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## **Marketization and Development on a European Periphery: from peasant *oikos* to socialism and neoliberal capitalism on the Danube-Tisza interfluve**

### *Abstract*

*The modern term economy is associated above all with market exchange. But it derives from the Greek oikos, which for Aristotle referred to the well-managed estate, able to withstand the forces of supply and demand by virtue of a high degree of self-sufficiency. The paper explores the long-term discontinuous expansion of the principle of price-forming markets (in the sense of Karl Polanyi) at the expense of self-sufficiency in a zone of the Great Hungarian Plain where the author has carried out long-term field research. The historically “backward” region of the Danube-Tisza interfluve has been integrated into wider historical processes through different forms of market exchange, first under peripheral variants of capitalism, then in the later decades of socialism, and recently under neoliberal capitalism in a political climate of “illiberal democracy” or populism. The paper analyses continuity and change across these epochs at the societal level, with ethnographic illustrations. In addition to Polanyi’s notions of “market society” and “double movement”, it draws theoretically on Ferenc Erdei’s agenda to overcome rural backwardness through embourgeoisement; it is found that the interests of the rural population were more effectively promoted in the decades of market socialism than in any other period before or since.*

**Keywords:** *countermovement; Ferenc Erdei; Danube-Tisza interfluve; Hungary; Karl Polanyi; market socialism; neoliberalism; populism*

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*(more to follow)*

## Introduction

For all the region's internal diversity (ecological, political, religious etc.), analysts of Eastern Europe in various academic disciplines have identified general conditions of structural marginality that deepened in many sub-regions, and arguably for Eastern Europe as a whole, with the expansion of capitalism in north-western Europe. In the schema of world-systems theory Eastern Europe was a "semi-periphery" (Wallerstein 1974). It was characterized by pockets of industrialization from the late nineteenth century, but also by the "development of underdevelopment" (Frank 1966). The latter diagnosis was especially relevant to rural areas where, in the absence of significant investment in industry or in new agricultural technologies, expanding populations depended for their livelihoods on farming limited plots of land in traditional ways. Twentieth century socialist regimes, initially in the USSR and later throughout Eastern Europe, tried to deal with this problem of "economic backwardness" (Gershenkron 1962). The imposition of collectivization and accelerated industrialization through central planning was the strategy chosen by Stalin. Although the dust has yet to settle in all the sub-fields of historiographical debate, socialist planners were clearly unable to emulate the successful "catch-up" strategies of the *Nationalökonomien* in nineteenth-century Germany (Szporluk 1988). A significant developmental gap between West and East persisted. This was evident not only in economic statistics but also in the subjectivities of socialist citizens. Widespread satisfaction when those regimes collapsed was attributable in large measure to optimistic material expectations of the return to capitalist market economy.

A generation later, after many years of European Union membership, convergence is limited to privileged districts of major cities, especially capital cities; elsewhere the east-west gap is unchanged (Böröcz 2014). In an initial phase of market euphoria, characterized in some countries by radical "shock therapy", it appeared that the victory of neoliberalism, understood as the post-Keynesian stage of capitalism consolidated around the world from the 1970s onwards, was complete. When the Soviet bloc crumbled, the principles of private ownership and the free market had already been emphatically reasserted in most of Western Europe and North America. High levels of indebtedness left most postsocialist states little room to manoeuvre. The state was emasculated. Its redistributive role in the provision of social security was further weakened following the global financial crisis that began in 2007

in the USA but soon had severe consequences for the EU, not least its eastern periphery (Dale and Fábry forthcoming).

The political response to economic disruption has been a rise in “authoritarian neoliberalism” (Bruff 2013). Hungarian Prime Minister Viktor Orbán has explicitly embraced “illiberal democracy” (in a speech to ethnic Hungarians at Băile Tuşnad, Romania, in 2014). Among the four Visegrád states, Hungary has seen the most renationalization and a swathe of measures ostensibly designed to modify the workings of markets in order to protect “the national interest”. One question pursued in this paper is whether these interventionist policies constitute a break with neoliberalism, or merely a new twist, a populist “countermovement” (Polanyi 1944) shaped by societal responses to the devastating impact of marketization but hardly changing the fundamentals of market-dominated peripherality.

As Gareth Dale and Ádám Fábry (forthcoming) point out, a good deal of recent scholarship pushes against older accounts according to which both the beginning and the end of the socialist era constituted *ruptures* in every domain. In administration and economic management, the measures taken by new socialist power holders in Hungary had substantive precedents under the ancient regime (Lampland 2016). Dale and Fábry argue that is a similar story at the demise. Decentralization and greater emphasis on material incentives and market mechanisms of coordination were formally endorsed in Hungary with the New Economic Mechanism of 1968, but in fact these trends began earlier still. Though not labelled as such, the basic principles of neoliberalism were familiar and attractive to reform-oriented economists and managers in other countries as well (Bockman 2011). Such diagnoses of continuity are intuitively plausible to anthropologists, whose micro-level investigations predispose them to documenting the dogged persistence of institutions and the *habitus* accompanying them, as the same human agents struggle to cope with new existential challenges.

However, this revisionist attention to continuities across the conventional chronological demarcations can be pushed too far if it leaves us unable to make sense of systemic transformations that have an empirical reality and are experienced as genuine ruptures by most actors. It is also important to address discontinuity, though this need not be tied to specific moments of regime change. In this paper I investigate both continuities and discontinuities in the institutionalization of markets in the Danube-Tisza interfluvium, historically an underdeveloped or backward region of Hungary. In tracing how the population of this sub-region of the Great Hungarian Plain has shifted from the scale of the self-sufficient

*oikos* to that of globalized capitalism, I pay particular attention to the “fictitious” commodities of land and labour (Polanyi 1944) .

