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RESEARCH ARTICLE

Economic Anthropology

Taxation and the Polanyian forms of integration in socialist and postsocialist Hungary

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Abstract
Reciprocity, redistribution, and (market) exchange were the "forms of integration" put forward by Karl Polanyi as a "special tool box" to investigate relations between economy and society where the principle of price-forming markets is not (yet) dominant. Though intended as the basis for a comparative alternative to the universalist assumptions of mainstream (neoclassical) economics, Polanyi did not make significant use of these concepts to analyze the noncapitalist societies of his day. This article investigates his Hungarian homeland, which in four decades of socialism evolved from Stalinist central planning to a mixed economy in which (re)distribution was supplemented by the expansion of market exchange, with personal taxation playing a negligible role. The constellation of (re)distribution and market has changed significantly in the postsocialist (neoliberal) era, but Scandinavian-type societal reciprocity has remained elusive. Long after admission to the European Union, Hungarian fiscal and social policy regimes are distinctive as the market form of integration combines with low taxation and political interventions to (re)distribute resources (including transfer income from the EU) to support the formation of a national bourgeoisie. Theoretically, the perspective of the socialist Karl Polanyi is contrasted with that of the liberal institutionalist economist János Kornai.

KEYWORDS
János Kornai, Karl Polanyi, market exchange, reciprocity, redistribution, taxation

INTRODUCTION

Hajnalka (a pseudonym) is a widow born in 1944 who has spent her entire life in Kiskunhalas, a market town in southern Hungary with some 30,000 residents. In the pre-socialist era, her father was a tailor and her mother worked alongside him as a seamstress. They paid taxes in the usual way to their municipality and their state. In the early years of Hungarian socialism, when Mátyás Rákosi (the Hungarian Stalin) was the First Secretary of the Communist Party, the business was closed. Stocks of clothing and equipment were confiscated, and Hajnalka's parents were forced to join cooperatives. But their large house was not taken and was eventually inherited by Hajnalka (who had spent many years living in nearby military accommodation with her husband, an army officer). She qualified as an accountant and was employed for most of her working life by the local state farm. When the farm was liquidated in the early 1990s, she retrained as a freelance tax adviser (*adótanácsadó*). Hajnalka occupies the ground floor of her tastefully renovated home. She supplements her state pension by letting out the upper-floor rooms and by continuing to offer entrepreneurs and the self-employed help in completing their tax returns.

Hajnalka meets her clients in a small office in which her father's certificates as a skilled private artisan are displayed on the wall. In conversation, she makes no secret of her moral values and political sympathies. She is as meticulous in keeping her own accounts as she is when advising her clients, because the law must be carefully followed to the last detail. But Hajnalka is paid to minimize her clients' liabilities, and this is work she undertakes with a good conscience, even when the taxation category she suggests and the figures she vets before submission to the tax authorities deviate from the reality of the business. For example, since an employer's contribution to social security depends on the wages paid, it is common practice to declare these at the level of the statutory minimum, though the remuneration actually paid out (typically handed over as cash in a discreet envelope on payday) may be significantly higher.

This is an open secret in contemporary Hungary. When we broach such topics, Hajnalka asks if I have read the latest media coverage about how childhood friends, kin, and in-laws of Prime Minister Viktor Orbán have acquired yet more assets through nominally open public tenders that are not in reality open at all. Like many other citizens, she thinks that the entire country has been in the grip of a corrupt clique ever since the parliamentary elections of 2010. Postsocialist entrepreneurs benefit from a flat-rate income tax (15%) and from the lowest corporate taxation in the European Union (9%), while value-added tax (bearing on all consumers) is the highest (27%). Notwithstanding her petty bourgeois background, Hajnalka's core values are those of the socialist era. Her career unfolded in the years when Hungary was reforming its centrally planned economy and moving in the direction of what I term the socialist mixed economy. Like many of her generation, Hajnalka recalls how large institutions such as the state farm changed over the years as budgets were decentralized and entrepreneurial initiative promoted inside socialist enterprises and more generally. She thinks that this mixed economy had positive consequences for social mobility and solidarity. She contrasts that era with the present, in which many young people of her small town, irrespective of their qualifications, feel compelled to move to countries of the "old EU" to find jobs that pay well enough to enable them to make plans for the future. Hajnalka thinks that whereas socialism prioritized the collective and sought to promote greater social equality, Orbán's government has promoted inequality and corruption.

How can the worldview of Hajnalka and millions like her who experienced socialism and the disruption of the postsocialist decades best be grasped in the framework of economic anthropology? This article applies concepts from the substantivist "special tool box" proposed by Karl Polanyi (1886–1964) to analyze successive transformations of economy and society in Hungary, the country in which Polanyi was raised. He identified reciprocity, redistribution, and (market) exchange as "forms of integration" (Polanyi, 1957). He did not operationalize these concepts for the noncapitalist societies of his time in Eastern Europe, though he embraced their moral-political agendas (Dale, 2016). I shall focus on the changing balance between redistribution and market and pay particular attention to personal taxation.

In the emerging field of fiscal anthropology, it has been argued that high rates of progressive taxation are accepted by the citizens of mature welfare states because they stand in a relationship of societal reciprocity with their state (Björklund Larsen, 2023).[1] In the post-Keynesian neoliberal era conventionally traced back to the 1970s–1980s, and especially in postsocialist contexts, reciprocity in this societal sense has become more elusive. Since 2010, Viktor Orbán and his Fidesz party have been widely characterized as populist (Fabry, 2019; Scheiring, 2021). Orbán's government has intervened frequently to counter the logic of the market. However, he has little interest in emulating Western welfare states. Despite the flow of transfer funds from the European Union since Hungary's admission in 2004, public services (notably health and education) are widely perceived to be in decline. I argue in this article that a taxation system that accentuates the inequalities of a new class structure is the sociopolitical corollary of the domination of market exchange, the dominant form of integration in the neoliberal age. First, however, to clarify the theoretical background, let us open the tool box of Karl Polanyi.

