488). Between the two world wars, the attempted restoration in the 1920s of the economy and normalized geopolitical relations suffered a setback due to the global economic crisis of 1929–1933 (Berend et al. 1976: 488–519). The economy recovered from the crisis by establishing a tighter economic relationship with Hitler's strengthening Third Reich, and by speeding up the arms industry, while exactly the same processes (economic, political and military commitment) led 'Hungarian society' to a disastrous defeat in World War II. After the total military disaster, Hungary, the ally of national socialist Germany, got into the sphere of interest of the strengthening Stalinist Soviet Union which was considerably expanding towards the West by the end of World War II.

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As a result of the comprehensive attempt at restoration, the structure of society between the two world wars was similar in many ways to the structure during the Dualist period, although it was not the same. Geopolitically, the Horthy era was mainly supported by the Western core (the Entente) until the crisis of 1929-1933, while later it floated deeper and deeper into the gravity field of the Axis powers (mainly the Third Reich). The structure of society was formed by the rule of the large landowners and capitalist class: it can be characterized by a class structure shaped (or distorted) by the prestige relations of the differentiated estates of the realm. In the thirties, apart from large landowners and capitalist class, a genteel middle class, a wide stratum of state officers, along with military officers, demanded positions for themselves as a result of the approximation to the Third Reich (Berend et al. 1976). The most important pieces of work about the social structure of the period are Ferenc Erdei's so-called Szárszó Speech and two of his manuscripts about 'Hungarian society' between the two wars (Erdei [1943] 1980, 1976a, 1976b, 2010).

According to Erdei, that society was characterized by an "overlapping", "asymmetric, subtle structure of society" and a "multiple compound structure" (Erdei 1976a: 23–25). The reason for this was that the economic structures of the East-Central European societies were capitalized, whilst their social structures were not really and clearly bourgeois structures, but, on the one hand, estate-like historical formations, and, on the other hand, "colonial", "unhistorical" bourgeois growths (Erdei 1976a: 24). The upper and ruling social structure was the continuation of the estate society: a "historical national" society that was formed from the nobility's nation but retained its estate-like organization (Erdei 1976a). The other upper structure was wedged into the previous one but did not pervade it completely: a "modern bourgeois" society with a sharp class differentiation (Erdei 1976b). The latter, however, is "simultaneously a 'colonial formation' and a 'foreign body' inside the general structure of society" (Erdei 1976a: 23). As Erdei argues, "that bourgeois society was made up of the informal elements of the estate society and mainly of foreigners, and was organized as a modern social structure along the surviving historical social structure" (Erdei 1976a: 23). Erdei is falsely interpreted when one says he talks about 'dual society' or 'dual structure'. As described in his manuscript in 1976, the "historical popular" structure or peasantry is pushed below those two upper structures, but mainly below the 'historical national society'. The peasantry is the continuation of the villeinage of the estate society, the lower popular

society of estates (Erdei 1976a: 25). That latter part of the manuscript is also available today (Erdei 2010).

How much can this congested social structure be considered a class structure? According to Leopold Jr., as far as the economic structure is concerned, the East-Central European capitalism is “simulated”, compared to the “real” capitalism of the core. As for the social structure, Erdei argues that “these are also capitalist class societies, but not real and not clear bourgeois social structures, rather estate-like formations or unhistorical bourgeois growths.” (Erdei 1976a: 24.) The class specification of the era has been disputed by historians. The historians’ discourse emphasizing class relations interprets the era as a coalition of the post-feudal large landowners and capitalist class, supported by the Entente. The genteel middle-class (mainly state officers and military officers) and the Church, having strengthened in the thirties, played a major role in that class rule (Berend et al. 1976, especially: 764–802). The historian’s voice against the over-emphasis of the class approach argues thus: “We should abstain from the practice, which has been evident and unreflected recently, that defined the ruling position and the political efforts of a particular social group as a direct class attribute. Thus, we must refuse to interpret the system of administration as a clear class rule and, for example, regard the Bethlen administration as the era of *class rule* embodied in the coalition or *bloc* of large landowners and capitalist class.” (Gyáni 2001: 196 – words in italics as in the original.)

The latter describes the class structure using more rarely the concept of the class as the polarization of income distribution, the concentration of resources, the owners of properties, referring to a small elite instead of the term the ‘ruling class’: “Due to the dominance of the agrarian economy, the consequences of the polarized social relations were evident. The polarization was generated by the struggle to equalize, triggered by the fragmentation of property, and by low productivity as a result of bad income distribution. All these together resulted in a relatively poor society, where a small elite, consisting of large landholders and large business owners that disposed of the concentrated economic resources, was opposed to a weak and needy middle class and millions of miserable proletarians and semi-proletarians.” (Gyáni 2001: 220.) The same discourse interprets the sharpest conflict of the period like this: “Everyone, except a small elite, lived below the level of their own opportunities and expectations, and blamed the large landowners and the capitalist class for this situation, with or without a reason. All this is hidden behind the highly debated issue of the *land reforms*, and all this motivated even anti-capitalism, i.e. the antisemitism of the (Christian) middle class continuously struggling with problems of existence.” (Gyáni 2001: 220.)

## **FROM THE END OF WORLD WAR II TO THE OIL CRISIS 1945–1973**

While first the West-European core was saved by the deployment of the United States in World War II, then its reconstruction was greatly supported by the Marshall Plan, in the East-Central European semi-periphery Soviet-type state socialism became established. The short period between 1945 and 1947 promised the potential of a triple illusion: geopolitical independence, the recovery of national sovereignty and the establishment of democracy. However, the geopolitical and geo-economic dependence of ‘Hungarian society’ on the Soviet imperial center of state socialism was soon revealed after that short period. The region, traditionally dependent on the Western core of the world-economy, became part of the Soviet-type state socialist bloc and got into a new situation: its new

“dual dependency” started to bind it to the core of the capitalist world-system and the Soviet imperial center of the state socialist bloc simultaneously (Böröcz 1992a, 1992b). The structure of external dependencies was so determining that it is worth dividing the era between 1948 and 1989 into periods based on the different constellations of external dependency.

