

Working Paper No. 33

**THE FAILURE OF SOCIALISED HOUSING POLICIES  
IN HUNGARY**

**Simon Ratcliffe**

September 1989

**THE FAILURE OF SOCIALISED  
HOUSING POLICIES IN HUNGARY**

BY

**SIMON RATCLIFFE**

A dissertation submitted to the Development Planning Unit of the Bartlett School of Architecture and Planning, University College London, in part fulfilment for a Master's of Science Degree in Urban Development Planning for the Faculty of Economics.

September 1989

## Preface

My trip to Budapest in 1986 was the first time I had visited a "socialist" country and gave me much food for thought. I had just come from West Germany, a striking example of capitalist "success". The contrast was stark. Where Germany was well endowed, Hungary seemed lacking. I felt shocked at the state of services and quality of the urban environment in Budapest and began to wonder what explained this vast disparity.

I stayed in a "tenement" block, arranged by the Hungarian Tourist Authority, and was thus able to experience first hand the living conditions that applied to many Budapest residents.

This dissertation is in a sense a return trip to Hungary and an attempt to explain some of the questions which were previously unanswered.

I write this dissertation, too, as a South African involved in the struggle for decent housing and living conditions for the majority of people in my country. Many working people in South Africa have a vision of a future "socialist" South Africa. This dissertation is therefore also an attempt to draw on the Hungarian experience in order to learn from the mistakes made in the formulation of economic and housing policies and, hopefully, to avoid these in a future South Africa.

# THE FAILURE OF SOCIALISED HOUSING POLICIES IN HUNGARY

## CONTENTS

	Page
I. Introduction	1
II. Hungary : the economic and social context	3
Introduction	3
The economy	4
The second economy	6
The economic reforms	7
The construction industry	8
The social context	11
Conclusion	13
III. The system of housing provision since 1948	14
Introduction	14
The First Period (1948 - 1968)	15
The Second Period (1969 - 1983)	18
The Third Period (from 1983)	20
Housing types	21
The state sector and the private sector	22
Land : distribution, ownership and allocation	23
Systems of financing and allocation	25
Conclusion	27
IV. Inequalities in the housing system	28

Introduction	28
Housing and position in the division of labour	28
Conclusion	32
V. Conclusion : The failure of Hungary's socialised housing policies	33
Introduction	33
Failure of the socialised housing policy to meet its aims	33
Failure of the system of production	35
Failure due to economic factors	36
Summary	38
VI. Bibliography	39

Appendices

## I. Introduction

In 1983 the Hungarian government introduced a new Housing Act which overturned the essentials of the housing policy that had been in place since the Hungarian Working People's Party had first taken office in 1948. The emphasis in policy would now be towards the private provision of dwellings and allocation would be done through the market. The previous housing policy had attempted to assert the dominance of the state as the central source of housing provision, by trying to suppress market mechanisms through nationalisation, rent controls and subsidies. The underlying aim of housing policy was a desire to correct social inequalities that had been at the heart of the policies in the previous capitalist era. The aim of this study is to explore how socialised housing policies came to be abandoned in favour of the market.

It is important at the outset to draw attention to some of the limitations of this work. To examine the full complexity of a topic like this, would require a study that goes beyond the scope of this paper. For this reason some key aspects have been ignored. In examining the context in which housing policy functioned, a comprehensive analysis of the social formation is required. This study has examined in some detail the economic circumstances, but has ignored both the political and the ideological conditions, because ultimately it is the economic factors which play the determining role.

While a fairly comprehensive range of literature covering the subject in English does exist, much of the limitation to this study is the lack of access to Hungarian literature because I do not speak Hungarian. To comprehend the dynamic that leads to one housing policy being abandoned in favour of another, social conflict between classes within a social formation should be analysed, but this, too, has not been attempted because of the limitations of time and space. What follows is, therefore, an attempt to extrapolate the central determinants which have led to the change in housing policy.

The study begins in Chapter 1 with an examination of the economic and social context. It notes how the policy of forced industrialisation formed the backbone of the state sector and led paradoxically to the establishment of the second economy which operated according to market mechanisms. Mistakes were recognised and the process of reform in Hungary has constituted a series of attempts to weaken the state sector, characterised by its inflexible Fordist type units of production, and to reintroduce the market. The development of a construction industry capable of producing large numbers of prefabricated dwelling units was integral to socialised housing policy. It, too, is characterised by Fordist type production units and has meant that housing production has been inflexible and has led to the creation of urban environments which have not conformed to socialist communal ideals.

Chapter 2 examines the history and changes to housing policy since 1948. It establishes the underlying aims of socialised housing policy and notes how they were implemented. The history of housing policy is divided into three periods which roughly coincide with the history of economic development in Hungary, thus highlighting the interrelationship between the two. The first period began with large scale nationalisation and redistribution of land and property owned by the bourgeoisie. Market mechanisms were undercut through rent controls and through public allocation of housing. Inequalities in the system of allocation began to emerge with social groups with higher positions receiving the best quality and most highly subsidised housing. The construction industry

began to be developed in this period although the priority for industrial production was in heavy industry. The second period, during the 1960s and 1970s, saw attempts to deal with the inequalities in the system through the introduction of heavy subsidies to the poorest sections of the population. The strain on the economy due to the 1973 oil crisis, rising inflation and an increasing foreign debt meant that the policy was abandoned in 1983. The third period is characterised by the abandonment of the socialised emphasis in housing policy and the establishment of the second economy as the economic base of a market-led housing policy. New housing now became available to people on the basis of their ability to pay, which tended to favour those in the highest income groups and those with second economy jobs. Chapter 2 also examines the system of housing provision, financing and allocation.

With the *raison d'être* of socialised housing policy being the elimination of inequality in the housing system, Chapter 3 attempts to locate the sources of inequality. It uses the concept of position in the division of labour and looks at the stratification of Hungarian society and notes how the higher social groups have the best housing conditions. The debate around whether the source of the inequalities can be attributed to the state or the market is examined.

In the final chapter the failure of Hungary's socialised housing policies are discussed. Socialised policies met some of their aims at times but these were then found to be either the source of inequality in themselves or were unrealistic in economic terms and were not sustainable. It is argued that Hungary adopted a conventional approach to its socialised housing and that this was an important reason leading to its failure. Economic factors and the fact that Hungary's industry could not adapt to a changed economic environment contributed heavily to the fact that the high levels of subsidy could not be sustained.

Finally, this work highlights the complexity involved in attempting to bring about a greater level of social equity through housing policy even with the best social intentions. Hopefully, then, something can be learnt from the experience of the Hungarian people.

## **II. Hungary: The Economic and Social Context**

"The central feature of the Stalinist economy was its totalitarian aspiration to assert political will and political priorities in the economy, eliminating to the maximum possible degree the constraints imposed by the operation of autonomous economic laws characteristic of the market. Politics and economics became fused, or rather, politics dominated economics through a hierarchical system of organisation geared towards the realisation of tasks set by the central command plan".