THE ECONOMIC ANTHROPOLOGY OF KARL POLANYI

The "forms of integration" proposed by Karl Polanyi (1957) served as a charter for his substantivist school. They were a modification of earlier formulations. In chapter 4 of *The Great Transformation,* Polanyi (1944) outlined the concepts of reciprocity, redistribution, householding, and exchange as "principles of behavior." The first three capture between them the main characteristics of human economic life throughout human history, when exchange plays only a subordinate role.[2] However, in the unprecedented, "disembedded" economy of nineteenth-century Britain, laissez-faire "price-making" markets became the dominant form. This rupture was accompanied by the emergence of a new economic science in place of political economy, which later became known as the neoclassical paradigm.

Among these forms of integration, reciprocity has generated the largest literature and the most confusion. For Polanyi (1944), reciprocity was exemplified by noncentralized tribal societies in which economic activity is embedded in relations of kinship and neighborhood. The Trobriand Islanders as documented by Bronislaw Malinowski were his prime example. The concept has been extended and refined by many later scholars, inside and outside anthropology. Marshall Sahlins (1972) distinguished between generalized, balanced, and negative types of reciprocity. Market exchange and theft were both examples of negative reciprocity. Sahlins's generalized reciprocity was refined by David Graeber (Sahlins's student) as "baseline communism" (Graeber, 2011, 97–9). In a wide range of populations whose members maintain close relations based on some combination of gifting and sharing, reciprocity in this sense (which is the sense of both Polanyi [1944] and Mauss [2016]) can be viewed as the dominant form of integration. For example, reciprocity has recently been identified as central to the "substantive mutuality" of South American Indian communities prior to their encounter with Europeans (Owensby, 2022). However, the relevance of this form of integration to actually existing socialist or postsocialist conditions is not immediately obvious.[3]

Polanyi defined redistribution with reference to institutional centricity: someone, or some organization, acquires goods and reallocates them. The examples given by Polanyi included the successful hunter who distributes the spoils of an expedition. However, "redistribution proper" (Polanyi, 1944, 51) depended on political hierarchy, as when Kwakiutl chiefs distribute goods in a potlatch. Drawing on the work of Richard Thurnwald (whom he credited with pioneering the concept of reciprocity), Polanyi presents feudalism as an archetypal system of redistribution, the essential features of which occur around the world.[4] Proper redistribution is thus associated with subordination, personalized dependencies, and significant inequalities in living standards.

During the 1950s, when he led an interdisciplinary team at Columbia University, Polanyi modified his earlier formulations. In *The Great Transformation*, he had confined redistribution to a preindustrial age (1944, 50–1). In 1957, he brought it up to date: "A redistribution of purchasing power may be valued for its own sake, i.e., for the purposes demanded by social ideals as in the modern welfare state. The principle remains the same—collecting into, and distributing from, a center" (1957, 254). Polanyi went on to explain that the forms of integration were not mutually exclusive and did not correspond to evolutionary stages in economic development (though a limited correlation was not excluded). He added a solitary reference to a socialist state:

> Redistribution, the ruling method in tribal and archaic society beside which exchange plays only a minor part, grew to great importance in the later Roman Empire and is actually gaining ground today in some modern industrial states. The Soviet Union is an extreme instance. (Polanyi, 1957, 256)

Polanyi illustrated changes in the forms of integration and the rise of the market principle with reference to the emergence of the "fictitious commodities," that is, labor, land, and money, first identified as such in chapter 6 of *The Great Transformation*. Prior to the nineteenth century, according to Polanyi, markets were never more than ancillary mechanisms of allocation. Only in the "self-regulating" markets of industrial Britain (in reality created and sustained by the state) did markets emerge for goods that were fictitious in the sense that they were not produced as commodities for sale. Polanyi returned to this theme in 1957:

> The rise of the market to a ruling force in the economy can be traced by noting the extent to which land and food were mobilized through exchange, and labor was turned into a commodity free to be purchased on the market. (255)

The Polanyian ideal-types were revised and critiqued by numerous scholars from the 1960s onward. Radical criticism came from neo-Marxists, who argued that the key to the scientific analysis of economic systems lay in distinguishing their modes of production, rather than in typologies of modes of transaction. Maurice Godelier (1972) and others highlighted problems in distinguishing between redistribution and reciprocity and analyzing their interaction. Actors (givers as well as receivers) commonly explain redistribution normatively in terms of mutual obligations—in other words, reciprocation in the colloquial sense that Lotta Björklund Larsen (2018, 2023) pursues with reference to the social contract pioneered by the Scandinavian welfare state in its heyday. In precapitalist societies, the normative dimension was shaped not by contract or social class but by factors such as kinship and religion (Godelier, 1972, 98). But while the actors might understand redistributive transfers in terms of expanded notions of reciprocity and mutual responsibility, the task of the Marxist analyst (irrespective of whether power lay with a chief, a feudal lord, or an elected government) was to expose the smokescreens that concealed exploitation.

These issues arise in novel guises under a centrally planned socialist economy. In theory (as proclaimed by the regime's ideologists), once older "class enemies" have been defeated (with the help of punitive taxation policies), such a society is united on principles of mutuality under the leadership of the working class, with the ultimate goal being to achieve communism. Every detail of the division of labor, distribution, and consumption is masterminded by theoretically omniscient planners. While Polanyi viewed central planning as an extreme instance of redistribution, it clearly differs from the redistribution of a market-dominated order, in which resources flow into a center through taxation before being (re)distributed according to principles that have democratic electoral legitimacy. In the case of Hungary, the political economic order of socialism certainly did not enjoy normative legitimacy among the general population. This was demonstrated by the revolution of 1956, which was repressed by Soviet intervention.