The first Stalinist period is characterized by dependency on the imperial center, that is, the state socialist system, which was created through military intervention and based on political grounds, basically determined the reproduction of the means of subsistence of ‘Hungarian society’ with the introduction of a planned economy. That system tried to do its best to lessen the historical lines of dependency on core capital. Stalin’s death and the politics of the ‘New Period’ (1953) lightened this process to a small extent, but even the Hungarian Revolution and War of Independence of 1956 could not abolish it. The position of ‘Hungarian society’ started to change, starting in 1962-63 and the reforms of the first decade of Kádár’s consolidation. However, the basic structure of dependency did not substantially change. The structure of external dependency was reshaped by the global crisis caused by the oil price shock in 1973.

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The structure of ‘Hungarian society’ changed fundamentally after World War II. ‘Hungarian society’ suffered great losses due to the great number of casualties (civilians and soldiers) during the war, as well as the victims of the Holocaust and the Forced Displacement. With its program to eliminate private ownership, the state socialist system made a radical attack on the groups of the Horthy era who possessed capital, land or considerable property. With the elimination or the radical reform of the basic institutions of the agrarian-industrial or ‘feudal-capitalist’ economic structure (huge farms, large capital, the Church, the State), the basic conditions of the reproduction of each social group were changed (Laki 2006, 2009). However, with the nationalization of productive property (with the separation of private owners from private property, in those days ‘the appropriation of the appropriators’) the state socialist system did not abolish that property relation once and for all. The vacancy (vacuum) of the private owners was filled by the state, for which József Böröcz coined the term “property vacuum” (Böröcz 1992a). If the state had socialized productive property after its nationalization (making it *public* property), i.e. if the state had placed the property into the common possession of direct producers, a socialist (socialized) economy – in the original meaning of the term – would have been created. Since this did not happen (or more precisely, it was only partly carried out in the case of the property of cooperatives), *the state became the new collective owner directly*; indirectly, it was the *state apparatus*, i.e. the *party-state bureaucracy*. The retention of the hollow property relations, the separation of producers from the means of production, the conservation of capital-labor relation, the reservation of the constraints of labor and of manufacturing, the pressure to accumulate capital (with direct state ownership) are all good reasons why those Stalinist systems cannot be deemed to be socialism: in fact, they are *state capitalisms* (cf. Tamás 2011; Dale 2011). Despite these legitimate arguments, these systems are referred to as *state socialisms* in this study, suggesting that they are in sharp contrast with the original sense of socialism, which is a self-managing form of production where the direct producers as a collective own and operate the means of production.

The structure of ‘Hungarian society’ had a more or less single structure from the late-forties until the early seventies. The overlapping, compound structure that existed between the two wars and after World War II was “melted” and “remoulded” into a single by the Stalinist state (Böröcz 1992a). That hierarchy was organized with respect to the *power over the state property* classified as public property. Although it could not be stated as such at the time (Ferge 2002, 2006), ‘Hungarian society’ was structured by power, i.e. state power and the power over state property (Ferge 1969, especially: 95–101). Experts implicitly agreed on this issue. However, it is still debated whether this Soviet-type state socialist society can be regarded as a class structure (and if so, in what sense).

The official standpoint of the party-state bureaucracy (the ruling ideology) regarded ‘Hungarian society’ as a class society. The social image associated with Stalin shows that a state socialist society is made up of two ‘friendly’ classes, the industrial working class and the peasantry of the cooperatives (and their ally, the revolutionary intellectual elite).<sup>3</sup> The Stalinist image of the ‘two classes (and one stratum)’ was in fact obscured by the rule, i.e. the power structure, of the state apparatus, the party-state bureaucracy. The *first* wave of criticism in the sixties denied the class system of state socialism and, instead, referring to *social division of labor*, emphasized the *stratification* of ‘Hungarian society’.<sup>4</sup> The *second* wave of the Stalinist image of ‘two classes (and one stratum)’ evolved in the early seventies. That viewpoint argued that the structure of the distribution of the power is rather *class-like*, or it is on the way to *becoming class-like*: a new rising class is eager to acquire (state) power that manages the society.<sup>5</sup>

According to that criticism, as far as the organization of societies is concerned, it is not the Stalinist image of society that is important in state socialist systems, but relations of production and within such relations, the disposal of the produced surplus value, i.e. the surplus product. According to the Stalinist image of society, the industrial working class and the peasantry of the cooperatives are the two basic classes of socialist societies, because the former possesses the means of production *through* state property, and the latter *through* the property of the cooperative. This Stalinist argument uses Marxian class analysis mechanically for nationalized economies, i.e. for *state socialist* societies that were elaborated for *capitalist* systems. According to Marx, the possession of the means of production, i.e. property relations are crucial, but he would have never used it for state socialist societies in that way. In other words, those who criticized Stalin’s image of society for the class approach used Marx to justify their false Marxism of class structure (i.e. the Stalinist image of society), which is, in fact, unsupportable and far from Marx’s arguments (Szelényi 1990: 7–27).

“Who has the right to dispose of the surplus value and the surplus product that is created by the direct producers?” – that was the main question the critics of the Stalinist

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<sup>3</sup> This image of society referred to Marx and Lenin, nevertheless, it was built on the ideological misinterpretation of Marx’s analyses. The following paragraphs summarize some correlations that are explained in a more detailed way elsewhere: Szelényi 1990: 7–27; Éber 2013: 107–108; Gagyí & Éber 2015: 598–601.

<sup>4</sup> Without being exhaustive, the most important literature on the stratification approach from the sixties: Mód, Ferge, Láng & Kemény 1966; Ferge 1966, 1969; Hegedüs 1964, 1966a, 1966b; Kemény 1969. Background literature: Ossowski [1957] 1962.