While Polanyi’s theories have been widely rediscovered in the era of neoliberalism, they have not yet been systematically applied to the present condition of postsocialist Eastern Europe (Hann, forthcoming). A second question pursued in this paper asks which specific forms of the market principle have benefited the rural population. I supplement Polanyi’s account of the emergence of “market society”, based on nineteenth-century Britain, by drawing on another Hungarian social theorist who focused more narrowly on his own rural society. In numerous publications, Ferenc Erdei (1911-1971) analysed a highly differentiated peasantry under peripheral capitalist conditions. Large segments of this population were hardly integrated at all into the national labour market or the national society (e.g. in the sense of what is nowadays termed social citizenship, i.e. welfare entitlements, insurance and pensions). In the years when Karl Polányi was developing his ideas in Vienna and in Britain, Ferenc Erdei worked for the onion cooperative in his native Makó, a small town in the south of the Great Plain. He made a study tour to see how marketing cooperatives worked in western Europe, and realised the role such institutions could play in promoting development and the “embourgeoisement” (*polgárosodás*) of the rural population. As the charismatic leader of a left-leaning populist party, Erdei eventually became Minister of Agriculture in a communist government – and a key agent in the implementation of Hungary’s great rural transformation in the following decades. Yet the path by which this came about was far from smooth.

### **The Danube-Tisza interfluvium prior to socialism**

The Great Hungarian Plain (also known as the Carpathian Basin) comprises more than half of the territory of the modern Hungarian state. It was the core of the considerably larger kingdom which the Magyar tribes established in the Middle Ages on the edge of Western Christendom. Although some zones of this unremittingly flat *puszta* are highly fertile, others are characterized by sandy soils that, in combination with low precipitation, impede the production of an agricultural surplus (Sárfalvi 1966). Subsistence farming and animal-breeding were the most important branches of the rural economy. Cattle were herded westwards along ancient trade routes, to Vienna and beyond. The medieval village population was vulnerable to the incursions of later nomadic groups, notably the Mongols. The

Hungarian state was later decisively weakened by the Ottoman Turks, who occupied the entire Carpathian Basin. Most smaller settlements disappeared, but some, such as Kecskemét, half way between Pest and Szeged, increased their population and gradually assumed the classical functions of market towns (Lettrich 1971).

Following the withdrawal of the Turks, in the eighteenth century Habsburg power holders repopulated the Great Plain by systematically settling colonists from the west and north (especially Swabian Germans and Slovaks). This planned repopulation was a late feudal prelude to an era of highly uneven capitalist development. The Great Plain was famously characterized by Dutch geographer Arie Den Hollander (1960-61) as a “European frontier area”. Despite cultural efflorescence in the period when Hungary was the junior partner in the Habsburg Dual Monarchy (1867- 1918), from the point of view of economic development the Great Plain lagged behind Transdanubia, which in turn lagged behind Austria, which in turn lagged behind pioneer industrial nation-states elsewhere on the continent. The great majority of Hungarian subjects lived in the countryside and depended on the land for their livelihood. With more offspring surviving and no jobs available on the national or imperial labour markets, in the decades before the First World War and the collapse of the empire hundreds of thousands were compelled to leave Central Europe to work in North America (Frank 2016).

Against this background, this paper zooms in to focus on the western zone of the Plain, and within that zone, on a single administrative entity. The Danube-Tisza interfluvium (*Duna-Tisza köze*) is a zone of highly variable soil quality. Districts where the sandy ecology inhibits both animal husbandry and cereal cultivation can offer alternative livelihoods in the form of orchards and, above all, the cultivation of vines. Following the devastation by disease of the country’s traditional vineyards in upland regions, in the twentieth century the interfluvium became an important bulk supplier of wine to the growing national market.

Within such a large zone, corresponding approximately to the modern county of Bács-Kiskun, with a current population of just over half a million, no single settlement can be treated as a microcosm. But, as I have argued elsewhere (Hann 1980, 2015), larger spatio-temporal processes can be illuminated by the social anthropological study of a localized population, even one that deviates in certain ways from statistical norms. Tázlár is an old settlement that has undergone many transformations. Eliminated by the Mongols and again later by the Ottomans, its deserted *puszta* was later rented by distant Szeged (though it is closer to Kecskemét on the map). Following the break-up of feudal estates, Tázlár was repopulated rapidly from the 1870s by immigrants from adjacent regions who purchased

parcels of poor quality soil as private property. This “internal colonization” was an alternative to international migration. For some, such as members of the Lázár family from beyond the Tisza river, the move to Tázlár in the 1870s worked out well; they were wealthy enough to acquire relatively fertile tracts of land, succeeded in establishing viable family farms, and in marketing a modest surplus. In short, they achieved something comparable to the respected position of the “proper peasants” of the much older community of Átány, documented by Hungarian ethnographers in a famous study (Fél and Hofer 1969). The principal symbol of this prosperity was the ownership of a team of horses. Attitudes to work were determined by seasonal rhythms and ideals of moderation and the “proper measure” (see also Fél and Hofer 1972). The logic was that of the Aristotelean *oikos* rather than the profit-maximising logic of the market (see Gudeman and Hann 2015).

