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## **Social Structure and Inequalities in Old Socialism and New Capitalism in Hungary**

(This text was not compared to the final edited text, there may have been minor editorial changes.)

### **Summary**

The structure of state socialism was stifled by totalitarian power yet inequalities persisted. The stratification by the 'character of the work done', a combination of power/authority, knowledge, working conditions etc. was veiled by the official ideology about the near-equality of two 'classes' and about the abolition of poverty. Social inequalities were studied in the 1960s and 1980s in these terms, showing a structure that was shifting upwards in two decades, where social distances decreased in some respects, but where the reproduction of inequalities already started, and the lack of freedom was increasingly keenly felt. The structure of new capitalism seems to be based on capital ownership and the position on the labour market, though the old professional categories still have some validity. The new structure produces much larger inequalities and new forms of poverty. The threat of lasting poverty and exclusion looms large.

**Zsuzsa Ferge\***

### **Social Structure and Inequalities\***

In the mid-1960s I was trying to find an answer to the question why social inequalities were larger than they should be by the declared ideology of the regime, by its self-image, and also by my sense of justice. At that time however, after the years of violent dictatorship were over, those differences were not particularly visible. The most basic inequality deriving from the power relations was taboo, and the consequences of the power gap remained hidden, or existed in the absence of democracy and the rule of law. The inequalities of physical

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and social life chances, the facts of wealth and poverty were not only covered up by power but also by economic dynamics just about to emerge. Yet in the relatively permissive climate of the times inequalities could be explored and were actually described by the first research into social stratification (Central Statistical Office, (KSH), 1967, Ferge 1969).

Today, the old question arises for me in a different form. Why have social inequalities grown so suddenly and so spectacularly in comparison to the previous regime? Abundant, often parading and conspicuous wealth and extreme poverty have both become parts of our every day life. Today, they are not in contradiction to the ideology of market fundamentalism (Soros 2002), playing an important role in politics. Rampant inequality however, is in conflict with the sense of justice of the majority. By 2001 there is an overwhelming majority considering the current inequalities excessive. I believe that a brief review of the structural changes in Hungarian society over the last half century provides a valuable perspective which can help to deepen our understanding of the current problems of inequality, poverty and exclusion.

### ***How much has the structure changed?***

The transformation of the relationships shaping the structure of society can be interpreted in many ways. Tamás Kolosi (2000) distinguished three approaches. According to the first opinion, called Weberian, but based on American theories of stratification, both the socialist as well as the capitalist societies are hierarchically organised and their structuring mechanisms are almost the same. It is only the strength of the effect of political, economic and cultural dimensions of inequality that is different. Followers of the second approach, also in Kolosi's opinion, use the Marxist class distinction and describe the two structures differently. According to them, "inequalities in capitalist societies basically appear along the lines of ownership, while in socialist societies state bureaucracy takes the place of the 'exploiting' classes" (Kolosi 2000: 32.). The third approach, worked out by Kolosi and close to Szelényi's view (Szelényi 1992) builds on the components of the other two theories, but adapts them to the specific features of Hungarian social development. Society in both formations is described by the duality of the structures of redistribution and of the market. This is Kolosi's L-model or Szelényi's double triangle one. During the systemic change the proportion and functions of these "two great forces organising society" have changed, particularly with reference to how they generate or moderate inequalities. The two "forces" are at the same time two "mechanisms" as well, as "we can perceive systemic change as a shift of the relative weight of the two organising mechanisms" (Kolosi, 38.). This description creates the impression as if change had not been too radical.

In fact, there has been an ongoing debate whether there had been a 'revolutionary' change with the change of the system. Much depends on the Archimedean point, from what level we look at the events. From a world history perspective continuity might be stronger than discontinuity. State socialist societies belonged to the paradigm of the industrial society progressing towards the post-industrial stage, or towards modernity on its way to post-modernity. If however our starting point is the construction of global systems defined on universal level, the practical disappearance of one of the systems means a radical, revolutionary change. We adopt this latter perspective but focus only on a single component, namely on Hungarian society.

The next question should be what is meant by revolution. If the model is the French Revolution, which not only created the conditions of a new social formation but also meant bloody violence that physically annihilated the members of the former ruling class then we have had no revolution. If the definition is limited to a series of events that may radically change ideas, principles, institutions, relationships and roles organising society (and its differentiation) then a revolution did take place after 1989 in Central Eastern Europe, and perhaps it is still in progress here and there, mostly as a 'negotiated' one. It may be a matter of taste whether to use the term revolution. The essence of my position is that the structural change was deeper than the one suggested by the formulation, that "the relative weight of the major system-organising mechanisms, redistribution and the market have changed". It is the structuring forces that have changed.

### ***The pattern of the state socialist structure***

It is for the first time that I am making a public effort, surely unclear in many details as yet, to re-think my ideas on social stratification and structure formed in the mid-1960s, and to try to interpret the present structure. All this is done in the framework of a short paper that has the express task to show the interconnections between the existing structures on the one hand, and inequality and poverty on the other.

Social structure is perceived here as a system formed by the connections of relationships. The decisive force shaping the structure of state socialism was, even in its relatively peaceful periods, the mode of operation of the central power and the relationships defined by it. The strong asymmetry of power relations meant that on the one side there was a small group of people having or possessing actual power (the nomenclature, or elite or, maybe, the political ruling 'class'), whereas on the other one there was the overwhelming majority almost fully excluded from the opportunities of access to legitimate power. The means of such exclusion was 'legal chaos', the unclear hierarchy of legal norms,

and the use of law as a political means.<sup>1</sup> Though constitutionally there were 'civil' and 'political' rights (Marshall 1965), the Constitution could be overruled by any lower level legal norm, even by a ministerial order. Hence rights existing on paper became void. Thus the political class could decide on the creation, distribution, and redistribution of material and symbolic resources in an authoritative manner and consequently about the position people or groups could take in all those areas. Absolute power deepened the social distance between 'those on the top' and the others into an abyss. In fact, the political ruling class lived in a segregated special world in most East-European 'socialist' countries and hardly used the public goods made available for the people. They were served by guarded, luxury residential areas, separate hospitals, cars with darkened windows, separate rest-houses and separate shops. One could say that they practically excluded themselves 'upwards' from the body of the society with whose members they were unable to maintain 'civic' relations based on equality.

