

Chapter 10:

Privatization and Free Markets in Hungary (1991-3)

1. A Tupolev with a Boeing interior (1991)

The Malev Hungarian Airlines plane to Budapest is a Soviet Tupolev, but it has recently undergone a £200,000 conversion in Ireland to make the interior as Boeing-like as possible. Slightly intoxicated by the state farm wine served on board, I admire the smart new terminal at Ferihegy airport. My father-in-law, meeting us by car, points out that parking tariffs here have recently doubled. It is the first of many similar complaints I hear during a visit which is already memorable as the first time I have not needed a visa and been instructed to register at a police station within twenty-four hours of arrival.

The years of my field research, the 1970s, are now perceived by many Hungarians as the zenith of socialist prosperity. Unfortunately an apparently well functioning socialist economy disintegrated rapidly in the 1980s, and is now being replaced by a very imperfectly functioning capitalist system. In Hungary, as in Britain, there is a summer lull in political life (the dog days of August are quaintly known as the 'cucumber season' in Magyar). In any case, it is not my purpose to conduct yet another enquiry into the political manoeuvrings of the capital. As a social anthropologist I am hoping to probe deeper into the society, to talk to ordinary people in many walks of life, including some of those I studied intensively more than a decade ago.

Before travelling to Tázlár, I visit some old friends in the industrial north-east of the country. Miskolc is the country's second city, but its heavy industrial base was already in trouble in the last years of socialism. On the road I fall into conversation with some rather fearsome looking teenagers, who turn out to be fresh school-leavers without jobs. One says that his parents are about to become full legal owners of their flat, on a large housing estate, but that they would gladly forego this for the restoration of the employment entitlements they enjoyed until the recent past. These youths are vague about their precise affiliation to one of a number of increasingly aggressive subcultures. There have been a number of anti-Gypsy incidents lately, but the lads I am talking to all condemn this trend. They say that their best hope is to get away. Some friends have found jobs in the west of the country, for a real gulf has opened up between east and west that was not there in the socialist period. The most successful is a waiter in Austria. Girls are picking up jobs as nannies in a

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number of other western countries. My informants seem quite uninterested in politics, but one of them says that the ex-communists remain very strong in this region. He predicts that they will win the next elections, and that then, perhaps, there will be some hope for reconstructing the industrial base of this region.

In the southern city of Szeged the big hotels are all fully booked because of the international Hungarological Congress. The present government is very supportive of this sort of event. The Prime Minister has recently declared that he considers himself to be the Prime Minister of fifteen million Hungarians (i.e. some five million more than Hungary has citizens), a statement that is considered outrageous by the leaderships of the neighbouring states in which the largest Hungarian minority communities are located. Compared to Miskolc, the more traditional tree-lined avenues and crowded shopping squares of Szeged help to create an atmosphere of prosperity. I notice that the market in books has undergone visible upheaval. Dreary ideological publications have vanished and almost every bookshop displays an abundant selection of volumes on 'massage' (the tip of an ugly iceberg of pornography throughout Eastern Europe). However, at the other end of the market, a sparkling collection of essays by Oxford's Timothy Garton Ash is available at a fraction of the price of the equivalent English paperback. It is subsidized by the post-communist Ministry of Culture and Education. But subsidies to other books and commodities have been withdrawn, and Szeged, too, is experiencing growing economic problems. One of the few options open to young people is small-scale smuggling (mainly of fuel and alcohol) across the adjacent border with Yugoslavia (Serbia).

Tázlár is not far away from Szeged and from this same border, but I find that most villagers here have little knowledge of, or interest in, the break-up of the neighbouring state. Most are preoccupied with their own economic difficulties. In recent years even the nominal prices for their products have fallen, though inflation has been well over thirty per cent. They say that the biggest problem is the loss of key markets in the Soviet Union and Eastern Germany. Peasant farmers whom I knew before to be inveterate anti-communists surprise me with their enthusiasm for rebuilding links with the USSR. I am still more surprised to hear them say that the successor to the communist party has the best policies to resolve the country's current difficulties. The Hungarian Socialist Party, as it is now called, has no formal organization in the village. Nor does either of the major national parties, the Democratic Forum and the Free Democrats. Both are perceived in Tázlár to be dominated by urban intellectuals and out of touch with ordinary citizens. In the window of the local council offices the emblem of the Independent Smallholders' Party has replaced that of the old communist party, but there is deep disillusionment with this party too. The local leaders have been replaced four times in a year, and many members have resigned.

