

From Tibor Valuch, *Everyday Life under Communism and After: Lifestyle and Consumption in Hungary, 1945-2000*, 33-85. Translated by Maya Lo Bello. Budapest, Vienna and New York: Central European University Press, 2021.

Chapter Two

Two Hundred Pengős a Month, Five Hundred Forints, Two Thousand Forints...: Financial Circumstances, Prices, Wages, and Income Inequalities in Everyday Life

National revenue, real wages, and changes in the standard of living

World War II left Hungary's economy and infrastructure devastated; occupation by both the German and the Soviet armies had bled the nation's resources dry, leading to a state of economic and financial ruin by the end of the war.¹ From 1944 to 1945, the need to rectify and repair the damage brought about by wartime destruction determined Hungary's situation. During the war forty percent of the country's national wealth (calculated according to 1938 rates) had been destroyed, a factor that not only defined Hungary's economic opportunities for many lengthy years to come, but was also further compounded by

¹ In accordance with this book's focus on the history of consumption, my primary aim is to summarize the tendencies that characterize changes in income conditions; a more detailed economic and historical analysis of this issue would have overextended the confines of this work. It must, however, be mentioned that property conditions, the system determining the distribution of income and economic circumstances underwent fundamental change in Hungary beginning at the end of the 1940s, when the planned economy system implemented by Hungary's socialist state transformed market conditions. A similarly significant change occurred again in the course of the 1989/1990 democratic shift that marked the end of state socialism while simultaneously transforming Hungary from a planned to a market economy. For a comparison of the economic development of state socialist states found in Central and Eastern Europe, see Iván T. Berend, *An Economic History of Twentieth-Century Europe: Economic Regimes from Laissez-Faire to Globalization* (Cambridge: Cambridge University Press, 2006); and Derek H. Aldcroft and Steven Morewood, *Economic Change in Eastern Europe Since 1918* (Aldershot: Edward Elgar Publishing, 1995).

the obligation to make wartime reparations.² In the years following the war, the primary task was to halt hyperinflation—that virtually wiped out the value of the Hungarian *pengő*, the country's currency since 1927—and establish a form of currency possessing a stable value.³ Due to the way in which Hungary's price and wage systems were distorted in order to bring about the financial stability that resulted from the introduction of a new currency named *forint* on August 1, 1946, numerous sources of tension and friction remained within Hungary's postwar financial system, where they continued to test the strength of the nation's economy throughout future decades.⁴

In 1938, Hungary's per capita national revenue amounted to 120 US dollars, a sum that was somewhat lower than two-thirds of the European average at the time.⁵ Since national revenue naturally fell as a result of World War II, it was not until 1949 that Hungary was able to regain the level it had possessed in 1938. During the 1950s, national revenue fluctuated, but showed overall growth in comparison to 1949. This rising trend continued to climb steadily until the first half of the 1970s. Yet despite the forced rate of economic growth, the

² For further details regarding this issue, see Iván Pető and Sándor Szakács, *A hazai gazdaság négy évtizedének története*, vol. 1 (Budapest: KJK, 1986); Sándor Szakács, *Gazdaságtörténet*, vol. 2. [1849–1996], 2nd amended ed. (Budapest: Számalk Kiadó, 2002); Zoltán Kaposi, *Magyarország gazdaságtörténete 1700–2000* (Pécs: Dialog-Campus, 2002); Béla Tomka, *Gazdasági növekedés, fogyasztás és életminőség* (Budapest: Akadémiai Kiadó, 2011), 306.

³ As a result of the destruction wrought during World War II, inflation peaked in July 1946 when prices doubled every fifteen hours on average. Between 1945 and 1946, money was therefore issued in increasingly larger denominations. The *pengő*—a form of currency introduced in 1927 as a means of replacing the *korona*, the currency that devaluated during the economic crisis that occurred in the aftermath of World War I—was rapidly followed by the *milpengő*, i.e., the one-million-pengő bill. Once a billion-pengő bill had already been released, a bill worth one thousand times a billion—the *bilpengő*—was put into circulation. By June 1946, even the *bilpengő* had reached the denomination of one hundred million, equaling a hundred trillion (10^{20}) pengő, a sum that continues to hold the world record as the largest bill ever issued by a bank. With the introduction of a new form of currency known as the forint in 1946, this period of hyperinflation was brought to a halt and Hungary's economy became stabilized. A single one-forint coin was the equivalent of 4×10^{29} pengős.

⁴ On the introduction of the forint, see Ernő Huszti, "Hetven éves a magyar forint," *Pénzügyi Szemle* 4 (2016): 447–58.

⁵ In 1938, 1 USD equaled 5.3 pengős. When adjusted to account for inflation, one US dollar in 1938 would be equal to \$17.85 USD in 2020. For more info on the USD value of Hungarian currencies, see Appendix.

gap between Hungary and more economically developed countries—did not become any narrower during the postwar decades.⁶

The development of the Hungarian economy, and, consequently, the changes in the standards of living during these decades were largely determined by the role of the Hungarian Communist Party, which, under various names, dominated the nation's political, economic, and cultural life until 1989.⁷ Emerging from the war as a major political player—a role that had less to do with the communists' popular support than with the influence of the Soviet Union and the presence of its occupying army in Hungary—the Communist Party under the leadership of Mátyás Rákosi first gained a governing role as a member of a postwar coalition of democratically elected parties.⁸ Gradually occupying key political, economic, and security positions, the communists within a few years managed to eliminate their political opponents one by one, and gain by 1948–49 total power over the country.

⁶ See Éva Ehrlich, *Országok versenye 1937–1986* (Budapest: KJK, 1991). According to indicators that are based on combined calculations, Hungary's developmental backwardness (compared to the USA) declined somewhat in 1980, which was due to progress that mostly occurred during the 1970s. Despite this, the difference actually grew compared to Austria, previously one of Southern Europe's less developed nations: "within thirty years (1950–1980) and based on different calculations the economy of the Hungarian socialist state increased its per capita GDP by three to four times its previous rate. Lacking any sort of historical precedence, this yearly growth rate of 3.7 percent to 4.7 percent was only slightly above average during the given era and within the European context. This is why Hungary's international rank did not change based on its economic performance." Éva Ehrlich and Gábor Révész, "A magyar gazdaság a 20. században: Integrációs és dezintegrációs tendenciák," *MTA Világgazdasági Kutató Intézet Műhelytanulmányok* 31 (2001): 14.

⁷ Established in 1918 as the Party of Communists in Hungary (Kommunisták Magyarországi Pártja, KMP), the party changed its name to Hungarian Communist Party (Magyar Kommunista Párt, MKP) in 1944. After merging with (or basically annexing) the Social Democrats in 1949, a new entity named the Hungarian Workers' Party (Magyar Dolgozók Pártja, MDP) was established, which became the ruling party until 1956. During the 1956 Hungarian Revolution, the party was renamed again as the Hungarian Socialist Workers' Party (Magyar Szocialista Munkáspárt, MSZMP), a name which it kept until 1989.

⁸ Joining the communist movement in 1919, Mátyás Rákosi (1892–1971) became the leader of the Hungarian Communist Party in the early 1940s. As an ardent Stalinist, he was one of the main architects of the Sovietization of Hungary and the de facto leader of the country from 1948 to 1956. After his fall following the 1956 revolution, he lived in exile in the Soviet Union until his death. On the Rákosi-era, see György Gyarmati, *A Rákosi-korszak: Rendszerváltó fordulatok évtizede Magyarországon, 1945–1956* (Budapest: ÁBTL–Rubicon, 2011).

The following years, which are often referred to as the Rákosi era, were characterized by the implementation of Stalinist methods of government, including economic policies. After 1949, a Soviet-type model of planned economy was introduced which concentrated on the rather one-sided development of heavy industry, a move that ushered in the period in Hungarian history known as the period of “enforced industrialization.” In response to Stalin’s expectation that the Soviet Union and its satellites be prepared for the outbreak of World War III, overly disproportionate capacities for the manufacturing of iron, steel, and machine equipment were established. While collectivization disrupted agriculture, all available economic resources were primarily directed toward the military, thereby diminishing advances in all other areas of the economy.

As a consequence of a decrease in the standard of living that lasted for three years in the early 1950s, the real wage value for 1952 was twenty percent lower than that for 1950. If, for example, we assign the 1938 level the value of 100, the real wage value for 1952 only amounted to 66 percent of this, while the 1956 value was 93 percent of that for 1938.⁹ These facts alone are enough to disprove the claims spread at the time via propaganda that the population’s living circumstances had improved and wages had risen after the Communist Party took control of Hungary. Precisely the opposite was true: even compared to the final year of peace before the outbreak of World War II, a great decline occurred which conserved social tensions. Based on opinion polls taken at the time, in the late 1940s the majority of those surveyed felt that the normalization of living conditions had slowed down, with standards of living stagnating, or even worsening.¹⁰

In the early 1950s the ratio of capital investments was increased by nearly 30 percent, to the detriment of civil projects that would have improved the population’s standard of living. Most of these investments were either directly or indirectly related to military purposes. As a result of the economic priorities that were established in the name of “building socialism,” incomes were severely reduced; the most important means for accomplishing this reduction included the maintenance of low wages, prices that were high in comparison to wages and rose virtually continuously, drastic growth in the taxes

⁹ György Gyarmati, “A társadalom közérzete a fordulat éveiben,” in *Fordulat a világban és Magyarországon, 1947–1949*, ed. István Feitl, Lajos Izsák, and Gábor Székely (Budapest: Napvilág Kiadó, 2000), 118–37.

¹⁰ *Ibid.*

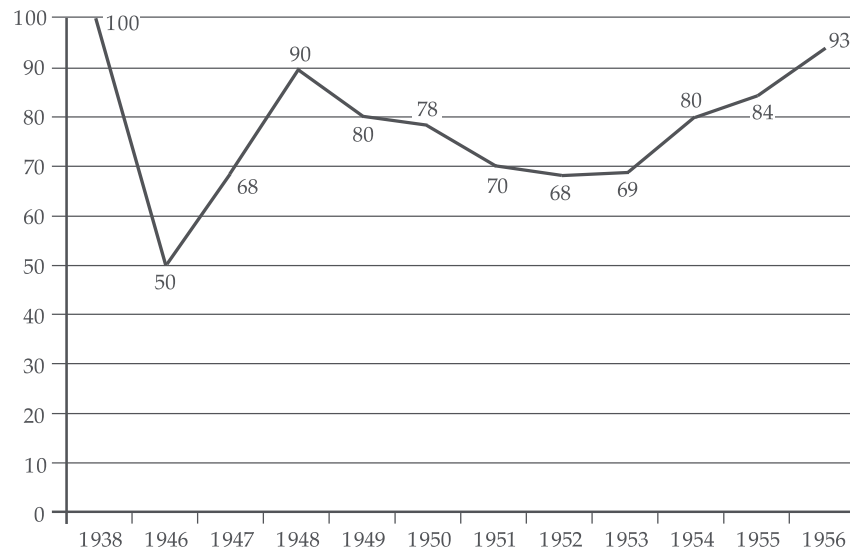


Figure 1. Changes in the average monthly salaries for government employees in Hungary from 1938 to 1956 (1938=100 percent). Source: Gyarmati, "A társadalom közérzete a fordulat éveiben," 133.

and the amounts of agricultural produce that farmers were compelled to hand over to the state, other curtailments that were withheld from earnings, and the subscription to a government loan known as the *békekölcsön* (peace loan), which was officially touted as voluntary, but was actually mandatory in practice. Between 1949 and 1954 subscription "drives" for peace loans were held on six separate occasions which led to a total of 5.6 billion forints being deducted from the population's earnings (this amount corresponds to roughly 477 million US dollars in 1949, or 5 billion US dollars in 2020). During this period the government's approach to economic policy was one which viewed the population's income as a source of economic growth. The combined impact of enforced industrialization and the collectivization of agriculture led to severe food shortages from 1951 to 1952; by 1953, the situation was no longer tenable.

A significant change in these policies occurred after the death of Stalin in March 1953, with the new Soviet leadership experimenting with reforms to ease tensions within Eastern Europe under their control. In Hungary this led to a change in government, with the less dogmatic politician Imre Nagy becoming the new chairman of

the council of ministers (de facto prime minister) in July 1953.¹¹ In the following period referred to as “the new phase,” the population’s income and subsequent consumption grew from the low level mentioned above until it finally peaked in the first half of 1956. By the spring of 1955, however, Nagy fell out of favor due to a reversal in Moscow’s policies, resulting in Rákosi’s return to power. The tensions created by the Stalinist restoration led to public dissatisfaction. Pro-reform demonstrations by university students on October 23, 1956, ultimately turned into a society-wide protest and, after the intervention of Hungarian security forces and Soviet army units, into a full-scale uprising.

Although the 1956 Hungarian Revolution was short lived, it had a long-term impact on Hungary’s economic and welfare policies. In response to the eleven percent decrease in the country’s national revenue in the second half of 1956, and corresponding drop in consumption, and in an effort to stabilize its rule, the new communist leadership, headed by János Kádár, increasingly made the growth of Hungary’s standard of living a core part of its political agenda.¹² During the decades that spanned from 1957 to 1978 (and particularly during the period between 1965 and 1975) this change in attitude resulted in noticeably better material circumstances and income for a broad section of Hungarian society. The extent to which this improvement was actually due to political initiatives is naturally debatable, just as assessing the size of the role played by social coercion and

¹¹ Until he was ousted in the spring of 1955, the communist politician Imre Nagy (1896–1958) cautiously initiated reforms and eased the grip of dictatorial policies, thereby earning himself a reputation as an authentic and trustworthy politician who opposed Stalinist policies. The popularity that Nagy earned as a result of these attempts contributed to him becoming Hungary’s prime minister again during the short-lived 1956 Hungarian Revolution. For his role in the revolution, he was sentenced to death in a show trial and executed, then secretly buried in plot 301 of the New Public Cemetery in Rákoskeresztúr under the misleading female name Piroska Borbíró. His reburial on June 16, 1989, became one of the most emblematic events of the change of regime in Hungary. For more on Imre Nagy, see János M. Rainer, *Imre Nagy: A Biography* (London: I. B. Tauris, 2009).