In a research made in the early sixties I could not handle that power relationship. Therefore I split the concept of power into two. One aspect of power was defined as socially relevant decision-making, an activity that 'belonged to the social division of labour'. The other aspect was described as oppression and violence 'for their own sake,' a situation when power 'was alienated' from society and from its actual social functions. Of the latter aspect I only said that it had not belonged to my topic. (Ferge 1969, Bp. pp. 96-97).

Nevertheless power relations by themselves say nothing about the further content of dictatorship, about what actually *power wanted*? There is a plethora of answers to this question, starting from big power ambitions to the mere lust of possessing power. All this may apply to many of the holders of absolute power of those days, but it does not help to find an answer to our question, namely how power wanted to shape actual situations of life, or how it 'allowed them to be shaped', and what kind of a system of inequalities and what 'stratification' could emerge as a result. *More or less everything can be predicted about the fate of freedom from the dictatorial nature of power relations, but nothing is predictable from it about the fate of inequalities.*

In order to understand the objectives of power one cannot neglect *the ideology* in the name of which the actual goals were set. From this perspective, to put it briefly, state socialism was an experiment to catch up with the West, to 'modernise' and civilise society according to an official ideology which wanted to organise a new society based on socialist ideas. In fact the question concerning stratification was incorrectly formulated in the 1960s. *The real enigma was not why inequalities were 'too large', but why they could decrease*

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<sup>1</sup> I thank Gábor Juhász for this explanation.

*so significantly compared to pre-war Hungary.* Dictatorial means can only explain the phenomenon partially. Several processes and institutions with the aim to reduce inequalities emerged that corresponded to the perception of social justice of the majority. So much so that *they could have been introduced by non-dictatorial means as well.* In fact the will to mitigate inequalities was by far not limited to the transformation of the distribution of material resources but encompassed rights, life chances, forms of communication and symbolic systems. If we follow the categories of Marshall then apparently, while the civil and political rights were rendered formal, or were eliminated, social rights, and economic rights, such as the right to work, culture, health care, social services, those of the personality, etc. were realised. I use the word 'apparently' because I am not convinced that social *rights* may exist without the essential (substantial) assertion of civil and political rights, as they can be guaranteed just by those two other types of rights. In any case social rights are certainly more legitimate, stronger and less easy to repeal if they are claimed and fought for by means of civil rights, and voted democratically for by means of political rights than if they are gifts from above.

Part of the changes was in fact a majority demand right from the outset, and in that sense they were legitimate. Such were, during the first years after 1945, the efforts to discard feudal titles and forms of behaviour, patronising, humiliating addresses. The distribution of land in 1945 of big estates to small holders was also essentially legitimate. In later years, it was legitimate to assure free and universal access to many public goods, to expand the redistribution of welfare, to develop the so-called major systems of social care, or to assure 'the right to work' even if the obligation to work also meant a restriction of rights (at least for men). Some other equalising efforts gradually became legitimate, as was the case with gender equality. And naturally a number of equalising pressures could never become legitimate; society – on its way to freedom – got soon rid of them, such as use of the address 'Comrade' which was replaced by the often awkward use of outdated addresses such as 'Sir' and 'Madam'.

In sum the lessening of inequalities was an ideologically based objective of power. Yet many important inequalities persisted or new ones emerged. It was an important question for research how best to capture the organisation of inequalities within the given power paradigm. Education, the regions, the character of the settlement (its urbanisation or size), the hierarchy of the managers and the managed, the branch of the economy, income, social background were all imbued by major inequalities. A more composite, more all-encompassing, structurally more relevant classification capturing the articulation of society was nonetheless needed. The old Marxist categories did not function any more, the new political class categories (that there is a working class, a class of agricultural co-operatives, and a stratum in friendly relation to

both of them, the intellectuals) never captured reality. We therefore rethought the role of work that assured livelihood, the role of the division of labour of work in differentiating society.

It seemed that the position in the hierarchies of knowledge, of decision-making, superordination and subordination, then the physical efforts one has to deploy, the conditions of work, even for instance the place of living and social origin somewhat all concurred to shape within the social division of labour “a job by means of which one may earn a living”. The combination of these varied dimensions and relationship was called “*the character of the work done*”. We of course knew that that this was mainly a new term for classifications known as “socio-economic” groups, or occupational groups. The new term wanted to convey a new rationality in defining the groups.

The character of work seemed to connect a number of the variables or dimensions of inequality. The classification also seemed to correspond by and large to a “natural” articulation of society, that is a social construct widely accepted: people could identify themselves with the groups proposed. We never assumed that the classification by the character of the work will explain the majority of inequalities. We only supposed that the concept is so intimately related to so many underlying structuring forces (dimensions) that it will have some, often a large explanatory effect in case of most inequalities.

The findings of the empirical research proved this point. The character of the work done explained (was connected to) to a smaller or larger extent many types of social inequalities. Research also confirmed that the groups based on the work formed a hierarchy. No doubt some of the groups overlapped but the main trends were clear. They could be used for a stratification model to present inequalities.

The emerging market in this approach is part of a story that is not visible in a rigid scheme. Market interests, forms and movements did progress, but they were not the only signs that society did not want to accept subduing forever. As time passed it increasingly required some space for movement. Spontaneous efforts for freedom gradually 'infiltrated' almost all phenomena. They were present in power relations, in work processes, in informal incomes side by side with formal incomes, and so on. The 'group by the character of work' of a skilled worker working in a *Gmk* in the 1980s (in a work team organised within the factory, with the factory's assets, for jobs contracted out by the factory), the shop assistant in the small town of *Pápa*, the economist who was of *aristocratic origin*, the doctor who was a *Jew*, or the cabinet maker resettling *from Transylvania* remained the same, but they started also to look openly for other old or new identities and forms of self-expression. By doing so, they were

opening doors to freedom, they started to engage in spontaneous and autonomous activities. The duality of redistribution and the market captures something of the conflicting unity of pressure and autonomy (or constraint and freedom) in the field of economy. It cannot express the omnipresent tension between the conflicting forces that continuously changed the structure of society.