At the heart of the current debates in rural Hungary is the land question. The Smallholders have called boldly for the destruction of socialist collective farms and the restoration of 1947 property relations. Other political groupings fear that such a programme would create economic chaos in a sector which has recorded considerable economic successes under socialist management (the British Ambassador informs me authoritatively that this country of 10 million is still producing food enough for 17 million). In Tázlár I find that only a small minority of farmers, most of them very elderly, is anxious to re-establish private property rights. Most of these people are too old and infirm to contemplate farming themselves. Among them is my eighty-six year old landlady, whose family lost large tracts of land in the village when they were branded *kuláks* forty years ago (see case one below). She is adamant that she wishes to regain particular plots of high quality soil, and will not accept alternatives elsewhere. Others of her generation insist that they, too, want to recover their own land, in which their own sweat and that of their ancestors has been invested. They would refuse other land in compensation, even if it were of demonstrably better quality.

Younger villagers are less emotional and tend to approach the land question more pragmatically. Given the present bleak prospects for almost all branches of agriculture and the prospect of high land taxes they are not in a hurry to become private owners. For example, my landlady's grandson has his own tractor and combine harvester, not to mention a private grain shop, all of which are well patronized by the other small farmers of Tázlár; but he and his wife see no sense in attempting to deploy their undoubted entrepreneurial talents in farming. Hardly anyone is in favour of abolishing the village's dominant cooperative, the leaders of which are leaning over backwards to accommodate the wishes of all members, including the few who wish to go private.

Everyone is worried about the implications of the government's new 'compensation law', which sets out to restore private entitlements to land up to the value of that appropriated from individuals during collectivisation and envisages an 'auction' for plots which the cooperatives will have the power to designate. In a village such as Tázlár the scheme seems likely to create tremendous tensions between neighbours and relatives in the course of the 'bidding' process. The likelihood could well be the worst of all worlds, with the cooperative losing the benefits of scale economies on their best lands, and individual peasant farmers still falling short of their sentimental goal of recovering the patrimony.

Some villagers have other stories to tell. One young teacher joined an excursion organized earlier in the summer by the local town *gimnázium*. Their ancient bus, hired through a new private travel firm, never made it to the intended destination (Florence) due to a series of mechanical disasters. But

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they did at least arrive home safely. The newspapers this week are still giving extensive coverage to the recent disaster in Austria, when 16 Hungarian passengers lost their lives following a brakes failure on another price-cutting, privately owned bus. The Austrian authorities have responded by imposing stringent new regulations on all Hungarian coaches. I am aware that, within the framework of 'know-how' assistance, some distinguished British economists are encouraging the new governments in Eastern Europe to select transportation as an ideal sector for deregulation and privatization; do they understand the price which is paid when this advice is too hastily followed?

Tázlár, too, has problems of unemployment. The most striking case is that of the former Communist Party secretary. Unlike other members, who resigned in good time and remain influential figures in the village council, he has remained loyal to the programme of the 'reform communists'. His stint in charge of a small village factory where women manufacture shoe uppers for a town-based firm came to an end when that enterprise was purchased by German investors. But he feels that his present predicament – three small children and most of the family's income currently generated on one small garden allotment – also has something to do with his communist past. He is, in effect, the scapegoat, though no-one actually puts it like this, and some people express some sympathy.

Another layer of Hungarian society has been doing rather well of late. The most obvious signs of affluence are the new private villas and foreign cars with Hungarian number-plates (recently re-designed to mimic the German style). Rich youths in Budapest can dress well and enjoy the same music as London, or at least Vienna. After a generation in which, by the standards of industrial societies generally, a high degree of egalitarianism was achieved, consumption patterns have begun to show major changes. Sociologists have a fascinating task awaiting them in the unravelling of the new patterns, and in particular in tracing the genealogies of the new élites back to those of both the socialist and the pre-socialist periods.