As a settlement of scattered homesteads, Tázlár lacked the relative coherence of the community in Átány. Immigrants aspired to self-sufficiency. Many were obliged out of sheer necessity (due to isolation) to pursue a higher degree of autarchy than the inhabitants of nuclear settlements with better access to urban markets, shops and services. But, for the majority of peasants in both Átány and Tázlár, the ideal of household self-sufficiency was unattainable. Poorer households had recourse to a number of survival mechanisms, including day-labouring at peak periods and placing their children as farm servants with wealthy neighbours. This was the lot of the Pozsár family, who arrived from a market town to the east a generation after the Lázár pioneers, but who as rural proletarians (*kubikos*) lacked the resources to purchase a productive acreage or to invest in vines. Rókus Pozsár, born in 1897, inherited just three acres of sandy soil from his father (purchased on credit before the First World War from the Jewish owner in Budapest). He provided for his family by means of the wages he earned as a janitor at the community’s central offices, which he supplemented by the manufacture of traditional mud bricks; his six children were sent to work from an early age as farm servants for families such as the Lázárs.

The population of Tázlár rose from just a few hundred when the settlement was administratively re-established in 1872 to over 4000 by the 1940s. Conditions were especially bad in the early 1930s, when hundreds were dependent on food handouts. This poverty was graphically described in a descriptive work of “sociography” by Ferenc Erdei (1936). His experiences and observations of chronic backwardness in this region formed the background for his more academic analyses in the early 1940s of the condition of the Hungarian

countryside, and how to improve the condition of its peasant society through processes of embourgeoisement.<sup>i</sup>

### **Early socialism, 1949 – 1968**

The first years of the dictatorship of the proletariat in a country in which most households still obtained their living from agriculture rather than industry were harsh. It was harder to transform property relations in the countryside than in the towns, where the means of production could be quickly nationalized. Early postwar efforts to distribute land more equally and to encourage the formation of cooperatives were not very successful. Having appropriated the lands of large estate owners, the next step taken by the communists was to identify the more wealthy peasants as *kulák* (adapted from the derogatory Russian original) and therefore the class enemy. Determining who exactly was to be stigmatized as *kulák* was far from straightforward: although 25 acres of sandy soils in villages like Tázlár were hardly enough to assure household self-sufficiency, all those owning such a farm were liable to end up in this category. The disqualification of more prosperous families such as the Lázárs from membership of the new socialist cooperatives exemplified the new class antagonisms and contributed to the poor economic performance of the new institutions.

In these conditions of political onslaught, market mechanisms were deliberately subverted in favour of central planning and requisitions. In Tázlár as elsewhere, families recall shortages of basic goods, and how pigs had to be concealed from inspectors and slaughtered illegally to avoid confiscation. Many villagers left to take up new jobs in the industrial sector in which the state concentrated its investments (the steel complex on the island of Csepel, south of Budapest, was one popular destination). Those who remained were encouraged to abandon their isolated farmsteads and move into one of the new streets of the central hamlet. Public buildings were also consolidated here. The revolution of 1956 had virtually no impact on Tázlár, partly because its residents were preoccupied at the time with building a new Catholic church. Secular investments occurred simultaneously: new council offices, a Culture House, a doctor's surgery and a large new school were all completed by 1962 (Author, b).

During 1960-61 the authorities pressed hard to implement collectivization. Throughout Hungary this was implemented in a more flexible and humane way than Stalin's precedent in the Soviet Union. Moreover, the Danube-Tisza interfluvium was treated quite differently from



most other regions. To impose large-scale farms and industrial methods on the patchwork of vineyards and orchards characteristic of this region would have required very substantial investments. It would have led, at least in the short term, to significant economic losses. The region was judged unsuitable for large-scale industrial investments (Enyedi 1971). The pragmatic solution was to create an institution known as the “specialist cooperative” (*szakszövetkezet*), which differed significantly from the “production cooperative” (*TSz*), the Hungarian equivalent of the Soviet collective farm (*kolkhoz*). Tázlár farmers were resentful when they were dragooned into membership of one of three specialist cooperatives formed by dictate from above in 1961. But in spite of the diminution of their property rights which this entailed, they were relieved to find that they retained a surprising degree of freedom. In practice, most were able to continue farming on the plots owned in the past by their families, to which they retained formal title. The requirement to work for the “collective” sector of the cooperative was very limited. Gradually, thanks to technical assistance subsidised by the state, production increased in both collective and private sectors; households came to rely on the support of their cooperative in marketing their modest surpluses.

Villagers were not free to choose the leaders of the new institutions, but after 1956 the authorities refrained from imposing leaders whose sole qualification was ideological loyalty. One of the first of the new chairmen was Jani Lázár, who had spent a year in a labour camp in the early 1950s simply because his family had been identified as *kulák*. The irony was that, as everyone knew, Jani’s biological father was not a Lázár at all, but a rural proletarian who had given up his son for adoption to a wealthy family lacking a male heir (see Hann 2016 for more details of this case). A few cooperative members joined the Communist Party, though this remained minuscule (teachers and officials outnumbered peasants). Among those who joined was János Pozsár, son of Rókus, born in 1923, who had spent much of his childhood as a farm servant and suffered greatly in the army during the Second World War..