This article does not address the full range of Polanyi's work or the reasons why it is being rediscovered internationally as neoliberal globalization accelerates.[5] Raised in late Habsburg Budapest, his socialist politics crystallized in Vienna in the 1920s. Before reading the ethnographic studies of Thurnwald and Malinowski, he had contested economist Ludwig von Mises's critique of the viability of what came to be known as market socialism (Bockman, Fischer, & Woodruff, 2016; Dale, 2016). In the 1930s, most of which he spent in Britain, Polanyi was an enthusiastic admirer of the *Paris Manuscripts* of Karl Marx, newly published and refreshingly free of the rigid determinisms characteristic of mainstream formulations of historical materialism. After the Second World War, in his third period of exile, Polanyi's political sympathies seemingly receded. He did not return to his 1920s defense of "socialist accounting" when Stalinist central planning was imposed on his homeland, along with the rest of Eastern Europe.[6]

FROM CENTRAL PLANNING TO THE SOCIALIST MIXED ECONOMY

The nineteenth-century founders of the international workers' movement offered no guidance on how to manage the economy after the proletarian revolution. Following the second Russian Revolution of 1917, the victorious Bolsheviks concluded, after the experiences of "war communism," that to dispense altogether with market mechanisms would prolong social disintegration. Under the New Economic Policy (NEP) the peasantry, which still comprised the greater part of the population, responded to material incentives and production increased. This can be considered a pioneering attempt to create a socialist mixed economy. But Nikolai Bukharin lost out to Joseph Stalin politically, markets were suppressed, the peasantry coercively collectivized, and industrialization promoted at breakneck speed in successive five-year plans. Stakhanovite "shock work" came to symbolize both the heroic accomplishments and the profound irrationalities of the new planned economy. In the wake of the Second World War, the Soviet model of central planning was extended to the People's Republics of Eastern Europe. Although institutions were standardized, implementation of the planned economy played out differently according to the level of economic development. Hungary was an intermediate case: more advanced industrially than Romania or Bulgaria (or Russia in 1917), but backward in comparison with Bohemia or the German Democratic Republic.

In the Stalinist "command economy," the means of production are fully socialized and the planners are both omniscient and omnipotent, since they have the Communist Party behind them. The reality is very different. Ignorance often trumps knowledge, and power is in the hands of the politico-administrative hierarchy. Some limited economic tools are necessary to ensure stability, but prices (for commodities ranging from the most important factors of production to the most trivial items of consumption) are determined not by the forces of supply and demand in a marketplace but by officials. Wages vary according to qualifications and sector, but within quite narrow limits. The final distribution of goods is supposed to conform to a socialist ideal, as formulated by the vanguard party that unites the working people of the country. The population is made up of the allied classes of industrial workers and peasants, together with an intelligentsia that forms a distinct "layer" (see below). Money is not abolished and there is some room for consumer choice. But crucial goods are allocated by officials (e.g., most urban housing) and many are generously subsidized (e.g., transportation, recreational and cultural goods).

Soviet economic management was modified repeatedly, down to and including Mikhail Gorbachev's perestroika, but even by the criteria of the planners themselves, results were consistently disappointing. Polanyi's "fictitious commodities" of land, labor, and money were subject to what a Western neoclassical economist might classify as fictitious pricing. The allocation of jobs and the determination of wages proceeded without reference to supply and demand, and managers had no incentive to make a "profit" (which in their accounts would be indistinguishable from taxation). Personal income tax was insignificant in this system. The purchasing power of individuals was determined by their wages and consumer prices. As in capitalist economic systems, pricing was not extended to ecological externalities (much of the damage caused to the environment by Soviet industrialization was irreversible). Only in a few specific sectors was a different logic tolerated, notably the private sales of household produce by collective farm members. Everywhere, the inefficiencies and shortages of the centrally planned economy led to a sizable "second economy" outside the plan, much of which was never captured in official statistics. Western observers generally classified this as corruption.

Questioning the blanket term *corruption*, some social scientists have unraveled complex patterns of sociality in the informal relationships that flourished in a gray zone between the planned economy and activities that were unambiguously illegal. In this zone, spaces opened up for reciprocity in the sense of Graeber's "baseline communism" as well as for more instrumental strategizing (Ledeneva, 1998). During my first field research in the 1970s, I participated in the work parties that were indispensable for housebuilding at village level, when it was hardly possible to contract services in any other way (Hann, 1980). Arguably, this was a form of reciprocity that expanded to meet the deficiencies of central planning: unlike the mystification that occurs when the language of reciprocity disguises centralized redistribution, these forms of mutual aid flourished in the interstices of or even (in the imagination of the actors) *against* a system that claimed it was progressing in the direction of communism (Hann, 2019).

Polanyi classified the political economy of socialist central planning as an extreme example of redistribution because it leaves so little scope for the forces of the market. It might be better viewed as a system of *distribution*, since there is no prior allocation (though there was, of course, massive appropriation and redistribution of "bourgeois" property in the early phases). Provision of collective goods and services is strong in this type of economy. Investment levels are high. They are biased to industry, especially heavy industry, because this sector is viewed as the sole basis for modernization and the communist future. At the same time, the needs of individuals are supposed to be met according to norms similar to those found in capitalist welfare states (healthcare, pensions, etc.). Taxation is not a significant mechanism for funding this social protection.[7]

For all its deficiencies, central planning facilitated transformations of social organization across most of the landmass of Eurasia in the course of the twentieth century. Socialist (re)distribution was the modus operandi of a political order that weakened or destroyed evolved class structures and enabled unprecedented social mobility. Our knowledge of how this played out on the ground is limited, since the conditions in which central planning was implemented did not permit investigation by social scientists, native or foreign. Recent studies based on archival evidence are helping to make good this deficit (Varga, 2021). For the factory discipline of the Stakhanovites and the totalizing oppression of the gulags, literary accounts such as those of Alexander Solzhenitsyn are among the best sources we have.

By the mid-1960s, it was possible for anthropologist Caroline Humphrey to conduct fieldwork in Buryat collective farms. Her monograph demonstrates how farm leaders responded to externally imposed plan targets by negotiating "manipulable resources" that they then distributed (on the basis of norms of reciprocity) in their microlevel farm management (Humphrey, 1983). Drawing on her long-term fieldwork in Romania, Katherine Verdery (1996) outlined a model to explain how socialist managers and officials maximized allocative power ("distributable resources") at multiple levels (24–6).[8] However, neither of these anthropological pioneers drew on Polanyi, whose substantivist economic anthropology was largely forgotten by the closing decades of the century.