It is in fact difficult to describe this complexity and dynamism. The groups by the character of work do not do justice to these movements either. They serve no more than to describe an important form of stratification, which may also help to understand the social structure. Nevertheless, I am trying to illustrate, in Figure 1, the relationship between stratification and structure (which I could not handle earlier). Here I have placed power (i.e. totalitarian power) outside of and above the social division of labour, sort of holding it in a (deadly) embrace. I am trying to illustrate in this way the character of power which is decisive for society, but also separate from it.

### *Inequalities in state socialism - some examples*

The survey done in 1962 described the role of the character of work in shaping stratification. Later researches have described many aspects of the ensuing social changes. Few of them tried to investigate, though, the changes in inequalities in a way comparable to the 1962 data. The data presented in Tables 1-5 throw some light on these changes by using the same classification for 1982 as for 1962. These comparative data are, as far as I know, first published here.<sup>2</sup> They offer a glimpse of the unquestionable success of the experiment at modernisation and civilisation in certain areas. They prove the early hypotheses of the 1982 research (Várnai 1982), that the whole structure has shifted upwards and that social distances have been narrowed down in most fields.

Table 1 illustrates the rapid increase in the level of schooling. Table 2 shows the transformation of the division of labour that was modernised although with serious shortcomings (Andorka, 1997). The indicators of supply and the levels of consumption improved considerably. Tables 3 and 4 illustrate a rapid

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<sup>2</sup> The Research Institute of the Hungarian Workers Party carried out a vast survey on social stratification headed by T. Kolosi in 1982. I was asked slightly later to work, together with Gy. Várnai, on the comparison with the 1962 data. The comparison was made difficult because the survey in 1982 did not built into the research scheme the categories and the codes used in 1962. Györgyi Várnai reworked the material and wrote several chapters. My part of the report, however, was never completed. The data reproduced here are from the manuscript of Györgyi Várnai. I would like to thank her for the opportunity to publish them and for the huge work she completed, which through my fault has remained unfinished.

<sup>3</sup> See J. Szalai, in this volume.

improvement in housing and a continued reduction of inequalities after 1962. Tables 5 and 6 describe similar changes in the areas of some cultural habits or practices. The change of incomes shows the same trend. In this case it may be suspected that such pressure on income differentials must have generated tensions as it was conflicting with the interests of the stronger groups, with the (neo-liberal) ideologies becoming globally more vigorous at that time, and with international standards (Table 7). The 'groups by the character of work' explained a low and decreasing rate of the distribution of incomes both in the 1960s and around 1980 (around 20 per cent first, less later). In terms of the quality of housing, the explanatory factor was somewhat larger than in case of incomes. It was the largest and increasing for cultural levels and practices (49 and 56 per cent).

The improvement of the situation of women and the Roma from the perspectives of schooling, employment, and income (not illustrated here with data) can be interpreted also as a component of structural changes. It was true though that in case of both groups their 'emancipation' by employment was a double-edged phenomenon. In case of women progress meant that their rights undoubtedly strengthened, the educational level of working women increased, and they started to be present in the upper regions of the division of work, among leaders, managers and professionals. The other side of the coin was that they became a majority in the worst positions, first of all among unskilled labourers. A similar pattern applied to the Roma with less positive elements. No doubt, their huge majority (over 80 per cent of men, around 60 per cent of women) became regular wage-earners. Many became new, if low quality flats. The majority of children started school with the kindergartens. Thus they started to climb the slope of modernisation and civilisation. However, their qualifications did not follow their employment opportunities. They could only arrive to the lowest steps of the hierarchy of employment: most of them became and stayed unskilled or semi-skilled labourers.

The power gap could never be measured directly but, as totalitarianism was easing, the depth of that abyss must have also been filling. On the other hand, the system remained open at the bottom from certain perspectives. The concept and reality of "social citizenship" was lacking; politics only regarded the employee as an acceptable member of society. Those who did not become employees for any reason (either because they lived too far away from work opportunities, or because they were bringing up children on their own) could not even rely on public assistance to support themselves.

To sum up, structural relations were transformed through totalitarian power relations, a dominant ideology, the abolition of private ownership in the name of this ideology, and the social division of labour redefined by these elements. I do not think that it was a class structure albeit it no doubt had a "political ruling class". In my view it was probably best described as a stratified social structure.



The stratification could be described in terms of the groups defined according to the work done of the active earners. These (ultimately professional) groups could be empirically measured. They described the articulation of society that was comprehensible and corresponded to the everyday experience of people. Also the groups defined were part of the socially constructed identity of people, they were not fully artificial. Although the system operated with a lot of inherited and new inequalities, the structure remained stifled. Spontaneous movements, spontaneous enforcement of interests, autonomous definitions of one's own identities all attempted to push back the walls of constraints with some success. Yet the barriers to spontaneity and autonomy remained strong even in the years of soft dictatorship.

### ***Poverty in state socialism***

The country was still poor in the 1960s. This, in addition to a relatively uniform distribution of resources, involved that neediness was fairly general even at the end of the sixties. 30 to 40 per cent of the population was very poor. Only the political elite and their direct beneficiaries could be regarded as wealthy or at least well off.

A considerable economic growth starting from the end of the 1960s had its impact felt very quickly due to increased employment, the spread of near-universal benefits, an (artificial) price system subsidising basic necessities that assured the coverage of elementary needs even with low incomes, etc. Many of these elements had debatable features. 'Full employment' for instance, one of the means was anchored in the idea that work was the only basis of subsistence both theoretically and legally. With this flaw, however, employment was so broad that everybody could find a job. Most of those uneducated or disabled people who might be considered unemployable in an exclusively profit- and productivity-oriented society could also find employment. By the mid-1980s absolute poverty had decreased, and relative poverty (the rate of people living below half of the average income level) had declined to around 5 per cent. As general need was declining it became increasingly clear that the 'spontaneous' driving forces of differentiation could not be eliminated by the will of power. It also became clear that handing down cultural and social capital from generation to generation had been in progress, and an earlier better situation would surface even if one generation had sunk. (Institute of Sociology, 1984) It became clear also at that time that poverty was not eliminated, and the chances of breaking out of poverty were rather different and were historically and socially determined. Studies made in the 1970s and 1980s severally called attention to the gradual closing of the channels of social mobility, and to the increasing risks of inequality, poverty and exclusion. Yet as long as full employment, the right to work, the system of price subsidies, universal services and almost universal benefits remained more or less intact and the possibility of private ownership

was still limited, inequalities increased only at a slow pace, mostly from the mid-1970s onwards.