¹² The communist politician János Kádár (1912–1989) was brought to power with the aid of the Soviet Union following the defeat of the 1956 Revolution. He was the first secretary of the newly-formed Hungarian Socialist Workers’ Party, then later was its president until his death in 1989. Kádár was prime minister of Hungary between 1956 and 1958 and then served in the same position from 1961 to 1965. For more than three decades, he was the most important politician and leader of the socialist state system in Hungary.

exertion is similarly impossible. The question of what price society meanwhile paid for a higher level of economic security also remains to be answered. Based on official statistics it is, however, clear that Hungary's national revenue mostly showed a trend of steady growth while the value for real wages increased slightly more than twofold during this period.

Table 1. Real wages and developments in per capita real income and consumption between 1950 and 1995 (1950=100 percent)

Year	Real wages	Real income	Household consumption
1950	100	100	100
1955	105	115	115
1960	154	154	152
1965	168	181	175
1970	199	245	228
1975	234	306	281
1980	243	333	316
1985	233	363	342
1990	219	378	362
1995	182	332	317

Source: András Klinger, *Társadalomstatistikai alapismeretek* (Budapest: KSH, 1998); and *Magyarország népessége és gazdasága: Múlt és jelen* (Budapest: KSH, 1996).

One of the consequences that came about as a result of Hungary's "quasi-modernization"¹³ was the fact that material living conditions naturally underwent a significant change: compared to 1950 (100) the index for per capita real income in 1960 was 154, consumption had risen to 152, and real wages had reached an index of 154. This improvement in economic indicators underwent its most dynamic period between 1965 and 1975. The fact must not be forgotten, however, that during the given period the rate of real income that was evaluated statistically always diverged from the actual state of things, albeit to differing degrees. One of the period's most characteristic features was the widespread habit of procuring various sources of income via activities that significantly contributed toward the emergence and

¹³ For an explanation of this concept, see Elemér Hankiss, *East European Alternatives* (London: Oxford University Press, 1991), 336.

maintenance of Hungary's shadow economy. Similarly, when comparing the level of real wages to that of 1938, it can be seen that a much slower rate of growth took place throughout the entire period under examination in this volume. The decline (including its extent) that occurred after 1990 is also striking: the price Hungarians paid for the shift from state socialism to democracy and the economy's subsequent transformation is clearly reflected in this data.¹⁴ When analyzing the evolution of income conditions, it is noticeable that the gross value of the earnings from salary and wages, which represents the largest item in the population's income and was 10,600 forints in 1989, rose to be nineteen times higher by 2009. Average net earnings, however, grew to a smaller degree from 8,200 forints to fifteen times this amount. The real value possessed by earnings—within a trend of large-scale, nominal growth and increases in consumer prices—steadily fell until 1996, at which time it was 26 percent less than the value for 1989. This was followed by a nearly unbroken trend of growth that lasted throughout the following ten years, while a decline or only slight increase characterized the years that came after the peak year of 2006. The 1989 level for real wages was reached in 2002; in total, the 2009 level for real wages surpassed that of twenty years earlier by thirteen percent.

Among the population income components that were present during Hungary's state socialist period, the growth of monetary social benefits proved the most dynamic. Between 1960 and 1980 the amount spent on these benefits grew to be ten times higher, a circumstance that was brought about by an increased number of pensioners, increases in the average pension and the amount bestowed on families for child benefits, and the introduction of childcare support for mothers wishing to care for their children at home during the first years of their lives.¹⁵ In 1965, as the Kádár regime first began to consolidate, the KSH conducted a survey of 4,000 families in an attempt to examine what changes had occurred in Hungary's standard of living

¹⁴ János Kornai, "The Great Transformation of Central Eastern Europe: Success and Disappointment," in *Institutional Change and Economic Behaviour*, ed. János Kornai, László Mátyás, and Gérard Roland (London: Palgrave Macmillan, 2008), 207–44.

¹⁵ For working-class and employed families the child benefits issued in the case of two children was 37.5 forints per child in 1960, followed by 150 forints in 1970 and 490 forints in 1980. See *Életszínvonal 1960–1980, Statisztikai Időszaki Közlemények*, no. 488 (Budapest: KSH, 1981), 108. In 2010, the amount of child benefits issued per child was 12,200 forints.

and living conditions. According to the data gathered, nearly half of the working-class/employed, peasant, and “double-income” (a term which referred to those who worked in both agriculture and industry or also earned income from the service sector) households that participated in the survey felt that their living conditions had not changed during the 1963/1964 year. One-sixth of both groups registered some degree of deterioration; less than one-third of working-class and employed households expressed the presence of a slight improvement compared to the one-fourth of peasant households that answered similarly. Within both groups only six to seven percent of the participating households felt that significant improvement had occurred.¹⁶ Based on the data collected in similar surveys that were repeated in 1973 and 1976, an “upswing phase” and differentiating trend can be clearly traced up to the mid-seventies. In 1973, a definitive majority of households indicated an improvement in their standard of living and income conditions; in 1976, however, with the exception of “peasant households conducting collective farming,” virtually every social group reported a decline in their circumstances. The data gathered between 1964 and 1976 amply illustrates that only one social group (members of collective farms) contained a growing percentage of households whose standard of living displayed progress. A steadily high percentage of families (nearly 50 percent) in each group registered a state of stagnation regarding their living conditions while the ratio of those who felt their circumstances had actually deteriorated (16–17 percent) remained similarly constant. With the aid of household statistics, it is also possible to conclude that the per capita, average net income for working-class and employed families throughout the early 1960s increased by 4 percent annually while peasant and double-income households averaged a yearly net income growth of 5 percent. The dynamic of income growth, however, was not steady since—in the case of both groups—income rose at a faster rate in the three years spanning 1962 to 1965. Roughly half of this upswing originated from a raise in wages; one-third was due to the circumstance that certain families came to have multiple earners and one-fifth was ensured by income over wages that stemmed from the increase in social benefits.¹⁷

¹⁶ For further details, see *Vélemények és tények (4000 háztartás életszínvonalának alakulása)* (Budapest, KSH, 1966).

¹⁷ *Háztartásstatisztika: 4000 háztartás jövedelmének és kiadásának alakulása 1960 és 1965 évek között*, Statisztikai Időszaki Közlemények, no. 97 (Budapest: KSH: 1967).

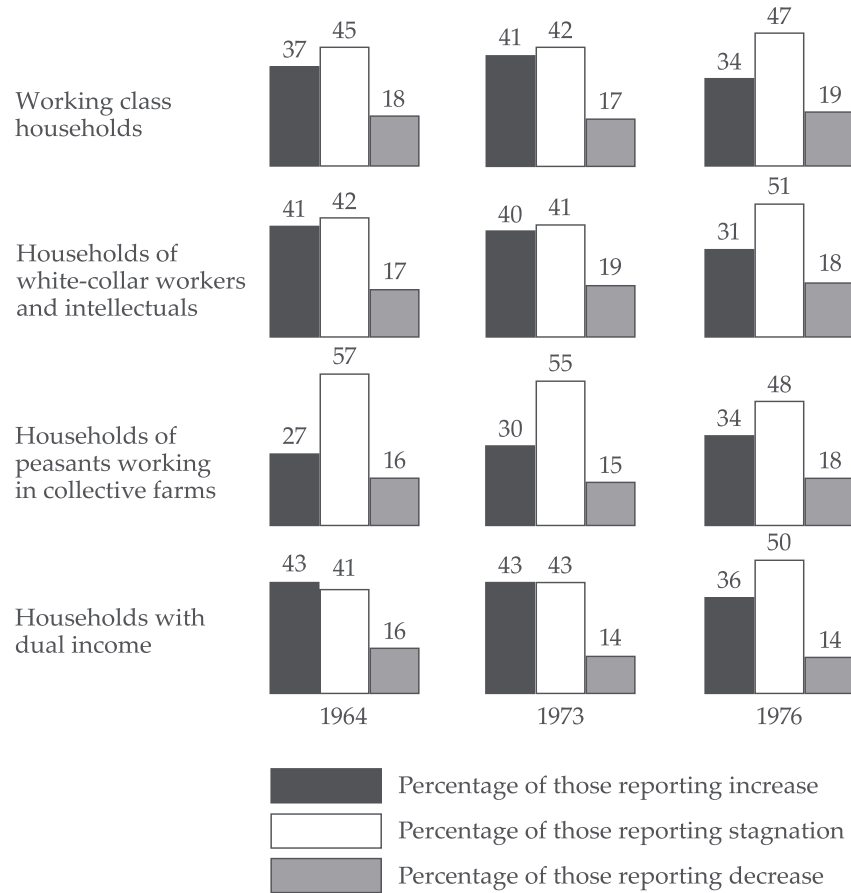


Figure 2. Evaluation of changes in the standard of living—compared to the previous year—in 1964, 1973, and 1976, respectively. Source: *Életszínvonal*, vol. 2, *Az életszínvonal alakulásának lakossági megítélése*, Statisztikai Közlemények, no. 22 (Budapest: KSH, 1978), 11

In Hungary between 1960 and 1980 the per capita personal real income rose annually by an average of 3.8 percent. During the first half of the 1960s the rate of growth was a relatively low 3.1 percent; in contrast to this, the latter half of this decade saw an extremely high rate averaging 6.4 percent per year. Between 1970 and 1978 the yearly average for this indicator was 3.7 percent.

It goes without saying that this period of growth did not affect everyone in the same way, as the relatively high ratio of those living

on low incomes compared to the number of high-income individuals remained remarkably constant, a factor that demonstrates the relative continuity of social inequalities.¹⁸ Hungary's transformation from a state socialist to a democratic system had a strong impact on the income conditions of families.¹⁹ While it comes as no surprise that introducing a new economic system raised financial difficulties, it must not be forgotten that this process was preceded by the fact that real wages had existed in a period of stagnation since the early 1980s, which was then followed by a slight decline. The dynamic of this change is amply illustrated by the data: between 1990 and 1992 real wages fell by 12 percent, a decline that returned the nation to the same level it had exhibited in the 1970/1971 year. The situation was made even more severe by the fact that child benefits and average pensions lost one-fifth of their real value during the same time period. This situation would only change in the latter part of the 1990s, when policies effectuated in 1995 for the purpose of stabilizing the economy began to make their influence felt. Once this occurred, real wages increased by an annual average of four to five percent.

Wages, prices, inequalities

When World War II broke out, Hungary experienced an emerging trend of economic growth which stabilized incomes. In the late 1930s a number of social policies were introduced that also influenced the conditions surrounding income. To mention a few of these policies, the lowest working wage was established, paid leave was introduced together with the eight-hour workday, workers raising children were granted child benefits amounting to five pengős per child, and social security was extended to agricultural workers.²⁰ Those whose age precluded them from fulfilling the requirements for social security were uniformly issued an annuity of sixty pengős. In its initial years, wartime expansion led to improved conditions for employees: real wages rose, consumption grew, and unemployment virtually disappeared. The mayor of the Budapest district of Pesterzsébet

¹⁸ For a comparative analysis of the social inequalities found in various systems of state socialism, see Mérove Gijssberts, "The Legitimation of Income Inequality in State-Socialist and Market Societies," *Acta Sociologica* 45, no. 4 (2002): 269–85.

¹⁹ For further details, see Mihály Zafir, ed., *Életszínvonal 1988–1997* (Budapest: KSH, 1998).

²⁰ In 1938, 1 USD was equal to 5.4 pengős.

emphasized the favorable social effect of the developing economic upswing that came with the war:

Significant political action was not taken. There were no strikes. I noticed nothing that would seem disquieting from a national or social policy standpoint. The large-scale decrease of unemployment had a calming effect on the city's working-class population. With the exception of professions that were more of "peacetime" activities (carpentry, masonry, house painting, cabinetry), unemployment completely disappeared in other branches of industry. The Manfréd Weiss Factory in Csepel and the Arms and Machine Factory [Fegyver és Gépgyár] in Budapest completely absorbed the city's unemployed workers and provided them with a living. Operating at full capacity, military manufactories have provided constant and profitable earnings for the inhabitants of Pesterzsébet who have been working there during the past quarter of a year. As a result, a certain degree of economic prosperity has occurred in my district: the consumption of meat and wine has increased and the resultant tax revenues have led to a significant surplus of revenue.²¹

The district mayor's summary provides an ample illustration of the peculiar duality that typified this period: even though war had been declared, everyday life and society was characterized by a relative state of composure and stability that bore a closer resemblance to times of peace.

In the autumn of 1939, worktime restrictions were suspended due to the war.²² Following the war's outbreak, working wages were frozen; minimum wages were also determined in the autumn of 1939, resulting in a 10 percent increase on average. From this point on wages were adjusted every six months to total seven to eight percent (later followed by fifteen percent) of basic earnings. Yet another wage increase took place in July 1943 due to the establishment of a cost-of-living allowance. Rising wartime prices, however, still exceeded this raise in wages as the cost of foodstuffs in particular soared. The situation was further exacerbated by the maximizing of prices, meaning that procuring even the most basic foodstuffs presented a growing concern for those living from month to month. Beginning in early

²¹ "Pesterzsébet polgármesterének jelentése," Magyar Nemzeti Levéltár Pest Megyei Levéltára (National Archives of Hungary Pest County Archives, hereafter MNL PML), IV.408.u., November 1940.