After allying himself with Imre Nagy and other reformers in 1956, Ferenc Erdei came perilously close to losing his life following Soviet suppression of the attempted revolution. His political career was over. But from 1957 he re-emerged as a major figure in the Academy of Sciences, while behind the scenes he exercised a creative influence over the pragmatic policies pursued towards the rural sector by János Kádár’s government. At one level, Erdei’s rationalist modernism epitomized the old socialist objective to create “factories in the countryside”: large scale state farms were established, emulating Soviet models. Agricultural produce, including wine and fruit from the Danube-Tisza interfluvium, featured prominently in

Hungary's contributions to the international division of labour within COMECON. But not all of this produce was produced in large-scale economic units. Erdei understood that, even in a socialist economy, village households differed from the households of urban estates. To transform the social structure and improve material conditions in the countryside, it would not suffice to invest more heavily in agriculture. It would also be necessary to revive the strategy of embourgeoisement that he had theorized a generation earlier .

### **Market socialism, 1968 – 1990**

From the mid-1960s onwards, especially in the agricultural sector, the planners initiated cautious experiments to decentralize decision-taking and to allow more scope for material incentives. Hungary was at the forefront of multiple strands of theoretical cross-fertilization based on the assumption that, rather than ideological foe, markets and market economics could be utilized in the construction of an efficient socialist economy (Bockman 2011). Reforms were implemented more systematically with the introduction of the New Economic Mechanism on 1 January, 1968. Despite fluctuations and phases of politically-induced retrenchment, for the next twenty years Hungary consolidated a reputation as the most consumer-friendly society of the bloc. Even in the late 1980s, when dark clouds were appearing on the horizon (associated with high international indebtedness), policy makers were still refining the institutions of this market socialism, e.g. by allowing private entrepreneurs access to state-owned property, and by opening up to foreign trade and international investment (Swain 1992).

The most far-reaching changes were experienced in the countryside. Cooperative farms gradually acquired a degree of economic room to manoeuvre that had no parallel in other collectivized states. In addition to being able to establish ancillary units to supplement their core farming activities, through the institution of the “household plot” they were able to harness the labour of their members in such a way as to complement the division of labour that prevailed in the collective sector. In this respect, the standard model of the *TSz* came to resemble the specialist cooperative of the Danube-Tisza interfluvium. The resulting synergies made agriculture, elsewhere a stepchild of socialist industrialization strategy, for decades the most dynamic sector of the economy (Swain 1985). With their share of the income generated, villagers overcame centuries of economic backwardness. Collectivization had removed their control over their patrimony and this was a high price to pay. But thanks to the flexible use of

market signals and non-dogmatic attitudes toward wealth accumulation, it became possible to build and furnish modern houses and to accumulate a range of consumer goods. While former *kulák* families led the way, these paths were eventually open to all. As a result, villagers across the country came to enjoy a higher standard of living overall than industrial workers, (the nominal ruling class).

One consequence of these policies was a more gradual exodus from countryside to town, from agriculture to industry, than would otherwise have been the case. Following the dislocation caused by Sovietization in the 1950s, significant investment resources were now channelled into the rural sector. Ferenc Erdei was a key figure during these decades, proving that a patriotic ideology of attachment to the soil need not be a conservative monopoly but could be combined with socialist emancipatory goals. Even the poorest sections of the peasantry were integrated into state systems of social security, with rights to health care and pensions. The question of unemployment insurance did not arise, because jobs were available for all.<sup>ii</sup> Hard work was a deeply held moral value in the preindustrial peasant society. It now became the ideological core of socialist modernization. The rural population could certainly compete with the urban in this respect. In the last decades of socialism more than half of all Hungarian households combined their wage labour jobs with some form of commodity production on their small plots and gardens.

During this period the village of Tázlár became well integrated into the national economy, producing value in a variety of forms. In the absence of large-scale industrial investments, the population of Bács-Kiskun county continued to decline gradually. Human labour was still exported to the expanding national labour market, but it was difficult to find accommodation in “under urbanized” cities (Szelényi 1983). Instead, the inhabitants of isolated farmsteads in settlements such as Tázlár continued to move into modern dwellings in their village centre, where electricity, piped water and other amenities were now available. Whereas farming activities generally required cooperation between household members, house-building also required inter-household cooperation. By the time of my doctoral field research in the mid-1970s, population decline had stabilized and the wealth of the hardworking community was vividly demonstrated in the phenomenon of pig-killings, which even poorer households could now afford, and in lavish wedding parties (Author c). Material efflorescence extended to the purchase of automobiles (mostly of Soviet manufacture, but also some models from other Eastern European states) and even second homes.

This prosperity was enabled by the abandonment of traditional notions of self-sufficiency in favour of new forms of marketization. Apart from some informal (sometimes illegal, but in practice tolerated) marketing of labour-intensive products such as fruit and vegetables in Budapest, most produce was sold through the specialist cooperative. The three main branches of production in Tázlár were hogs, milk, and grapes and wine.<sup>iii</sup> The most significant at the time of my fieldwork was the breeding of hogs. This took place in the household economy, but this was no longer the *oikos* of old. Even those who had moved to the village centre and given up their land could raise animals in their yards. Villagers could dispose of their animals at markets in nearby towns, which flourished in the last decades of socialism. Most, however, contracted to raise animals with their cooperative, which in turn contracted with large state enterprises. The cooperative provided subsidised feed (produced using the latest technologies in cooperative and state farms in more fertile regions) to those who became eligible through these contracts. As the chief store man (*raktáros, takarmány boltos*) of the unified cooperative formed in 1974, János Pozsár was the key intermediary. When the animals reached the prescribed size, the cooperative facilitated the sale – the villager was spared the trouble of a trip to the market, and purchase was guaranteed. There was, however, some uncertainty concerning purchasing price. When, in 1975, this did not rise in line with villagers’ expectations, some responded to this signal by opting out of production. Since this demonstration of “market power” was unwelcome to the authorities, purchasing prices were promptly increased. It is said locally that Hungary produced so much meat in those years of “socialist commodity production” that consumption levels rose to become the highest in Europe, and that there was still enough left over to export top-quality paprika salami to Italy.