Batt J, 1988; 244

### **1. Introduction**

In 1984 Hungary was a country of 10.7 million people (CSO, 1985 : 145) and must by now be in the region of 11.0 million. In 1981, 53.7% of the population lived in towns while the remaining 46.3% lived in rural areas. The majority of urban residents live in Budapest which houses 19.3% of the population (CSO, 1981 :40). Socially, the majority of the population come from the working class. In 1984, 58.7% of active earners were members of the working class, 14.0% were members of the co-operative peasantry, 23.3% were intellectuals or professionals while 4.0% were smallscale producers (CSO, 1985 : 163).

This chapter frames the context, both economically and socially, in which socialised housing policies were adopted and developed. Socialised policies were adopted after the Hungarian Working People's Party came to power in 1948. As will become clear, the policies this study is concerned with did not only fail due to problems within the housing delivery system per se, but also due to problems located in the economic and social spheres. Economic and social determinants have a bearing on housing policy which is also determining in its own right on these spheres, although as Taylor (1989) acknowledges, practices within the social formation have a relative autonomy, but, in the last instance, it is the economic aspect which is determinant.

This chapter examines in some depths the structure of the Hungarian economy and the reforms that have been initiated over the last four decades in order to change it.

In examining the social context, the occupational position held by the different strata in Hungarian society is of particular relevance, as it is in relation to housing and its allocation that some of the major cleavages between strata occur.

It is not feasible to examine any instance in isolation, although for the purposes of analysis this is sometimes necessary. This analysis thus begins with an examination of the Hungarian economy.

### **2. The Economy**

The period under consideration (1948 to 1989) is one during which great transformations have



taken place in Hungary. Under the leadership of the Hungarian Working People's Party (which became the Hungarian Socialist Worker's Party in 1956), Hungary began a programme of building socialism. State power was re-organised through a purge of reactionary civil servants from the state apparatuses, and the subsequent admission to the administration of workers and peasants.

Parallel with the re-organisation of the administration, the economy, too, was restructured. By December 1949, all industrial enterprises employing between ten and a hundred workers were nationalised, thus converting means of production previously owned by the bourgeoisie to state property. In agriculture a programme of co-operative farming was initiated, thus restructuring rural economic relations. Clarkson (1978) argues that nationalisation is regarded as an independent economic and political progress. Industries were nationalised in order to limit the power of big capital and the multinationals. It was seen in economic terms as forming the basis of the state sector.

With respect to production, Hungary adopted a programme of forced industrialisation based on a Soviet model. Enormous investments were channelled into establishing industry which became oriented towards the production of means of the production and, as Pamlenyi et al (1975) note, the consumer industry lagged behind.

Joffe (1988) has argued that the new structure of Hungarian industry displayed many of the characteristics and problems associated with Fordism. She argues that Fordism is a structural form which is inherently rigid in terms of its ability to adapt to demand patterns. It is characterised by an orientation towards market uniformity and the standardisation of products. Fordism has been characterised by assembly line production which uses unskilled labour to operate special purpose machinery to produce long runs of standard commodities. So as production increased, plants became bigger and bigger and the resultant economies of scale reduced unit prices. She argues further that the fragility of Fordism lay in its inflexibility in the face of market uncertainty. Importantly, she argues that Hungary's economy has features similar to the Fordist model, particularly in the pre-reform period of forced industrialisation.

Hungary developed a highly centralised form of economic administration based on a carefully prepared plan aimed at rapid economic growth. Priority areas were targeted and resources were allocated to those sectors, which happened to be primarily heavy industry. Research and development received no funds and so little, if any, technological innovation took place in heavy industry.

During the period of the first Five Year Plan, between 1950 and 1954, industrial production grew by 130 %, heavy industrial production by 300 % and machine industry production by 350 % (Pamlenyi et al, 1975 : 555).

Industry was centrally controlled through a hierarchical structure of planning boards, ministries, directorates and finally industries. This resulted in an industry structured around vertical linkages with directives that came from the top.

By 1953, the Central Committee of the Party had recognised that mistakes had been made in their economic policy and as a consequence political re-alignments took place as new policies were sought. This was reflected in Imre Nagy becoming prime minister. The government began to revise

the economic plan with a view to slowing down industrial growth. To this end investment in agriculture and light industry was increased while other "unwise" investments were stopped. In an attempt to raise living standards, mass transportation was improved and more housing units were built. However, attempts to correct mistakes were not followed by improved development. Joffe cites some of the reasons for this as being :

1. smaller scale industries were more difficult to control
2. the bargaining position of enterprises for scarce resources through the central plan was enhanced by their power relative to other enterprises.

After the uprising in 1956, Hungary received large scale aid from the Soviet Union and other "socialist" countries. Worker's living standards began to rise and real incomes of waged and salaried workers increased by 32 % between 1955 and 1957 (Pamlenyi et al, 1975 : 558) although disparities between different sections of the population remained.

The changed structure of the Hungarian economy is reflected in the increased size of the industrial working class, which more than doubled between 1945 and 1960 (Ibid : 563) as the number of agricultural workers decreased.

For Joffe the Hungarian economy's problems derived from its Fordism type structures which were more rigid than similar types in capitalist countries, and which rendered it incapable of adapting to new developments or patterns of demand. In the capitalist economies in the west, on the other hand, a host of new strategies were developed which improved both the flexibility and the productivity of enterprises.

In Hungary low levels of unemployment have given workers job security despite their not having wage security, as no system of reward or sanction in production exists. Wages are centrally determined and come from a fund which is centrally allocated. This ensures a balance on income and expenditure to achieve equilibrium in the consumer goods market. Centrally determined wages do not contain housing costs. Ideally, housing should be provided through the central redistribution of the national income. Incomes have risen rapidly so in 1983 real incomes per inhabitant were 3,5 times higher than they were in 1950 (Central Statistics Office, 1985 : 167) and social services such as pensions, family allowances, and health allocations have increased more than wages and have embraced wider and wider strata of the population (Ibid : 168). This increase is reflected in Table 1 below.

Despite the rapid rise in incomes, in absolute terms wages remain low. The construction industry, for example, pays the highest wages relative to other sectors in the economy. In 1980 the average monthly wages in the industry were Ft 4226 (US\$ 84,52) (CSO, 1981:179).