I am referring to studies and research on poverty although many affirm today that the previous regime made poverty a taboo for ideological reasons, and therefore no research could be undertaken. The first part of the above statement is true, but the second one not quite. The first thorough study on poverty, based on a special statistical survey, was carried out by István Kemény in 1968. The circulation of the book was prohibited by politics somewhat later, yet it has become well known, and has become a classic today (Kemény 1992). There have been a number of smaller surveys and sociographs, focusing on poverty, published but not widely read. But even important pieces of research have gone almost to oblivion. The results of the 1982 survey on “stratification models” already mentioned were published in nine volumes. *Two of them dealt uniquely with poverty*. One of them, “Deprivation and Poverty” by Ágnes Bokor was published as Volume VI (and later as a self-contained book, Bokor 1987). Volume VIII edited by Ágnes Utasi (1987) dealt only with marginal situations and marginalised groups. It was realised by the researchers that many groups have been missing from the large sample either due to their low numbers of because of the peculiarities of sampling. Many of them were supposed to be poor or marginal. Special surveys have been organised to capture the situation of these groups. One of the sampled groups consisted of unskilled labourers often changing their jobs (a sample of 1026 people). Another sample was taken from among tenants living in workers' hostels, who were not regular commuters and were assumed to live there because they did not have a flat (a sample of 680 people). One hundred in-depth interviews were made among the homeless, tramps, drug abusers, and the like. A relatively large sample focused on the Roma living at the poorest Gypsy colonies (1946 families, a sample of about 10,000 people). This huge amount of information has been left largely unexplored.

The findings suggest that there were in the former system as in our days “old” and “new” poor, only partly different from the poor of today. Their number and composition changed in each period depending on politics, on the economic situation, on the maturity of the pension system or on the size of the labour market. In the 1960s the “old poor” or traditional poor were the pre-war day-labourers and farmhands, or their descendants working now as unskilled agricultural workers on state farms or co-operatives; those doing odd jobs and unskilled work in cities; people living in small villages that were not yet reached by any amenity of civilisation; and the majority of the Roma on the verge of losing an old, very poor way of life and not having yet a foothold in the new society. Besides them there were, as always, families with many children, particularly families with only one wage-earner; and single parents. At the beginning of the 1960s, the majority of the elderly were also

poor because pensions were low and covered only the smaller part of the elderly population. Part of them were new poor if their property had been confiscated or their pension cut, and part of them were traditionally poor because the elderly of poor families had always been in a precarious situation. In addition there were some partly new, and partly old marginal groups, tramps, the homeless relying on workers' hostels, and people with various impairments. All those groups together involved a large number of people in the 1960s. The “new poor” of them were mostly the “déclassé” of politics, former aristocrats or upper class people who (if they did not leave the country in time) lost their wealth and job, were often expelled in the early fifties from their home to the countryside, and slowly came back to the towns from the late fifties still only in lowly, menial jobs.

By the 1980s, the number of the poor had radically decreased. Economic growth “trickled down” through jobs and earnings, and also by means of the public “irrigation systems”. Extended employment, the maturation of the pension system covering practically everybody, the relatively high and almost universal family allowances ensured at least a modest livelihood and stability in many walks of everyday life. Jobs were available for everybody: according to my calculations made in 1982, the number of actual (albeit not registered) unemployed was between 1 and 2 per cent among men. Deep poverty hit those who could not find any job and were not related to the labour market in any way. An old person who was not entitled to old age pension could only receive low social assistance, if at all. If the husband “disappeared” and the woman was left alone with several children, she was not entitled to any kind of assistance. That is, the system continued to be open at the bottom. A minor part of the 'traditionally poor' remained poor or needy: they were agricultural labourers or unskilled workers living in remote villages or run-down city areas, and the Roma continuing to live in Gypsy colonies the number of which had been rapidly decreasing.<sup>3</sup> The situation of the elderly relatively improved while that of people with large families relatively deteriorated. Structural reasons still played a significant role in the reproduction of poverty, a process that was mostly ignored by the authorities. Official politics always tried to individualise the reasons and to blame the victims for their fate (Cf. e.g. Gönczöl 1991).

### ***The schematic description of the structure of Hungarian 'new capitalism'***

The system change is usually described as a switch from command economy (planned economy) to market economy, and a switch of the totalitarian regime to a multi-party parliamentary democracy and to the rule of law. All this is true. From a structural perspective I believe, though, that the key issue is not that the market has become the most important institution organising society. In my view the basis of the structure is formed by the rights and relationships enabling

the operation of the market economy, particularly the right to private ownership and to free contract, and the relationships generated by the possession of capital and by the labour market.

I argued above that in authoritarian state socialism total power divided society into the powerful and the powerless, practically severing any relation between the two excepting the relation of oppression (always felt but not always visible). This system of power defined or at least wanted to define all other structural relations, their mode of operation, and the sites of their linkages in the structure.

The power relations that dominated the socialist structure have been replaced by capital relations. Property relations also play a basic role in shaping society, and they also divide society in two (as shown in Figure 2). However there is a large degree of interdependency between the two parts of the social space – labour depends on capital or on the employer (be it the state). No doubt business capital (and business relations) can dominate political power (Szalai 2001). The Figure cannot show for instance how dense the system of relations is between large capital and the top management in politics or the economy. Yet the structural relations are different from what they were. Private ownership became decisive, and the part played by political power is less all-important than it was. *Political decision making has become one of the internal structuring relations of the social division of labour.*

Meanwhile the social distances between the top and the bottom of both hierarchies – within those who possess and who do not possess capital – are huge. Inequalities run wild particularly among the owners of capital. Capital owners are in fact grouped here by the size of their capital and the number of their employees.<sup>4</sup> This is a simplified solution, the two criteria could be separated. (Figure 2).