<sup>5</sup> Again, without being exhaustive, the most important literature on the new class approach from the seventies: Kolosi 1971, 1974; Konrád & Szelényi 1979. Background literature: Trotsky [1936] 1937; Đilas [1956] 1957.

image of society posed. Their answer: in the systems Marx examined, the owners of the means of production (capitalists and landowners) have the right to this. However, it would be a mistake, or even a systematic error, to conclude that it works in the same way in the case of the state socialist societies that are eager to eliminate private ownership. Those that control state redistribution have the power. In their book, *The intellectuals on the road to class power*, György Konrád and Iván Szelényi identify the possessors of such rights as the groups organized around the structural position of the “teleological redistributor” (Konrád & Szelényi 1979). According to representatives of the analysis of the social structure of the class approach, it is not the ‘working class’ that has the power in state socialist systems, but the two allied classes (the industrial working class and the peasantry of the cooperatives). Apart from that, most of the party-state bureaucracy and most of its leaders have worker or peasant ancestors. The power is possessed in practice by the party-state apparatus, which is called the “ruling bureaucratic estate” by Konrád and Szelényi (Konrád & Szelényi 1979; cf. Hegedüs 1966c).

However, this power of itself was not of class nature. What made it of class nature? With Stalin’s death in 1953, the system lost its charismatic leader, went into a legitimation crisis, and – especially after the Revolution and War of Independence of 1956 in Hungary – it needed a new legitimation to survive. According to Konrád and Szelényi, this new basis was the construction of “human-faced socialism”, the humanization of state socialism. The scientific and technical legitimation was provided by pulling the engineer, the economist, the scientific experts (the technocracy) and the ideology-making intelligentsia (the artists, philosophers and sociologists) into power. The ruling bureaucratic estate tried to deal with its legitimation crisis by emphasizing the *rationalism and scientific base* of the socialist system, where the intelligentsia (especially technocratic-professional groups, mainly macro-economists and engineers) got a major role in economic and social management. The reform period of the sixties started with the ‘New Economic Mechanism’ (the reform of the mechanism of the economic management, prepared from 1964 and introduced on 1 January 1968). The project opened the way for the different groups of the intelligentsia in order to make a class along with the ruling bureaucratic estate around the structural position of the ‘teleological redistributor’. The main axis of the class relation, according to Konrád and Szelényi, was between the teleological redistributors (the leaders of the party-state bureaucratic estate, the experts in the humanities and professionals) and the direct producers (workers and peasants). That society was not only stratified, they argue in their book, written in the early seventies, *but was on the way to becoming a class society*. This class relation is not the friendly class coalition of the working class, *but an exploitative and antagonistic class relation*, which is obscured by the ruling ideology of the state socialist system, Stalin’s ‘two classes (and one stratum)’ image of society.

### **FROM THE OIL CRISIS TO THE CHANGE OF THE POLITICAL SYSTEM 1973–1989**

In the early seventies, the OPEC countries raised the price of oil, due to the southwest Asian (‘Middle Eastern’) conflict, in order to exert pressure on the United States and Israel. Due to the dependency of modern societies and economies on hydrocarbons, this radical rise of the price of the raw material brought a considerable turn: the oil price boom resulted in an explicit economic crisis, i.e. the ‘stagflation crisis’ (economic stagnation coupled with high inflation in these countries) of the Western European and North

American cores in the seventies. The Western core (including several countries of Western Europe and the United States) went into a serious economic crisis, from which they were trying to get out with a radical social and economic turn from the late seventies and the early eighties. The package of measures, called the 'neoliberal turn' by historians, aimed to restore the potential for profitability of core capital by decreasing the price of labor (attack on trade unions), by deregulating the restraints on the core capital of transnational large businesses and state control over it, by cutting back the social involvement of the state and reducing its functions as a social welfare provider and as an owner of national property (privatization and market liberalization) as well as by considerably cutting down the tax burden on upper social groups. (The consequences of the neoliberal turn will be discussed later in the paper.)

The crude oil exporting countries made huge profits in a short time from the rise of the oil prices in 1973 and 1979. Most of those profits, so-called 'oil dollars', were deposited in the banks of the core regions. The liquidity abundance encouraged the financial intermediary institutions to offer cheap loans, thus enabling the (semi-)peripheric states to realize long-wished-for technological and economic development: 'catching up' with the core. They expected to repay their loans from the returns and to be able to take serious steps to close the gap to the core. Similarly to other (semi-)peripheric countries, the Hungarian state started to take out loans from 1973. Trusting in the cheap loans, the expected returns on the investments and high inflation (which supports the debtors by mitigating the debt), Hungary's debts increased tenfold between 1973 and 1978. The indebtedness automatically increased the dependency of 'Hungarian society' on the core's capital. It became tough, especially in the late seventies: the indebted countries, including Hungary, got into difficulties due to the more costly credit, rising interest rates and exchange rate loss. As a consequence of the serious debt crisis and the debt trap (when all or part of the instalments could only be financed from new loans), the government started to implement austerity measures from the late seventies. Nevertheless, insolvency and liquidation were a permanent threat in the early eighties.<sup>6</sup>

The same period, the late seventies and the early eighties shocked the Soviet Union as well. The dependency of the 'Hungarian society' on the state socialist empire started to weaken. In 1982 Hungary joined the IMF and the World Bank, raising its economic and financial dependency on the core of the capitalist world-economy. In the second half of the eighties, due to its growth-oriented economy requiring further and further loans, the external debt of the Hungarian state doubled. The 'Hungarian society' became more dependent on the core and politically less dependent on the imperial center (especially from 1985 and 1987). Thus 'Hungarian society' went into the change of the political system in 1989-1990 with serious external indebtedness, a deep crisis of the economic structure and an unsustainable political structure (Éber, Gagyí, Gerőcs, Jelinek & Pinkasz 2014).

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<sup>6</sup> For more details, see: Szegő 1989; Andor 1990; Lóránt 1990; Vigvári 1990; Földes 1995; Mihályi 2013; Mong 2012; Éber 2014.