**Table 1**  
**Income Structure of the Population (%)**

		1970	1980	1983
Total income		100.0	100.0	100.0
of which :	- income from work	76.1	68.0	65.7
	- social income	22.6	32.0	33.1

(Calculated at current prices)

Source : CSO, 1985 : 168

Poverty and the inadequate provision of consumer items have created the objective conditions for the development of a second subterranean economy in which market forces operate. Perhaps Harvey's (1989) comment (in relation to low income communities in the US) has some relevance in understanding the dynamic which became established leading ultimately to the recognition and integration of the second economy into Hungarian economic policy. He notes how social relations and economic activity, within many low income communities have become more entrepreneurial in their efforts to overcome their poverty. In these communities, the informal provision of services emerges during times of depression and baby sitting, laundering, repair work and odd jobs are brought and sold. In Hungary, the second economy developed from conditions of poverty and the inadequate provision of consumer goods and services which provided the space (and necessity) for people to produce these items privately.

### 3. The Second Economy

The second economy developed prior to the reform period which began in 1968. It operates on a private, market-like basis and has become integral to the national economy. It arose through poverty and the gaps and inefficiencies in the planned economy. Large scale industry did not provide for many consumer related needs, so small scale enterprises, that were either individually or family based, formed to fill these gaps, providing both consumer goods and services, and supplementing the low incomes earned in the formal economy. The second economy consisted of legal, semi-legal and illegal activity. Private agricultural production, residential production (construction) and some retail trade formed the legal private sector. People with formal (first economy) jobs who provided part-time services and were not registered to do so, performed unofficial services. They received untaxed income and provided professional, personal or repair services. Then there were those in the first economy service sector whose take home pay included tips and bribes. Finally, employees "moonlighted" in state run enterprises by using machinery after hours or stealing materials for their own use and benefit (Joffe, 1988 :28).

It has been estimated that 40,000 dwellings have been built through second economy activity while the total worktime of people involved in the second economy amounts to the equivalent of 1 million people in full time work of an economically active population of 5.2 million (Ibid : 29).

As the second economy has developed, it has undermined productivity in the first economy. Workers often regulate their performance in the official work and withhold their energy until after work. This sets up a dynamic whereby the inefficiency in the socialised sector deepens and causes more activities to be transferred to the second economy.

Joffe notes that estimates of hourly rates in the second economy can be as high as five times those in the socialised economy, and as such it is the second economy which has provided an economic escape valve for many Hungarians. Thus the reform process can be seen as a series of measures adopted to integrate the second economy and market forces into the mainstream economic activity.

#### **4. The Economic Reform**

The New Economic Mechanism (NEM) introduced in 1968 aimed to shift economic management from the central plan to the market, emphasising profitability as a success criterion. Wages were no longer to be set centrally, but rather in enterprises, and prices would be determined by actual costs. It also aimed to secure the movement of labour into efficient branches of industry, to increase the productivity of factors of production through incentives linked to economic performance and to achieve a balance between supply and demand by facilitating flexibility in the response to variation in demand. The NEM did not, however, dismantle some important facets of central planning. Fundamental macro-economic decisions were taken at the centre. Large enterprises fought to protect their interests, leading to a process of recentralisation.

Radice (1981) attributes the reason for the difficulty in changing the relations between large enterprises and the central planning authorities to "vertical mutual dependence" in the setting of economic objectives. In the decision making powers of financial resources there are no clear dividing lines between centre and enterprise. Enterprises know that they can obtain state funds if their investment plans become established as state objectives, while the central organs know that they can demand enterprise financial participation as a condition for being chosen to carry out a state project.

The oil crisis in 1973 led to Hungary incurring large foreign debts and a deterioration in the terms of trade. Between 1972 and 1975 Hungary's dollar terms of trade fell by some 23 % resulting in a loss of national income of 6 % (Radice, 1981 : 131). The market was not successfully established and the "profit motive" failed to act as the driving force in the Hungarian economy precipitating a process of recentralisation. Batt (1988) argues that the process of recentralisation was the product not so much of external pressures, as the result of internal politics. She argues that the Kadar government did not complement economic reform with political reform, resulting in the ineffectiveness of the central political leadership in countering the pressures for recentralisation which emanated "from below". Economic reform aimed to break the fusion of economics and politics which developed as the central feature of the post 1948 economy. It aimed to break the dependency of enterprises on the state, forcing them to use their initiative in an economically rational way. However, the NEM were carried out within the system of overall state regulation and were therefore shortlived. Industry was unable to change from the structure it was grounded in. Thus, the transition away from central planning was thus not achieved in the 1970s. The NEM did, however, acknowledge the role of the second economy and consolidated the linkages between the first and second economies.

Batt argues that it was the proliferation of large enterprises that promoted the separation of economics and politics. She shows how just being a big enterprise (not even a successful one) was sufficient to influence the ministry. In 1977, 49.3 % of Hungarian enterprises employed more than 1,000 workers, compared with 12 % in the USA (Batt, 1988 : 252) and action against them became one of the central thrusts of the reform in the 1980s.

The reforms of the 1980s aimed to do what the NEM had failed to do by seeking to increase the role of the market and change the structure of industry which had proved so difficult during the 1970s. In 1980 the branch ministries were abolished and replaced by a single Ministry of Industry which had no direct authority over enterprises. Some large enterprises were broken up into small firms in an obvious attempt to address the problems of inflexibility associated with the existing large enterprises. New forms of group and private enterprise were legally established bringing a proliferation of small firms into being. These often ranged from small shops to group subcontracting to larger firms, while in the professions, consultancies flourished. The early 1980s were characterised by economic and budget difficulties leading to the introduction of more reforms. According to Joffe, the primary aim of the new reforms was to increase reliance on market forces and to change the organisational structure of industry. New economic enterprises based in the second economy were established. They were small to medium sized and engaged in specialist production. New economic business partnerships were also established which sub-contracted to large state sector enterprises thus providing an auxiliary service, in an attempt to create greater flexibility in the Hungarian economy.

Having examined the structure of the Hungarian economy in some detail, it is now necessary to situate the construction industry within it, in order to establish its relationship to the formulation of housing policies.

## **5. The Construction Industry**

The promotion of a nationalised building industry was a central element to the development of a socialist housing policy after the Hungarian Socialist Workers Party came to power in 1948. The construction industry contained within it all the elements which characterised industry as a whole. Its establishment was essential for the post war reconstruction programme. Its promotion is characterised by the introduction of mechanised methods of production which led to the formulation of large scale enterprises, typical of the Soviet model. This accorded with the development of a Fordist model in industry in general while at the same time building activity formed a substantial part of the second economy.

The construction industry as a whole is in part state owned and in part privately owned and is structured into four sectors. State construction enterprises are large in scale and are primarily engaged in large scale building projects. In 1980, on average 2,200 people were employed per enterprise (calculated from figures in CSO, 1981 : 105). These enterprises are not appropriate for the construction of small or medium sized projects. To meet this demand building co-operatives were formed in the early 1950s. In 1980, on average 292 people were employed in building co-operatives (Ibid). After the transformation of agriculture, in order to satisfy the building needs of the new producers' co-operatives, joint building enterprises were formed. Joint building enterprises

employed 446 people per enterprise in 1980 (Ibid). Together these three types of enterprises constitute the state sector in the building industry, which in total consisted of 335 enterprises and employed 326,800 people in 1980 (Ibid).