Those possessing no capital appear in the labour market as supply. Their position depends on whether they can or cannot find a place there, or at least some labour-related entitlement for some benefit. The second part of Figure 2 distinguishes four main groups: those who have a stable job in the primary labour market; those who are not in employment but have with some regularity legal, short-term contracts to carry out some task as self-employed that is entrepreneurs without capital; those who only have a place irregularly or only in the black (illegal) market; and finally those who have no place at all in the labour market. Part of the latter may have access as of right to some employment-related benefit connected to their earlier job (pension, sickness or unemployment allowance). Those who have no employment-related rights may or may not get social assistance on citizen's right. The subsistence of those with odd jobs, those doing 'atypical' jobs, those with sub-contracts, those working in

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<sup>4</sup> Hierarchy within the ownership of capital is similar to E. O. Wright's approach. Otherwise the principles of the two constructs are different.

the black market and those who are totally excluded is insecure: their rights to a modicum of welfare as well as their labour rights are usually weak.

In Figure 2 the second and fourth columns give examples in terms of the character of the work that may be performed at a given level of capital, or at a given position in the labour market. I also added rather tentatively class labels to these positions. The question marks indicate that I am not sure whether the new Hungarian capitalism can be described in class terms or not. At this point only the top groups and the bottom groups are clearly visible, and both may be theoretically circumscribed and empirically found. The multitude between the top and the bottom offers a mixed image. It is certainly very differentiated according to various criteria such as income or education, and also (as will be shown below) according to the character of the work. Class contours, however, are not visible, not even looked for. Political discourse as well as academic research focus in the last decade almost exclusively on the “middle class” in the singular or in the plural. Workers, let alone the working class seem to have disappeared from the vocabulary. It ought to be further explored what is the role in this void of real – as yet badly understood – changes, and of recognised or veiled political and economic interests. In this paper I have to leave this question open.

Figure 3 covers all those who are active either in the capital market or in the labour market. The people are classified according to the character of the work done that is still understood as the embodiment of many underlying dimensions or relationships. I select here two of them, the relationships formed according to the level of power and authority, and those formed according to marketable skills. The groups at the cross-sections of these dimensions are named. The labels are similar but not identical with those of state socialism. For instance I use the term “manager” instead of “leader” as a hint to the spread of “managerism”. The terms “expert” and “professional” are used instead of “intellectual” as a hint to the changing role of autonomy in the professions. Some categories that exist are not named as yet: the labelling of the increasing number of those working in services is still missing. Household work is still left out from the social division of labour. The positioning in the social space of people excluded from the division of labour at the bottom is uncertain. On the whole the labels of the categories according to the work done are only partly adjusted to the new conditions: they need rethinking and research.

The models presented for the new capitalist structure as incomplete as they are may be empirically tested. Some data will be presented below. According to them the “groups defined by the character of work” still have social relevance both as structurally determinant forces, and as descriptors of social stratification. Further research is surely needed not only to test the relevance of the categories, but also to adjust better the hypotheses to reality. The future of this model is of course entirely unsure. We do not know what will happen to the

social inequalities when with economic growth the whole structure will hopefully shift upwards. Uncontrolled inequalities may exacerbate social divisions, may lead to self-chosen exclusion at the top and forced exclusion at the bottom. Many believe that on the contrary post-modernity involves a loss of importance of great narratives and, together with them, the weakening of social determinism, the gaining of momentum of individual choices and the program of “the aesthetisation of life” (Featherstone 1995). For the time being, though, indeterminism may play an increasing role in the middle of the social space while many present and future attitudes, tendencies and chances are only too predictable at the top and at the bottom.

### ***The inequalities of the market economy***

Structural relations do not predefine the scope of social inequalities in capitalism, either. The analogy is not complete though with what has been said about state socialism. I assumed that if power is totalitarian everything becomes predictable about the fate of freedom, but nothing is predictable about the fate of inequalities. In capitalism both aspects become undetermined. A market economy will not necessarily assure full civil and political liberties except for the right to private ownership. Capitalist market economies could in fact co-exist with fascist or military dictatorships. Meanwhile the developments of the last decades seem to show that a globalising market economy enforces more democratic power relations, that market freedoms may promote political freedoms (at least formally). Inequalities are necessary concomitants of capitalism but their extent is not predetermined. The history of Western Europe in the 19<sup>th</sup> and 20<sup>th</sup> centuries, and particularly after World War II tells after all a story of how inequalities can be moderated without an extensive impairment of freedom rights and even at times by extending certain liberties.

The state could use two main means to mitigate inequalities generated by the market. One of them was labour law, an invention of the 20<sup>th</sup> century (naturally after a long pre-history in the 19<sup>th</sup> century). When labour rights have gained ground after World War I and particularly after World War II the complete defencelessness of workers was abated. Their rights got stronger and individual work contracts were slowly “surrounded and permeated by collective rules guaranteed by law” (Castel 1996:93). In effect labour law transformed manual labour into a socially respectable activity.

Another set of means to contain inequalities was the broadening and strengthening of social rights, a process usually described as the unfolding of the welfare state. The global situation after World War II was particularly suitable to make certain self-restrictions, a subduing of individualism acceptable both psychologically and ideologically. The spirit of times after the common sufferings promoted the growth of institutions of solidarity. The

existence of the socialist world was a threat for Western-Europe, and a challenge to prove that the market economy could surpass socialism even in this respect, that capitalism could achieve even socialist goals better. The proof was convincing in many countries both in the case of the right to work and the welfare systems (Therborn 1995).

The situation has changed since then. Since the 1970s market forces started to overwrite the welfare consensus and consensus about the desirability to contain inequalities. Since Thatcher and Reagan a struggle has started for market dominance, against public and solidarity institutions, for the unlimited enforcement of individual interests and for market fundamentalism. In most countries, inequalities have rapidly increased. This story and its connection with globalisation are well known.