What happened to the developing new (intellectual) class, the rise of which had been predicted by Konrád and Szelényi in the early seventies? The ‘ruling bureaucratic estate’ launched a counterattack against its intellectual allies from 1972–1973, thus preventing class formation (Szelényi 1990: 51–98). Instead, a secondary economy was allowed to evolve, enabling direct producers, workers and peasants to improve their living conditions and well-being. The ‘not by the state organized production’, beyond the official economy (Kolosi 1974), and gaining ‘secondary income’ was strictly forbidden by the party state until the early sixties. By the sixties and the seventies, the ‘second economy’ started to prosper, considerably changing the structure of society (Galasi & Gábor 1981). In agriculture, secondary income was gained by backyard and livestock farming. In industry, people made their secondary income from a special type of ‘moonlighting’: doing small-scale, private business during work time, using state machines and materials, as well as entrepreneurship and working in Economic Labor Collectives in the eighties. In commerce and retailing: smuggling, tipping and so-called *gebin* businesses (making money from catering without accounting) eased the tension of the supply shortages. Also, intellectuals made use of private lessons and so-called ‘parasolvency’ (or ‘under-the-table payment’) or had a second or a third job. Better access to state administration and state services was provided through bribery and kickbacks, which modified the logic of redistribution of state products and services.

Tamás Kolosi’s analysis pointed out that “70 to 75 per cent of families” were involved in the second economy in the early eighties (Kolosi 1987: 106, 1988: 30, 14), and this practice became ‘an independent economic sphere of market relations’ (Kolosi 1987: 107, 1988: 30). Iván Szelényi noticed a similar phenomenon in the early eighties: a paradoxical social position of the ‘*socialist entrepreneur*’ was developed by the *embourgeoisement* along small agricultural businesses (Szelényi 1988, 1990: 77–98). According to Kolosi and Szelényi, all this resulted in the duplication of the social structure. Namely, along with the first, official economic and social structure, where the dominant owner was the state and which was integrated by state redistribution, a second, tolerated economic and social structure was formed, in which private property and the accumulation of private capital played an important role and which was integrated by quasi-market mechanisms. The structure of society became two-dimensional, the principles of which were state redistribution, dominantly based on state property, and a quasi-market mechanism enabling the accumulation of private capital.<sup>7</sup>

The *external* structure of the dual dependence and the *internal* structure of the dual society were tightly interrelated. As the reform waves resulting in the New Economic Mechanism evolved in the sixties, they were stopped in the early seventies by the counterattacks of the ruling bureaucratic estate, and as the dependence of the Hungarian state on the core’s capital deepened (in two big waves, between 1973 and 1978 and between 1985 and 1990), the quasi-market mechanisms developed and resulted in the dual class structure of ‘Hungarian society’. The serious crisis of the late seventies and the early eighties (the Hungarian state was on the verge of insolvency), the austerity cycle between 1979 and 1984, the accession to the IMF and the World Bank in 1982 made the debt crisis of the state socialism even more evident (Mong 2012; cf. Éber 2014).

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<sup>7</sup> More details about the ‘dual structure’ of state socialism: Kolosi 1974, 1987, 1988; Galasi & Gábor 1981; Szelényi 1988, 1990.

The decrease in real wages and the constricted state services encouraged the party state elite, concerned with retaining power, to provide people with the opportunity to get a second job (in the second economy), in order to avoid a wave of disappointment such as led to the Revolution of 1956. The access to second jobs (in the second economy) tried to distract attention from the crisis of state socialism. While people, doing 'second jobs', 'backyard farming', 'working in Economic Labor Collectives' and 'moonlighting', tried to compensate their decreasing real wages, they did not organize themselves to change or overthrow the political system. Since the revenge on the participants of the Revolution of 1956 and the consolidation in the early sixties aimed at avoiding a new uprising (supported by the policy of increasing living standards and the attempt to legitimize itself through consumption), the state socialist system was relatively successful in diverting people's energies from the confrontation with the system towards the second economy and the second society.

Nevertheless, the New Economic Mechanism considerably expanded the room for the leaders of the state socialist large companies. The economic history of the seventies and the eighties can be seen as the history of waves of reform and the deceleration of these successive reform waves (Szalai 1989). According to Erzsébet Szalai's research, the pressure of the state socialist large companies (or their fight to gain investment sources and to become top large companies), resulted in interest conflicts and the distortion of the interest integration mechanisms. The second half of the eighties brought a breakthrough of top large companies, and, as a result, the leaders of the state socialist large companies – along with the leaders of the party's and the state's bureaucracy, i.e. the ruling bureaucratic estate and the new technocracy – *were strengthened and became the most powerful actors of the system* (Szalai 2000). Apart from their formal power, they gained informal power to force exceptional business for themselves, which raised once again the old questions of class formation.

Did the class confederation, formed between the ruling bureaucratic estate and the different groups of the intelligentsia, really break up, as Iván Szelényi argued self-critically in the mid-eighties? (Szelényi 1990: 51–98.) Did the ruling bureaucratic estate really compromise with the working class and the peasantry, instead of the intelligentsia, with the cautious consent of the second economy and society? Was the new class of intelligentsia really not formed? (Szelényi 1990: 51–98.) As a matter of fact, the number of university or college graduates considerably rose within the central party apparatus and at the highest levels of state bureaucracy in the eighties (Gazsó 1990). Also, that kind of professionalism had started and taken place even earlier (in the time of the New Economic Mechanism) in the Boards of Directors of state socialist large companies (Szalai 2000). The establishment of a new intellectual class ceased to develop in the early seventies when the ruling bureaucratic estate launched a counterattack and allowed direct producers to grow along with the toleration of the second economy. Attila Melegh argues that the intellectual class started to (or – as a matter of fact – continued to) develop in the late seventies (Melegh 2016, 2018). According to Melegh, the intellectual debates on Central Europe in the opposition of the East and the West in the eighties predicted a "discursive turn", where the local intellectuals started to interpret the state socialist system and its own place in it in a new way (Melegh 2006, 2011, 2016, 2018). Is Central Europe a 'kidnapped West' by the 'communist East', isn't it? – they asked.