In contrast to the state sector, the private sector in the building industry operates on an extremely small scale, with 23 252 registered private builders who employed 29,600 people in 1980 (Ibid).

**Table 2**  
**Average Number of People Employed in the Construction Industry**  
(in 1000's)

Branch of industry	1970	1975	1979	1980	1981	1982
<u>Formal</u>						
- Constn ents	248,7	270,4	267,1	255,2	246,3	234,5
- Bldg coops	58,8	55,1	51,2	49,7	48,0	45,8
- Joint bldg ents	23,7	22,4	21,7	21,9	20,4	19,3
TOTAL	331,2	347,9	340,0	326,8	314,7	299,6
<u>Private</u>						
- Constn ind	27,4	25,0	27,6	29,6	32,0	34,0

Sources : CSO, 1981 : 105 and CSO, 1984 : 156

It can be seen from Table 2 that the number of people employed in the formal construction industry drops from a peak in 1975 by 6 % from 347,900 to 299,600 in 1982 while in the private construction industry the number of people employed rises from a through in 1975 by 18 % from 25,000 to 34,000 in 1982, reflecting a rise in construction activity in the private sector. Employment in the formal construction industry dropped while in the private sector it increased. The increase in the proportion of total dwellings built in the formal construction industry during the 1970s and the decrease in the number of people employed in this sector reflects the increase in productivity.

**Table 3**  
**Distribution of Residential Buildings Built by Sectors (%)**

Enterprise	1961-65	1966-70	1971-75	1976-80
State construction	34,4	37,5	43,4	46,3
Building co-ops	6,5	10,7	6,8	5,3
Joint bldg ents	0,3	1,0	0,9	0,6
State sector TOTAL	41,2	49,2	51,1	52,2
Non building orgs	3,4	3,8	4,7	3,5
Private builders	55,4	47,0	44,2	44,3

Source : CSO, 1981 : 200

Table 3 shows how, towards the late 1960s and throughout the 1970s, there has been a huge increase in the proportion of dwellings provided by the state with a concomitant decrease in dwellings provided by the private sector. By the 1980s the proportion of dwellings produced by the private sector begins to increase.

The state sector had a monopoly on access to finance, building materials and serviced land, while the private sector received no financial support from the state.

The public construction enterprises which specialised in residential construction concentrated on high rise, panel and other industrial methods of building. As building methods were mechanised so increasingly prefabricated components were used and ferroconcrete structures developed. In this process "house factories" were built which reproduced aesthetically uniform structures.

Private housing construction is deeply entrenched in the second economy in both its legal and semi-legal forms. Housing related economic activity forms a major component of the second economy.

At the end of 1983, the construction industry had increased to include 120 state construction enterprises, 156 construction co-operatives and 44 joint enterprises which comprised the formal construction sector, while 3,400 economic units carried out auxiliary construction activity (CSO, 1985 : 91).

State owned construction enterprises with over 3,500 employees, employed 20 % of the workers in this sector in 1970 (CSO, 1985 : 93). During the 1980s after the reforms in 1983, the number of more flexible and easy to move medium enterprises increased relative to large enterprises.

## 6. The Social Context

It is not the purpose of this work to provide a detailed social analysis of Hungarian society. It is, however, important to situate the object of this study, housing policy, in its social context. In the literature, the question of how social structure in "socialist" societies is analysed is addressed by a number of authors.

Given that fundamental differences exist between capitalist and "socialist" social formations, the question arises as to whether the same analytical criteria can be used to examine the social structure in both.

In Marxist analysis of social structure in capitalist social formations, the concept of class provides the key to the examination of the interrelationships between social groupings. According to Hegedus (1977), classes are separated primarily in the division of labour, and perform different but mutually dependent tasks. They also have different interests and class objectives which are established historically in the consciousness and value systems that they assume. He argues, that at a particular stage in the development of a class, its members recognise the existence of their collectivity. Classes then become "classes for themselves" through their raised state of consciousness.

Hegedus warns that it would be a great mistake to mechanically apply a dichotomic model which already oversimplifies capitalist conditions to the analysis of socialist society whose historic function is precisely to put an end to a two class society. To understand the dynamic properties of a socialist society, a structural model which will take heed of its nuances must be found.

To consider social stratification according to property relations does not allow for the understanding of the dynamics of "socialist" society, social conflicts and other social phenomena. Hegedus argues that in the period of transition from class society to classless society, classes in the classical sense no longer exist. Private ownership of property is socialised. However, the reduction in the importance of class characteristics does not mean that inequalities do not exist. Certain essential differences remain in the historically determined system of work in society, which define strata based on the position people occupy in the division of labour.

Belonging to certain professions or occupations suggests a particular social position which has its particular interests and objectives. Some positions carry with them certain prestige, expectations and duties, all of which affect the consciousness of the holders of these positions. As a consequence, Hegedus argues that the concept of the position in the social division of labour in "socialist" societies becomes more important. Occupational structure, too, plays an important role in social stratification in "socialist" societies. However, an occupation is a statistical criterion and is not identical to a system of social strata based on position. He identifies the position in the social division of labour as the most important independent variable in "socialist" society. The position occupied in the social division of labour is in fact a definite type of relation of production. Positions held in the division of labour bring with them relations of domination and subordination which lie at the heart of the inequalities in "socialist" society.

The Andorka et al (1984) survey into social stratification in Hungary adopts this position. They define stratification in terms of the distribution of different advantages, privileges, and rewards



among the members of society. The survey looks at the distribution of these in the following areas : wages, working conditions, extra work load caused by commuting, overtime and supplementary work in the second economy, housing conditions, residential environment, wealth and consumer durables, health, cultural activity and social relations. In Chapter 3 these aspects are examined in more detail when inequalities, and in particular those that pertain to the provision of housing, are explored.

The victory of the working class movement in Hungary did not bring about a significant political regrouping of classes although it changed the conditions for the development of their relations. The objective basis for the co-operation between classes is their common interests. Thus, the real needs of small scale producers for economic security and for the modernisation of production and social facilities coincided with the socialist interests of the working class, facilitating an alliance between the two.

In 1948 the Hungarian Working People's Party chose to follow the Soviet road to the building of socialism which it pursued dogmatically in the Stalinist tradition. Power was structured and functioned along "dictatorship of the proletariat" lines (as opposed to people's democratic lines). The most important component of this strategy was the transformation of the economy which was guided by a political programme and has been dealt with above.