²² János Honvári, ed., *Magyarország gazdaságtörténete a honfoglalástól a 20. század közepéig* (Budapest: Aula Kiadó, 1996).

1940, the loss of income caused by constant military conscriptions affected Hungary's peasantry most adversely, dealing a particularly heavy blow to agricultural laborers, smallholder farmers, and the numerous tenant farmers. The financial subsidies that were issued to the families of conscripted troops only supplemented a small proportion of this income loss. As a county administrator reported:

In the communities located in my district, the general conditions for the period of September 15, 1940, to October 15, 1940, can overall be deemed adequate. As a result of military demobilization, heads of households and their family members could return to work and therefore earn more, a situation which has led to a certain degree of improvement compared to the difficult conditions experienced by those forced to depend on the negligible amount issued for the family subsidy. A sense of anxiety, however, exists to a certain extent, particularly as a consequence of the soaring prices for foodstuffs and basic necessities.²³

Table 2. Average monthly earnings for factory employees between 1938 and 1942 (pengős)

Year	Factory Managers	Factory Clerks	Foremen	Workers, day-laborers, apprentices	Servants, drivers, watchmen
1938	639	285	301	96	117
1939	638	298	315	100	121
1940	743	314	337	113	133
1941	810	406	382	132	139
1942	870	415	464	165	145

Source: *Magyarország népessége és gazdasága: Múlt és jelen.* (Budapest: KSH, 1996), 194.

In 1942, Hungary's wartime economic upswing stalled and a state of economic decline was observable beginning in mid-1943. Wartime efforts and burdens began to impact a progressively wider number of social groups: other than the working class and the peasantry, members of the middle class also faced a state of general material decline.

²³ "Alispáni évnegyedes jelentések: Pest-Pilis-Solt-Kiskun vármegye központi járás főszolgabírójának jelentése," MNL PML, IV.408.u., October 21, 1940.

Living conditions grew far more difficult throughout the country. The circumstances and provisions for the workers in military or munitions factories deteriorated significantly during the final years of the war. It must be mentioned that after World War II was declared, munitions workers were placed under the central supply system, meaning that these factories were ensured a separate supply of foodstuffs and those working there were provided an above-average livelihood due to the military supply system. Other than basic foodstuffs, munitions workers were able to get boots, boot soles, and various kinds of textiles twice a year at official prices. Larger firms, such as the Rimamurány-Salgótarjáni Vasmű Rt. (RIMA, the Rimamurány and Salgótarján Ironworks Corporation) maintained their own provision system and frequently kept a private store of foodstuffs or other basic goods purchased directly from farmers and manufactories, a solution that allowed these companies to ensure a more stable level of provision which also functioned as a form of supplementary income for their employees.

From 1943 to 1944, the economic, financial, and social situation of Hungary's peasantry deteriorated dramatically. For the most part, the burden placed on families whose relatives were fighting on the front (mainly agricultural laborers and members of the lowest level of peasant society) became much heavier as it became impossible to produce sufficient grain for their yearly bread supply. Hardship and privation grew as wartime restrictions afflicted all of Hungary's peasant society.

For agricultural workers, the exceedingly low maximized wages that were set for day labor further exacerbated their situation. The two to three pengős that an adult day laborer could earn in one day was just enough for bare survival and fell far from guaranteeing a stable livelihood. In 1943, wages were regulated once again; the lowest level was set at a level comparable to the lowest limit for wages that had been valid in 1941. Since subsequent price increases made it impossible to support a family at these rates, workers were unwilling to perform labor, thereby forcing farmers to pay sums far above the officially determined rate for day labor if they wanted to have their fields worked.

Beyond the economic and social worries, they were already suffering from as the nation experienced severe bombing, Hungary's population faced further obstacles when the burdens that were brought about by the war's immediate military effects began to impact every social layer, even if to differing degrees. Once Germany occupied Hungary in 1944, the 1939 law determining the obligation to work for the

aim of national defense was broadly expanded. On April 12, 1944, a resolution was passed decreeing the introduction of an auxiliary labor service, followed by a second resolution issued on April 24 proclaiming mandatory labor for the purpose of national defense for women aged 18 to 30. According to this directive, primarily “uneducated female laborers” were to be utilized. By May 23, national defense labor cards were already being distributed, thereby ordering women who had not been employed until then to report for labor at munitions factories. For all intents and purposes, these women worked for no pay since the wages they earned were essentially worthless in the aftermath of the wartime destruction that occurred between 1944 and 1945, followed by the economic crisis that consequently resulted.

Table 3. Changes in gross average monthly earnings, consumer price index, and real wages between 1955 and 2009

Year	Gross monthly average wage per earner, or average earnings (forints)	Consumer price index (1950=100)	Real wages per earner (1950=100)
1955	1,080	159	105
1960	1,575	161	154
1965	1,766	165	168
1970	2,222	173	199
1975	3,018	199	234
1980	4,098	270	243
1985	5,961	374	233
1990	13,446	749	219
1995	38,900	2,322	182
2000	87,645	-	-
2009	199,775	-	-

Source: *Magyarország népessége és gazdasága, 195*; *Magyarország 1989–2009* (Budapest: KSH, 2010).

The trend of inflation that first emerged during the war evolved into a state of hyperinflation in 1944/1945 as a result of the nation’s economic collapse and war losses.²⁴ In circumstances such as these,

²⁴ To offer one example, in August 1945, one kilogram of bread cost six pengős; by the beginning of May 1946, the same item was worth eight million pengős. By the end of June 1946, customers were forced to pay 5.85 billion pengős for one kilogram of bread.

discussing any real value for income or wages was utterly pointless and it took well over a year-and-a-half to bring this state to a halt. After Hungary's financial situation was stabilized in 1946, the differences in salary and wages that existed among various groups of professions decreased; once the Communist Party rose to power, this relative equalization of wages lasted for decades. In 1949, the gross monthly average wage for blue- and white-collar workers was 606 forints. While this sum rose to 893 forints by the end of 1952, real wages in fact decreased by 17.7 percent during the same period. The situation was similar in the case of real income which totaled only 83.4 percent of the 1949 value for real incomes per earner in 1952.²⁵ Thanks to measures taken by Imre Nagy's government, change finally occurred in 1953: by the end of 1954 the real value of working wages equaled the level for 1949.

Based on this data it is also clear that the real value for both job income and working wages either dropped or stagnated in the first half of the 1950s while prices climbed at a dynamic rate. This situation improved in the latter half of the decade, mostly due to the wage increases that were issued after the 1956 Revolution; later, the rate of growth for wages once again decelerated due to the collectivization of Hungary's agricultural system and the enforced shift to industrialization. During the second half of the twentieth century, increases in average and real wages exhibited the swiftest growth between 1965 and 1975. In fact, 1975 represented a turning point as wage growth first slowed, then stagnated at the end of the 1970s. In the 1980s, a quickening pace of inflation was accompanied by a severe drop in real wages which continued until the late 1990s. Beginning in 1997, the real income (per inhabitant) climbed steadily throughout a ten-year period; during the three-year period spanning 2007 to 2009, however, real income once again dropped. While the level for real income was 20 percent higher in 2006 compared to that in 1989, this rate fell again to nine to ten percent in 2008.

During the first half of the 1960s, the average earnings for full-time workers and employees showed an annual increase of 2.4 percent. This rose to 5.2 percent in the latter half of the decade. In the 1970s, this indicator climbed 6 percent on average every year before first stagnating, then falling, and later climbing at the start of the new

²⁵ See *Adatok és adalékok a népgazdaság fejlődésének a tanulmányozásához 1949–1955* (Budapest: KSH, 1957), 341–43.

millennium before declining again. During the state socialist era the ratio between wages and earnings was characterized by a type of compulsory leveling off that was in accordance with the political and ideological aims of the time. Furthermore, workers employed in mining and heavy industry were placed in a privileged position while white-collar, intellectual positions (for example in education or the medical field) were kept at an artificially low level. The average earnings for those employed in trade, the service industry, or agriculture totaled only one-tenth of the average for earnings in industry.

Table 4. Changes in earnings and real income between 1990 and 2007 (1990=100 percent)

Year	Net nominal average earnings (per earner) in percent	Real earnings (per earner) in percent	Real income (per capita) in percent
1990	100.0	100.0	100.0
1991	125.5	93.0	98.3
1992	152.2	91.7	94.9
1993	179.2	88.1	90.3
1994	228.1	94.5	92.7
1995	256.8	82.9	87.7
1996	301.5	78.8	87.1
1997	374.2	82.7	87.8
1998	443.0	85.6	91.0
1999	499.3	87.7	91.7
2000	556.2	89.0	95.7
2001	646.3	94.7	100.2
2002	773.0	107.6	106.8
2003	883.6	117.4	112.4
2004	933.0	116.3	116.1
2005	1027.3	123.5	120.4
2006	1105.3	127.9	122.3
2007	1138.5	122.0	-

Source: KSH "Reáljövedelem—reálbérindex," https://www.ksh.hu/stadat_files/gdp_hu/gdp0035.html, accessed on August 10, 2021

This situation changed only after the economic reforms that were introduced in 1968, at which time the practice of material motivation was brought forth, thereby engendering the restructuring of wage ratios and quickening the process of differentiation. Various forms of fringe benefits (premiums, profit-sharing) additionally played an increased role. Similarly, the practice of earning multiple forms of income became more widespread as the number of those who took on second or even third jobs while simultaneously performing a full-time job steadily climbed. It is no exaggeration to say that seeking income from multiple sources became a natural mode of survival in Hungarian society. The late 1960s also marked the period when the difference in the average wages earned by those with a degree in higher education compared to those with only secondary education also grew slightly. Among industrial workers, greater value was placed on skilled workers during the 1970s: in 1975, the average wages for skilled workers were 56 percent higher than those earned by unskilled laborers. During this same period, an average difference of twenty to thirty percent (varying according to industrial branch) grew between the wages earned by semi-skilled and unskilled laborers.

Table 5. Changes in average wages by economic sector from 1960 to 1979 (in forints)

Year Sector	1960	1965	1970	1975	1979
Industry	1,617	1,767	2,271	2,117	3,984
Construction	1,636	1,839	2,536	3,398	4,283
Agriculture	1,381	1,536	2,306	2,907	3,708
Trade	1,418	1,572	2,158	2,773	3,503
Service	1,491	1,695	2,243	3,024	4,049

Source: *Életszívroonal 1960–1980* (Budapest: KSH, 1981).

For those employed in agriculture, marked differences emerged among those working for state farms (*állami gazdaság*), members of collective farms (*termelői szövetkezet*, often referred to as *téesz* in everyday conversation), and private farmers (*egyéni gazdálkodó*) during the period that spanned the latter half of the 1940s and the beginning of the 1960s. Despite drastic increases in taxation and income reductions, private farmers occupied the best position among all those employed within the agricultural sector. Generally speaking, working wages in agriculture were ordinarily lower compared to what was earned

by industrial workers or various types of personnel staff. Between 1948 and 1956 the government tried to place private farmers into a financially impossible situation (an aim that met with some success) by demanding inordinate increases in taxes and the fixed quotas for produce that farmers were compelled to hand over to the state. Private farm owners received a two-year "grace period" after the 1956 Revolution. In 1957 the average yearly income for a privately farming peasant family amounted to 33,000 forints, nearly four-fifths of which originated from agricultural activities (agricultural production and the sales of crops) while one-fifth came from other sources of income, such as day-labor or shipping deliveries. Among farmers the amount of land that was owned, the size of the farm, and the composition of their stock displayed a significant degree of variation. The per capita monthly gross income for those farming on 0.6 to 1.7 hectares was 631 forints, while those who farmed on 4.6 to 5.8 hectares earned 729 forints. The category that farmed on 8.7 to 14.5 hectares could expect 925 forints.²⁶ The yearly tax requirement for the first, smallest category of landowner averaged 1,127 forints compared to the 8,239 that farms in the biggest category were compelled to pay in 1957.

In 1958, the KSH made a survey of the income conditions of private farmers.²⁷ According to this data, the lowest level of annual per capita net income was 4,000 forints, while the highest was over 14,000 forints. In practical terms, this meant that the yearly net income for the most impoverished peasant families (containing five members) did not reach 20,000 forints while those in the highest income bracket did not earn less than 70,000. Three-fourths to four-fifths of this income originated from agriculture-related activities; one-fourth to one-fifth stemmed from non-agricultural activities. The largest proportion of agricultural incomes was earned via the sale of agricultural products; a smaller proportion (that also decreased at a slower rate) was income that originated from the barter of primarily their own crops or produce. A larger proportion of the crops produced by low-income peasant families went toward maintaining the family's own needs instead of being sold at market; the exact opposite was true in the case of wealthier families.

²⁶ *Munkás-, alkalmazotti és parasztcsaládok jövedelme és fogyasztása 1957-ben: 4000 család háztartási feljegyzései alapján*, Statisztikai Időszaki Közlemények, no. 22 (Budapest: KSH, 1959), 45.

²⁷ For a contemporary analysis of this data, see Dénes Kovács, "A parasztság élelmiszerfogyasztása és jövedelme," *Közgazdasági Szemle*, no. 12 (1961): 1462–77.