Rather than look to Polanyi, Verdery took inspiration from Hungary's best-known economist János Kornai (1928–2021), who from the late 1950s (on the basis of his personal experiences in the Stalinist years) was an influential critic of socialist "overcentralization." Kornai theorized socialism as a "shortage economy": enterprise managers hoarded factors of production, including labor, for the same basic reasons that households tended to hoard scarce items of consumption. Inefficiency and shortages were the logical consequences of the socialist "soft budget constraint" that precluded the possibility of bankruptcy (Kornai, 1980). With the introduction of the New Economic Mechanism in 1968 (consolidating a range of initiatives initiated some years earlier), decentralization enhanced the capacity of managers and consumers alike to shape economic activity via material incentives. Yet Kornai insisted that such measures, including more reliance on price-making markets, were insufficient to resolve the fundamental defects of the socialist system, which lay in its property relations (Kornai, 1992).

Even after the reforms of 1968, (re)distribution remained the dominant "form of integration" in Polanyi's sense. The social product was planned and distributed primarily with regard to societal need, as determined by the Communist Party. However, the Hungarian path was innovative. In the USSR, the agricultural sector had served primarily as a source of extraction to finance industrial development. From 1960 onward, Hungarian planners invested heavily to make collectivized agriculture a success (Swain, 1985; Varga, 2021). The state farm in southern Hungary where Hajnalka was employed for most of her working life was a good example of the new orientation. The government also redistributed resources regionally in a variety of ways. In addition to providing extra subsidies to farms coping with unfavorable ecological conditions, the planners decreed that the major industrial corporations of the capital should establish significant subsidiary operations in provincial towns. In the space of a decade from the mid-1960s, Kiskunhalas was transformed by the combination of agricultural collectivization and planned industrialization. In the absence of a market for labor and with unemployment precluded, even the poorest sections of the community, notably the Roma minority, were drawn into socialist wage labor. There were plentiful opportunities to supplement these wages informally (in addition to sales of agricultural produce and alcoholic beverages, the proximity of the Yugoslav border and the presence of a large Soviet barracks sometimes extended the "gray economy" into more or less risky black market activities). As elsewhere in the country, small businesses flourished. Hajnalka's father (born 1911) was one of the first to quit his cooperative when it became possible to run his business privately again after 1956. Her mother (born 1916) remained a member, but the cooperative order books were often empty, so she worked with her husband till late in the evening to fulfill private commissions.

While Polanyi's star faded in anthropology from the early 1970s, his concept of redistribution was grafted onto the challenges of class analysis in adjacent disciplines. Milovan Djilas (1957) introduced the notion of a "new class" for the very different case of Tito's Yugoslavia. Drawing on Max Weber as well as Polanyi, György Konrád and Iván Szelényi (1979) saw the "intellectuals" as the emerging dominant class in Hungarian state-socialist society. According to their analysis, the Hungarian "bureaucratic ruling estate" had been in tension historically with both a weakly developed bourgeoisie and freethinking, humanistic intellectuals. In the conditions that prevailed from the 1960s, with the bourgeoisie apparently eliminated and the means of production now in collective ownership, Konrád and Szelényi identified a rapprochement between elite socialist cadres and educated white-collar workers who were outside the party but who nonetheless profited from the centralized redistribution of the surplus generated by the working class. The authors' main empirical illustration was the allocation of accommodation on new urban housing estates, which followed the logic of redistribution rather than that of a market. From their perspective (which in certain respects resembled that of Kornai), gradual extensions of the market were to be welcomed to the extent that they afforded ordinary Hungarians the opportunity to compensate for the inequities of an opaque "rational distribution" that privileged the intellectuals.

Other sociologists challenged Konrád and Szelényi by combining their use of Polanyi with more comprehensive statistical analysis. They suggested that socialism had reduced fundamental inequalities, though new patterns of market-based inequality were now emerging (Ferge, 1979). All serious analysts agreed that the realities of actually existing socialism belied the ideology of working-class rule. The regime reacted harshly to leftist critique and repressed market-oriented reformers within the party as well as dissidents outside it. Iván Szelényi himself was forced into exile, and he revised his estimation of the intelligentsia in later work (Szelényi, 1990). In empirical investigations of "embourgeoisement" processes, he too documented the rapid expansion of the market principle at the expense of redistribution in rural Hungary during the last decades of socialism (Szelényi, 1988).

Not all sectors were as dynamic as agriculture. Attempts in the 1980s to extend material incentives in industry by stimulating private enterprise *within* state enterprises had uneven results. By this time, foreign indebtedness was becoming a major problem. Some of the enterprises established in Kiskunhalas barely two decades earlier were facing bankruptcy by the late 1980s. The state farm itself paid a high price when, as a result of Gorbachev's policies to curb the consumption of alcoholic beverages, sales of wines and spirits to the USSR collapsed (Hann, 2022). By this time most economists, prominent among them János Kornai, were convinced that more radical change was necessary.