The capitalist class in Hungary was never very big and has all but disappeared, while the class of small commodity producers has dropped to a few percent. The major changes to the social structure result from the industrialisation programme. Thus, there has been a major growth in the number of manual and office workers. Changes in education have greatly increased the size of the intelligentsia and the number of professionals. The transformation of agriculture has turned the small land owning peasant class into co-operative farmers.

Building socialism was not confined to the transformation of economic relations but extended to the transformation of the social structure. Changes in the interrelationship between the working class and the peasantry took place. The peasantry decreased in size due to urbanisation. It is estimated that 35 % of the 300,000 new workers came from the agricultural sector (Zsilak, 1975 : 326).

In order to build socialism, the Party leadership made serious efforts to consolidate worker's power and to increase the socio-political influence of the working class. Exploiters were purged from the central and local organs of power and replaced by workers or peasants.

In an effort to achieve greater social equity, wages were equalised by reducing the wages of well-paid workers and by increasing the wages of poorly-paid categories. This measure led to resentment among those who were disadvantaged by it, which in turn led to a breakdown in work discipline and to tensions within the labour force. The equalisation of wages together with the reduction of consumer prices did, however, lead to an improvement in living conditions in the early 1950s.

In addition to the levelling of wages, an 8 hour working day was introduced and a system of social benefits was developed making education and health care accessible to the mass of people. However, despite the levelling of wages, and improvements in living conditions, great disparities in

the living standards between strata of the population remained.

## **7. Conclusion**

This chapter has attempted to place the provision of housing in Hungary into its economic and social context. After 1948 the economy was restructured and industrial investment followed a Soviet model. It emphasised investment in heavy industry to the exclusion of consumer goods. It displayed characteristics associated with Fordism, in particular, it lacked flexibility and was thus unable to adapt to changed circumstances. Arising from the inadequacies of this strategy, a second economy developed which provided many consumer goods and services and operated on a market basis.

The construction industry fits the model of the economy perfectly. After 1948 investment in the industry aimed to build large scale production enterprises capable of prefabricated production. The second economy is also fertile ground for the development of small scale building services.

The major changes to the social structure arise from the industrialisation strategy which has resulted in the proletarianisation of large sections of the peasantry, the growth of the working class and an urban intelligentsia. The primary tool for the analysis of social structure in "socialist" societies is occupational position which defines relations of domination and subordination.

### III. The System of Housing Provision since 1948

"The housing system which is based on the second economy, allows the self-help provision to develop and applies market provision (at least to a limited extent) can be called the 'Hungarian model of housing'".

Hegedus and Tosics, 1988 : 21.

#### 1. Introduction

The purpose of this chapter is threefold. Firstly, it establishes the aims and intentions of the socialised housing policies as they were embarked upon. Secondly, it traces the history of housing policy and examines the changes that took place and how these affected the policy. Thirdly, it examines the system of socialised housing provision in Hungary. This is done by reviewing the following aspects ; planning agencies, provision of land, systems of tenure, systems of financing and the allocation of housing. This chapter will also highlight the contradictions that emerged in housing policy and how current policy attempted to resolve them.

Szelenyi (1983) argues that in Hungary, and generally in the East European "socialist" countries, the social and economic system of housing is entirely different from a capitalist model. As it developed, in the late 1940s, the "socialist" housing system was based on three principles which were to guide policy. These were :

1. housing should not be market merchandise;
- 2.rents should not be strictly related to housing quality and should be a modest item of household expenditure and;
- 3.families should have the right to healthy, modern and self-contained housing, which they should receive as distribution in kind, independent of their rent paying capacity.

These principles were intended to assure a faster upward mobility for people in the low income strata which would lead to the achievement of housing equality, contributing to generalised social equity to be brought about through socialism. Families would acquire their dwellings through social allocation rather than on their ability to pay. The emphasis was towards the meeting of needs rather than the creation of market mechanisms.

It is partially with reference to these principles that housing policy and the changes to it are assessed in Chapter 4.

The first overall assessment of Hungary's housing stock took place in 1949. Many dwellings were destroyed during the Second World War, creating conditions of shortage and severe overcrowding. In Budapest there were 3,87 persons per dwelling while in other urban centres there were 3,69 and in the rural areas there were 4,09 (Baross, 1987: 163). The quality of dwellings was poor, 87,5 % lacking individual water connections and a toilet, 95 % were either one or two roomed while 33 %

of all houses were built before the turn of the century (Ibid).

The development of the Hungarian housing system since 1948 can be divided into three periods, following the phases of economic development ; coinciding with directive central planning between 1948 and 1968, the New Economic Mechanism and "recentralisation" between 1969 and 1983, and the 1980s characterised by a turn towards the market.

## **2. The First Period (1948 - 1968)**

As Szelenyi argues, housing policy during the post war period up until 1968 attempted to create equality in the allocation of housing. Prior to the socialist assumption of political power, the capitalist market system of housing provision operated and was characterised by gross inequalities. The new policy attempted to make units available to the least privileged groups at low rentals. The immediate tasks for the construction of a socialist housing policy seemed clear. It involved the immediate redistribution of the housing stock, the repression of market mechanisms to avoid sharp price competition and the development of an efficient construction industry which was structured along "socialist" (Soviet) lines and was capable of rapidly increasing the rate of production of new units (see Chapter 1).

The state was restructured to allow the economy to be centrally planned. It was hegemonic in directing resources and the regulation of access to housing.

As in the Soviet Union in 1917, the immediate distribution of residential dwellings took place through the nationalisation of privately owned property. Thus, properties which contained six or more dwellings for rent were nationalised. Distribution of living space took place through municipal housing agencies creating new concepts in tenure such as "co-renters" and "sub-renters", as unrelated families often occupied a single dwelling. Between 1949 and 1954 some 500,000 dwelling units (about half of the urban housing stock) were nationalised in this way (Hoffman, 1981, in Baross, 1987 : 163).

Market mechanisms in the housing system were undercut in two ways: firstly, through the system of allocation and, secondly, through rent control. Uniform levels of rental in both public and private sectors of housing were instituted in 1950. Rents were low, in line with the "socialist" principles on which the policy was based, and through small variations, took floor space, number of rooms and the level of services into account. By 1970 rents were only 2,3 % of the average family's budget (Ibid : 164). Low rents also affected the maintenance of housing stock which began to fall into disrepair. As rents failed to cover maintenance it became practice to replace old units rather than to improve or repair them. State subsidies which were aimed at new construction, reinforced this practice. Thus 335,000 dwellings were destroyed between 1950 and 1975 (Ibid : 165).

These measures created the first contradiction, as a "black market" for housing developed through the exchange of dwellings between those who already occupied them and through sub-renting. Exchanges often involved cash payments which were substantially higher than the annual rent payments. Rents charged of sub-tenants were not controlled and so a sub-tenants' market grew in which higher rentals could be charged because of the housing shortage.