While earlier it was the discourse of state socialism and capitalism, as the (Cold War) rivalry of two modernization attempts, that was dominant, this changed into a

civilization discourse from the early eighties, where 'Europe' and 'the West' represented progress and civilization. In that discourse, Western Europe became the peak of civilization again, and the related liberal-humanitarian utopia turned out to be the idea of the intellectuals (Csizmadia 2001; Melegh 2006, 2011). This civilizing discourse considered the 'East' (and the 'Balkans') as the geographic counterpoint of the 'West' (and 'Europe'), thus engineering a discursive and symbolic 'East-West slope', where the local intellectuals identified themselves with the West, locating themselves in Central Europe instead of Eastern Europe, displaying it as a place of the West, which had been kidnapped by the East (Melegh 2006; cf. Szűcs [1981] 1983). This Western-type, reformist, Central European consciousness developed the reformist wing of the intellectuals and the ruling bureaucratic estate into a 'class for itself' as well as a political actor. It produced the market-liberating reform of state socialism, a new class of intellectuals committed to 'Westernization', aiming at gaining hegemony (Melegh 2006, 2011, 2016, 2018; cf. Csizmadia 2001; Éber 2008a, 2008b). In this case, hegemony meant that the new intellectual class was concerned to render other class ideologies impossible and prevent the acquisition of real representation of other classes in social and political struggles (Melegh 2018: 182). The development of the new intellectual class was eventually related to the change in property relations and the dissolution of the property vacuum, i.e. the start of privatization (Melegh 2018: 184).

In the early sixties, the ruling bureaucratic estate decided to enhance the efficiency of the state socialist economy. Principally, the leaders had two choices: the enhancement of efficiency and the increase in economic power could be targeted by the reforms of the state socialist property relations or by the reform of the mechanism of economic management. Since the first opportunity would have meant the change or elimination of the state socialist property relations, that is, the surrender of socialism, they of course chose the second version: they planned the new mechanism of economic management and introduced it in 1968 under the name of New Economic Mechanism. The same dilemma emerged again in the mid-eighties, but the more radical voices did not trust in the reform of the mechanism and its power to enhance performance any more, therefore, the reform of the property relations became a hot issue (cf. Bauer 1982). The developing reformist intellectual class finally became disenchanted with state socialism, they regarded it as unreformable and, by supporting property reforms, they agreed on the demolition and the destruction of state socialism. All these led to the spontaneous privatization of state socialist large companies (1987–1990) and after the change of the political system (1990–), to state-controlled and state-organized privatization (Szalai 2000).

Attila Melegh argues that the aforementioned 'discursive change', the organization and the discursive hegemony of the new intellectual class, was a local development embedded in global relations. All this is exhibited in the transformation of the structure of dual dependence, the indebtedness of the state, that is, the enhancement of the dependence of the state socialism on core capital and the decrease of the political dependence on the imperial center (the Soviet Union). The development of the second economy could be interpreted as the liberation of entrepreneurship, the liberation of the market or as an economic reform wave, therefore, it was supported by the intellectual class. Also, it perfectly matched the broader interrelations of the capital and market liberation efforts aimed at dealing with the stagflation crisis of the core, which cut back and narrowed the roles of the state as owner, regulator and welfare provider, while it

lifted the earlier restrictions (e.g. high taxes) on the capital which was organized in transnational corporations. The neoliberal turn in the core in the late seventies and the early eighties was already tangible in the state socialist semi-periphery in the eighties. Nevertheless, the breakthrough took place only in 1989–1990.

### **FROM THE CHANGE OF THE POLITICAL SYSTEM TO THE CRISIS: 1990–2008**

The reconstruction of the Western European Core after World War II – due in part to the Marshall Plan – was followed by dynamic economic growth. The military, geopolitical and geo-economic impact of, on the one hand, the United States, on the other hand, the Soviet Union and the states and organizations (CMEA and the Warsaw Pact) of the state socialist block increased after World War II, encouraged the Western European countries to seek ways of *cooperation* in line with their common interests, instead of the former economic, political and mainly military competition which could lead to another devastating (world) war (Streeck 2011). Also, they were spurred on to do so by decolonization, that is the breakup of the system of colonies with a Western European core, which was a process of the transformation of the core–peripheric relations that had been institutionalized in the form of colonial network. Western Europe had to adapt to the changing situation in order to extend its global economic and political influence, but even more to *keep* the position it had achieved. Common interest led in the direction of European integration, which resulted – apart from other stages – first in the birth of the European Economic Community, then the European Union (Böröcz 2009; Böröcz & Sarkar 2005).

In the meantime, from the second third of the seventies, European integration was boosted again by a further factor: the economic crisis which had been revealed by the oil price boom. The Western core had to find a solution to the crisis characterized by low economic growth, a high level of inflation and unemployment – both in Western Europe and North America (Brenner 2017). In the late seventies, a solution was found to the worsening conditions of the return on the capital. It was essentially the breakdown in the early eighties of the welfare compromise (which was mutually favorable for both capital and labor) of the economic crisis of 1929–1933, and the post-war period (Streeck 2011). While welfare compromise had been founded on the building up of the welfare institutions with the mediation of labor in the charge of the trade unions, capital and the state, and the gradual expansion of social rights, the answer to the crisis was the liberation of the markets (i.e. the capital) from the burden induced by that compromise. The way out of the crisis was the reduction of taxes, weakening of the trade unions, a radical reduction of the social and economic role of the state (as an owner as well as a regulator), i.e. the radical reduction of capital regulation (deregulation) and the reduction of state property (privatization). The economic policy regarded inflation, eroding the value of capital, as a greater danger than unemployment, whereas the social policy considered the enhancement of competitiveness more important than the increase of inequality (Brenner 2017). Thus, the result was the curtailment of welfare services, the breakdown of the core's capital, the expansion of the financial intermediary system (financialization), including the boost of lending (those stagnating or in a deteriorating income and property situation were to be granted better consumption and dwelling opportunities), and the facilitation of the expansion of the transnational corporations of the core by the state, i.e. neoliberal globalization became a geopolitical and geo-economic strategy (Streeck 2011; Brenner 2017).