Kornai was a mathematical economist concerned to analyze allocative efficiency, but he also took account of sociological contexts and the distributive goals of socialist power holders (Kornai, 1992, 2000). His conclusion was that the planners' efforts to meet social policy objectives had in practice increased inefficiencies and seldom achieved the desired distributive goals. While subsidizing the prices of basic foodstuffs and public transport benefited all members of society, and socialist cultural policies were undoubtedly successful in widening access for millions, the subsidizing of highbrow activities privileged cultural elites (since even low prices do not make them attractive to the mass of the population). Under socialism, elites benefited from privileged access to many other goods, including subsidized housing, better healthcare, and innumerable perks. From this point of view, central planning was not just inefficient: it was also inequitable. More controversially, Kornai argued that socialist planners were seeking to implement standards of welfare benefits that the countries of "actually existing socialism" were not in a position to afford, given their level of development (Kornai, 2000). It was neither possible nor desirable to *simulate* a market economy while preserving these overgenerous levels of social protection. As socialism collapsed, he argued that the time was ripe to unleash market forces through sweeping privatization (Kornai, 1990).[9]

My perspective is different. I argue that the socialist mixed economy was characterized to the very end by a precarious balance between redistribution and market exchange. Polanyi's concepts seem preferable to the simple binary of "market versus state," since (as Polanyi, 1944, insisted with regard to Victorian laissez-faire) it was ultimately the state that determined the scope available to market forces. Many Hungarians benefited from the gradual extension of the logic of the market—especially in the countryside but also in numerous urban branches of the "second economy." Even legally registered small businesses such as that of Hajnalka's father did not necessarily provide receipts for their goods and services. The taxes paid by entrepreneurs were based on their own declarations of income and expenditure, which might then have to be negotiated with a council official. The results of this assessment system (*adókivetéses rendszer*) were inevitably inconsistent if not arbitrary. In these conditions, other citizens (especially those who did not have marketable skills) came to resent the fact that an increasing proportion of economic activity was escaping official purview, that is, the proportion of the social product available to be (re)distributed by the "bureaucratic ruling estate" was diminishing as that distributed via market exchange increased. While the means of production were still overwhelmingly in collective ownership, the market principle extended its reach in all domains of consumption. Holiday or "weekend" homes became commodities for the more prosperous. The increased availability of private automobiles and the possibility of taking foreign vacations made social differentiation increasingly visible. With (re)distribution losing ground to the market, the informal mechanisms through which wealth could be accumulated in more or less shady niches of ill-defined markets came under intense scrutiny. The government tried to address the problem with the introduction of a personal income tax in 1987. But memories of the arbitrary impositions imposed in the building of socialism were still vivid and the proposals were deeply unpopular. The entire system collapsed before they could be effectively implemented.

Taxation highlights the ambivalences of redistribution. The imposition of a tax may be coercive and exploitative: the historical record is replete with rebellions against measures of centralized redistribution. But taxation can also be perceived in terms of societal reciprocity: as the mechanism by which a legitimate caring authority provides collective goods (including physical security) and undertakes socially approved interpersonal redistribution (allocating benefits to those considered deserving). Taxation has an ancient history in "socially graded communities" (Thurnwald, 1932). A good deal of the history of the modern state can be written as a narrative of expanding fiscal capacity. One idealized trajectory begins with irregular expropriations by kings or sultans to raise armies and concludes with the high levels of progressive income tax and corporate tax necessary to support the comprehensive ("from cradle to grave") provisions of a modern welfare state. Public expenditure may comprise a high proportion (in Scandinavia over 50%) of all activity in an economic order that is nonetheless fundamentally capitalist. This expenditure can be divided into collective goods and expenditure to support the entitlements of individual citizens. The former is "solidary," while the particularist social protection offered as a "gift" to the individuals who qualify is no less crucial to the "reciprocal integration" that binds citizens to their state (Björklund Larsen, 2018). The criteria enjoy social and moral approval, periodically confirmed through democratic politics. Public expenditure is financed primarily by taxation of the participants in a market economy in a process that is transparent, governed by the rule of law, and progressive (high earners pay more). None of this is possible in systems of rational (re)distribution in which the role played by personal taxation is insignificant; nor was it possible in the socialist mixed economy that developed in Hungary from the 1960s, in which tax evasion skills rooted in the Stalinist years were honed by millions (Radi, 2023).

REDISTRIBUTION AND MARKET EXCHANGE IN AN ILLIBERAL DEMOCRACY

The measures outlined in Hungary in 1987 featured the hallmarks of a modern capitalist fiscal regime: progressive income tax (with the top bracket set at 60%), corporate tax, and a value-added tax. The progressive income tax was maintained under postsocialist governments, though the top rate of personal taxation was soon reduced to 40% (Kopits, 1993). By the end of the century, both land and labor had been fully commoditized in a new capitalist order. János Kornai was a close observer of this "transition." Despite frequent turbulence and the persisting problem that citizens' expectations exceeded what the country could afford, by the turn of the century he was broadly satisfied with the accomplishments of the 1990s (Kornai, 2001). Kornai envisioned a capitalist economy based on private ownership and individual choice, with the state's interventions limited to the provision of what was truly essential. To fund this limited redistribution, he preferred using value-added tax to the progressive taxation of personal income (Kornai, 1990). The pursuit of equality was undesirable and, wherever possible, public goods should be brought into the sphere of the market. His logic was that of "tragedy of the commons" theorizing (Hardin, 1968). Since the redistributive states of socialism had been "premature," citizens were overgrazing the resources of the national budget. While basic care to those in need should be guaranteed by the state, Kornai argued that beyond this, individuals should be allowed to exercise "consumer sovereignty," in healthcare as in any other domain. It was thus important to strengthen the private market in health on both supply and demand sides. Rather than fund this sector from general taxation, Kornai advocated an earmarked "health tax" to enable citizens to appreciate exactly what benefits they were receiving in return for the taxes they paid (Kornai, 2001, 192). In theoretical terms, this represents a shift away from the solidarity of generalized reciprocity toward short-term balanced or even negative reciprocity. It is the model of the United States prior to Obamacare, rather than that of Western European welfare states.

This thinking shaped neoliberal policies to privatize hospitals under nominally socialist governments in the first decade of the new century, including the principal hospital of Kiskunhalas. Hajnalka recalls the 1990s and 2000s as decades in which the fabric of society fell apart, as epitomized by the disintegration of the state farm for which she had worked. The transition had rather few "winners" in her town but a great many "losers." These included the Roma minority, who had been prominent in the unskilled labor brigades of the state farm and were the first to be made redundant when it collapsed. But highly skilled workers were also vulnerable. An example often cited by citizens in Kiskunhalas was the decision of Levi Strauss (the only large multinational corporation ever to invest there) to cease production in 2009 at the profitable factory it had acquired for peanuts at the end of the socialist era. A management decision taken in San Francisco made 550 workers in Kiskunhalas redundant almost overnight, most with no prospect of alternative employment in the region.