The building construction sector of industry was developed through the promotion of nationalised building companies. The number of dwellings in state ownership was increased through an emphasis on the building of new flats. State construction enterprises had a monopoly on access to finance, building materials and serviced land. Private construction was relatively disadvantaged and received no financial assistance from the state. The promotion of industrial housing construction played a key role in establishing the hegemonic role of the state within the housing sector.

Table 4 details the number of dwelling units produced in the public and the private sectors in consecutive five year periods between 1951 and 1978.

**Table 4**  
**Public and Private Sponsorship of New Housing Production 1951 - 1978**

Year	Public sponsorship	Private sponsorship	% of public sponsorship
1951-1955	48 000	110 000	30
1956-1960	77 000	207 000	27
1961-1965	98 000	184 000	35
1966-1970	106 000	221 000	32
1971-1975	150 000	288 000	37
1976-1978	98 000	177 000	37
TOTAL	577 000	1 187 000	36

Source : Baross, 1987 : 166

So during this period the state sponsored the production of 577,000 dwellings while 64% were produced through private sponsorship.

It is worth noting that 336,000 units or 56 % of those built in cities were state-sponsored while 58,000 or 7 % of the units produced in rural areas were sponsored by the state (Ibid).

During the first Five Year Plan, which began in 1950, the concentration of investment in heavy industry meant a relative drop in housing investment. Towards the end of the 1940s an unprecedented number of people migrated to the Budapest area. According to Compton (1984 : 376) between 30,000 and 50,000 people per annum moved into the capital. This move was precipitated by the high share of industrial investment, and the concomitant need for a proletarianised workforce. After the events of 1956 about 100,000 people moved out of Budapest. By the end of the 1950s the rate of migration had increased again precipitating the drafting of the 1960 Master Plan for Budapest which provided for a ring of satellite cities around the capital. This plan was not implemented due to the fact that it would have resulted in a concentration of

investment around the capital while efforts were being made to decentralise. To restrain the influx of people into Budapest administrative measures were introduced. In 1958 the Budapest municipal council passed a decree by which public housing was restricted to those who had been living or working there for at least five years. This was later expanded to cover the private sector of the real estate market, meaning that the purchase of land or dwellings was only permitted on the same basis. The consequence of these measures was that the share of total national housing construction in Budapest dropped from 25 % in 1960 to 16-17 % by 1965 (Ibid : 474). The effects of this policy are reflected in Table 4 where between 1956 and 1960 the share of public sponsorship of dwellings dropped to 27 %.

Cutting back on housing construction in order to reduce migration to the capital did not prove to be successful and so in a re-appraisal of strategy in 1965 the intensive development of Budapest was prioritised.

In 1958 a decree was signed, ordering the drafting up of a 15-year housing plan which would include the building of one million dwellings, the majority of which would be financed from public funds. This programme was contingent on rapid economic development which required productive investments and paradoxically meant restricting housing investments. This situation provided the objective conditions for the renewed growth of private building. As planners attempted to get the maximum number of dwellings from limited resources, private building gained a measure of public support. However, only very limited state resources were allocated to subsidise private building and the feeling that the slowdown in public building was temporary, meant that it remained restricted. Private building activity was further restricted as public housing agencies secured many favourable locations for future development 10 or 15 years hence and by effecting either direct or indirect building prohibitions preventing private building in these areas. The restrictions imposed on private building meant that an illegal form developed within the private sector.

Privately built houses tended to be single family houses which were seen to have relatively high construction costs, to waste building materials, to have low aesthetic value and to encapsulate bourgeois individualism. For the housing authorities on the other hand, multifamily houses, even within the private housing system, had lower public utility cost and were of a more collectivist nature. So in 1963 when there was a drop in public housing construction, the subsidisation of private housing largely meant the support of the building of multifamily houses.

In this first period, as far as housing policy and subsidies were concerned, the growth of public sector provision is the most notable. This was primarily effected through the development of a national construction industry.

Hegedus and Tosics (1988) note that during this period self-help too played a considerable role. Self-help became the form of housing provision which predominated in villages but had a limited presence in cities. In urban areas self-help is restricted through the limited supply of building plots and materials and through strict building regulations.

The self-help form often involved the demolition and rebuilding of an existing dwelling. Materials used tended to be second hand while household or mutual forms of labour were employed. Self-help homes were based on household financing or on loans from relatives.

While the economic policy pursued during the first period was characterised by forced industrialisation, where investment went primarily into production, large scale improvements in infrastructure were neglected.

### **3. The Second Period (1969-1983)**

In 1968 the New Economic Mechanisms were introduced, aiming to secure the movement of labour into efficient branches of industry to increase productivity through incentives linked to economic performance. Detailed planning was abolished and economic management was shifted from central planning to the market.

While economic policy attempted to move away from central planning, the 1970s were regarded as the "golden age" of socialised housing with real attempts made to address the inequalities that had emerged in the housing system. In 1971, a new Housing Act was introduced which strengthened the welfare aspect of socialised housing by the prescription of certain income levels as a condition of eligibility. State intervention was increased through a policy of deep subsidies aimed at those sectors of the population who could only make a minimal contribution to their housing. Rents were restructured to reflect more accurately the value of housing. In 1971 rents were raised for better quality housing for the first time since nationalisation. This enabled low income groups to gain access to subsidised socialised housing, but tended to make it less favourable to the "higher" social groups, with the result that they began to move increasingly to the private housing sector. Parallel with this, self-build projects were strongly supported by the state with an increase in loan subsidies. Predominantly lower income people made use of this form of subsidy. The second economy became the economic source for self-help provision as its increasing permanence in the Hungarian economy led to the spread of this form of provision, changing its position in the housing hierarchy. Although self-help housing is still built in less valuable areas, its quality rises rapidly while the quality of homes provided by the state remain relatively unchanged.

In Hungary, research in the 1970s focused on the inequalities produced by the housing delivery system and questioned the ideological reality of the socialist housing policy. From the late 1960s and early 1970s the role of state provision increased, affecting primarily the urban housing markets, due to the economic boom which prevailed until the oil crisis in 1973.

Baross notes that in the 1970s the public housing programme absorbed 90-95 % of government grants and 32 % of loans provided for housing (op cit : 172). However, during this period it only produced 32 % of all new dwellings. The Housing Act of 1971 abolished the free allocation of rental flats and a kind of deposit fee was introduced. This reduced the burden on the budget while increasing the burden on the population. While rentals were raised, rental flats remained the most highly subsidised housing in the system.

During this period deep subsidies were introduced, in an attempt to counter inequalities in the housing system. However, these subsidies only widened the gap between the public and private housing sectors. 54 % of all new construction took place outside the public sector, and for these people Ft 150,000 (US\$ 3,000) was required as initial capital to acquire a house, whereas someone with access to public housing needed only Ft

20,000 (US\$ 400) to acquire ownership (Baross, 1987).