Once collectivization ended in the early 1960s, it took roughly five to seven years for incomes dependent on agricultural production to stabilize, and then display an upward trend of growth. Other than the important role played by household gardens and smallholder farm production in enabling farming families to supplement their incomes, an additional factor in ameliorating the somewhat disastrous economic effects of collectivization was the decision made in the second half of the 1960s to issue regular monetary payments and disband the work unit system.²⁸ These steps also aided the consolidation of the collective farm system.

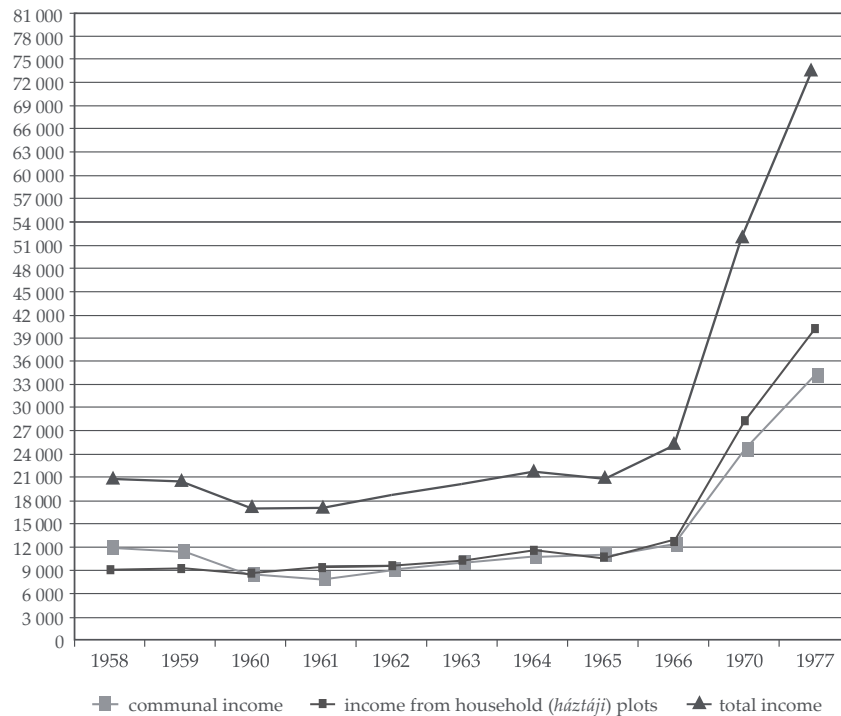


Figure 3. Yearly income of collective farm members from 1958 to 1977, in forints (based on data from household and income statistics published in KSH yearbooks between 1958 and 1977)

²⁸ In collective farms that were established by means of a forceful process of collectivization, members received payment once a year at the closing general assembly, in accordance with the Soviet model. As a result of this, in the first half of the 1960s members were not paid monthly for their work; instead, the value of their work was recorded in “work units” that were then transferred into money at the year-end

It was not until the mid-seventies that the average earnings for the employees of agricultural collectives equaled 90 percent of the average earnings paid to industrial workers. In relation to the social average, the existence of household plots or smallholder agricultural production had a definitive role in easing the income losses experienced by those who lived in villages or—to put it more precisely—earned their livelihoods in agriculture.

The era's characteristic attempts to equalize property and income conditions proved to be only temporarily successful. Based on official income statistics, in 1957 the difference in income between the lowest and highest income brackets was already 5.2 times greater, meaning that families with the lowest income averaged a per capita gross income of 342 forints while this same indicator was 1,788 forints in the case of families in the highest income category. The monthly gross income for an average-sized, four-member family from the first category was 1,368 forints opposed to the 7,152 that were available to the same type of family in the latter category.²⁹ Income conditions were naturally impacted by the size of the family since the larger the family was, the more their income conditions worsened, a fact that was also determined by the low level of earnings. According to data found in official statistics, more than two-thirds of the families existing in the lowest income bracket had three or more children. When comparing the situation of those in the highest income category (appointed to a leadership position) as opposed to that of individuals in the lowest income category (living below subsistence level), even official statistics record the fact that a difference of five to seven times greater could be registered in the case of per capita net income in the mid-sixties.³⁰ Fifteen years later this level had already climbed to

general assembly. If the collective farm had suffered losses, then the losses were divided among the members based on the registered work units; the same occurred in the case of profits. Since this system did not motivate members to perform regular labor, beginning in the mid-sixties collective farms adopted the system of issuing regular monthly salaries in the form of money.

²⁹ *Munkás-, alkalmazotti és parasztcsaládok*, 34–35. On the issue of inequalities, see Zsuzsa Ferge, "Social Structure and Inequalities in Old Socialism and New Capitalism in Hungary," *Review of Sociology* 8, no. 2 (2002): 9–33.

³⁰ "In 1967, for the 500,000 people living in the most favorable circumstances, the per capita income was seven times higher than the income earned by the 500,000 people living in the worst circumstances. In 1962, it was eight times higher." See *Jövedelmi különbségek 1967-ben* (Budapest: KSH, 1969), 12. Based on data collected in relation to income, in 1972 the situation was essentially unchanged. See *Jövedelmi viszonyok: 1972* (Budapest: KSH, 1974).

being nine to ten times greater in magnitude. Based on an analysis prepared in the 1980s, it must not be forgotten that the collection of statistical data in Hungary was incapable of recording 40 percent of the income earned in one year, a circumstance which obviously (or possibly) altered society's actual status as regarded income.³¹ Parallel to the continued presence of social traditions and customs, the spread of money-saving techniques also aided society's increasingly general reliance on the institution of the *kaláka*, a custom in which relatives and friends traded work in order to avoid the need to hire labor. This system of labor exchange acted as an important means for producing sufficient income that could then be put toward increased consumption.

The dynamic way in which the income gap grew is best illustrated by the fact that only 2.5 percent of the population occupied the two highest income brackets in 1962. This number was 4.9 percent in 1967, 3.9 percent in 1972, and 5.1 percent in 1977. Throughout the fifteen years spanning 1962 to 1977 the highest income category consisted of an average of 350,000 to 400,000 individuals. The proportion of those living in the lowest income bracket between 1962 and 1977 remained relatively stable: on average nine to ten percent of the population (totaling 800,000 to 900,000 people) belonged to this group.³² It is also worthwhile to note that the group possessing the largest income in both 1962 and 1977 held one-tenth of total income while those in the lowest level had one-twentieth. In other words, among the various groups belonging to the middle classes, inequalities in income distribution lessened as the number and proportion of those in the highest income bracket increased during the changed circumstances that determined the nation's economy.

Income ratios were distorted by the fact that a wide range of benefits and allowances could be accessed irrespective of output, meaning that anyone employed by the state could or did receive extra forms of income other than their wages. Income conditions during this period were further influenced by the system used to determine prices; the asking price for products and services sometimes significantly deviated from their actual value and cost, thereby placing low-income customers in a more favorable position. From the 1960s to the latter half of the 1970s, prices rose at a rate that was essentially negligible,

³¹ Júlia Szalai, *Uraim, a jogaimért jöttem!* (Budapest: Új Mandátum, 1998), 43.

³² Rudolf Andorka, Tamás Kolosi, and György Vukovich, eds., *Társadalmi Riport, 1990* (Budapest: TÁRKI, 1990), 97–117.

a state which admittedly contributed to the general improvement of society's financial status. At the same time, the artificial regulation of prices and services also deepened the economic strain beginning in the late 1970s. The peculiarities of Hungary's price policies are best illustrated by the fact that prices rose only slightly at the average rate of 2.8 percent between 1970 and 1975, yet by the end of the decade this rate doubled until it reached the annual average of 6.3 percent.

By the early 1960s, the process of stripping citizens of their private property had essentially come to a close; Hungarians were able to begin the process of "recouping" their losses in the late 1960s. Among other indicators, the evidence pointing to this trend can be found in the extent of savings deposits held by the population and the data regarding the supply of durable consumer goods. The number of families who could lay claim to considerable property (or what counted for wealth based on local standards) grew during the 1970s, a trend that proved long-lasting even as income conditions fluctuated. Various factors underlay this phenomenon: relatively speaking, the dynamic growth of real income throughout the 1960s and 1970s established a basis for secure livelihoods. Similarly, this growth owed quite a lot to the role played by unregistered economic activities and the extra sources of income that could be illegally attained via the opportunities presented by Hungary's shadow economy. Due to political and economic constraints, home construction became a mass means of acquiring property during this period. It is also quite obvious that this type of material gain occurred irrespective of social status, with the exception of Hungary's most impoverished social groups. In other words, each social group contained families who were able to save money and attain wealth as well as those who could not. Opportunities for accumulating wealth were naturally determined by the ability to acquire income, employment conditions, and the family's inherited material background. Families that consisted of one wage earner and four dependents all living in a rented home obviously had far fewer opportunities to acquire wealth compared to those who consisted of two wage-earners, two dependents, owned their own home, and were able to supplement their incomes in Hungary's shadow economy.

It must be emphasized that accumulating material wealth during the state socialist era demanded enormous effort on the part of the population. Although the working hours for both men and women

were reduced during the 1960s and the 1970s, the amount of time spent on small-scale agricultural production or the shadow economy in general grew in parallel, and at a rate that was particularly dramatic in the case of men. The high proportion of time devoted to income procurement distinctly indicated a strategic shift on the part of families, namely that (starting in the early 1960s) a majority of families took advantage of an ever-broadening array of opportunities to attain some form of side income. An additional factor that contributed to the emergence and maintenance of household and supplementary farming was that of shortages; until the late 1970s, the nation's relatively disorganized trade network coupled with the poor quality of supply provided a strong argument for producing foodstuffs in kitchen gardens or small plots near the home. Selling a limited amount of whatever surplus foodstuffs arose during the process proved to be an important source of extra income that, in turn, increased a family's financial security and increased their ability to acquire further wealth. Profits originating from household farming or other forms of supplementary economic activities could generally be traced through increases in consumer consumption.

Income conditions and the process of differentiation were naturally influenced by the period's changing policies regarding taxation. Regulating the income(s) earned by those who were not dependent on wages became an aim that was emphasized in the interest of controlling "unjustified" income differences and hindering the emergence of "incomes that did not match the amount of work," or at the very least in an attempt to curtail these phenomena by levying progressive taxes. In the mid-sixties, together with those working in the private sector, home and automobile owners figured among taxpayers, a group that totaled two-and-half million people. During this period, the public tax system consisted of twelve forms of taxation or charges and fees that operated as a form of tax. The income tax levied for agricultural production affected 1.34 million citizens and was set based on the presumed average returns a farmer's land was evaluated as being capable of producing. In 1967 seventy-one thousand tradesmen, ten thousand private retailers, and ninety-four thousand individuals who were otherwise employed were registered as being obliged to pay general income tax.³³

³³ "Jelentés a lakosság adóztatásának helyzetéről," Magyar Nemzeti Levéltár Országos Levéltára (National Archives of Hungary, hereafter MNL OL), XXVI-D-1-c.7.d., Budapest, October 6, 1967.

At the time, public opinion placed tradesmen and small-scale retailers in the category of those possessing above-average income, a generalization that was not true in this exact form. Based on documents, 51 percent of tradesmen who genuinely paid taxes did not earn significantly more compared to those who were employed in the same profession. "It is, however, a fact that a limited number of tradesmen and private retailers (particularly the producers of goods, and especially among those producers who have employees) earn higher incomes than the social average, upon which taxation's role in regulating income does not have enough of an effect."³⁴ The fact that the tax returns for independent actors in the private sector were generally revised based on estimations proved to be a constant source of conflict since this practice often led to tax hikes that could total fifty percent. In some cases, however, it was nearly impossible to levy taxes on other forms of employment (such as an innkeeper who rented his or her premises from the state and worked in the free till system) due to the tax code's peculiar nature.³⁵

Based on a representative survey conducted in 1980, only 2.6 percent of tradesmen had either reached their level of declared income or surpassed the amount of 9,000 forints a month, a sum that was two-and-a-half or three times greater than the average monthly income earned at the time. The monthly income earned by the majority (68.9 percent), however, barely equaled one-third of this sum, i.e., 3,000 forints a month. The income for the remaining 30 percent was scattered between 3,000 and 9,000 forints.³⁶ Due to the rise in privately-funded home construction that occurred in the 1970s and 1980s, the average income for tradesmen employed in the construction sector amounted to nearly 10,000 forints in 1983, a sum that was two-and-a-half times greater than the average income. Based on tax returns from the previous year, 58.7 percent of the income earned by 123,658 active tradesmen did not exceed the sum of 5,000 forints a month while the

³⁴ Ibid.

³⁵ The *gebines* (private leaseholders) held private leases for stores, pubs, or cafes that were either state or collective property. In return for regularly paying the lease, these "owners" could freely run their premises. This also meant that the actual property owner did not inspect the till, a circumstance that came to be known as the free till system. Due to peculiarities such as these in state regulations, some forms of employment (such as this type of private leaseholder) could essentially not be taxed.

³⁶ Béla Gervai, "A magánkiszipar fejlődése, helyzete és szerepe Magyarországon," *Közgazdasági Szemle*, no. 3 (1983): 300–308.

income for 25.1 percent fluctuated between 5,000 and 8,000 forints and 10 percent earned between 8,600 and 12,500 forints a month in 1984.³⁷ The rate of income growth that took place in the first half of the 1980s can still be considered noteworthy even in light of the fact that income tax returns obviously did not reflect the actual distribution of income since a high proportion of the population concealed income due to the system's harsh level of taxation. In the early 1980s one-fifth of tradesmen supplemented the income they earned at their full-time job by regularly performing other types of work while two-thirds participated in agricultural production performed on small garden plots in yet another example of the survival strategy known as "standing on more than one foot" in Hungarian society.