This form of closely controlled market was the basis of the “socialist embourgeoisement” (Szelényi 1988) that transformed Hungarian rural society in the last decades of socialism. Compared to industrial workers, it took longer to integrate the members of farming cooperatives into the national pension system, but this too was fully accomplished by the late 1980s, even for highly independent members of the specialist cooperatives who preferred to avoid working in its collective sector. As a sign of conciliation and continuity, Jani Lázár and other members of respected *ex-kulák* families continued to serve on the committees of the specialist cooperative in Tázlár, even after the leadership posts were assumed by qualified agronomists and accountants.

## Neoliberal capitalism, 1990 - 2010

The boom years of Hungarian market socialism were over by the early 1980s. The export of agricultural surpluses across the Cold War boundary was still difficult and the country was unable to repay rashly negotiated IMF loans. Nevertheless, when the Soviet bloc finally collapsed, many observers expected that the distinctive Hungarian model would facilitate a smooth transition to capitalism. It was assumed that Hungarians who had been nurturing entrepreneurial talents in the “second economy” would now relish participating in the real thing, an authentic market economy. This marketization, as János Kornai (1990) and almost all other economists insisted, had to be based upon private property – hence the massive privatization programmes of the early 1990s. Many assets ended in the hands of foreign capital, especially in the western half of the country, where large areas of land passed (*de facto* if not *de iure*) into Austrian hands. Hungary had the highest rates of foreign direct investment in Central and Eastern Europe, most of it concentrated in the corridor that linked Budapest to Vienna.

The first two decades of market capitalism in this region marked the apogee of neoliberal political economy around the world. The ostensible goal was to generalise price-forming, self-regulating markets in Polanyi’s sense – a contradiction in the sense that the freeing of markets that had remained carefully controlled (embedded) under socialism necessarily depended on the framework set by the new state. But this state had been severely weakened and governments had little room to manoeuvre in view of the international constraints. In Budapest, parties were voted out of office every four years, before the socialists managed to secure re-election in 2006. They were able to achieve this feat only through extraordinary duplicity, as soon became apparent to all. This socialist party was the direct successor of the Communist Party responsible for the reform programmes of the post-1968 era. It embraced neoliberal austerity policies in the mid-1990s. The Bokros Plan of 1995 (named after Lajos Bokros, Minister of Finance, who had been one of the influential economists of neoliberal orientation in the last years of socialism) inaugurated a period of some seven years in which an export-oriented economy performed quite well. Hungary seemed in these years to be the “poster-child” of neoliberal marketization (Fábry 2011). However, this did not last. Even before the crisis deepened as a result of international financial disintegration in 2007-8, the Hungarian socialist party had largely lost its social-democratic credibility.

Given the strength of the revived Smallholders Party in the 1990s, it was inevitable that privatization would be extended to the rural sector. The most distinctive feature of Hungary's experiment with market socialism was sacrificed. Virtually all state and cooperative farms were liquidated. The controlled, embedded marketing mechanisms for agricultural produce perished with them. The most significant continuity was that the land was not returned (as in neighbouring states of the Balkans) in original, pre-collectivization parcels, since this would have compromised economic rationality to an excessive degree. Instead, the dispossessed had to apply for land through a complex "compensation" scheme involving auctions, the implementation of which dragged on for the best part of a decade (Swain 2013). In some parts of the country a lively land market emerged very quickly, but transactions are more limited in regions of poor ecological endowment such as the Danube-Tisza interfluvium. Having lost markets in the former COMECON countries and facing an almost impossible task in breaking in to Western agricultural markets, Hungarian agriculture struggled. Access to EU subsidies after 2004 brought a significant boost for the "winners" of the property transformation; but by this time the damage had been done, especially for small-scale producers now deprived of the support of any collective institution.

Although Tázlár is not statistically representative, the local story in these years reflects the national trends (cf. Lampland 1995). The ancillary units of the specialist cooperative were either privatized or liquidated. Given the poor quality of soils in this region, the elimination of subsidies removed any possible economic basis for arable and dairy farming. Intensive poultry production (especially force-fed geese) was the most viable specialization. Many villagers have abandoned their vineyards and this branch is now dominated by a handful of entrepreneurial farmers (one of whom was mayor for twenty years, while simultaneously buying land and planting new vines). Even they have difficulty in finding buyers for their products. Following the collapse of socialist markets, it has become difficult to market any Hungarian wine abroad (apart from the unique products of the Tokaj region). Vineyard owners throughout the Danube-Tisza interfluvium, whose speciality had been bulk wine for relatively indiscriminating consumers within Hungary, are especially angered by the importing of cheap wine from southern Europe at what they consider to be "dumping" prices.

Since most factories in nearby towns either closed or experienced radical downsizing in the early 1990s, commuting to an urban workplace was no longer an option. Tázlár villagers found themselves in a hopeless situation. In the final decades of socialism they had invested in new houses and celebrated life-cycle rituals in grand style, as a sign of the vitality

of rural life. Now they struggled to pay the bills to heat their homes in winter. At least the older generation had a modest pension, a legacy of their integration into the national society in the socialist era, but their children could no longer find jobs locally. Even before it became legal with EU accession in 2004, some were seeking work on the labour markets of various West European countries and even in North America.