Therefore, while a crisis developed in the East-Central European state socialisms during the late seventies and the early eighties, the core was trying to marginalize the burdens of its own crisis by the 'Washington Consensus' and delegating them to the lower classes of the core by an internal economic and social-political shift. The collapsing state socialism indicated not only the end of the cold war beginning in 1945, but an excellent business opportunity for the core's capital: East-Central Europe now opened up to the foreign capital investments resembling the Western pattern: it is deregulated, privatized, financialized and it stabilized the economic and social state of the region to the detriment of lower social groups. Both in the core and the semi-peripheric East-Central Europe, the consumption and housing needs of the social groups subject to worsening conditions were to be improved with loans. The result was similar to that in the core: intensifying dependency on the core's capital, diminishing state property, weakening state regulation, polarizing (splitting-dividing) class structure, increasing inequality, deteriorating worker representation, increasing unemployment and highly indebted states and households. The latter became particularly acute with the global financial crisis in 2008: the crisis of the American real estate market soon transformed into a credit crisis, then a financial and real economic crisis, resulting in unemployment, collapsing mortgages and an open crisis. 'Hungarian society', depending on the core's capital and being semi-peripheric, did not succeed in defending itself from the multi-layer waves of crisis. The turbulence in domestic politics, having intensified from 2006, led to another radical political change in 2009, then to another one in 2010 (Scheiring 2016; Sebók 2016).

The change of the political system, which may be considered to be a process rather than a single event in this case too, transformed the order of the external dependency of the 'Hungarian society' once again. The collapse of the Soviet Union and the state socialist eastern bloc evidently generated the collapse of the formerly established political, military and economic dependency. At the same time, the core's capital dependency of the region reached its peak, i.e. the structure of the dual dependency was transformed. However, the dependency on the Soviet Union as an imperial center did not disappear even after the change of the political system and the break-up of the Soviet Union: the energy dependency of the region (mainly the hydrocarbon dependency satisfied from eastern resources) still remained. Additionally, post-millennium Russia gradually started to regain its geopolitical and geo-economic influence on the region. Russia, led by Putin, strengthening again from the mid-2000s, tried to improve its influence in the region through its energy dependency. This process was facilitated in Hungary by the financing gap resulted from the crisis of 2008 and then the change in domestic politics in 2010.

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The biggest change in the social structure in 1989 was triggered by the dismantling or privatization of most of the state assets. Spontaneous, then state-launched, privatization was mainly beneficial for the customer: the former 'comprador' state became a 'selling out' state, i.e. it started to sell out its assets at more than reasonable prices (Böröcz 1999a). The transnational and the much weaker domestic capital got a chance to obtain the profitable assets, or those that could be easily made profitable, and to privatize the profit. While the seriously indebted Hungarian state axed its property, in many cases at an unreasonably low price, it was to handle the social tension (unemployment, loss of jobs) caused by deindustrialization. On the other hand, it had to sell the less valuable or

less marketable assets, too (Böröcz 1993, 1999). Thus, the state radically reduced its role as an owner, as a regulator and as a welfare provider, and weakened when there was the greatest need for it to intervene to handle the social tensions.

The privatization of the early nineties rarely created 'clear' private assets. Instead, a new, complex network of state and private assets, a "recombined property" was established (Stark 1992, 1996). Such diffuse property relations limited the power of the new owners and valorized the local knowledge and the embeddedness of the formal and informal network of relations of the actors who participated in the process of the asset transition as managers, experts, consultants or technocrats. The most powerful political actors of the change of the political system were the new class of intellectuals, as described by György Konrád, Iván Szelényi and Attila Melegh (Konrád & Szelényi 1979; Melegh 2016, 2018). Especially, the "new elite" or the "late-Kadarist technocrats" (to use Erzsébet Szalai's term), i.e. the younger (35 to 50-year-old) economic experts (managers acting formerly as company leaders and their deputies, ministry bureaucrats and economic researchers), the professional 'techno-bureaucratic' or 'econocrat' intellectuals were the winners of the economic, social and political transition (Szalai 2000, 2001). From the rise of the intellectuals as a transitional class (the class that played a key role during the era of transition i.e. the change of the political system), it does not follow that each intellectual belongs to that class or only intellectuals belong to that class. Although that class of intellectuals was rather articulated inside and had clearly separate fractions, it existed. Nevertheless, in the years after the change of the political system this transitional class had the biggest impact. The former theory of intellectuals aspiring to class power was revived by Iván Szelényi.<sup>8</sup>

Therefore, the possession of the cultural capital helped best to climb to and remain at the peak of the social structure in the process of the political transition. The socialist entrepreneurs accumulating capital in the late state socialism (cf. Szelényi 1988) were rarely able to integrate into the economic elite after the change of the political system. The real winners of the political transition were the younger managers of the former state socialist large enterprises, the technocrats of the economic management and the research institutions in the background and their representation: the new politocracy that converted their mostly intellectual careers to political positions. Iván Szelényi and his associates argue that the intellectuals of arts and social sciences, who did not undertake political positions but retained their opinion-shaping role, also participated in this conglomerate of powers, along with the influential stakeholders of the media. This theory was most explicitly explained by the authors in their book published in the late nineties: *Making Capitalism without Capitalists* (Eyal, Szelényi & Townsley 1998). However, by the time their book on "capitalism without capitalists" was published, the second government after the change of the political system (1994–1998) terminated the first big wave of privatization. As a result, the former complicated, "recombined" and "diffuse" forms of asset possession were basically regularized. Research published at the turn of the millennium said that most of the large enterprises had been privatized, mainly by foreign businesses. Nevertheless, there was a clearly separate group of enterprises owned by Hungarian individuals and a group of enterprises in the possession of domestic

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<sup>8</sup> The most important relevant pieces of work: Konrád & Szelényi 1991; Eyal, Szelényi & Townsley 1998.

businesses.<sup>9</sup> The property relations became rather concentrated and centralized, the economic capitalist groups made themselves independent from politics. That is, the new class of large business-owners was born, which tolled the diagnosis of “capitalism without capitalists” (Eyal, Szelényi & Townsley 1998).

However, it remains a question whether this development had entirely repealed post-communist managerial capitalism (Stark & Vedres 2012; Kolosi & Szelényi 2010). It seems the property vacuum that was typical of state socialism did cease to exist, and the assets and the new owners became linked again through relatively clear lines. Regarding property relations, capitalism returned as well as it re-integrated into the capitalist world-system. The privatization that should have mitigated the external dependency and indebtedness of the Hungarian state handed over most of the producers’ property into the possession of the core capital. The domestic producers’ property taken by the local companies of transnational corporations based primarily in Western Europe and North America created the class of owners, but – resembling the patterns of the (semi-) peripheral capitalisms – it was formed by creating and deepening the external dependency through owners’ rights, instead of (or along with) external debt dependency. The domestic class of owners remained weak and subordinate in comparison to the transnational core capital. Since this transnational core capital needs advisors, managers, experts, agents and representatives (compradors) who are well aware of local conditions, the diagnosis of managerial capitalism is still appropriate. Transnational capital needed reliable political representation and intellectuals from the arts, social sciences and the media who were able to neutralize the critique against the interests of capital.