John Paul II, visiting Hungary this month for the first time as Pope, goes out of his way to acknowledge these tensions in Hungarian society. His visit has been carefully prepared for years by both church and state; it is to culminate on St. Stephen's day, a national holiday on 20th August. Yet I find a lot of cynicism even here. Far from the hoped for moral boost, the papal visit is beset with material and practical problems. Will there be enough cash to enable John Paul to meet Hungarian youth in the People's Stadium, as planned? How many bridges will they close when he cruises down the Danube? Who is making the largest fortunes from the sale of papal memorabilia? Will the traffic disruption be any worse than that caused by the Formula One Grand Prix race the previous weekend?

Assiduous readers of the Catholic press are well aware of the direct social implications of John Paul's teaching. He believes in the dignity of human labour. He also believes that private property is a vital precondition of human freedom. He is critical of the 'anthropology' (this word is at least as foreign to the average Hungarian as it is to the average Briton) of socialism, arguing that it has impoverished the development of the individual human personality and of intermediate groupings in society. This is more or less exactly the position held by most ex-dissidents and most western commentators on the old Eastern Europe. But from the perspective of many Hungarians I have known for the last fifteen years there was more security and sociability to be enjoyed under the *ancien régime*. Many people focus their complaints on the new market-places which have sprung up everywhere in Hungary, and which can be readily taken to epitomize amoral social behaviour. Astute newspaper editors rail against the 'Wild East' which capitalism seems to have brought in its wake, jeopardizing the safety of both property and persons on a scale unknown in the socialist years. Undoubtedly a strong anti-market, pro-order sentiment is there to be exploited in the populace of Eastern Europe today.

Leaving Budapest very early in the morning to avoid possible entanglements with papal convoys, I find myself again reflecting how far all the recent changes have altered this most beautiful of cities. Official unemployment here is extremely low. There are more beggars on the streets than I can recall from the socialist period, but at least they must have homes to return to at night: there is nothing here to compare with the cardboard squalor of a London dawn. Can Budapest hope to avoid the problems of London? Can it maintain its excellent public transport system, its education system, its impressive recreation, leisure and cultural facilities? Are the new foreign-built hotels and the McDonalds downtown fair symbols of the changing essence of Hungarian society? Or are they more like the simulated Boeing that has been created inside a structure that remains solidly that of a Tupolev? As I catch the airport bus to Ferihegy, past miles of rather grim socialist high rise housing estates, I note that this fare, too, has doubled in the course of the summer. I decide not to fly again if air transport is deregulated.

2. Ten Tázlár perspectives on decollectivization (1991)

I. Anna Harkai:

Anna Harkai was born in Tázlár in 1905, the daughter of one of the first farmers to resettle the area in the late nineteenth century. This family built up a large holding, most of which was inherited by Anna after the death of her only sibling, Ferenc Harkai, whom she married around 1930, came from a well-to-

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do family in one of the village's market centres. He did not bring additional land to their union but he proved to be a successful farmer. They bought and sold land frequently in the 1930s and 1940s, diverting some of their income to purchase a shop in Tázlár's still embryonic nuclear centre. They were obvious targets in the anti-*kulák* campaigns, and most of their land was confiscated in the early 1950s. However they were able to retain some vineyards and some small additional plots which had formed part of Anna's inheritance. They continued to farm these until Ferenc died in 1973, living in the village dwelling which had once been their shop.

Anna had two daughters. The elder pursued a career as a primary school teacher and has not lived in the village since the 1940s. Neither she nor her husband and children have any intention of returning there. The second daughter married locally and remained in the family homestead (*tanya*), farming the lands adjacent until she died in 1974. (Her husband re-married and still occupies this dwelling in 1991, though farming activities are now minimal.) They had two children. A daughter married a co-villager and moved permanently to Budapest in the early 1970s (into a house built for them largely from village resources). A son, born 1949, has remained in Tázlár, where he has prospered as a shopkeeper and provider of mechanical services to farmers on their small plots. The family vineyards are now in his ownership. They are tended not by his family (his wife works in the village pharmacy and his two teenage daughters are in full-time education) but by hired labourers. Although this man certainly has the capital equipment necessary to establish a family farm (he owns tractors and even a combine harvester), he and his wife scorn the possibility of leaving their comfortable new home in the village centre for the family homestead. They insist they will not be seeking further land, whether vineyard or other. They have little personal experience of farming, and take the view that not a single branch of agriculture looks financially attractive.