### **The populist countermovement, 2010 – ?**

In 2010 Viktor Orbán became Prime Minister of Hungary for the second time, with a national-conservative agenda that included commitments to modifying the impacts of marketization. This goal was accomplished in a number of highly visible ways. Karl Polanyi would not have been surprised to see the prominence given to labour, land and money, the three “fictitious commodities” he identified in 1944. They are fictitious for Polanyi because these are goods that do not belong morally within the purview of price-forming markets. In the case of money, large numbers of Hungarians had paid a high price for taking out loans tied to a foreign currency (especially the Swiss Franc). Responding to popular pressure, Orbán’s government introduced a scheme to assist them, while bringing the National Bank back under tight political control. The government has been similarly active concerning land, intervening to renationalise significant acreages, especially in the counties bordering Austria, where wealthy farmers across the border were perceived to be taking unfair advantage of relatively under-priced resources on the Hungarian side. Throughout the country, measures have been introduced to complicate the sale of “real property”: all transactions in land must be approved by a local committee before they are ratified at a higher level and become legally binding.<sup>iv</sup>

The most dramatic intervention in the workings of the market mechanism affected labour. Starting in 2011, workfare programmes were consolidated throughout the country in order to reduce the unemployment rate. Within five years, over 200,000 Hungarians were employed in a distinctive form of workfare, above all in the countryside. The flip side was the drastic cutting of welfare entitlements, effectively compelling the unemployed to sign up for these schemes, though the wages paid were well below the national minimum. Implementation was delegated to local administrations, where mayors were generally pleased to have a labour force placed at their disposal at no charge to them. Apart from failing to provide training to assist participants to re-join the regular labour market, according to critics

these schemes soon became an instrument to enable Orbán's party to intensify its political stranglehold in the rural sector. Even young people participate.<sup>v</sup>

In these various ways, the principles of the neoliberal, price-forming, self-regulating market have been conspicuously qualified in the last seven years. The Hungarian economy as a whole has stabilized. Though great regional and sectoral disparities remain, by the time of the 2018 elections economic growth was strong and wages were rising rapidly. But it would not be correct to suggest that market exchange has been displaced as the main “form of integration” in Polanyi's sense. Rather, what we observe under Orbán is a variant of authoritarian neoliberalism, in which anti-market symbolic politics camouflage a political economy dominated by transnational corporations (popularly referred to as “the multitis”), and in which policies to promote Hungarian entrepreneurs are infected by cronyism and “mafia” networks (Magyar 2016). The present phase is a reaction to the extreme version of marketization experienced between 1990 and 2010 (sometimes called market fundamentalism, the dystopic “market society” of Karl Polanyi). The most potent symbolic resources of this countermovement are those which celebrate national identity, with old scapegoats in Moscow now replaced by new ones in Berlin and Brussels.<sup>vi</sup> The socialist institutions in which markets were embedded before 1990, which facilitated relatively high levels of redistribution, and social as well as geographical mobility, have been substituted by the short-term agendas of political parties. Corruption is widely felt to be as much of a problem under the present dominant party as it ever was under the Communist Party. The two systems are increasingly perceived as equivalent in this respect, despite the many incontrovertible discontinuities, especially in the realm of economy.

In the village of Tázlár, workfare schemes began modestly but were rapidly expanded under a new mayor from 2014 (Hann 2016). They were welcomed at first, but later criticised both by participants and other villagers. Initially the focus was on growing vegetables for use in the communal kitchen of the village school. This was then expanded to include market sales of courgettes, and later supplemented with a new scheme (for which additional central funds were secured) to raise hogs. All villagers say that it is good that, rather than receive benefits from the state without working, those in need should receive a wage for performing manual labour. Most find it entirely acceptable that this labour is directed not merely to a new form of self-sufficiency in the village (reducing costs to the school kitchen) but to sales on the market outside the village. This is considered preferable to the situation they observe in the



nearby market towns, where most workfare participants spend much of the year sweeping streets and cultivating flower beds in public places, without producing commodities.<sup>vii</sup>

In Tázlár and the environs the proportion of young participants in manual workfare is low, primarily because most now have some access to networks that take them to Western Europe. They typically take unskilled jobs that do not pay well. Few send remittances home. Parents complain that they have no idea when or where their children will settle down and start a family. The production of human beings for external labour markets thus continues, but on a new scale. It is facilitated in Tázlár by the survival of the socialist era primary school, which has been handed over to the Roman Catholic Church in order to give it a greater degree of financial security.<sup>viii</sup>

While the dairy sector in Tázlár has almost disappeared, other branches persist but have become much more concentrated. A few villagers have obtained EU grants to support agribusiness or viticulture investments, but new entrants lacking capital of their own have poor prospects in this region. Meanwhile hogs are now raised centrally, a circumstance unknown under socialism, when subsidies and the flexible marketing arrangements of the specialist cooperative enabled the production of large quantities of pork in decentralized village households. Now, through workfare, public pig-sties have been subsidised, ostensibly to produce meat according to the traditional principles of an *oikos*, for local consumption. Whether it will become possible to market a surplus remains uncertain. In theory, workfare should not compete with the regular mechanisms of price-forming markets; but there is hope locally that compromises will be possible, that deals can be struck with regional slaughterhouses through informal networks.<sup>ix</sup>