It was difficult to institutionalize personal income tax in a country in which gray areas had been endemic in the socialist past, particularly given the dislocation and declining living standards experienced by many after 1990. In a climate in which "transition" was generating windfall wealth for a privileged few (former socialist cadres prominent among them), the impersonal trust built up over generations in Western welfare states was lacking. Instead, the strategies of the socialist "second economy" flourished in new forms. Workers who receive a significant part of their wages in a brown envelope outside the system are well aware that this impacts negatively on their future pension entitlements. Admission to the EU in 2004 led to improvements in the efficiency of tax collection but did nothing to dispel the widespread sentiment that only small fry are taxed effectively, while the bigger fish are always able to escape the nets. Cronyism at all levels has led sociologists to write of a "mafia state" (Magyar, 2016) and of processes of "refeudalization" (Szalai, 2017; see also Verdery, 1996, chapter 8). Hajnalka is convinced that redistribution nowadays benefits the relatively prosperous rather than those whose needs are greatest.

As prime minister, Viktor Orbán frequently identifies the dominance of markets with earlier, socialist-led governments between 1994 and 1998 and again after 2002. The economic and financial policies of "Orbanomics" since 2010 have diverged radically from those of other EU members. Successes in terms of debt reduction and growth have been lauded not only by their domestic architects (Matolcsy & Palotai, 2018) but also internationally (Skidelsky & Olah, 2021). In addition to interventions in labor and land markets, higher taxes have been imposed on foreign banks, and private pension funds nationalized. A radical overhaul of the fiscal regime is central to the populist neoliberal strategy, which focuses on the taxation of consumption rather than income and labor. Corporate taxation is low for both foreign and local investors; personal income tax is low and nonprogressive; value-added tax is the highest in Europe. Orbanomics has been implemented within a cultural ideology of "national cooperation" that emphasizes how the state continues to provide for the welfare of all citizens. Societal reciprocity in the face of the vagaries of international markets is expressed through countercyclical policies and targeted interventions (e.g., in 2022 to subsidize fuel costs). Social science research, however, confirms Hajnalka's intuitions in Kiskunhalas: inequalities are expanding and cuts in welfare spending are part of the process of the formation of a new national bourgeoisie (Éber, 2020; Kovách, 2017; Scheiring, 2020; Szikra, 2018).

One of the Orbán-led government's more popular measures was to introduce a simplified category of taxation from 2013 that allowed very small firms (essentially the self-employed, including a plethora of freelancers) to cover all their obligations to the state through extremely modest fixed monthly payments (Matolcsy & Palotai, 2018, 20–1). Citizens perceived the KATA scheme as a form of reciprocity: not in the idealistic sense of a diffuse generalized glow of solidarity but as a quid pro quo, almost a market transaction, because this monthly tax payment afforded access to state healthcare.[10] Within a few years, almost half a million Hungarians were registered as *Katások*. Hajnalka initially welcomed KATA, even though the scheme reduced demand for her expert auditing services due to its administrative simplicity. Those who signed up included many with irregular, precarious income streams as well as those undertaking second jobs, who might not otherwise have declared their additional income. In this respect, it was a postsocialist attempt to extend fiscal reach into a domain that had been effectively untaxed in the socialist decades.

Within a few years, Hajnalka became critical. Her main reason was abuse of the scheme by large corporations, which sought to increase profits by reducing employment and instead purchasing services from nominally self-employed contractors. In 2022 she supported the government's proposals to tighten the eligibility criteria and disqualify those who were providing services to companies rather than persons. Ministerial officials and politicians justified the reforms in terms of social justice. Hajnalka agreed but feared that the new legislation would lead many self-employed citizens to give up or conceal their work. Large-scale protests (especially in Budapest) indicated that the Orbán government's efforts to increase taxation revenue (dictated by post-pandemic crisis management) and simultaneously rein in neoliberal abuse were alienating many citizens who had re-elected a Fidesz government just a few months earlier.[11]

Meanwhile welfare state redistribution, including expenditure on education and the health service, continues to decline in real terms. Orbán rejects Western models of welfare in favor of what he terms the "work-based society" (Szikra, 2018, 5). The illusion of a reciprocal relationship between state and citizenry is maintained by providing relief on utility bills (especially in the run-up to elections). Suspicious that others are not contributing fairly, ordinary people ask what concrete benefits they are receiving for their taxes, and they are reluctant to wait long for a return. In these conditions, the normative dimension of reciprocity in contemporary Hungary has come to depend less on the entitlements of citizenship and more on ethnonational allegiance. Orbán led governments have linked tax allowances and housing grants to pro-natal policies intended to stem the long-term decline in the Hungarian birth rate. The rewards for reproducing future generations of the Magyar nation accrue in the form of tax rebates to persons in secure employment, whose pension entitlements are relatively stable. Large sections of the population are ineligible to benefit from these measures, the overall effect of which is regressive. Generalized reciprocity rooted in ethnicity applies across space as well as in time: demonstrative solidarity with the Hungarian minority in several neighboring states has given rise to occasional tensions with those governments. Significant public resources flow to support these minority organizations. In return for this redistribution, the Magyar diaspora votes overwhelmingly for Orbán's party, thus contributing to the preservation of his supermajority in the Budapest parliament. These ethnonationalist reciprocities are supplemented by the xenophobic targeting of hostile "others" considered to be a threat to the Magyar nation, from Muslim refugees to George Soros, Angela Merkel, and the EU Commissioners.[12]

Like the socialist mixed economy before 1990, the political economy of Hungary since 2010 is an opaque combination of market and redistribution, but the balance has been inverted. This illiberal democracy can be theorized as a populist countermovement (Polanyi, 1944) to the market domination of the first postsocialist decades.[13]

According to Polanyi (1957, 255), the dominance of a mode of integration depends on "the degree to which it comprises land and labor in society." The Orbán governments have not intervened to restore the system of collective agriculture that was dismantled in the early 1990s. There have been isolated cases of renationalization, but there has also been further privatization of state holdings, with the new owners generally being active supporters of the ruling party. Hajnalka is incensed by the fact that these "new landed gentry" (*új földesurak*) rent out the land they acquire but contrive to avoid paying tax either on this rent or on the agricultural subsidies they claim and retain for themselves.