In this family, only Anna herself is strongly committed to regaining title to the high quality plots of which she herself was legal owner in the past, and which were farmed by her daughter until taken over by the cooperative after the latter's death. Anna is also endeavouring to reassert her rights over a holding fifty miles away, which she inherited from a cousin not long before it was collectivized, and which she has never farmed herself. Throughout the socialist period she regularly received a small rental from the cooperative which used this land. It has told her that she may submit a claim, but is unlikely to be allocated precisely the parcel she has owned, because the land designated for redistribution lies in another part of the village. Whatever the allocation,

Anna is only likely to pursue this claim if it seems to make financial sense, for example if the land can be profitably leased to a local farmer. She has much stronger feelings about the plots in Tázlár that once belonged to her and to her father, and which were farmed by her daughter until the 1970s. It pains her that the cooperative reallocated this land (generally known in recent decades as the Harkai land, although inherited through her father and not her husband's family) to another local farmer in the early 1980s, when it was decided that the plots were no longer needed for collective use. This farmer has other plots, but they are near his home in a zone of very poor sandy soils. He is therefore reluctant to give up the use rights he has been enjoying. Anna holds no personal grudge against him (they are devout co-religionists) but she remains angry that a cooperative official should have seen fit to make such an allocation. She is also deeply unhappy that the new Compensation Law does not guarantee the restitution of precisely the property rights she enjoyed in 1947. As we have noted, she does not have any support in this from the younger members of her family. The likely outcome is that Anna will be offered land elsewhere. Either she will accept this offer with bad grace (if there is a good prospect of selling or leasing this land), or she may refuse the offer of land altogether.

II. Pál Jossenli:

Pál Jossenli was born in 1908 in Marosvásárhely (now Tirgu Mureş, Romania) into a family of small-traders. They migrated to Hungary after Transylvania was allocated to Romania in the wake of the First World War. Pál's father purchased 12 *hold* (about 7 hectares) of poor soil in a remote part of Tázlár in 1937 and established an orchard. This was appropriated in 1951 when the family was exposed as *kulák*. The estate was later neglected and the land is worth very little today. In the 1970s Pál responded to the opportunities available in the boom period for small-scale farming. After applying to the cooperative for land he was allocated some good plots at low rental close to the village centre where he lived, and he farmed these very successfully for a number of years. Now his sight is poor, he and his wife (born 1916) are too infirm to work on the land themselves and they no longer rent land from the cooperative. Nevertheless Pál is determined to regain full title to the land taken away from his family forty years ago. He and his wife have been revisiting the remote estate, part of which has been used for years as the village rubbish dump. They are both adamant that they will only feel comfortable and die happily if they are given back the land that is theirs, and they say they would prefer to have this land than the plots of better quality, more conveniently located, on which they worked for more than a decade.

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Here again, none of the younger members of the family have expressed any support for the parents' aspirations to regain land. One daughter lives next door in the village, but she is married to a teacher and no members of their household have any experience or interest in farming. Two sons have made their careers elsewhere in industry. One of them has recently been made redundant in Csepel (an industrial suburb of Budapest), but there is no prospect of his wishing to return to the land at the age of fifty-five after a working lifetime spent in factories. Pal is well aware of these family circumstances, but he insists that he will do everything in his power to regain his patrimony - even if this means a financial loss for his family, who may end up liable to pay land tax on property that is entirely useless to them. If his children do not wish to use the land Pal says he will 'just go out into the street and transfer the title to the first young man I like the look of!' (it does not occur to him that this young man, too, might decline this windfall).

III. Sándor Tóth:

Sándor Tóth was born in 1926 and recalls having to work very hard as a boy to help his father to pay off the debts incurred in the purchase of 5 *hold* close to the village from an absentee Jew. The family had hardly completed the payments due on a twenty year mortgage than the land was required for collective cultivation. Sándor and his wife, who have no children, continued to farm on a small scale throughout the socialist period, but made their living for the most part through his barber's business. He says he is now determined to reassert his rights over the land in which so much of his own 'sweat and labour' were invested years before, and he has already begun using part of the land again with the agreement of the cooperative. Other villagers suggest that Sándor may have special difficulties in pressing his claim, since it is well known that he remains active in his barber's business, though he has failed to register it for years in order to avoid tax liability.