### *Inequality and poverty after the regime change*

During the regime change two trends occurred synchronously. One of them was the globally victorious march of neo-liberalism that was at its peak around 1990. The programme of liberating the market included both the dismantling of public welfare systems in the name of the freedom of choice, and the weakening of labour rights in the interest of liberating the labour market. The second trend took place in the countries changing regimes. In these countries the oppressed interests wanted to assert themselves. The new democratic politics offered the conditions for their realisation. One of the most oppressed interests was connected to the limitations of ownership and wealth. These very strong interests used successfully the new freedoms to acquire possession and wealth. The neo-liberal ideology provided a sort of moral basis for enrichment without restraint. I think the simultaneity of the two processes or the adding up of the amplitude of the two waves may explain why inequalities could run wild without any legal, political or moral barriers. The outcome was a more unequal distribution of a shrinking GDP. The consequences are well-known: mass unemployment, impoverishment of the majority, deepening poverty, the contraction and the changing principles of welfare systems, and growing insecurity of everyday life.

As far as (measured) income inequalities are concerned, the multiplier between the two extreme deciles increased from less than 5 in 1987 to around 10 in 2000. The distribution of wealth is certainly greater but no data exist on this point. Table 8 describes the process whereby both relative and absolute poverty increased over threefold from before 1989 until 2000<sup>5</sup>. Table 9 tests the hypothesis about the relevance of the (somewhat renewed) groups of the character of the work. The “capitalist class” is incompletely covered:

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<sup>5</sup> For further details see E. Havasi in this issue.

entrepreneurs in our sample all have low or very low capital belonging to the middle or the lower middle class in Figure 2. The table reveals that the classification according to the character of the work is still of extreme importance. The groups are almost unambiguously stratified except that there were no big capitalists in the sample. The impact of this grouping is shown in case of objective incomes, subjective income ranking, housing conditions, and the experience of unemployment. There is a significant gap between manuals and non manuals – probably greater than it used to be. Within the manual workers skills give some protection. The semi-and unskilled workers fare worst in all areas of well-being. The lower part of the table shows that the position on the labour market is also decisive: those who are squeezed out are at the bottom of all the scales.

Poverty and the threat of social exclusion hit inordinately those at the bottom of the “class” hierarchy. The most vulnerable continue to be those who have no material and symbolic resources, and particularly those who have never had or who have lost their connection with the world of labour. The laws of the labour market have changed. The right and compulsion to work has changed. The right to work does not exist any more as it is allegedly incompatible with market freedoms. The compulsion of work is no more legally enforceable: “only” livelihood, access to social assistance depends on it. Due to the lack of jobs a new group has emerged for the first time in Hungary among the poor: young families that never had any relation to the labour market, who have started their adult life on some kind of allowance or assistance, and whose children do not know any other condition of life but poverty and hopelessness.<sup>6</sup> At least one of the parents does some work when it is available, but this is mainly in the secondary or greyish economy with very low pay and no labour rights. In the job competition the Roma became in majority losers: they lost the foothold they so hardly acquired in the former system.

Another factor of impoverishment is the disturbed equilibrium between incomes and prices. The rapid withdrawal of price subsidies and a wide range of marketisation have in fact created new forms of vulnerability to exclusion. The old non-market price system (admittedly economically counter-productive) assured a fragile equilibrium between low wages and the subsidised prices of basic commodities. After the introduction of reforms wages remained low but the subsidies for basic needs have been abolished while some less basic commodities became cheaper. Thus the equilibrium was disturbed. Close to one tenth of all households have some housing debts. One of the gravest consequences is that water supply may be cut in case of non-payment. The increase in housing costs endangers housing security. Those who are forced to leave their families such as divorced husbands can only resort to homelessness because of the high price of sub-tenancy (or any other form of housing). The

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<sup>6</sup> See Á. Simonyi in this issue.



increase of public transport costs hinders schooling and employment. The marketisation of public services and the withdrawal of public responsibilities are increasingly supporting a danger voiced since long, namely that two-tier systems are developing in case of former public services with a good-quality paying tier and a public tier the quality of which may be deteriorating.

Our survey results throw some light only part of these problems. Here we may only present the grave cumulative problems among the poor in case of those who have more or less relationship to the labour market, and also the particularly grave situation of the Roma (Table 10).

### ***Conclusions***

The conclusions are rather unambiguous. As a result of structural changes material inequalities in incomes, assets and living conditions have increased drastically. Risks have increased in general while existential securities have declined. Processes of impoverishment and exclusion are tangible. All that might sooner or later deeply affect the physical and social life chances of the poor and their children.

Social inequalities have a characteristic feature: unless decisive efforts are made in the opposite direction they will spontaneously increase. This is especially true for a market society. The experiment of state socialism has proved that the abolition of the market is no solution. The structure of a society cannot be shaped at will. An overwhelming power ruins society while the removal of the market from the economy destroys the economy. The same experiment, however, has also proved that efforts to lessen inequalities and to fight exclusion can be made in a legitimate way if they coincide with the interests of the majority of society and if they do not involve a severe restriction of freedom. Whether these achievements will survive in the long run will depend on to what extent did they become a public affair. It was the essence of dictatorship that nothing could become a real public affair because the 'public' had no part to play in shaping its own affairs. The new democracy may open new opportunities.

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## Tables

### TABLES

Table 1.

Distribution of all heads and of active heads households by groups defined according to the character of the work, %, 1962-1982

Groups by the character of work done by the heads of households	Percentage distribution of all heads of households		Percentage distribution of active heads of households	
	1962	1982	1962	1982
Leaders, intellectuals	6.7	9.0	8.0	13.0
Middle level professionals	5.4	8.1	6.4	11.6
Office employees	3.6	1.9	4.3	2.7
Skilled workers	19.1	26.3	22.9	37.7
Semi-skilled workers	15.3	11.6	18.4	16.6
Unskilled workers	12.1	5.6	14.5	8.1
Agricultural labourers	21.2	7.2	25.4	10.4
Pensioners	16.6	30.2		
Total	100.0	100.0	100.0	100.0
Number of households surveyed	15077	5438	12579	3796

Source: 1962: KSH 1967, 1982: Documents of a stratification model survey, and Györgyi Várnai's manuscript.