Interventions have been more conspicuous in labor markets. To bring down unemployment figures, the Orbán governments—building on initiatives launched by the previous power holders—implemented workfare on an unprecedented scale in the 2010s. With social benefits drastically cut, hundreds of thousands of citizens were compelled to undertake menial tasks for their local communities, for wages significantly below the prescribed minimum, to sustain their households. The Roma minority was a principal target for these measures. Widely condemned both at home and abroad, workfare gave local mayors additional disciplinary leverage and fostered quasi-feudal dependencies (Schwarcz & Szőke, 2018). The rhetoric of the "work-based society" had deep appeal, since both the preindustrial peasantry and the socialist regimes of the recent past attached great value to human labor (Hann, 2018). Many of those compelled to perform workfare view it in terms of reciprocity, since receiving a low monthly wage in return for unskilled public work is morally preferable to receiving state benefits without having worked for them, a nonreciprocal relation.[14]

Despite the government's rhetorical critique of global capitalism and concrete political interventions affecting land and labor, market exchange remains the dominant form of integration in this instance of peripheral capitalism. Market forces are modified by political redistribution. Transfer income is received from the EU in the form of "cohesion" funds, which flow together with "distributables" extracted internally to benefit a new class of national capitalists (not all of whom—it is only fair to point out—are close to the ruling party (see Scheiring, 2020). This is the principle of centricity in the vocabulary of Polanyi: allocation is effectively determined, as in the early days of central planning, in a few key ministries in Budapest. The balance between redistribution and market exchange characteristic of the 1970s, when it was possible for Konrad and Szelenyi to argue that "intellectuals" were consolidating class power, has been radically altered. With the market form of integration dominant, but shot through with processes more reminiscent of feudalism than capitalist competition, the power elite in Budapest (with the complicity of the EU) juggles the interests of transnational and domestic capital. If the emergent class in the early 1970s brought cadre elites closer to a more diffuse intelligentsia, recent years have seen the collaboration of an illiberal political class and a rent-seeking national bourgeoisie.[15]

CONCLUSION

In Hajnalka's mental model of contemporary Hungarian economy, the sphere of the free, competitive market economy, populated by honest small-scale artisan-entrepreneurs like her father, has not expanded significantly since the end of socialism. She views both public and private sectors as riven with cronyism, in which the EU and transnational corporations do deals with the Hungarian government and a new domestic bourgeoisie. Foreign corporations are attracted to Hungary by the shamefully low taxation rates: German carmakers pay significantly higher wages than Hungarian employers, but it is obvious to Hajnalka that this is nonetheless exploitative, since they would have to pay workers much more to carry out the same tasks on an assembly line in Germany. She concedes that the tax administration has become more efficient in recent years, yet many aspects remain opaque. As for the distribution of welfare benefits, she thinks that far too many citizens deserving of support are overlooked.

Redistribution through taxation is transparent and accepted in Scandinavia because it is perceived to be just. High rates of taxation enable the state to provide a comprehensive range of services to all of its citizens. Even here, however, top rates for income tax have been lowered in the neoliberal era, and some taxes on wealth abolished. The delivery of state services has been increasingly determined by the calculating logic of neoliberalism (Björklund Larsen, 2018). Generations of the welfare state have done little to eradicate societal fault lines, and inherited wealth remains a significant determinant of life chances. Taxation modifies the distribution of income and the workings of the market economy, but it does not impact substantively on relations of class. In comparison, the consequences of socialist central planning were more impressive. This is why Karl Polanyi admired Soviet planning and disparaged the Swedish model. For him, a democratic socialism that puts an end to the commodity characteristics of land, labor, and money was preferable to even the most comprehensive capitalist welfare state.[16]

Drawing from Polanyi's "special tool box," in this article I have traced the evolution of the Hungarian political economy from a Stalinist centrally planned economy into a socialist mixed economy, and then into new combinations of redistribution and market after 1990. A "Swedish" model of redistribution via taxation was never realistic in a postsocialist state in which the distribution of the social product had for decades been determined by politicians and planners, without popular legitimation. The instability of the first postsocialist decades was accentuated by interstate competition to keep taxes low, in line with the neoliberal precepts that were by then dominant globally. Hungarian neoliberalism entered a new phase in 2010 and is nowadays saturated in nationalism. An illiberal government simulates critique of global capitalism while stimulating businesses (national and transnational) through low rates of taxation. It succeeded in stabilizing the economy but at the cost of weakening social protection and increasing social inequality (while shrewdly targeting short-term gestures of material and symbolic solidarity to secure victory at the polls). In its opaqueness, the new balance of (re)distribution and market is closer to pre-reform central planning than to a transparent welfare-oriented redistributive democracy.

The economic anthropology of Karl Polanyi can be contrasted theoretically with the liberal institutionalism of economist János Kornai. Kornai, too, was critical of orthodox welfare economics, the second theorem of which proclaims that market mechanisms can be relied on to optimize social welfare for any conceivable distribution of incomes. He called instead for a systems analysis that engages with the real world: it is vital to pay attention to the design of social institutions, such as those of the health service. At the same time, Kornai remained a normative neoliberal who believed that the overriding goal should be to expand individual choice. The comparative anthropological institutionalism of Polanyi rests on different foundations. For him, the "extreme instance" of classical socialist redistribution was the best, perhaps the only way for humanity to progress to a world of substantive mutuality, free of "fictitious commodities." Significant redistribution by means of progressive taxation remains insufficient if it does not dislodge market exchange as the dominant form of integration.

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ENDNOTES

[1] For further comparative exploration of taxation practices in terms of (perceived or imagined) reciprocity, justice, and moral claims, see Streinzer (2023) and Streinzer and Terpe (2023).