IV. Frigyes Juhász:

Frigyes was born in 1927 into a Swabian German family. He was adopted by a well-to-do artisan family and then married to a first cousin (also b. 1927) in what must have been one of the last such efforts by the established peasantry to ensure that property would not be dispersed outside the family. He maintained his sideline as a blacksmith, but even after experiencing confiscations in the early 1950s continued to farm on the good quality lands which remained in the family's possession. His two sons were well educated (one graduated in Mathematics from the University of Debrecen) and have married and settled elsewhere. At one point it was thought that a nephew (b.1962) might come

forward to maintain this family's traditions in farming, but he has recently decided there is more security to be found from a career in the police force. Frigyes has concentrated his farming on one large plot behind their dwelling on the edge of the village centre. Although still active on the land, his health is poor and for this reason he has no intention of claiming back the numerous other plots formerly his and taken into collective cultivation. The emotional attachment to these plots is still strong, but he seems resigned to allowing 'his' land to pass into the hands of others.

V. Mária and Péter Szerb:

Péter was born in 1938 of ethnically German parents and came to Tázlár as a young teacher, where he met and married Mária, born 1940, who is secretary at the village surgery. They have never farmed, but maintain one of only two grass lawns in the village (the other belongs to the doctor next door). Both of the Szerb children are committed to careers in teaching. Mária comes from a family which once owned large tracts of land in the village, and her widowed mother is only too happy to reassert her property rights by pursuing a claim for compensation at the instigation of Mária and Péter. The generations' agreement to cooperate is conditional upon success in obtaining the original family land, on which they intend to plant a substantial number of walnut trees - not so much because they expect this to be profitable as because they think it would be a fine initiative aesthetically. Meanwhile Péter is also pursuing a property claim in another village under the provisions relating to the appropriation of property from ethnic Germans at the end of the war: at stake is a wine cellar of considerable value today.

VI. István Bognár:

Born in 1943 in one of the poorest outlying districts of Tázlár, István was one of twelve siblings who grew up on a small homestead since demolished to make way for a large state farm vineyard. Most of the others left the village, and after childhood years in which he was sent to work on the farms of the well-to-do neighbours István, too, spent many years commuting to jobs in mining and industrial districts. After they had saved enough to buy a small house in the village centre, his wife insisted that he seek local employment. Aged thirty, he therefore became an employee of the local cooperative. Although he had acquired skills as a roofer whilst working away, these were not required in Tázlár. Instead, he performed a variety of unskilled tasks in construction and transportation whilst his wife worked as a cook at the village kindergarten. They were also active, with the help of her father, in small-scale farming, and

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expanded these activities significantly in the course of the 1980s. In addition to the plot to which he was entitled as an employee, István rented other fields and invested in a new vineyard initiative of the cooperative. He and his wife took over full financial responsibility for the cooperative's pesticide stores, and he has further sub-contracted to use the cooperative's pig sties, at a time when no one else considered this branch of production economically viable. They are extremely busy but, although they have not become wealthy and lack the infrastructure necessary for family farming, they are reasonably contented. Two children are doing well in school and a third has already qualified as a teacher. As both sides stem from the poorest strata of the peasantry, the Compensation Law is unlikely to have much impact on this family. Yet the initiatives he has taken in farming in recent years suggest that allocating public resources to help István Bognár expand his operations commercially might be a more productive investment than the provision of compensation to others.

VII. Antal Vermes:

Also born in 1943, Antal is the only Tázlár man to have graduated from University in Budapest. After completing five years at what was then called the Karl Marx Economics University, he worked for almost a decade as a cooperative farm accountant, eventually becoming Chief Accountant in the Tázlár specialist cooperative. He then decided, at the height of the 1970s boom in small farming, to give up that career and concentrate upon independent farming, which he has pursued successfully since. Both he and his wife (b.1948, a teacher) come from well-established middle-peasant families. Antal has supplemented the arable plots and vineyards still held privately in the family by renting additional fields from the cooperative. He owns a tractor and is probably one of the most thoughtful and 'scientific' farmers in the village today. Now he wishes to regain full ownership rights over some plots of comparatively poor quality, situated a long way from his new home in the village, because these plots once belonged to his deceased father before being taken into collective cultivation. Like the older persons discussed above, he insists that nothing less than full private ownership of the original patrimony will suffice. He wants only the 11 *hold* that are his due, and has no aspirations to farm on a larger scale or to hire workers.