The process of stripping private citizens of their property which took place from the end of the 1940s to the early 1960s led to Hungarian society's general impoverishment, even if exceptions obviously occurred during this period as well. Numerous individuals, for example, succeeded in preserving their homes from nationalization; in spite of the difficulties that this involved, there were certainly others who also managed to save some or at least a portion of their previous property as a means of "keeping afloat" during the hard times that followed.

The growing gap between society's lower and upper ten percent continued to expand after state socialism came to an end.³⁸ In 1988 Hungary's upper ten percent earned 5.8 times more compared to the lower ten percent; in 1995 the average per capita income earned each month by high-income individuals was 7.5 times higher.³⁹ Public opinion, however, felt that the income gap was actually much higher than this. Due to the habit of concealing income, the actual situation is just as impossible to reconstruct based on tax returns as it is from surveys, and economic indicators only partially reflect the difference in income. The process of economic differentiation that occurred at this time is perhaps better illustrated by the fact that the total income earned by families in the lowest income bracket was equal to the per capita income available to families in the highest income category. To approach the issue from another standpoint: while the per capita

³⁷ See Katalin Falusné Szikra, *A kistulajdon helyzete és jövője* (Budapest: KJK, 1985).

³⁸ David Lane, *The Capitalist Transformation of State Socialism: The Making and Breaking of State Socialist Society and What Followed* (New York: Routledge, 2014).

³⁹ Ferge, "Social Structure and Inequalities," 9–33.

income earned by those in the lowest income bracket was not even equal to half of what was considered to be the subsistence wage at the time, the per capita income for those in the highest income category was two to three times higher than the subsistence wage. Naturally, if we were to compare the top ten percent's average income to that earned by the lower ten percent, the difference would obviously be even greater. Indirectly, the increase in income inequality and the emergence and strengthening of the financially wealthier class is also shown by the fact that between 1990 and 1996, 53 percent of the homes built in Budapest, 44 percent in rural towns, and 48 percent in villages had a floor area of more than 100 square meters. In the 1970s and 1980s, the number of large size homes was much lower in absolute terms as well.

Unchanging and changing forms of poverty

Even though it remains customary to refer to the Hungary of the 1930s as "the nation of three million beggars," recent historical research provides a more differentiated interpretation regarding this era's social stratification as well as the issue of poverty. During the pre-war years, a radical level of income inequality undoubtedly defined Hungarian society; it must be mentioned, however, that an emerging social welfare system was simultaneously proving capable of operating in the interest of alleviating the direst living conditions for the needy. Nor should it be forgotten that Hungarian society at the time contained both a rural and an urban lower class that was not only large, but also displayed significant differences within a spectrum that extended from respectable poverty to groups who were struggling to remain alive on the fringes of society, in the midst of hopelessly deep impoverishment and misery. Unemployment, poverty, and homelessness were inevitable specters of everyday life during this period.

According to the government decree 4780/1932, an individual qualified as being homeless when "due to his circumstances, he is unable to provide a home for himself or his family," or is single, yet cannot afford to rent a room in a workers' dormitory, sublet an apartment, or rent a bed for the night. Although temporary lodgings for the homeless were set up either by the state, the county administrations, or the local governments, these could only house a small portion of the homeless families. The majority of these families were therefore forced to live in makeshift shanties located in slums that

became known as shantytowns. In Budapest in 1931, 8,648 people (2,148 families) lived in shanties or huts. Since anyone who was single and homeless was not entitled to receive temporary lodgings, these individuals were placed in various nighttime shelters or homeless shelters. In 1930, Budapest's four homeless shelters contained a total of 773 beds. In 1939, this number rose to 2,847, while 2,207 beds were available to the homeless in 1940. As of December 24, 1932, all beds in homeless shelters were free; before this time, a bed could be used for a symbolic fee. Being referred to one of Budapest's homeless shelters was a process that began at a central office found in the thirteenth district, at 2 Angyalföldi Street. In return for one month of room and board, homeless people who were able to work had to perform light labor for six hours a day over a period of ten days at locations determined by the district authorities or the capital city's parks and maintenance office. Nighttime shelters provided every resident with a separate bed, breakfast, lunch, and dinner; these shelters could generally be used from 7 p.m. to 6 a.m. the next morning. Other than shelters, the city also established daytime places throughout Buda-



Figure 4. Charity action: queuing for lunch outside a charity kitchen in the 1930s (photo by Magyar Filmintézet, Magyar Nemzeti Múzeum Történelmi Fényképtára [Historical Photo Department of the Hungarian National Museum, MNM TF], 679.1962fk)

pest where the homeless could get warm and partake of a modest meal. The Railway Station Mission operated at all of Budapest's four railway stations and fourteen rural depots. During the 1930s, roughly two hundred charitable welfare associations operated in Budapest; these organizations maintained various shelters and daytime locations that provided heat and inexpensive apartments.

In the city of Budafok social issues were handled according to the usual methods. According to a report made by the mayor in September 1940,

caring for the population's elderly and incapacitated members is partially solved by the city's poorhouse while the rest falls to the Magyar Norma Institute. The poorhouse contained twenty-nine residents whose costs are covered by the 7,800-pengő credit line allotted in the household budget. During the past month, the Magyar Norma cared for eighty individuals, for whom aid is determined based on individual need. This aid takes the form of food, rent, a weekly allowance, clothing, and general physical and spiritual care for the needy. The costs are covered by Magyar Norma funds: in the past month the value for the aid that was given totaled 862.83 pengős. The institute is led—to the satisfaction of all—by the Franciscan Maria Sisters for the Poor [Ferences Mária Szegénygondozó Nővérek].⁴⁰

Managing poverty-related issues posed an enormous challenge and demanded great effort even during World War II, as is clear from a report to the head of a county administration:

16,000 people have not been provided for in my district. For the purpose of easing the level of poverty, Your Honor has issued 72,000 pengős as well as 87,000 pengős to cover the back earnings for soldiers who were called up for emergency arms training. I have divided this evenly among the communities. Since I only received these sums after Christmas, I authorized communities to begin addressing the situation before Christmas, which means that each impoverished family received a few pengős for the holidays. I am aware that these sums must last until spring. I feel it my responsibility to state that—due to severe weather conditions—these amounts will be far from adequate in easing the level of unemployment that will most likely occur in spring. Let us please not forget the fact that my district is the poorest in the county. At the moment daily wages average 2 pengő, 30 fillér, and this is without food.⁴¹

⁴⁰ "Alispáni negyedéves jelentések, Budafok polgármesterének jelentése," MNL PML, IV.408.u., September 17, 1940.

⁴¹ "Alispáni évnegyedes jelentések: A kiskőrösi járás főszolgabírójának jelentése," MNL PML, IV.408.u., January 15, 1941.

The sheer mass of pleas that were sent to the Lord Lieutenant's office in request of aid presents a shocking image of the circumstances and vulnerability experienced by the lower classes, including the family members of soldiers who were fighting on the front, pensioners, and the incapacitated. Wartime Hungary was home to thousands of starving adults and children whose slight income made it impossible for them to gain regular access to food, firewood, and clothing. Mainly families with many children were living in a state of starvation. In early 1940, the town of Pesterzsébet tried to help the impoverished by providing relief work, free lunches, and aid in the form of clothing, food, or money. Between one-hundred fifty and two hundred families received community meals on a daily basis; on average between two hundred and three hundred people required aid. The value of the food parcels that were distributed totaled 6.63 pengő's and contained 10 kilograms of potatoes, 5 kilograms of flour, 1/2 kilogram of salt, 1 kilogram of rice, 1 kilogram of wheat meal, 3/4 kilogram of sugar, 1 kilogram of navy beans, and 1/4 kilogram of soap. Seven-hundred twenty pairs of shoes were given to impoverished school children.⁴² All of these measures were only enough to subdue the greatest tensions and address the most pressing questions: actually, solving the situation was impossible. As can be expected, wartime destruction only caused the nation to sink into poverty at a faster rate.

How the issue of poverty was addressed changed in the decades following 1945. During the 1949/50 year the system of institutions that had overseen care for the impoverished was able to operate and function, albeit to varying degrees of effectiveness. After 1950, poverty was eradicated as far as political statements were concerned as the basic ideological premise underlying socialism stated that all individuals received equal access to the goods that had been produced. In truth, the entire country was once again descending into poverty, a fact that was particularly obvious during the early 1950s, a time when previously accumulated or recently acquired political, cultural, social, and economic capital was already enacting a differentiating effect. Between 1949 and 1956, the system attempted to solve the problem of poverty by equalizing income so that the entire population would earn the same low amount.

⁴² "Alispáni évnegyedes jelentések: Pesterzsébet polgármesterének jelentése," MNL PML, IV.408.u., April 19, 1940.

The state socialist system only took the side of equality on the level of watchwords and rhetoric: daily practice was entirely different. Within “the society of equals” the presence of “some who are more equal than others” was already apparent in the early years of the communist takeover as communist party leaders separated themselves from the masses, enjoyed the privilege of a different trade network that was maintained just for them (until 1956), and received a variety of free benefits. It goes without saying that these advantages garnered widespread condemnation among Hungarians, who were meanwhile slipping ever deeper into poverty. After 1956, during the Kádár era, poverty continued to be ignored as far as policy and propaganda were concerned; the government’s somewhat more active approach to social policy attempted to conceal the phenomenon of poverty by raising the standard of living. Within the reality of daily life, however, it was quite obvious that some people and social groups were “living on air” within abnormal housing conditions and engaged in a daily struggle to remain alive. In other words, they were poor. The partial absence of certain conditions that are vital to survival did, at the same time, ease during these decades. Due to social movements that occurred in the 1960s, a significant number of families who had lived in poverty were able to climb out of their previous situation. While some level of social advancement undeniably occurred, it must also be observed that a large proportion of those enduring a continuous state of impoverishment were unable to alter their circumstances based on their own abilities; in this case, it can be stated that one layer of society that had “inherited” its state of poverty continued to exist.

Establishing exact figures regarding the number and proportion of those living in poverty is not a simple matter. Between 1945 and 1949, 55 percent to 60 percent of Hungary’s population was living below subsistence level; from 1949 to 1956 this proportion oscillated between 65 percent and 75 percent. If we consider those living on two-thirds of the prevailing average income to be poor, then 26 percent of Hungarians qualified as impoverished in 1962. In 1972, 21 percent of Hungarians fell into this category while the same could be said of 16 percent of Hungarian society in 1982.⁴³ Poverty, of course, is not merely a matter of income, but also concerns a form of lifestyle. Based on analyses prepared by István Kemény in 1970 that, incidentally, led to widespread critical debate at the time, based on income,

⁴³ Zsuzsa Ferge, *Fejezetek a magyar szegénypolitika történetéből* (Budapest: Magvető Kiadó, 1986).

lifestyle, and living conditions working-class families with three or more children, single-parent families, and a large number of workers who had left behind peasant farming but were incapable of acclimating themselves to city life could be counted as impoverished during the late 1960s and 1970s.⁴⁴ Kemény's conclusion was at least partially confirmed by census data gathered a decade later in 1980. Based on this data, in 1980 eighteen percent of families raising three children and thirty percent of families rearing four or more children lived in a one-room apartment.

Although official and public calculations regarding those living at subsistence level did not exist during the Kádár era until the early 1980s, initiatives within the National Council of Trade Unions (*Szakszervezetek Országos Tanácsa, SZOT*) and KSH sometimes conducted this type of calculation. In 1970, the amount of income that represented the social minimum was viewed as "what by rational management and beyond the demands posed by physical survival guarantees a given level of economic, social, and cultural development that allows for a modest but socially acceptable level of consumption regarding goods and services that have come to form a social requirement."⁴⁵ Based on these calculations, in 1968 the average per capita sum that corresponded to scraping the poverty threshold was 660 forints, as opposed to the per capita social minimum that was set at 880 forints.

In 1972 one-tenth of Hungary's population was living at the lowest monthly income level of the time, 800 forints per person. "The average monthly income came to a total of 610 forints per person," a sum that was slightly less than the amount that had been set as representing the poverty threshold four years previously. These circumstances indicate that throughout the period of Kádár consolidation commonly referred to as "goulash communism," not only was it true that not everyone had the opportunity to accumulate wealth, but many also experienced great difficulty in fulfilling their basic everyday needs. Yet it is equally true that many who had never earned a regular income or qualified for national health insurance coverage suddenly gained access to regular financial benefits (such as pensions or allowances),

⁴⁴ István Kemény, "A szegénységéről," in *Szociológiai írások* (Szeged: Replika Kör, 1992), 79–83.