In summary, radical changes have taken place with respect to the production of economic value and market institutions. The postsocialist decades brought the rapid destruction of the socialist agrarian synthesis of which Ferenc Erdei was both a theoretician and an influential enabler. Socialist embourgeoisement ceased almost overnight. In villages such as Tázlár, where the number of communist supporters had always been small, the socialist party soon vanished from the scene. János Pozsár was deeply saddened by these developments. Thanks to his secure pension, however, he himself had no trouble in maintaining his standard of living. He purchased one of the last imports of East German Trabant automobiles, and was happy to discover that its engine was made by Volkswagen and far less polluting than the old socialist technology. When a much larger house than his own

was placed on the market at a giveaway price, he decided to leave the old dwelling in which he had lived for almost three quarters of a century.<sup>x</sup>

Mrs Lázár, widow of Jani, the former cooperative chairman, lives in the next street. Her two sons illustrate two of the paths available under the new regime. One has married out into a neighbouring community, where he raises geese for an enterprise that exports the products, mostly to France. Hungary's comparative advantage is said to lie in the fact that methods banned by animal protection legislation in the wealthy states of the old EU are still legal in peripheral members such as Hungary. Mrs Lázár's other son has had a good many jobs, including a spell working for the local cooperative before its dissolution; but for most of the last decade he has been a stalwart of the village's workfare scheme (see Author d).

Unlike Mrs. Lázár, who still works long hours in her garden, János Pozsár is too infirm to take care of the plots he owns. Nonetheless until the recent passing of his common-law partner (another widowed neighbour), a high proportion of the food he consumed was produced in local gardens in traditional ways. A few new arrivals in the village, urban families attracted by the cheap housing, uphold traditional ideals of peasant self-sufficiency. But some native Tázlár households have lost the routines of the *oikos* altogether (cf. Vidacs 2015b). They point out that the low cost of most food products in large foreign-owned stores such as Tesco and Lidl, easily accessible in neighbouring towns, removes the incentive to toil in one's garden. It now makes more sense (also for status reasons) to apply the same quantity of labour to maintaining an attractive lawn and perhaps installing play equipment for children and grandchildren. Few villagers slaughter pigs nowadays, since this is an onerous and smelly task (Vidacs 2015a). Meat obtained cheaply in the supermarket can still be smoked in traditional ways and spices added according to family recipes, but it is nowadays rare to send samples to relatives and neighbours for tasting. For the majority, it no longer matters that the meat they consume is not the product of their own labour, as it was in the past, on their own more or less self-sufficient *oikos*; but some villagers are disturbed by the fact that Hungarian villagers nowadays inhabit a global space, and that much of the food they purchase in their supermarkets is not even Hungarian produce.

Apart from international migration, local workfare, minimum-wage jobs and attempting to farm independently with EU grant assistance, one further livelihood option has recently emerged for the villagers of Tázlár. Capital, too, is nowadays more mobile than ever before. Hungary has continued to attract substantial foreign direct investment, nowadays even in regions east of the capital. About a dozen young men nowadays work at the Mercedes-

Benz factory at the county town, Kecskemét, which with a workforce now exceeding 4000 (in 2017) is far larger than any socialist-era investment in the county of Bács-Kiskun. The commute takes about three quarters of an hour in each direction. Wages, though well below German levels, are attractive by Hungarian standards; but since they are insufficient to pay for rented accommodation in the city, this form of capital mobility brings no general solution to problems of rural peripherality. This factory was originally negotiated in 2008-9 but the populist governments in office since 2010 have continued to extend support, in the expectation that further major investments will follow on the site in the near future. These are facilitated by EU “cohesion” transfers. The sums available to promote regional development are considerable. Yet it has recently been argued that the value of these transfers to Hungary (and other countries in the region) is exceeded by the value of the profits repatriated by the multinational corporations that figure prominently among the beneficiaries.<sup>xi</sup>

## **Conclusion**

In this paper I have outlined how principles of the *oikos* and of market economy have waxed and waned in modern Hungarian history. On the periphery of Western European capitalism, the uneven development caused by the spread of the market principle was associated with a resurgence of highly autarchic smallholding on privately owned parcels of land from the end of the nineteenth century, especially in zones of poor ecology such as the Danube-Tisza interfluvium. The socialist era brought radical discontinuity in the form of harsh repression of the market and private property. These interventions were gradually mitigated and the reforms of the New Economic Mechanism were overwhelmingly welcomed by the population. In the 1970s and 1980s the flexibility of this market socialism increased considerably, but private capital was still constrained and subordinated to a redistributive state. This balance was disturbed by a further rupture after 1990. Mass privatization ushered in a new variety of capitalism, but it turned out that skills honed in the informal economy were not necessarily conducive to entrepreneurial success in the neoliberal market economy.

Throughout the paper I have paid particular attention to the countryside. Agrarian backwardness was at the heart of the long-term developmental problems addressed in the socialist decades. The modernizers of Hungary pursued policies that privileged the countryside. While the state continued to control markets by determining purchasing prices, households acquired a certain market power and exercised it to ensure favourable terms for

their products. The benefits were conspicuous, not only in better provisioning for the urban population but in rising living standards and socio-cultural efflorescence in the villages, whose inhabitants were for the first time drawn into national systems of entitlements. With the return to capitalist market economy, these synergies were lost. Households raising hogs in village back yards without subsidies cannot compete against supermarket chains and the global capitalist agribusiness that supplies their products.