So the deep subsidies offered during this period in an attempt to reduce inequalities had the reverse effect and brought to light another contradiction in the system. The public housing strategy reduced the efficiency of housing production. As housing production became retarded, the number of families in the housing waiting list increased.

**Table 5**  
**Levels of Financial Support, 1973 and 1979 (Dwellings)**

Level of financial support	1973	1979
Deep	28 998	37 271
Medium	12 962	9 021
Light	38 163	35 165
TOTAL	80 123	81 457

Source : Baross, 1987 : 172

Table 5 shows clearly that while the total number of dwellings produced in these two years remained roughly similar, the number of households receiving deep subsidies increased by 28 %, while those receiving medium and light subsidies fell by 30 % and 8% respectively.

Baross argues that the subsidy system also created a competition for subsidised dwellings which was won by urban white collar workers who had greater access to bureaucratic distribution channels.

For Hegedus and Tosics (1988), the first imperative for changing the housing policy came during this period with the growth of the second economy which provided the economic base from which self-help methods proliferated.

The second imperative, they argue, came with the increase in inflation which rose steeply in the 1970s and affected the costs of state provided housing but were not reflected to the same extent in the selling price (due to the bargaining power of the state building industry), thus increasing the burden on the budget. This eventually led to the 1983 Housing Act which restructured housing policy in favour of private forms of provision.

#### **4. The Third Period (from 1983)**



The third period is characterised by reforms which aimed primarily to introduce market mechanisms into the housing system. Baross examines the debate which took place amongst reformers who argued for the expansion of the housing market and how far privatisation should penetrate the system. So the issues were whether rents should be raised in the public sector to reflect actual costs or whether they should be brought into line with those in the private sector and whether public housing units should be sold to tenants. Without exception, none of the participants in the debate (Hegedus, Tosics and Szelenyi), favoured the continued role of government in actually building new houses as direct investment. Also at issue was how far the concept of "privatisation" should reinterpret the housing question in the context of a "socialist" economy. Should it be at the level of personal consumption, or alternatively, as another concrete institutional form of socialist property? Delegation of housing to the level of personal consumption can be justified, in this debate, to provide a greater possibility that a family's housing situation should reflect the usefulness of its labour contribution to society which is rewarded in the workplace.

In 1983 a new Housing Act was passed which attempted to increase the private provision of housing through greater reliance on market mechanisms. The act terminated large scale developments on urban peripheries and instead provided for housing demand to be met increasingly from private sources. The act was a response to the reduction in state housing provision which had fallen, due to the economic difficulties. Hungary's increasingly large foreign debt and rising inflation meant that the provision of deep subsidies could no longer be sustained. The new housing policy was based on the existence and consequent recognition of the second economy. It made the provision of housing reliant on the financial capacity of families and thus on the importance of having an additional income over and above their formal one. Rents were increased by an average 130 % (Baross : 174) and so were down payments for the initial occupation of public housing units. Maintenance costs of all newly constructed or renovated buildings were passed on to renters, who became legally entitled to form resident's co-operatives to manage renovation or maintenance work.

Tosics (1986) notes that subsidies were increasingly directed towards the owner occupied sector while the proportion of rented dwellings was greatly reduced. The new policy directed grants and subsidies towards families in need, rather than to the creation of housing objects. State built and sold housing and corporation assisted worker's housing was stopped. He argues that privatisation led to a reduction in the absolute number of social dwellings which has had a negative influence upon the inequalities in housing consumption existing between different strata and groups. He notes that market mechanisms have tended to increase building costs which has meant a reduction in real incomes for those that participate in this form of housing. Land has become available on the open market and so prices have tended to rise. Market forms of housing have appeared in the best parts of the cities, often on sites previously set aside for state provided housing. The quality of newly built private homes has been better than state provided flats. A new wealthy middle class has emerged in Hungary who derive their incomes in the second economy. The manifestations of marketisation are that freedom of choice has increased, in that size and quality of dwelling depend more and more on the financial capacities of families while there has been a rapid reduction in the distribution of socialised housing.

The new policy gives greater decision making responsibilities to municipalities and enterprises to deal with the housing problems in their own areas for their workforce.

The 1983 Housing Act, substantially reduced the social provision of housing. Housing distribution according to need has been reduced as housing has now become a consumption good whose distribution is largely determined by affordability. As a consequence, market forms of housing have become accessible primarily to those with second economy incomes and they tend to be located in the best parts of the cities.

The acknowledgement of the second economy and its integration into housing policy have created a dynamic which in turn stimulates and develops the second economy further.

The housing system is now such that it is based on the second economy which allows for self-help and market related provision to develop.

## **5. Housing Types**

In the Hungarian literature, the term "housing class" is used and has a symbolic connotation which integrates many attributes of the residential environment, architectural style, pricing, location, neighbourhood, quality, and also whether the housing is part of the public or private housing system. This term can, however, be confused with the term "social class", so for the purposes of this work the term "housing type" will be used.

In the public, or socialised sector, there are three housing types; apartments, flats and tenements. Apartments are old, upper class, 3-5 storey buildings in central locations which were nationalised, flats are recently built, high rise blocks on the outskirts of the city, while tenements refer to old working class housing estates comprising of units with one room and a kitchen, often with communal facilities in inner city locations.

In the private sector there are three housing types : villas, condominiums and family houses. Villas are single family houses with gardens in prestigious locations, condominiums are modern multi-storey dwellings built in similar locations to villas, while family houses are similar in character to rural houses and are located on the outer fringes of the urban areas where infrastructure is limited.

## **6. The State Sector and the Private Sector**

The system of housing delivery in Hungary is extremely complex. It comprises a matrix of developers who articulate an even more complex supply of housing resources with both socialised allocation and market mechanisms. A distinction needs to be made between production and the allocation and ownership of dwelling units in order to establish their location in the housing system. In terms of their production, dwellings are produced by either the state sector (comprised of large state owned construction enterprises, building co-operatives or joint building enterprises) which falls under the central plan, or by the private sector (comprised of a large number of small scale builders or a self-build form relying on household or mutual help labour) which is located in the second economy and which operates within market relations. However, in terms of the system of ownership and of the allocation of dwelling units, the system is more complex. For dwellings produced by the state, tenure can be rented from a state body or a local authority, or they can be

privately owned. Privately owned dwellings, produced by the state, can in turn be rented out by the owner or they can be owner occupied. Similarly, privately produced dwellings may have been nationalised and either rented out by the state or sold.

The urban housing system can be divided into three sub-systems; public housing, workers housing and private housing. The system of ownership and allocation can be depicted as indicated in Table 6.

The rental segment of the workers housing subsystem, is a remnant of the process of forced industrialisation during the 1950s when factories had to provide workers with accommodation. The factories provided them with temporary dormitory accommodation while they retained their village homes.