⁴⁵ "A társadalmilag indokolt szükségletek minimuma: A KSH Közgazdasági Főosztály munkanyaga," in *Emlékkötet: Szemelvények a magyar háztartás-statisztika történetéből* (Budapest: KSH, 2000), 191–221.

though these sums admittedly did not reach the poverty threshold. The recipients of “a guaranteed minimum livelihood” viewed this development as an unequivocal improvement. In spite of this, a level of poverty that consisted of a lack of basic living conditions did not disappear during the Kádár era, even if it is incontestable that the number of those living in severe poverty did decrease throughout the 1960s and 1970s. The conditions of poverty were described in a sociology published in the late 1960s in the following way:

Out of a class of twenty-four students, ten have never bathed in a bathtub while fourteen already have. . . . The majority live in a home with one room. Twenty-two live in a house with dirt floors; one student’s home is floored in mosaic tiles and one other student lives in a house with wood floors. Five sleep alone, fifteen sleep with one other person (sibling or parent) and three sleep with two other people. One sleeps in a bed with three others: one sibling beside the student, two at the foot of the bed. Out of twenty-four students, five do not own a winter coat, but not because they cannot afford one, it is only because they are never cold.... The population does not display even a basic degree of personal hygiene: bathing practically does not occur in the community. Only nine bathrooms exist among 2,554 residents, meaning that there is one bathroom per every three hundred residents. According to approximate numbers, an enclosed toilet stands beside ten percent of homes, while twenty-five percent have nothing. . . . Underwear is changed once a week at best, but many children and adults do not even have undergarments. Roughly half of the population does not possess adequate clothing. . . . Inside the house (in which every room has dirt floors) the doors and windows do not close properly. In the upper room, there are two beds next to one another, an empty wardrobe and straw on the bed—without ticking. There is nothing other than a shelf in the pantry. The room where the family lives is to the right of this: two beds, a wide couch-like bench, a cradle, a cooking range, a table, a set of shelves, and photos on the wall. There are a few dishes on the table and two to three chairs on the side. The house has nine residents (seven children and two parents). The family’s monthly income consists of 1,020 forints in family welfare benefits and 1,200 forints earned by the father, totaling 2,220 forints. This comes to 246 forints per person every month and 8.20 forints per person each day. . . . The mother can only spend 90 fillérs per meal per child, or at most one forint on occasion. The family has to manage three meals a day for nine people on 30 forints.⁴⁶

⁴⁶ Antal Végh, *Erdőháton, Nyíren* (Budapest: Szépirodalmi Könyvkiadó, 1971), 22–36.

In the course of her research conducted in Békés between 1968 and 1969, Ágnes Losonczi also categorized those whose per capita income averaged less than 600 forints, lived in homes made of beaten dirt or mudbrick walls, and had inadequate clothing and no household appliances as impoverished. Within this category system, even those were considered to be deprived who earned less than 800 forints per capita, had limited furnishings, possessed adequate clothing, and owned at most one household appliance or radio.⁴⁷ In the 1970s, one portion of Budapest's poor had been born in the capital city, while another portion consisted of destitute rural residents who had moved to Budapest in the 1950s and 1960s. As a 1977 sociological study noted,

Those living at the bottom of Budapest society, the capital city's poor, do not regularly starve. Throughout most of the month the poor also eat multiple times a day and get enough to feel full even if it is not always the food that they would choose. . . . Almost every poor person has at least one set of acceptable clothing and some sort of shoes, even though the latter usually reaches them in second-hand condition. Almost all of them sleep on sheets and their homes are furnished, although the wardrobes and beds were generally acquired "under the table," meaning that they were either thrown out or discarded by others.⁴⁸

Calculating the minimum level of subsistence was introduced to Hungary in 1982 due to a resolution made by the Political Committee of the Hungarian Socialist Workers' Party (MSZMP); from this point on, relevant statistical data existed based upon which the number of those living at subsistence level could be more realistically evaluated. It must, however, be mentioned that these statistics were primarily capable of registering income that had originated from the "economy's socialist sector" and demonstrated nothing attained via Hungary's hidden economy. This statistical data essentially covered those who were constantly employed as the survey did not (or only rarely) include those who were seasonally or sporadically employed. In 1982, the minimum subsistence wage for one person was set at 1,900 forints a month, a sum that rose to 7,053 in 1990, 34,475 in 2000, and hit 78,736 forints in 2010.

⁴⁷ Losonczi, *Az életmód az időben*.

⁴⁸ Otilia Solt, "A hetvenes évek budapesti szegényei," *Budapesti Nevelő* 1 (1977): 19–23.



Figure 5. Faces of poverty: mother with children, 1976 (photo by Tamás Urbán, Fortepan, 88845)

At the beginning of the 1980s Hungary contained 72,000 homes that had one room and a kitchen and totaled 6 to 12 square meters in size, while 12,000 “homes” could boast of neither a room nor any type of access to public utilities.⁴⁹ If calculated based on families with four members, this means that roughly 320,000 to 340,000 people regularly lived without heat, running water, or electricity. It can safely be assumed that this layer of society comprised Hungary’s most destitute social class. Throughout this period another trend can be observed which reveals that the poverty threshold steadily rose to a somewhat higher level in tandem with the nation’s increased standard of living; the point remains, however, that the daily struggle to survive remained unchanged.

In Hungary the social composition of the poor constantly changed. In 1977, the majority of the destitute came from village households with either no or only one active breadwinner. Ten years later, in 1987, actively employed, urban households formed the majority of Hungary’s poor. In the years following the end of state socialism, the number

⁴⁹ For further details, see *Az 1980-as népszámlálás lakásstatistikai adatai* (Budapest: KSH, 1984).

of poverty-stricken people expanded significantly in both urban and rural locations. Describing the direction and characteristics of this shift, sociologist Júlia Szalai noted that

if the typical poor at the end of the 1960s and early 1970s consisted of elderly village people who had essentially withdrawn from the workforce, then the poor of the 1980s and 1990s were characteristically city dwellers who were young adults (between 30 and 40 years of age) who had jobs and children. . . . They were the ones who had dedicated their lives to socialism's watchwords and either learned a profession that would be needed in a "large-scale manufactory" or gained training in skills that are totally irrelevant today, then moved to the city, thereby giving up the hope of earning a little supplementary income by doing a bit of farming.⁵⁰

During the 1980s and throughout the process of ending state socialism and introducing democracy, social differentiation accelerated and the ranks of the poor expanded.⁵¹ In 1992, the per capita subsistence-level minimum was set at 9,500 forints; in 1997, this amount was raised to 17,000 forints a month.⁵² In 2010, the typical subsistence-level minimum needed to maintain a household consisting of two active adults and two children was 228,334 forints a month, while one-member pensioner households required 70,862 forints. Based on the KSH's reports, the percentage of those living below subsistence level in the total population was 7.1 percent in 1982, 9.3 percent in 1987, 15.6 percent in 1992, 20.0 percent in 1993, and nearly 30 percent in 2010.

As mentioned before, both rural and urban communities experienced a sudden growth in the number of poor in the years following the shift to a democratic system. Those who found themselves unemployed or were only able to find temporary work due to the economic restructuring that occurred during this period were mainly

⁵⁰ Júlia Szalai, "Néhány gondolat a szegénységről és a létminimumról," in *Társadalmi Ríport, 1990*, ed. Rudolf Andorka, Tamás Kolosi, and György Vukovich (Budapest: TÁRKI, 1990), 418–29.

⁵¹ For a comparative analysis of the period following the end of communism in Eastern and Central Europe, see Iván Szelényi and János Ladányi, "Poverty after the Fall of State Socialism," *The Analyst: Central and Eastern European Review*, no. 2 (2005): 125–40.

⁵² Rudolf Andorka, "A társadalmi integráció gyenge kötése: rendszerátalakulás Magyarországon," *Századvég*, no. 1 (1996): 5–18; Zsuzsa Ferge, "Az állami szociálpolitika változásának iránya a rendszerváltás óta," in *Politika és társadalom 1989–1998*, ed. Kálmán Kulcsár (Budapest: MTA, 1999), 34–47.

the ones who “lost out” as a consequence of this change. Due to a lack of education or training, or the economic situation and geographic location of their residence, the majority of these individuals remained excluded from the workforce for either a lengthy period of time or (as often happened) for the rest of their lives. Additional social groups who were sinking deeper and deeper into impoverishment originated from the middle class, yet had neither filled leadership positions nor been able to acquire secondary incomes due to a lack of sufficient financial or cultural capital, and also found themselves without the kind of professional knowledge that would have otherwise eased their adaptation to Hungary’s new economic conditions. The income conditions for those falling into deeper poverty or already living in a state of destitution continued to deteriorate during the 1990s. The underlying reasons for this include the way in which incomes (already at an extremely low level) became erratic while the prices for consumer goods such as foodstuffs, household energy, and home maintenance grew at a rate that was far above the average. As a consequence of the nation’s changing social and economic conditions, a level of Hungarian society that continuously did not have access to an income totaling even half of the subsistence-level minimum became a constant presence in the form of 1 to 1.5 million individuals living at the very bottom of society.

Accumulating property and wealth

The wealthiest social group found in Hungary at the end of the 1930s consisted of large-scale businessmen and landowners. Estates comprising over 575 hectares (1,000 *hold*) were owned by aristocrats, meaning that one-third of the nation’s land was controlled by the nobility. Among the families who comprised Hungary’s traditional aristocracy, the Esterházy family alone could lay claim to 3,480 hectares. In addition to the Esterházy family, members of the Zichy, Festetics, Pallavicini, and Széchenyi families occupied positions as the board members of the committees directing various banks, large-scale businesses, and managing directorships; these positions not only ensured access to high incomes, but also formed a point of intersection between Hungary’s landowning aristocracy and its factory-owning plutocracy. Comprising a number that only reached one-tenth of Hungary’s more than five hundred landowners, the nation’s economic elite at this time

mostly consisted of Jewish families who formed a closely-knit group and had a crucial impact on Hungary's economy. To mention just a few names, the Chorin, Goldberger, Kornfeld, Perényi, Vida, Weiss, Aschner, Fellner, and Dreher families numbered among the most well-known members of Hungary's class of industrialists. The figure of Ferenc Chorin provides an excellent illustration of the extent of both social and financial influence this economic elite had within its control, as he was the director of more than a dozen banks, companies, corporations, and mines, including the Salgótarján Coal Mine, Manfréd Weiss's (Chorin's father-in-law) aluminum and canned goods factories, the Pest Hungarian Trade Bank, the National Paper Factory, the Industrial Mortgage and Credit Institute, etc. Based on tax returns submitted in 1935, the representatives of big capital, together with the aristocrats who owned the large estates mentioned above, had in average an income that surpassed—virtually without exception—a yearly sum of 150,000 pengős, in addition to properties that were worth many times more than their declared annual income. Beyond his yearly income totaling 339,000 pengős, Count Sándor Festetics owned property worth 13.5 million pengős; Jenő Vida, head director of the Hungarian General Coal Mines, earned 250,000 pengős a year and owned property worth one million. To provide another comparison, the factory owner Pál Fellner earned 230,000 pengős a year and owned property that totaled 3.7 million.⁵³

Beginning in the 1940s, Hungary's rich and wealthy fell on hard times. Between 1938 and 1944 anti-Jewish decrees paved the way for the confiscation of property owned by Hungarian Jewish businessmen and members of the upper middle class. Later, when nationalization took place in the late 1940s, private property (at least in any serious amount) essentially ceased to exist. If we take into consideration the property seized from Jews from 1938 to 1944 and add to this the financial institutions, companies, corporations, large and small manufacturing, workshops, stores, materials and stock, rental properties, apartments, and property that was confiscated (and never returned) from families who were forcibly deported from their homes after World War II, the value for all of this totals a minimum of thousands

⁵³ For a more detailed discussion of the topic, see István Kolléga Tarsoly, ed., *Magyarország a XX. Században*, vol. 1, *Politika és társadalom, hadtörténet, jogalkotás* (Babits Kiadó, Szekszárd, 1996); Gábor Gyáni and György Kövér, *Magyarország társadalomtörténete a reformkortól a második világháborúig* (Budapest: Osiris Kiadó, 1998).

of billions of forints, even based on the buying power of the forint in 1946.⁵⁴ The following summary provides an excellent indication of the extent of property that was lost or exchanged and the time it took to reach a similar economic footing: the two-and-a-half decades that spanned 1938 to 1965 were characterized by property loss and the society-wide spread of proletarianization. Following this, the latter half of the 1960s saw the beginning of a re-accumulation of wealth and property that was initially embarked upon in an attempt to regain previously lost value, but eventually reached fruition during the reprivatization of state-run property (1988–1995) that resulted in the reappearance of a new plutocratic upper-middle-class layer of Hungarian society. Reprivatization alone resulted in an exchange of billions of forints' worth of property that was transferred from the state to the private sector.⁵⁵

During the state socialist period, accumulating personal wealth was not an activity that was supported by the political system. The reason for this was primarily ideological in nature as owning more property than was necessary for personal usage was a practice that opposed the sense of equality proclaimed by the system. In spite of this, a peculiar process of wealth re-accumulation took place beginning in the late 1960s. This process can be described as a peculiar one because it was rarely conspicuous due to a healthy sense of caution on the part of the participants as well as the circumstances engendered by the political system itself; yet it still attracted the attention of public opinion from time to time. According to an article in the daily newspaper of the Communist Party,

It is quite a question: who has money to shop in the Luxus Áruház [Luxury Department Store], where the prices are sky high? To tell you the truth, I have no idea. But I do know that I saw such a crowd at the Luxus that I thought it better to leave and find a cheaper store. In any event, to continue in a more

⁵⁴ Economic-historical analyses or calculations that would allow for more exact estimations unfortunately remain unavailable at this point.