From a narrowly economic perspective, it can be asserted that under socialism Hungarians *over-invested* in rural housing and infrastructure, in the reproduction of a rural population that was larger than it really *should have been*, according to iron laws of capitalist economy. The consequences of this historic error were disguised and evaded in the first postsocialist decades. They have been made visible in the present, populist phase, through the cuts in welfare entitlements, the export of labour to Britain and other countries, and the local workfare schemes. These schemes and other recent interventions modify the pure logic of the price-forming, self-regulating market system. But I have argued that populist policies to promote village self-sufficiency and constrain marketization led by transnational corporations are best seen not as a rupture with neoliberalism, but as a strategy to enable one political party to hold on to power, come what may.

Ferenc Erdei was also a populist in his time. It is instructive, in theorizing the transformations I have outlined, to juxtapose his ideas and commitments with the manner in which his compatriot Karl Polanyi theorized the place of the market in different historical economic systems. Polanyi and Erdei are separated by a generation as well as by social class, religious traditions, and a great deal more. To the best of my knowledge they never met. Yet they had much in common. Both were strongly influenced by the Marxist critique of market capitalism, but refrained from joining the Communist Party. Their ultimate loyalties were identical: to their nation, and to development and the well-being of the masses. When, following the Second World War and with the onset of the Cold War, the dictatorship of the proletariat and central planning seemed to be the only progressive path available, Erdei compromised and played a significant role in suppressing markets and breaking up evolved property relations. After the tragedy of 1956, he explored creative ways to return to his agenda for the embourgeoisement of the mass of villagers. His early death in 1971 meant that he did not witness the full fruits of market socialism in the countryside. But both he and Karl Polanyi would surely have applauded the mixture of “forms of integration” that allowed for a

controlled marketization that was compatible with radical redistribution and the expansion of social entitlements in the last decades of socialism.<sup>xii</sup>

The villagers of the Danube-Tisza interfluvium benefited more from that short-lived socialist variant of marketization than any other to which they have been exposed over the centuries. It is paradoxical that, due to its political embedding in socialist ideology, the beneficiaries remained doggedly ungrateful. The leftist populism of Ferenc Erdei bore fruit as a radical countermovement (in Polanyi's sense) to unbridled marketization. The illiberalism of Hungary's present government as it intervenes to mitigate the domination of global markets also draws upon the strong sentiments of a countermovement; but this countermovement is a feature of an increasingly authoritarian phase of neoliberal capitalism, not an alternative to it.

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## NOTES

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<sup>i</sup> For a detailed account of the life and work of Ferenc Erdei, see Huszár 2012.

<sup>ii</sup> It was a perennial complaint of critics of this market socialism, both at home and abroad, that state enterprises still tended to hoard labour, thus impeding the efficient functioning of the labour market. Labour mobility was ideologically condemned as “job-hopping”.

<sup>iii</sup> While private marketing channels were insignificant in the case of dairy production (apart from informal sales within the village), they were an option in the other branches. The viticulture sector was particularly complex. Some households attempted to market their grapes in the form of wine, but this branch was increasingly dominated by well-equipped state enterprises. The specialist cooperative did its best to facilitate marketing, but it was not always successful and some households preferred to pursue private, informal channels. Others continued to produce wine primarily for household consumption and local hospitality purposes, as they had in the *oikos* of old.

<sup>iv</sup> It is widely reported that these provisions are open to abuse and that they have led to the accumulation of very large estates by members of the new dominant party.



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<sup>v</sup> In response to public criticism of the fact that some young people chose workfare rather than complete some form of vocational training (as was virtually obligatory in the socialist decades), in 2016 the minimum age for participation in workfare was raised from 16 to 18

<sup>vi</sup> This was vividly demonstrated in the “migrant crisis” that erupted in Summer 2015, which was still being instrumentalized by Viktor Orbán years later in the election campaigns of 2018 (Hann, forthcoming).

<sup>vii</sup> In the town there is also criticism of the fact that short-term workfare placements are increasingly used to substitute for civil servant jobs, and for regular jobs in state enterprises (such as those concerned with water and road maintenance)

<sup>viii</sup> The village mayor stresses that, in addition to the availability of cheap housing, the kindergarten and school currently play an important role in stemming population decline.

<sup>ix</sup> Such informal networks were, of course, of considerable importance in the era of market socialism; however, they did not play a big role in the marketing of meat products, where exchanges between enterprises, cooperatives and individuals were mostly regulated by formal contracts.

<sup>x</sup> When I visited him in 2015 he was occupying only a fraction of his new premises. He complained about the high maintenance costs; but this veteran communist was also proud to show me a card from Prime Minister Orbán congratulating him on his 90th birthday.

<sup>xi</sup> See Piketty 2018. At one level the Kecskemét factory would seem to exemplify the exploitation of Hungarian labour by German capital. But, as noted, jobs at the new factory in Kecskemét are attractive because they pay far better than local employers. Since few of the up-market cars manufactured here are sold in Hungary, the nature of the value chain and the exploitation is moot (all the more so as Chinese investors increase their stake in Daimler-Benz).

<sup>xii</sup> He might even have found ways to link the pragmatic institutions of market socialism back to his theoretical work in the 1920s, when he rejected the liberal critique of Mises in the course of the “socialist accounting” debate (Bockman, Fischer and Woodruff, 2016). See also Dale 2016.