The external dependency on the core capital had internal consequences on the social structure: “any external dominance evidently creates its own internal apparatus as well as its own ‘opposition’” (Böröcz 1989: 79). The opposition of the core capital and its internal apparatus is the counter-power aiming at building a national bourgeoisie and its apparatus. The first government after the change of the political system (1990–1994) attempted to establish a national capitalist class called national bourgeoisie, for example with preferential existence loans but failed to achieve lasting success. The third government after the change of the political system (1998–2002) gained new momentum to establish and strengthen the national bourgeoisie and strengthen its entire apparatus: institutions, organizations, media and civilians. The result was the “partisanization of society” (Laki 2006: 71–72).

Since after the change of the political system none of the new political parties had a great number of supporters and deep social embeddedness – except for the Hungarian Socialist Party, the successor of the former state party –, the leading parties of the two political blocks tried to gain influence and get the leadership within the existing social organizations in the first and second decades of the new era.<sup>10</sup> As a result, the confrontation of the government and the opposition led to the establishment of parallel social institutions along with the political parties. László Laki argues that either of the parties could “deploy its ‘own’ trade union against the dissatisfied trade unions, its ‘own’ landowners’ organization against the protesting landowners, its ‘own’ industrial chamber against the plotting industrial chamber, its ‘own’ mayors and youth organizations against

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<sup>9</sup> The most important relevant pieces of work: Csire & Kovách 1998, 1999, 2002; Szalai 2001; Böröcz 2001a.

<sup>10</sup> More details about the blocks of the party structure: Angelusz & Tardos 2005, 2006, 2010.

the protesting mayors and youth organization and its 'own' Greens against the marching Greens. Thereafter, its 'own' scientists against the scientists exclaiming against the insufficient resources, its 'own' critics, papers and programs against the criticizing or smearing writings and programs, and, last, to make the propaganda machinery complete, its 'own' radio and television against 'your' radio or television." (Laki 2006: 71–72.)

A similar political structure was established by the network of the political parties and the *partisan firms* (Stark & Vedres 2012). The parties rivalling for votes and the network of partisan firms rivalling for profit established politically articulated business clusters or '*political holes*' in the Hungarian economy. David Stark and Balázs Vedres collected data about such network of parties and firms between 1987 and 2001 (based on the relations in supervisory and executive boards) and revealed that this structure is not the heritage of the state socialism, but a new development starting from 1986-1987 with "spontaneous privatization" (Stark & Vedres 2012). The partisan firms supported by the political forces of the new era and the parties refinanced by those firms mutually supported each other. The supporting political relations had a great importance in the market competition among the firms. And vice versa: the parties' striving for power in the political field were backed and their campaigns illegally and semi-legally financed by the partisan firms.

The cross-relations of the external dependencies and the internal structures more clearly explain the Hungarian political structures than their ideological positions or the ideology they identify themselves with. The traditionally 'right-wing' block of the political structure can more easily be identified as the strategic ally of the national capitalists than with its ideological mindset (which would be 'bourgeois', 'national', 'Christian', 'conservative' and 'Hungarian'). Although the 'right-wing' block, consisting of parties, partisan firms and social organizations, had strategic allies within the transnational core capital, their real allies were the domestic large business owners at the time. Similarly, the 'left-wing' block had allies among the domestic large business owners, but their main supporter was the core capital. The political position of the 'left' can more easily be interpreted with its allies than its ideology (which could be defined as 'left-wing', 'liberal', 'democratic' and 'pro-European'). Based on their network of allies, both the 'right-wing' and the 'left-wing' political-social-economic blocks were pro-capitalist, i.e. supported the capital accumulation; the strategic difference between them came from their structural embeddedness, i.e. depending on *which* fraction of capitalist class their apparatus belonged to politically and socially. The ideological differences can be interpreted as a consequence of these facts (Éber, Gagyai, Geröcs, Jelinek & Pinkasz 2014).

While the existence of the two political blocks had become evident by the first and especially the second decade after the change of the political system (i.e. the development of a conservative right-wing and liberal left-wing), this confrontation basically remained intact from the structure of the distribution of the resources, i.e. the class structure of 'Hungarian society' (Angelusz & Tardos 2005, 2006, 2010). In the first decade of the 21<sup>st</sup> century, several studies revealed that the consolidation (interconnection) of the property ('economic capital'), the embeddedness of social networks ('social capital') and cultural resources ('cultural capital') in 'Hungarian society' had strengthened. In other words, those possessing more (or less) of one of the three resources (forms of capitals) had typically a better chance to have more (or less) of the other two (Angelusz & Tardos 2006). Namely, the class outlines of the 'Hungarian society' became sharper, the social structure

became more consolidated (organized) and the statuses crystalized (Kolosi & Dencső 2006; Kolosi & Tamás 2010).

After the change of the political system, the Hungarian state actively contributed to the accelerating accumulation of capital by downgrading the influential social and political groups, i.e. the state's role as an owner (privatization), by mitigating intervention and cutting back control (deregulation), and by lifting the ban on the institutionalization of private property. This was the Hungarian state's contribution to the growth in the assets of rival core capital as well as that of domestic capital and the development into a class of capitalists. The question arises: what happened on the side of labor? How did the state or the trade unions protect the workers, employees, laborers?

During the political transition, the workers' movement and the trade unions were disintegrated and decentralized and were hardly able to lobby for their interests. The ideology of competition, which was rather dominant during the transitional period, was extended to the trade unions: the decision-makers terminated the exclusive right of the workers to have a single representative body and introduced the pluralism of rival trade unions instead. This change essentially wrecked the opportunity for lobbying for the workers since employees would have been able to reach concessions if they had stepped up as an indivisible body. The disintegrated, rival, ambivalent trade unions were unable to act like this. (Especially when, as shown earlier, the 'partisanization of society' comes with the process that each party supports and strengthens its allied trade unions, thus the pluralization of the political parties is transformed into the pluralization of the trade unions.)