⁵⁵ See Péter Mihályi, *A magyar privatizáció enciklopédiája I–II* (Budapest-Veszprém: Pannon Egyetemi Kiadó, MTA Közgazdaságtudományi Intézet, 2010). For a contemporary comparison between the processes in Hungary and Poland, see Kálmán Mizsei, "Privatisation in Eastern Europe: A Comparative Study of Poland and Hungary," *Soviet Studies* 44, no. 2 (1992): 283–96. For a broader comparison, see Roman Frydman, *Privatization in Eastern Europe* (Budapest–New York: CEU Press, 1994), 240; Hans Smit and Vratislav Pechota, eds., *Privatization in Eastern Europe Legal, Economic and Social Aspects* (London: Brill, 1994), 262.

serious vein, the presence of luxury items is not a problem so long as it's possible to get non-luxury items. When all is said and done, the world isn't going to fall apart due to the film recorder being sold for 40,000 forints at the Ofotért or the bracelet going for 17,000 at the Watch and Jewelry Shop located next door.⁵⁶

Within the circumstances of the time, the growth in the number of families who possessed significant means that occurred throughout the 1970s and 1980s proved to be a steady trend even in the face of shifting income conditions. A variety of factors underlie this phenomenon: during the 1960s and 1970s real income grew at a relatively dynamic rate, thereby laying the foundation for a comparatively large section of society to acquire a strong financial basis for accumulating property and wealth. Similarly, both legal (second jobs, part-time jobs, household farming) as well as illegal (moonlighting [*fuszítás*], services provided without a business license, shopping tourism, exchanging foreign currency, the black market) solutions for acquiring alternative sources of income continued to expand. The oddities of wealth accumulation did not escape public attention, as is evident from a report in the weekly *Nők Lapja* (Women's Magazine):

If I had a lot of money, I would spend it all in Váci Street [Budapest's most exclusive and expensive street of shops] without one pinch of remorse. I've been absolutely convinced that Hungary's industry produces its most becoming articles for us, too, and not just for the leading stockholders of the Rothschild's bank. This conviction faltered yesterday morning, at 11 o'clock on Vörösmarty Square [another exclusive location where the aforementioned Luxus Áruház, for example, could be found]. All it took was a single price sign that read, "Trench coat with ermine lining, 11,860 forints," discreetly placed in front of an elegant mannequin in a department window. . . . I found myself rooted to the spot. And not just because of the price on the sign. After all, there were even more expensive items in that window, such as another fur coat being sold for a mere 15,000. But the difference between the two was far more than a cool 3,000 forints. I can understand it when someone who has won the lottery or is a top-price film star or has scarfed up money by running an illegal gig selling *lángos* [fried dough, commonly served as street food] from a roadside stand or operating a private tour business without bothering

⁵⁶ István Pintér, "Váci utcán, Váci utcán," *Népszabadság*, January 1, 1970. 6–7. Ofotért was a retail network specializing in cameras and photographic equipment.

to apply for a license decides to invest in a luxury fur coat. Let 'em, for all I care. . . . But who, tell me, puts an entire fortune into a trench coat?⁵⁷

In state socialist Hungary the only legal form for handling financial savings was a savings account. In 1950, the population's total savings amounted to 289 million forints, followed by 5.5 billion a decade later in 1960, and 81.2 billion in 1975. By 1987, this number had risen to 286 billion forints. This rate of growth remains noteworthy even when the effects of inflation and the genuinely low real interest are taken into account. Yet another indication of the relatively widespread increase in wealth can be found in the fact that according to 1975 data, there were already as many as 339,000 savings books that contained more than 50,000 forints. The total value of these savings books equaled 32.1 billion forints, meaning that the average size of the savings accounts held by individuals or families who were capable of setting aside a significant amount of money came close to 100,000 forints, a sum that was the equivalent of three years' worth of average income at the time. The number of savings books naturally cannot be viewed as a direct representation of the people and families who were capable of putting aside significant sums since it can be safely assumed that far larger amounts were found in the hands of certain individuals; even after taking this factor into account, however, it can be estimated that a minimum of 200,000 to 250,000 people or families had access to serious financial reserves.

Beyond financial savings, the other commonly chosen form of wealth was real estate purchased in the form of an apartment, summer home, or small plot of land that could be used for food production. Due to restrictions that remained in place until the 1980s, one person or family was allowed to own one residence and one summer home. These restrictions were frequently circumvented by—to take just two examples—buying a property in the name of an underage family member or after a divorce that only took place on paper. Home construction or purchasing an apartment comprised the most widespread means of accumulating wealth during this period. According to a governmental regulation that became effective in July 1973, a privately built home could only contain a maximum of six rooms totaling 140 square meters in the case of a detached home and 125 square meters for apartments. A property used for holiday purposes

⁵⁷ *Nők Lapja*, no. 4 (1968), 22.

could have no more than three rooms and be no larger than 80 square meters in the case of a single structure or 60 square meters for a property located in a shared building of summer residences. While it is true that many families who were otherwise not overly wealthy could still own a second property that was used for weekend or holiday retreats, in reality the majority of these places only served as small shelters for sleeping and eating; most families spent their time at these locations outside, working in the garden or enjoying the outdoors. (For further details regarding the topic of summer homes, housing, and home interiors, see Chapter Four.) For the most part these restrictions were not taken very seriously as the relevant legal prerequisites for building were only rarely maintained. When these properties could be rented out during the 1970s and 1980s, not only did the economy's rental and subletting sector grow, but an important source of additional income also fell into the owners' pockets.

The third form of opportunity for acquiring wealth comprised portable goods. Within this category, the ownership of production goods (such as machinery, equipment, or trucks) was a negligible phenomenon until the beginning of the 1980s.⁵⁸ Possession of precious metals was also restricted until 1974: one individual could only own a maximum of 500 grams of gold, for example. The fact that nobody paid attention to this regulation is a different matter entirely since—for all intents and purposes—enforcing this kind of limit was essentially untenable. Due to its constant value, gold jewelry proved a favorite on the black market. The share of valuables acquired via inheritance was also relatively significant. Trade in valuables and precious metals naturally fell under a state-run monopoly. As regards portable goods, the percentage of durable consumer goods (primarily in the form of automobiles) displayed dynamic growth. Since these types of products were rather expensive compared to the population's average income in addition to being quite difficult to obtain, vehicles, refrigerators, or televisions enjoyed a temporary role as status symbols representing a family's ability to acquire wealth.

⁵⁸ Until January 1, 1982, it was not possible to own a truck in Hungary; permits for hauling shipments were only issued for horse-drawn conveyances before this date. This circumstance also contributed toward hindering opportunities in private enterprise up to the early 1980s, when more liberal and somewhat laxer rules were passed.



Figure 6. The weekly chance to gain legal wealth, the lottery draw – singer Zsuzsa Cserhádi with lottery numbers, 1972 (Fortepan, 15401, MHSZ)

Within the circumstances of the era, the lottery acted as the most popular legal means for getting rich quickly; this opportunity, however, only offered itself to a lucky few. As a contemporary newspaper article reported,

A complete win on the lottery once again! This year marks a record run in the lottery and not only due to the constant high number of tickets, but also because of the jackpots that have taken place one after the other. The first win happened in March, during the eleventh playing week, soon followed by three more wins in the fifteenth week. Later, in the eighteenth week, two

jackpots were drawn at once. The only jackpot to happen in the nineteenth week was worth 1,758,723 forints that was paid to a Mrs. Ferenc Török, a machine operator at the Óbuda Textile Dying Factory. Including this win, eight players have hit the jackpot in this year alone. Throughout the three-and-a-half years of its operation, a total of nineteen individuals could count themselves among the luckiest of “jackpot” players.⁵⁹

As a sign of the changing times, fifteen years later newspapers only publicized the fact that a jackpot had been won and did not reveal the winner’s name, a practice that continues today. “Jackpot: 2,760,308 forints. According to information from the Directorship of Sports Betting and Lottery, a winning jackpot ticket worth (after deductions) 2,760,308 forints was drawn on March 7.”⁶⁰ While some were able to put their unexpected fortune to good use, once the initial shock and joy had passed, others discovered that their newfound wealth caused more disadvantages than it did advantages.

During the 1970s and 1980s nearly three-fourths of Hungarian families participated in some form of activity that was connected to the nation’s secondary, “shadow” economy. This period marks the era when secrecy formed the basic attitude demonstrated by Hungarian families in connection to their personal income. Between 1987 and 1990 every third Hungarian family took part in the custom of shopping tourism. Anyone who was able to sell shortage goods that were in demand at the time—such as VCRs, VCR tapes, and Western automobiles—could accumulate a serious amount of wealth within a short time.

For those who belonged to various elite groups, the government discretely turned a blind eye when it came to incomes that far exceeded the normal limits of the time or growth in property and wealth. Particularly during the 1950s, many top athletes were able to “supplement” their incomes by smuggling (via “private” import) current items that happened to be unavailable in Hungary, such as Doxa wristwatches, nylon stockings, and silk scarves. Members of the Hungarian football team that was known throughout the world as the Golden Team operated a “serious trade chain” for the purpose of selling products they brought into the country, a fact that was documented by the public

⁵⁹ *Népszabadság*, July 31, 1960.

⁶⁰ *Népszabadság*, March 9, 1975.

prosecutor while investigating the issue.⁶¹ During the Kádár era the majority of top athletes continued to make use of the advantages their position entailed. Many turned their athletic results into economic advantages (a position in sports, a permit for small-scale trade, a business rental, or automobiles or apartments received without having to spend an endless amount of time on the official waitlist), while others gained access to a significant amount of extra income by selling rare items (car parts, clothing, jewelry, “hard” foreign currency) on the black market. It was a well-known fact that the most famous actors, actresses, artists, and even writers earned large incomes. In the case of authors, their earnings can be deduced based on a 1971 account statement issued by the Művészeti Alap Irodalmi Szakosztálya (Literature Department of the Artistic Fund).⁶² Based on this document, eighty-two writers earned more than 100,000 forints a year while twenty-four belonged to a category that reaped over 250,000. Seven authors earned over 500,000 forints a year. Beyond these professions, above-average earnings could be attained by running a private medical or legal practice, making and selling *lángos* at a roadside stand, operating a gas station, repairing cars, fixing television sets, running a private pastry shop, or operating a greenhouse for the purpose of selling fruit and vegetables. Among privately employed white-collar professions, lawyers comprised the group with the highest income. 1,580 lawyers worked on the nation’s 138 legal panels, who—in 1966—earned an average annual income of 57,360 forints, a sum that breaks down to nearly 5,000 forints per month; on average, lawyers paid 10,680 forints a year in taxes.

At the time, taxing writers and performing artists (some of whom belonged in high income categories) also proved a challenge.⁶³ As far as physicians were concerned, only income earned from a private practice was taxed separately; neither their basic earnings nor the cash gifts they received from patients was subject to taxation. In 1966, the person who paid the highest income tax, 39,800 forints, was a doctor

⁶¹ “With the aid of just one of his agents, B. J., a player on the national soccer team, sold smuggled goods that amounted to a value of 390,000 forints between 1953 and 1956.” In “A Legfőbb Ügyész 1956. február 14-i feljegyzése,” MNL OL, XX-10-a.13.d., February 14, 1956.

⁶² Disclosed in Gyula Tóth and András Veres, eds., *Írók pórázon: A Kiadói Főigazgatóság irataiból 1961–1970* (Budapest: MTA Irodalomtudományi Intézet, 1992).

⁶³ This group included performing artists and entertainers, like musicians, who were required to obtain official licenses in order to perform.

working in the city of Debrecen.⁶⁴ Even if this doctor had only paid 20 percent of his income, this still means that he earned a minimum of 200,000 forints a year, an amount that was eight to nine times higher than the average income. A uniform taxation system was finally introduced in 1967.

With the help of their positions, the directors of large corporations, chairmen who managed to run a collective farm with success, and the nation's leading state and political representatives belonged to the highest income bracket. During the 1950s, Party and state leaders were paid between 5,000 and 6,000 forints per month, a sum that was eight to ten times higher than the average wage. In 1957, the monthly salary for a state minister was set at 9,000 forints in contrast to the 6,000 that a minister's first deputy earned. While members of the Political Committee were not allowed to earn more than the 9,000 forints set for a state minister, this sum could still be used as the maximum for establishing personal salaries. In 1973, the first secretary of the Central Committee, János Kádár, was paid 15,000 forints a month. The head of the Directors' Committee earned 14,500, the president of the government received 14,000, the Chair of the Parliament earned 13,000, and members of the Political Committee and ministerial deputies could expect 12,500 forints a month. In 1983, the average monthly income paid to Hungary's leading class was 9,100 forints; the monthly income for one-third of this group exceeded 10,000, an amount that soared above the nation's average income level. State, economic, and collective leaders had the highest paychecks: in 1983, the Minister of Domestic Trade earned 19,000 forints a month, as opposed to the state secretary who only received 16,000, while a deputy minister had to remain satisfied with 15,200 forints. The average monthly salary for department leaders—who qualified as upper-level managers—was 5,957 forints in 1971 and 8,832 in 1979. Nor did the top executives of national corporations take home less than 15,000 to 25,000 forints a month at the time. It goes without saying that these high incomes were accompanied by numerous benefits, such as a corporate car, apartment, telephone, or travel options, in addition to the "increased advantages" that also made it easier to circumvent the official waitlist to purchase an automobile or apartment. As far as those who filled leadership positions were concerned, the expectation that the Chairman

⁶⁴ "Jelentés a lakosság adóztatásának helyzetéről," MNL OL, XXVI-D-1-c.7.d., October 6, 1967.

of the Council of Ministers, Jenő Fock, expressed at the beginning of the 1970s in connection to a bill regarding the benefits granted to state leaders was achieved; according to Fock, leaders should “live modestly but not penuriously.”

Naturally there were also others (such as Ernő Rubik, who gained worldwide renown with his famous cube) whose inventions brought financial success. Others, however, such as the individual called “the cherry pit man” who made a quick fortune by collecting waste from canneries in the early 1970s, were brought before the court for the accusation of committing “economic crimes” and subsequently fell prey to the era’s political mindset. Other than the ability to perform an extraordinary amount of labor, attaining economic success demanded a far greater capacity for risk-taking; as a result, Hungarians were careful to keep their financial successes hidden due to the uncertainty surrounding the official response.