Table 2.

Distribution of active heads of households by educational level, %, 1962-1982

Qualifications of heads of households	Percentage distribution by educational level	
	1962	1982
Tertiary/higher education	5.0	10.4
Secondary school with graduation	8.1	19.5
8-11 years of schooling	21.0	50.8
7 years or less of schooling	64.2	19.0
No schooling	1.7	0.3
Total	100.0	100.0

Source: Cf. Table 1.

Table 3.

Rate of households living in one-room flats, and of those having a bathroom within the groups defined by the character of work, 1962-1982

Character of work done by the heads of households	Rate of those living in one room apartments, %		Rate of apartments provided with bathrooms, %	
	1962	1982	1962	1982
Leaders, intellectuals	31	9	64	94
Middle level professionals	44	14	47	86
Office employees	55	15	46	80
Skilled workers	59	15	25	75
Semi-skilled workers	68	25	12	55
Unskilled workers	76	29	9	48
Agricultural labourers	67	25	3	44
Pensioners	75	33	15	49
Total	64	22	19	64

Source: Cf. Table 1.

Table 4.

The average level of the quality of housing (scores), and its variation around the average in % in groups by the character of work, 1962-1982

Character of work done by the heads of households	Average level of quality of housing, scores 0-95		National average = 100	
	1962	1982	1962	1982
Those in leading positions, intellectuals	64	87	149	114
Middle level professionals	57	84	133	111
Office employees	55	82	128	108
Skilled workers	47	80	109	105
Semi-skilled workers	39	73	91	96
Unskilled workers	37	70	86	92
Agricultural labourers	34	67	79	88
Pensioners	45	71	105	93
Total	43	76	100	100

Factors considered: title of the usage of the apartment, 0-14 scores; level of amenities 0-28 scores; running water-electricity, 0-15 scores; density of housing, 0-18 scores; provision with household machines (washing-machine, vacuum cleaner, refrigerator) 0-20 scores; total 0-95 scores. The method of scoring is debatable, but the trends are unambiguous.

Source: Cf. Table 1.

Table 5.  
Percentage distribution of households by the number of books owned, 1962-1982

Number of books	Percentage distribution of households	
	1962	1982
0	34.9	16.3
1-10	21.7	5.1
11-50	25.8	26.6
50-200	12.4	30.8
More than 200	5.2	21.1
Total	100.0	100.0

Source: Cf. Table 1.

Table 6.  
Average of cultural levels (scores) and their variation around the mean in the groups by the character of work, 1962-1982

Character of work done by the heads of households	Average of cultural level, scores 0-87		National average = 100	
	1962	1982	1962	1982
Leaders, intellectuals	58	69	207	164
Middle level professionals	46	57	164	136
Office employees	44	54	157	129
Skilled workers	33	46	118	110
Semi-skilled workers	26	39	93	93
Unskilled workers, office assistants, etc.	20	34	71	81
Agricultural labourers	18	33	64	79
Pensioners	22	31	79	74
Total	28	42	100	100

Factors considered: average level of education of all adult members in the household, 0-45 scores; number of books owned, 0-20 scores; subscription to magazines, 0-12 scores; television, 0-10 scores; total 0-87 scores.

Source: Cf. Table 1.

Table 7.  
Average per capita income, 1962-1982

Character of work done by the heads of households	Monthly average income per capita, HUF		National average = 100	
	1962	1982	1962	1982
Leaders, intellectuals	1265	3857	153	140
Middle level professionals	1050	3358	127	122
Office employees	983	3339	119	121
Skilled workers	899	2725	109	99
Semi-skilled workers	778	2688	94	97
Unskilled workers, office assistants, etc.	678	2555	82	92
Agricultural labourers	719	2206	87	80
Pensioners	689	2439	84	90
Total	823	3385	100	100

Source: Cf. Table 1.

Table 8.  
Changes in poverty rates in Hungary, 1987-2001

Concepts and thresholds of poverty	1987, informed guess	1992	1997	2001
Relative income poverty (under 50% of the mean equivalent income)	6-7	10.2	17,8	14,4
Absolute income poverty: the rate of those living under the subsistence minimum	8	10,1	31,0	n.d

Source: 1987: my estimate based on the income distribution data of the Central Statistical office, 1992-1997: TÁRKI data.

Table 9

Some indicators of well-being according to the character of the work, and employment status of the head of household, 2001

	Equivalent income per month, Forint	% of those who situate the family under the midpoint on an income ladder	% of households having good housing amenities*	% of those who were unemployed in last 12 months	n (sample size)
Total	37,9	50	72	16	806
Out of it:					
according to the character of work					
manager, employed	54,2	27	86	4	34
professional, employed	52,5	31	82	10	88
entrepreneur (mostly self-employed, small ventures)	42,2	30	86	4	48
other nonmanual, employed	43,9	49	74	15	113
skilled worker	35,3	52	49	19	293
semi-and unskilled worker	28,8	71	32	22	182
according to employment status					
active earner	41,0	44	76	12	626
on transfer benefit	33,4	56	57	13	75
unemployed	17,3	90	50	82	46

Source: Ferge et al 2002a. A random sample of 1000, under 60 years, ILO-PSS survey

\* toilette, bath hot running water, central heating



Table 10.

Distribution of households within employment status groups, and in households with or without Roma members according to levels of multiple deprivation (nine items, number of problems compressed), only the poorest third of the population

	none	one problem	2 to 4 problems	five and more problems	Total	n
Total	14	19	45	22	100	1035
Out of it:						
Groups by employment status of all members						
only active members	28	34	36	3	100	237
both active and benefit recipients	19	23	50	8	100	434
only welfare benefit recipients	0	4	45	51	100	364
Groups according to whether there are Roma members in the household						
There are no Roma in the household	17	23	47	13	100	832
There are Roma in household	1	4	36	59	100	213

Source: Ferge et al., 2001a. A random sample of the poorest third of the population under 60. ILO-POV survey.  
 Problems: no active earner in hh; household head max. primary; income below median; live in roma or poor area; 3 and more problems with flat; constant med care needed in family; not enough money for food; not enough money for drugs; not enough money or heating; not enough money to celebrate Christmas.