Privatization, the accumulation of capital assisted by the state, especially the priority of attracting foreign functioning capital, disabled the effective organization of employee representation. This process prevented the effective organization of the self-defense of labor and society through the privatization of the trade unions' assets, the radically falling number of members and the lack of success of the Employee Stock Ownership Plan, i.e. the project by which the companies could have partly got into the employees' collective property. Lacking powerful and effective trade unions and due to the treason of the 'left', who betrayed the employees of the political, social and economic blocks by allying with core capital, the employees of the society were not able to develop into a class and were not able to protect themselves.<sup>11</sup>

## **FROM THE CHANGE OF THE POLITICAL SYSTEM TO THE SYSTEM OF NATIONAL COOPERATION: 2008–2018**

The political transformation after 2010 brought a strategic reorientation of the external dependency structure of 'Hungarian society'. The policy of 'Opening to the East' and the 'Eastern Wind' clearly aimed at the diversification of the dominance of the core capital of external dependencies, counterbalancing the dependency on Western core capital. All this is reflected in the Hungarian government's ambivalent relations with the European Union after 2010. While the core capital (especially the German vehicle industry) operates profitable investments in the region and in Hungary and the Hungarian state is eager to receive the transfers from the European Union, the Hungarian government is strongly

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<sup>11</sup> For more details, see Szalai 1994; Thoma 1995, 1998a, 1998b; Nagy 2011.

critical of the policies of the European Union. In other words: the post-2010 Hungarian government strategy to improve eastern relations and expand its economic scope is inconsistent with the fact that Hungary is a member of the European Union and NATO.

On the one hand, the economic crisis, becoming global by 2008, destabilized the hegemony of neoliberal globalization. On the other hand, it had a great impact on the restructuring of the global balance of forces that has been ongoing for several decades. The weakening of the leading economic role of the 'Western cores' of the capitalist world-economy (first of all, North America and Western Europe, especially the United States and European Union) and the relative decline of their geopolitical and economic power started a new chapter after 2008. After World War II, East Asia (Japan and the Small Tigers) has considerably strengthened its relative geopolitical and economic position. The two enormous states of South Asia (China and India) have caught up with East Asia. Putin's Russia, which has partly regained its political and economic power in the new millennium, set as its objective to restore the leading role that it used to have in Soviet times. Like a seesaw: while East, South and North Asia have become prosperous regions, the 'Western cores' have lost their geopolitical and economic positions. In such a changing geopolitical and economic relation system, the policy of 'eastern opening' of the small states of Eastern Central Europe, including Hungary, has proved to be a rational strategy: economic cooperation and trade with the 'eastern' partners are absolutely sensible. This approach has been considerably effaced in civil discourse in the past decade. In its place you can rather find concerns of *political* nature: the Hungarian public considers this realignment to be an abandonment of 'Western', 'European' and 'democratic' values.

After 2010, the Hungarian government remade the pre-2010 agreements with the Hungarian interests of core capital. After the crisis, the reindustrialization of the country meant the foundation of industrial, mainly manufacturing and assembling plants, supported with state subsidies or tax relief which exceeded the total value of the pre-2010 subsidies. These subsidies were received by those transnational corporations of the core capital which do not have a domestic, national capitalist rival and such a rival cannot be built up quickly. The best example is the automotive industry, mainly the German one: Hungary has no considerable tradition in the vehicle industry, so Suzuki in Esztergom, Opel in Szentgotthárd, Audi in Győr, Mercedes in Kecskemét and BMW in Debrecen, lacking real domestic rivals, have received generous state subsidies. Other industries, such as the building industry, the press and the media, the bank sector, road construction, agriculture and energetics, were partly occupied or were picked out by domestic capitalist groups, protected and strengthened *against* the interests of the core capital by the Hungarian state after 2010. The domestic capitalist class, the national bourgeoisie received considerable anti-competitive subsidies from the new government after 2010 (Scheiring 2016).

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The polarization tendencies of the class structure of 'Hungarian society' strengthened after 2008 and 2010. The social policy became more consistent, radicalizing the aims that were inconsistent between 1990 and 2008. All this resulted in the increase of social and economic inequalities – partly intentionally, partly unintentionally (Ferge 2000, 2005, 2010, 2017). The taxation and income policy, the wage and housing policy, and the financing aimed at renewing and reproducing human resources (education, health care,

social care) have become a single class policy after 2008 and mainly after 2010: the state clearly supports the financial prosperity of the upper class and upper-middle class, often simply called the middle class (Szikra 2014, 2018).

The structure of 'Hungarian society' has crystallized into a class structure.<sup>12</sup> And it so despite the fact that class semantics (i.e. *linguistic-conscious* representation of life situations settled by the class structure) is rather weak. Albeit 'Hungarian society' is a class society, this is not represented in its self-image; it is typically not considered to be a class society. The lower two-thirds of 'Hungarian society' does not reach the living standards of the middle class in its sociological sense, while the difference of the incomes within the richest 10 per cent of society is bigger than the lower 90 per cent (Tóth 2015, 2016, 2018).

The support and the help of social policy of the Hungarian state consistently depending on one's positions in the social structure. The higher someone is in the structure of 'Hungarian society', the more financial and symbolic support is provided for them by the Hungarian state; the less unfavorable a place one occupies, the less support is received (Ferge 2017; Vastagh 2017). The social policy of the Hungarian state consistently vindicates the so-called 'Matthew effect' of the Bible, which is also known in the social sciences: 'Whoever has, will be given more, and he will have abundance. Whoever does not have, even what he has will be taken away from him.' (Matthew 13:12).

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<sup>12</sup> Reference to the most important pieces of work: Kolosi & Dencső 2006; Kolosi & Keller 2010; Kolosi & Szelényi 2010; Kolosi & Pósch 2014; Szelényi 2013–2014, 2014, 2015a, 2015b; Huszár 2015; Róbert 2015; Gagyí & Éber 2015; Vastagh 2016, 2017; Albert et al. 2018; KSH 2018.

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