Numerous craftsmen and small-scale tradesmen were able to lead their (micro)-businesses with success in spite of the legal regulations that were meant to thwart this type of activity. Since these burgeoning businesspeople adapted quickly to market demand, they were able to make significant increases in profit; due to the fact that legal obstacles made it difficult to reinvest profits into a business until the early 1980s, the only remaining path was quite logically that of satisfying their consumer demands. Out of the small-scale businesses that opened their door at the beginning of the 1980s, it is worth mentioning the examples of Műszertechnika GMK (Technical Instruments GMK), Kontrax Irodatechnika (Kontrax Office Technology), or Pintér Művek (Pintér Works) located in the city of Kecel. By filling the gaps created by a shortage economy, these companies soon numbered among Hungary’s swiftly expanding private businesses, a niche which brought their owners no small margin of profit during the latter half of the 1980s.

Obviously, quite a few were able to “get rich quick” during the Kádár era by taking creative advantage of a given situation, being “gifted” enough to see the system’s loopholes, or turning into a “lucky winner.” After a time, Hungary’s emerging class of the well-to-do took less care in concealing their wealth: in 1967, the head of the collective farm in Szakcs, I.V., was earning an average of 13,672 forints a month while adding state subsidies by lowering the farm’s planned output, improving the profitability of the collective farm under his direction, and —meanwhile— running his own “barter” business by having the

collective farm either buy back (at inflated prices) crops that it had already produced or purchase potatoes he had grown himself. Eventually, in 1969, criminal proceedings were brought against him and he received a lengthy prison sentence for his deeds.⁶⁵ Naturally, of course, it cannot be said that everyone who took advantage of an obvious opportunity was also breaking the law. In the mid-seventies, as economic reform was being curbed, the leaders of successful cooperatives and the directors of industrial or construction companies that were operating at a profit as ancillary branches of production were particularly in danger of finding themselves facing a lawsuit. The charges in these cases generally included misappropriated funds, fraud, and swindling. From time to time both local and central daily newspapers denounced “fleecers” in the form of a criminal exposé. The leaders of the Háziipari Szövetkezet (Cottage Industrial Cooperative) in Jászberény, for example, were pilloried for embezzlement and bribery in the beginning of 1970 because they had received 1.3 million forints (in the form of a bonus given for innovation) over a period of three years for introducing a new product that had made the company profitable. Due to the subjective tone utilized by newspaper articles during the period, it is difficult to decide whether the accused had genuinely been guilty of committing a crime or not.⁶⁶

Throughout the 1960s, earning a commission as a clerk or salesperson was still considered a censurable form of income. When S. F., a salesperson for the Győri Vagon- és Gépgyár (Győr Freightcar and Machine Factory) managed to accumulate (besides his regular paycheck) 600,000 Austrian schillings in commissions in under a few years, the court sentenced him to five-and-a-half years in prison after confiscating his entire property.⁶⁷ The example of a technical engineer from the city of Szeged demonstrates that it was possible to utilize somewhat legal means in order to earn a monthly income that rose far above the average salary; employed full time by the local construction cooperative, this particular individual took on a second job at the collective farm in Szőreg, where he drafted designs and worked as a foreman for 59,000 forints a month. To his misfortune, six months

⁶⁵ *Népszabadság*, September 17, 1969.

⁶⁶ *Népszabadság*, January 12, 1970. For a historical analysis of this phenomenon, see Zsuzsanna Varga, “Miért bűn a sikeresség? Termelőszövetkezeti vezetők a vádlottak padján az 1970-es években,” *Történelmi Szemle*, no. 4 (2012): 599–621.

⁶⁷ *Népszabadság*, December 2, 1969.

passed after his contract had been signed before it was discovered that his contract would have complied with the legal regulations if he had become a member of the collective farm. Due to this detail, the technical engineer and the leader of the collective farm were forced to undergo a lengthy police investigation followed by court proceedings in the early 1970s. In cases such as these, making an example of someone publicly, preserving the supposed (yet in reality nonexistent) level of social equality, and maintaining political and ideological standards and expectations were more important than judging the actual deed.

It is quite difficult to determine precisely what the economy represented from the viewpoint of everyday life. Those who lived in well-to-do circumstances (the era's "rich and wealthy") generally had homes in well-known places, such as the Rózsadomb area of Budapest or the Nagyerdő section of Debrecen. It goes without saying that these individuals did not live in the cramped apartments offered by Soviet-type tower blocks, but rather owned their own home that had been designed to their specifications and usually contained five to six or (in some cases) even more rooms. Another possibility was one of the privately owned apartments constructed by a cooperative.⁶⁸ Instead of the uniform, built-in furnishing units found in tower block apartments, these homeowners could afford interiors in which antique or colonial pieces dominated. For the most part, a Western automobile stood in the garage, a privilege that included multiple automobiles in the 1980s. Under state socialism a well-to-do lifestyle primarily meant independence from the vagaries of a shortage economy since the wealthy could afford to pay the price needed to procure more expensive items either at local shops that only accepted foreign currency or by traveling abroad. The first customers to buy fashionable items that soon emerged as status symbols (color TVs, VCRs) or enjoy the prestige of regularly shopping at the exclusive Luxus Áruház (Luxury Department Store), followed by the Fontana and

⁶⁸ Under state socialism in Hungary three typical forms of home construction existed. These were (1) state-supported home construction; (2) home construction as a private investment; and (3) construction as a collective home, a solution that occurred when private citizens formed a collective in order to construct buildings that contained ten to twelve apartments. The apartments found in this type of a building belonged to the members of the collective. This type of a solution was necessary because private citizens or a building contractor could not receive a permit for the construction of a building containing multiple apartments.

the boutiques on Váci Street, generally came from this social class. These individuals spent their free time at well-known "haunts" (such as Lake Balaton or the Danube Bend) where their summer or weekend houses displayed a comparable level of furnishings and comfort. Another frequent option consisted of joining a tour group to travel abroad. Very obvious displays of expensive jewelry and a fashionable wardrobe comprised of brand-name items also displayed the availability of an above-average income. Employing a cleaning lady was frequently part and parcel of this type of lifestyle.

Due to the lack of reliable data, it remains nearly impossible to determine with any precision just who belonged among the affluent. According to various analyses, as of the 1960s on average two percent of Hungary's population could lay claim to an exceedingly high income. If this percentage is applied to the number of active earners, a minimum of 60,000 to 80,000 people belonged to Hungary's economic elite during the 1960s and 1970s; this number obviously continued to rise throughout the 1980s. In the early 1980s, different surveys categorized as wealthy those "who lived surrounded by financial circumstances that were far more favorable than average" and "admitted of their own free will to owning a family home, privately-owned apartment, or other form of real estate that was not occupied by their own household and contained an automobile and furnishings (together with household appliances and other cultural objects) that can be considered complete." According to an estimate by Zsuzsa Ferge at the end of the 1970s, a minimum of a few thousand or a maximum of ten thousand families totaling between 40,000 and 50,000 individuals could be viewed as wealthy. Ferge placed those whose property exceeded three to four million forints in this category (in 1978, an average Škoda automobile cost 84,000 forints, the average monthly net salary per earner was 3,687 forints, and an average apartment of 54 square meters could be bought for 400,000 to 500,000 forints). The second category of well-to-do families was twenty to twenty-five times larger, if we consider the availability of one-and-a-half to two years' worth of financial savings as a sufficient basis for affluence. A period during which accumulated private capital could be reinvested into production began to emerge beginning in the early 1980s, a change that was brought about by more liberal political policies regarding private businesses.

The dynamic nature of this process of reestablishing wealth is displayed by the fact that the number of bank accounts containing the

largest amount of savings and capital soared from 328 registered accounts comprising more than 500,000 forints in 1972 and amounting to a value totaling 321 million, to 19,000 accounts holding a similar sum and totaling 14.6 billion forints in 1986. An even more striking example can be found to demonstrate the rising curve of financial accumulation if we take into consideration that three thousand savings accounts contained more than one million forints totaling a value of 4.15 billion forints, which breaks down to an average savings of 1,386,000 forints per person. This fact alone indicates that (based on savings accounts) the number of millionaires increased tenfold between the early 1970s and the mid-eighties.

Hungary's "upper ten thousand" obviously existed and reestablished itself throughout the Kádár era since anyone who could lay claim to such princely savings most definitely owned real estate and a variety of portable goods as well. While this counted as a considerable fortune in Hungary, possessing one or two properties, an

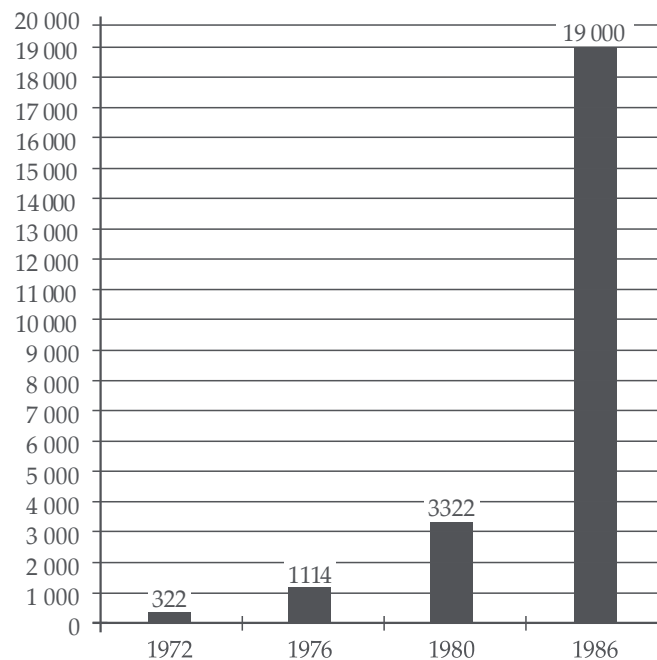


Figure 7. Number of individuals with savings of more than 500,000 forints in Hungary from 1972 to 1987 (based on income statistics published in KSH yearbooks between 1972 and 1987).

automobile, and a few million (or maybe ten million in rare instances) forints in savings meant that these Hungarians had only reached the category of “the poor affluent” compared to international standards.

The situation drastically changed during the period marked by the shift from state socialism to democracy, at which time private fortunes could once more be amassed. In the latter part of the decade following the fall of the Iron Curtain, the presence of a social class that was occupied by tycoons and large-scale property owners was quite obvious in spite of the widespread preference for concealing wealth. According to analyses conducted by György Lengyel, by 1996 a minimum of 120 to 150 individuals owned fortunes that exceeded one billion forints. More and more individuals joined this category following the new millennium; based on some estimates, three to five thousand families possessed fortunes comprising one billion forints. Although the existence of a financial elite became more visible during the 1990s, no reliable statistical data exists that would illustrate the genuine financial circumstances of this group estimated to contain at least 500,000 individuals who possess truly high incomes. Tax returns are basically useless for creating this type of assessment; the most realistic method is to apply the approach of a regressive estimate by establishing the number of durable consumer goods and consumer expenditures. Based on this information, in the mid-nineties, the lowest sum needed for joining the highest income bracket required a monthly income of 400,000 to 500,000 forints (a sum that has risen considerably since then), an amount that was ten to twelve times more than the average per capita monthly income at the time. In 1999, the yearly salary for the directors of large corporations that were not owned by the state and employed 300 to 400 people was between 15 and 25 million forints; the income earned by the top managers of Hungary’s largest corporations and financial institutions exceeded 50 million forints a year. In 1998, the dismissed director of what was Hungary’s largest bank at the time earned 8 million forints a month. Based on the tax bureau’s calculations, in 1999, the highest declared base for determining personal income tax was 1.8 billion forints; the majority of taxpayers belonging to the “one hundred” group declared annual incomes above 101 million forints. In 2009, the annual income for Hungary’s largest taxpayer amounted to 3.4 billion forints, all of which originated from wages, while an annual income of 100 million was already enough to secure a place among the top one hundred

taxpayers.⁶⁹ In 2013, the highest amount of annual income attained via employment was 760 million forints while the annual income for the largest taxpayer reached 5 billion forints. The first one hundred individuals earning the highest incomes (generally via employment or dividends) declared a total of 73.2 billion forints in income. In 2012, the most affluent individual heading the top 100 list was the banker and businessman Sándor Csányi, who owned a fortune totaling 135 billion forints in value. Tenth place on the list could only claim a mere 72 billion while 5 billion forints would be needed to reach the ninety-eighth or one-hundredth place on the list. As Hungary shifted from a planned to a market economy, those individuals who numbered among the wealthiest either had been economic leaders during the 1980s and late Kádár era (such as Sándor Demjén), had carved out a sort of career as a “self-made man” (Gábor Széles, Gábor Bojár, Gábor Várszegi) by expanding their small-scale businesses begun in the early 1980s into large-scale corporations by the 1990s, had been able to convert their personal connections into economic capital (Ferenc Gyurcsány, Imre Nagy), or had launched their business careers in the early 1990s (Rudolf Horváth, Lajos Simicska, Gábor Kovács, Csaba Lantos, József Boros, Dezső Matyi). Even today the lifestyle of Hungary’s economic elite is characterized by a peculiar combination of aloofness and concealment mixed with a unique type of exhibitionism that displays a relatively moderate level of social conscience.

⁶⁹ This data was taken from analytical statistics compiled by APEH (the Hungarian Tax Authority) based on individual tax returns for 2009.