Figure 1.  
 The pattern of the state socialist structure

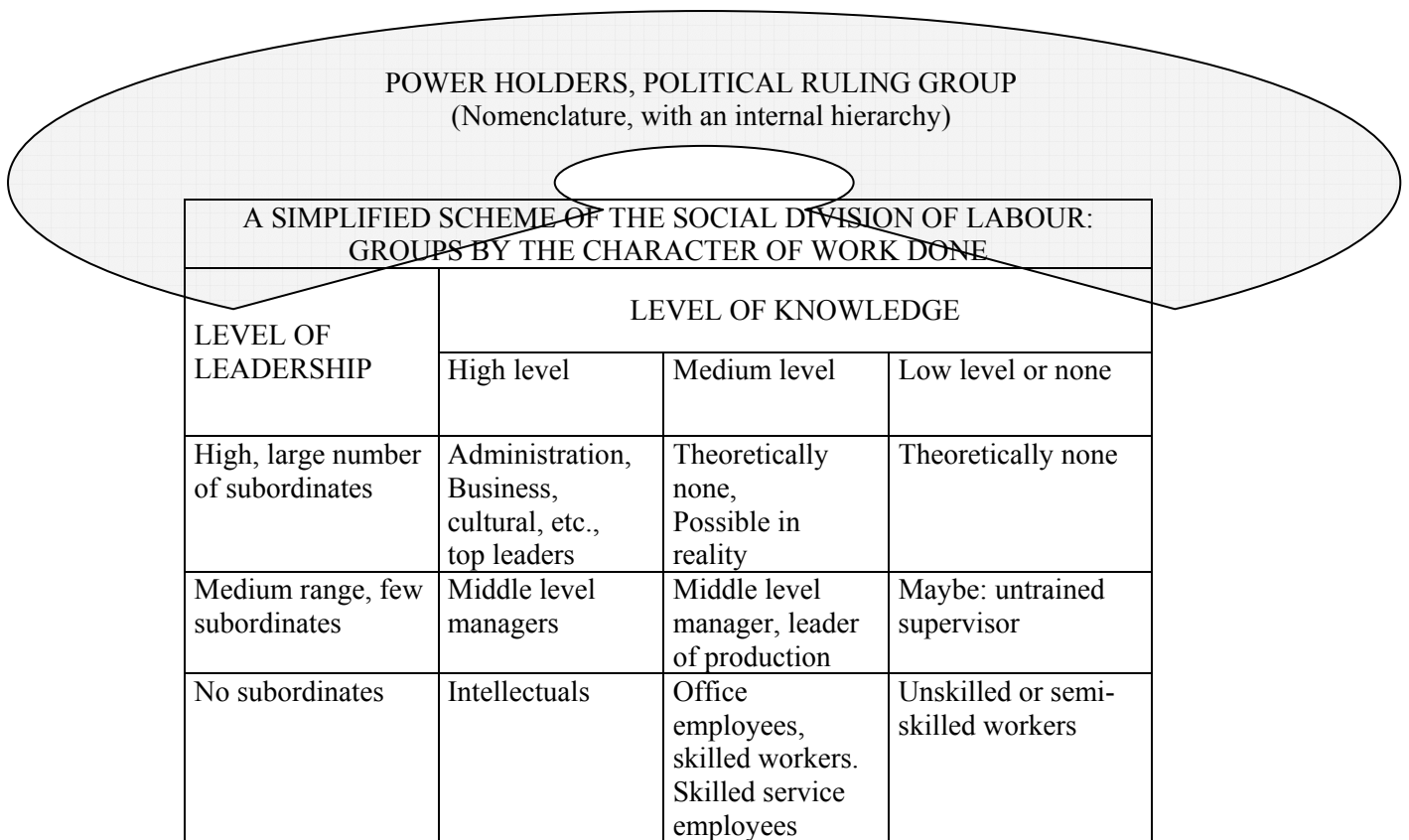


Figure 2.

Pattern of the capitalist structure after the collapse of state socialism: two interdependent hierarchies on the capital market and on the labour market

<b>POSSESSES CAPITAL</b>		<b>POSSESSES NO CAPITAL</b>	
<b>Size of capital, number of employees *,**</b>	<b>Position in the (class) structure and examples of the character of work done</b>	<b>Place in the labour market</b>	<b>Position in the (class) structure and examples of the character of work done</b>
High	Financier, large entrepreneur; (upper class)	Strong, stable, legal – in regular employment	Top: top political, business, etc. managers (upper class)
Medium	Medium-small entrepreneur (middle class)		In the middle: professionals, middle managers (middle class)
			At the bottom: Unskilled labourers, employees (lower class?)
Low	Self-employed in various groups according to the character of the work (middle class, 'lower middle class')	Self employed without capital, working on assignments, 'invoicing'	In almost any group according to the character of the work
		Irregular, grey-black labour market,	At the bottom: odd jobs or black work (lower class?)
Very low (probably temporary category as a mass solution)	Small, uncertain forced entrepreneurs in various groups according to the character of the work (lower class?)	Earlier in their career had a stable position, earned entitlement for allowance	Depending on earlier position
		No stable position, no title for labour market distribution	At the bottom, excluded (Lower class? Underclass?)

\* Those with assets can live from their yields without employing anybody. A category “capitalist without employees” could be fitted in there by enlarging the table.

\*\* The correlation between the size of capital and the number of employees is not complete. The figure is simplified.

Figure 3. Groups defined according to the character of the work done of the active participants in the capital and labour markets at the cross-section of two dimensions of work, marketable knowledge and power-managerial positions \*

LEVEL OF POWER AND AUTHORITY	LEVEL OF MARKETABLE KNOWLEDGE		
	High level	Medium level	Low level or none
High, many subordinates	Political and business leaders, top level managers, financiers	Theoretically none, Might exist in reality	-
Medium, few subordinates	Middle level managers	Medium level manager, leader of production	Possibly: untrained supervisor
No subordinates	Professionals, experts	Office employees, skilled workers. Skilled service providers	Unskilled, semi-skilled workers

\* Those possessing assets and the self-employed with no capital can be found in almost all boxes.