[2] The reasons for tweaking the vocabulary and dropping "householding" from the set in the 1950s need not concern us here (see Gregory, 2009). The contribution of small-scale commodity production by the household to the success of Hungarian collectivization has been widely noted (Hann, 1980; Swain, 1985; Varga, 2021). This phenomenon was not confined to the village. Many households in market towns such as Kiskunhalas produced on a small scale for the market and to meet their own consumption needs. These patterns were disrupted after 1990. Overall, while some households have increased production for subsistence out of sheer necessity and values of self-sufficiency are pervasive, the scope for householding has declined, in Hungary as elsewhere in the region. Disposing of the household's modest surplus became difficult following the elimination of socialist marketing channels; meanwhile the same products became readily available at low cost in new supermarkets (Gudeman & Hann, 2015).

[3] In concluding his essay on *The Gift*, Marcel Mauss (2016, 177) pointed out that unreciprocated gifts (as in charity) are wounding to the recipient. He condemned Bolshevik communism and can hardly be celebrated as a proponent of the welfare states that emerged later in Western capitalist countries (Hart, 2007).

[4] Polanyi read this Austrian (by birth) ethnologist in German as well as in English. His main source was *Economics in Primitive Communities* (Thurnwald, 1932), though Thurnwald does not actually use the concept of reciprocity in this book. He paid more attention than Polanyi to accumulation and evolution, and analyzed the "economics of distribution" rather than "redistribution." Nevertheless, Thurnwald's economic anthropology, equally rooted in German ethnology and historiography, helped to lay the foundations for Polanyi's substantivist school.

[5] The revival of interest in Polanyi's critique of earlier forms of liberalism has generated a vast literature that is impossible to survey here (for particularly influential contributions see Block & Somers, 2014; see also Hann, 2019). The arguments of *The Great Transformation* remain a source of controversy, in part because it is not always clear whether Polanyi's notion of "countermovement" is a force that stabilizes capitalism or one capable of instigating a rupture in human history that is truly revolutionary (Lacher, 2019).

[6] The most plausible explanation is that an elderly scholar employed in the United States but obliged to reside across the Canadian border due to his wife's Communist Party membership was in no position to draw out the political implications of his analyses of "trade and market in the early empires" in a country that had barely recovered from the witch hunts of Joseph McCarthy (Dale, 2016).

[7] Though quantitatively not of major significance in terms of its contribution to state revenues, "direct taxation" was an important punitive instrument in the control and exploitation of artisans and small-scale entrepreneurs, especially in the Stalinist years. The arbitrariness of the taxes imposed on those identified as class enemies (often linked to the appropriation of their capital equipment) could not be openly resisted. Rather, subtle strategies of evasion led to spirals of higher tax imposition: "a vicious circle, in which process general distrust became the norm" (Radi, 2023, 418). (Radi's argument draws on archival data from the county of Bács-Kiskun, including Kiskunhalas; it is consistent with Hajnalka's recollections of her parents' difficulties in the 1950s.)

[8] Tatjana Thelen (2011) criticized this model for its underlying economism. Steven Sampson (1984), who also worked in Romania, was the only Western anthropologist who placed the processes of planning at the center of his field research. However, his project focused on spatial reforms of settlement structure rather than the economy.

[9] Kornai was by no means the most extreme advocate of "shock therapy." Eastern European economists dismissive of central planning contributed significantly to the emerging hegemony of neoliberalism (Bockman, 2011).

[10] KATA is an abbreviation of *Kisadózó vállalkozások tételes adója* (small taxpayers' itemized lump sum tax).

[11] Anecdotal evidence in Kiskunhalas (including the voice of Hajnalka) in October 2022 indicated that numerous *Katások* were responding to the changes by withdrawing from the economic activity in question or scaling it down to a minimal level at which it did not qualify for taxation. Other self-employed (*egyéni vallalkozók*, literally "individual entrepreneurs") were transferring to a new lump-sum taxation category (*átalányadózás*); for new entrepreneurs, eligibility for this scheme was conditional on not having annual earnings in excess of 10 times the monthly minimum wage in the previous tax year. For background to the controversies, see Herczel (2022). For more detail on the July 2022 protests, see Csikós, Nagy, and Balázsi (2022).

[12] For astute Polanyian analysis of politicians' instrumentalization of the "migration turn" in Eastern Europe, see Melegh (2023). For further analysis of "populist" politics in Hungary in recent years and links between political economy and the rise of the Right, see Kalb (2011); Fabry (2019); Feischmidt and Majtényi (2019); Hann (2019); and Scheiring (2020, 2021).

[13] Viktor Orbán introduced the concept of "illiberal democracy" on July 26, 2014, in a speech to ethnic Hungarians at Băile Tuşnad, Romania (Hungarian Government, 2014).

[14] See Hann (2018). The schemes were gradually cut back as the labor market improved and wages began to rise. The government's objective of raising the level of participation in the regular labor market was largely achieved (Skidelsky & Olah, 2021). However, large regional discrepancies have persisted, especially in areas with a significant Roma minority. In Kiskunhalas in 2022 I was informed by an official of the Roma self-government that members of the minority were locked in competition for the few workfare positions now made available by the town council.

[15] For further analysis of social integration in Hungary and the changing class structure in global contexts, see Kovách (2017); Éber (2020); Scheiring (2020). For more on rent-seeking, see Mihályi and Szelényi (2019). It remains to be seen how these trends, underpinned by the relative successes of Orbanomics in the 2010s, will play out in the post-pandemic, inflationary conditions of the 2020s; the KATA contestation discussed above is indicative of intensifying problems for the regime.

[16] In a private letter written in 1965, shortly after Polanyi's death, Polanyi's widow informed George Dalton (at the time busy editing and popularizing Polanyi's foundational texts for students of economic anthropology) that Polanyi "thought jolly little even of the welfare state proper" and held a "marked distaste for Sweden" (Lacher, 2019, n8).

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