Unlike anyone else I talked to in Tázlár, Antal supplements more emotional arguments with the full rigorous logic of an economist: only if he is granted full private property rights will he have strong incentives to invest in the land. But when I suggest that he might well be offered better quality land close at hand with identical legal rights, he insists that he would be less likely to invest in

such lands, because he would always feel insecure holding property that had historically belonged to another family. When I put it to him that in seeking to recover a number of dispersed plots belonging formerly to his wife's family as well as his own, he is likely to encounter serious problems of fragmentation, such as high transport costs, he argues that in the ecological conditions of Tázlár it is actually optimal to maintain plots in a number of different zones, particularly in order to cut down certain types of pest damage.

Antal's wife and mother are supportive, but rather passive, in what for him has become a crusade. He took a leading role in the establishment of the Independent Smallholders' Party in the village in 1990, and although he has since withdrawn from this body (which has been riven by personality clashes) he put up a good performance in the elections for Mayor and is now an active local councillor. He also played a part in persuading the cooperative to release some of its best land for urgent distribution to claimants on a temporary basis in spring 1991. In 1990 he had taken the view that the cooperative should be entirely wound up as soon as possible, but in 1991 he argued that it had to be preserved in some form to provide services for family farmers, and also to retain responsibility for farming the large tracts of land which would not be claimed by the private sector. Antal is aware that neither of his children (b. 1968 and 1971) has shown the slightest interest in farming, but this does not trouble him as he expects to remain active on the land himself for many years to come.

VIII. András Mészáros:

Born into a family of similar standing to that of Antal Vermes in 1946, he too has built an imposing new house in the village centre, the result in this case of a successful business as a housebuilder. He himself is the sole skilled worker. Three or four unskilled assistants work alongside him in the summer season. His wife is employed at the local council offices, but his widowed mother helped them to maintain significant levels of agricultural output for many years (mainly pig fattening). This was abandoned some years ago when profitability declined. They have no intention of claiming land with a view to becoming farmers, but they will examine carefully whether the Compensation Law gives them any scope to acquire additional resources which could then be redeployed into the investment András has recently made in a restaurant in the neighbouring town of Kiskunhalas. This is the business he hopes to pass on to his teenage son in due course.

IX. Tibor Varga:

Born in 1946, Tibor grew up in a family which was always poor and owned very little land. He married into a middle-peasant family and both he and his

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wife (b. 1948) found employment in white-collar activities in the local council, savings bank and cooperative. Their farming activities have been confined to vineyard work and raising pigs for household consumption. Tibor was formerly the secretary of the Communist Youth League in the village. He remains a stalwart defender of the sort of communist party which ruled Hungary in the 1970s and for most of the 1980s, and does not conceal his distaste for the change which took place in 1989 when the party was re-named the Hungarian Socialist Party.

Tibor was made redundant by the cooperative early in 1990 and he has been unable to find regular employment since. However in his case independent farming does not offer a viable alternative. He might be able to claim some suitable land, mainly on his wife's side, but he has had little experience of agricultural commodity production, and owns none of the equipment that would be necessary to farm arable land, nor the facilities to keep animals at his home. In any case he knows that all branches of agriculture are economically unattractive at the moment, even to those quite prepared to go in for extremes of self-exploitation. With his wife and two children in relatively secure wage-labour jobs locally, Tibor takes casual jobs when they turn up (mainly in construction) and makes it clear that he thoroughly disapproves of the entire privatization policy.

X. Béla Kenyeres:

Born in 1949 into a poor family with very few resources, Béla Kenyeres became a manual employee of the cooperative after leaving school and worked for many years as a tractor driver. He now performs similar work for one of the successful new entrepreneurs of the village, the grandson of Anna Harkai, described above. He is happy that he and his family have been able to leave their remote farmstead and move to a small house in the centre of the village, where they still do some subsistence farming but seldom produce for sale. Theoretically Béla might be able to claim a small amount of compensation for land taken into collective use many years ago, but in the absence of capital, the skills needed for successful farming, and any strong sentimental attachment to the family plots, he will certainly not be seeking to farm in his own right.

3. The 'receipt war' (1993)

One of the highspots of Margaret Thatcher's visit to Hungary in 1984 was her tour of Budapest's central covered market. She marvelled at the wide selection of goods and evident entrepreneurial energies of their vendors. She saw in them

a beacon towards the free market capitalism that was nominally to replace the centrally planned socialist economy a few years later, and she was probably unaware that many ordinary Hungarians felt a degree of resentment over the high incomes earned by some traders. Mrs. Thatcher reciprocated this hospitality by arranging for János Kádár, then still the First Secretary of what was still called the Hungarian Socialist Workers' Party, to be shown around a branch of Sainsburys during his follow-up visit to London in 1985. The contrast is striking: Hungarian economic activities under Kádár are exemplified by the small traders, behind which there stands a much larger 'informal sector' or 'second economy', whilst successful British commerce is represented by the 'formal' profile of the supermarket giant. But were the two economies really so different then, and are they today? What if Kádár had been brought to the Sainsburys branch in Canterbury on a Wednesday or a Sunday, and allowed to stroll across the road to the greyhound racing stadium to sample some of our own informal sector activities?

Certainly Mrs. Thatcher might be surprised by some recent developments on Hungary's marketplaces. As elsewhere in the region the 'system change' (as locals call the revolutions which began in 1989) has had a dramatic impact. The boom in petty trading is not restricted to the touristic landmarks of capital cities: it is visible on the streets of most ex-socialist towns and even in villages. Many of these markets are genuinely international and some of them are still known, with almost affectionate irony, as 'the little COMECON', years after the bigger COMECON was formally wound up. But the covered market visited by Mrs. Thatcher serves mainly domestic trading networks. It is part of a vast mechanism which ensured that ample, high quality provisions were available to the citizens of Budapest in the latter decades of Kádár's socialism, just as they always had been, via essentially the same 'informal' channels and sites, before socialists came to power. The 'system-change' had relatively few immediate implications for these marketplaces, though in the general spirit of deregulation many stallholders were freed from previous restrictions on their working hours, and from the need to notify the local authorities of their closure periods. No one imagined that these details might acquire political significance a few years later.

This summer the bustle of the marketplaces has been regularly interrupted and many traders, both in the capital and in a number of provincial towns, have refused to open their pitches. The reason lies in new legislation requiring every trader to produce accurate accounts for tax-collection purposes, and more specifically, to issue detailed receipts following all transactions, however trivial. Local authorities are charged with enforcing the new rules through

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teams of market inspectors. The government argues that this is the only way to ensure that traders comply with general tax laws. This strikes a chord with other citizens, the millions who are now for the first time having to adjust to high Pay As You Earn deductions, and who readily agree that wealthy private traders should be brought effectively into the state's tax net. But the traders predict a fall in supplies and a rise in prices as consequences of these measures – bad news for both producers and consumers; and anyone who has had to stand in a slow ice-cream queue at Lake Balaton while the trader painstakingly issues a receipt for each cornet might be inclined to agree that this legislation, though trumpeted as bringing Hungary into line with normal European economic practice, is in fact another case of bureaucracy gone mad. Moreover the traders, too, can appeal to standards of fairness and public morality. The sure consequence of the government's measures, they say, will be to displace more commerce into even more 'informal' or 'black' channels, where it will escape the purview of the state altogether. Goods will leave the traditional marketplaces and move instead into the 'underworld' economy, thought to be expanding rapidly in Hungary as in every other ex-socialist country in the region. This deflected illegal commerce would then undermine the fragile foundations of the democratic market society, just as surely as petty markets and the informal sector helped to undermine the centrally planned economy under the previous régime.

Government ministers have sought compromise. They have been prepared to grant exemptions to specific categories of trader, for example those who sell only the surplus produced in their own gardens, on an irregular basis. But critics have pointed to the difficulties of implementing this distinction in a country where some estimate that 60 per cent of the adult population is directly engaged in small-scale agricultural production. For the moment an uneasy stalemate prevails, but government spokesmen have also responded to the possibility of empty marketplaces by threatening to revoke licences, to allow other small-scale producers free access to key sites, and even to bring in the military to ensure the movement of supplies. Most controversially, there has been talk of reviving the old regulations controlling working hours, with the aim now of ensuring that traders cannot legally close their stalls without official authorization. No longer admired as an island of private enterprise in the socialist sea, it is hardly surprising that these people feel their own civil rights to be more seriously threatened by the present régime than by its predecessor. What is more surprising is that such a group can command widespread sympathy among the population – indicative of a general disillusionment with post-communist powerholders that is by no means restricted to Hungary.