The ownership segment of the workers housing subsystem consists of either a housing construction programme financed by the social budget and the profits of enterprises or factory guaranteed loans to individual workers. So in this subsystem, there are flats, condominiums and family houses.

The private housing subsystem is largely made up of families who either individually or in co-operatives, finance the construction of their houses. These are predominantly family houses or condominiums, but with the growing enrichment of some groups, through the second economy, villas are increasingly being built.

Unfortunately, in Hungary housing statistics are not collected on a typological basis, so it is not possible to accurately examine the distribution of dwellings in the housing system. However, Baross has approximated this distribution in the main urban centre, Budapest.

**Table 6  
Housing Sub-Systems with (Housing Transactions in Budapest)**

Socialised housing subsystem  67 %	Rented	Old dwellings New dwellings	- Exchanged 10% - Inherited 1% - Social allocation 30% - Rehousing 20%
	Ownership	Priority list Advance payment 6 %	
Workers		Dormitories Workplace tied	

housing subsystem  10 %	Rented	housing 7 %	
	Ownership	Workers housing programme 3 %	
Private housing subsystem 23 %	Rented	Co-operative 5 %	
	Ownership	Owner managed construction Purchased 13 %	Individual 5% Co-operative 5%

These are shown in Table 6. In 1980, 74.4 % of dwellings in Hungary were privately owned, while 25.6 % were in state and other ownership. Of those in private ownership 84.9 % are family houses, 8.2 % are blocks of either flats or apartments while 6.9 % are in housing co-operatives (CSO, 1984 : 314). On a national level in 1980, 71.3 % of dwellings were occupied by owners, 28.2 % by tenants, 0.3 % by co-tenants and 0.2 % by others (Central Statistics Office, 1984 : 314).

## 7. Land : Distribution, Ownership and Allocation

After 1948, the process of building a new system of economic planning began. The new system of central planning was modelled along Soviet lines. The first efforts to consolidate the new system involved the breaking up of large landed estates and redistributing them amongst the peasantry. By 1970, 97 % of agricultural land had been nationalised (Wilczynski, 1982 : 116).

Compton (1987) has noted that on a regional level, land use is based on the premise that economic activities should be sited in the most advantageous locations, although this should not be done in ways that prejudice the development of backward areas.

The National Settlement Development Strategy adopted in the 1970s is regarded as a policy for social justice and has been a means of eliminating the substantial differences in living standards and access to services and public utilities which had grown as a result of the uneven economic development of earlier decades. It has also helped to stabilise the regional distribution of population to alleviate housing and public transport problems resulting from the heavy migration to the cities in the 1950s and the 1960s.

During the 1970s the strategy was implemented as a prescriptive plan and did much to promote the development of 5 regional centres, Debrecen, Győr, Miskolc, Pécs and Szeged as counterpoles to

Budapest. It thus tended to concentrate the population and facilities in larger urban settlements. In 1981 the focus of development shifted to the development of medium and small sized centres.

Land policy is primarily concerned to preserve the agricultural area of the country and to reduce the rate of conversion to other uses. Agricultural land has been diminished and as such its export earning potential has been reduced.

Administrative areas are divided into inner and outer zones. Inner zones are built up while outer zones are mainly agricultural land. The value of land in the inner areas is determined by the market while in the outer areas it is fixed according to agricultural quality. Institutions or enterprises seeking to develop land tend therefore to look in the outer areas, threatening agricultural land. Conversion of agricultural land for other purposes requires the permission of a Land Office if the size is under 10 hectares, or that of the Ministry of Agriculture if it is over.

In urban areas, land belonging to owners who had more than six dwellings was nationalised and land abandoned by the former ruling classes was appropriated by the state. Hegedus (1988) points out that for the state the easiest way to provide for future house building activity was for local councils to either impose bans on building or to make master or development plans which had the effect of imposing an indirect building ban. Planners zoned nationalised land to prohibit the building of family houses, which has enabled the state to use it to build modern flats which are put on the market and sold to individual owner-occupiers who can be said to receive a land price subsidy. Thus access to land became the most important constraint on private house building. It is for this reason that privately built dwellings tend to be located on the urban periphery.

Restrictive land and housing policy led to the unlicensed building of dwellings in the urban areas. In 1979 it was estimated that 93,000 houses had been built without permission (Hegedus, 1988 : 16 - 17).

Often the most valuable land in the cities was zoned in this way, the benefits of which have gone to the occupants of the privately owned bank financed flats. In contrast to this, the builders of family houses have to buy land on the open market, without subsidisation and often at high prices. While no statistics in relation to the changes in land prices appear to exist, Hegedus (1988), quotes from a private survey of land price changes over 20 years in a 50m circle radius on a Budapest hillside, where there was an average increase per annum of 11.6 % and 28.4 % between 1969-79 and 1979-87 respectively (op cit : 18). In terms of the reforms initiated in the 1980s state owned land within towns is being progressively released for sale on long-term leases for private building.

## **8. Systems of Financing and Allocation**

Szelenyi (1983) identifies four suppliers of housing finance; state housing authorities, state industries, banks (the National Savings Bank - NSB) and private savings. To the user, these sources can be graded according to the level of state subsidy they receive. In 1983 subsidies varied from the whole capital cost of a house, through some of it, to none at all.

Within the socialised sector, houses are allocated to tenants through administrative action. These could be free state housing, housing sold on very favourable credit terms, or partly subsidised

co-operative housing.

Socialised housing funded by the National Savings Bank (NSB) on a "speculative" basis differs from other state housing only in as far as it is funded differently so it is not a housing type in its own right and should therefore be considered as part of the socialised housing subsystem.

Newly built state flats are built to high standards. They are allocated to tenants without capital payments, at very low rents and therefore receive the highest subsidies.

Apartments and tenements which have been nationalised are generally of poor quality and are badly maintained because of a lack of funds. They are available from the state on the same terms as new flats but do not have the same level of subsidy.

In the private housing sector, the villas and owner occupied flats, have either been financed by private loans from the NSB or may have been wholly privately financed. Owners of family houses have only been able to receive subsidies through some favourable pricing of building materials and through comparatively low rates of interest on building loans.

Table 7 shows how the production of new houses was greatest during the 1970s due to increases in the production of units for rental and a substantial increase in the number produced by the NSB. In the 1980s while state and public rental provision decreased, again the proportion of houses produced through NSB funding increased substantially.

**Table 7**  
**Housing Distribution by Forms of Provision from 1961 (%)**

Period	State rental	Local council rental	State co-op	Public NSB	Housing assns	Family	Total new blds/yr
61-70	9,1	14,6	9,4	3,7	-	63,2	56 700
71-80	4,3	18,6	11,9	13,9	3,1	48,3	87 900
81-87	2,7	12,3	4,6	24,8	4,2	51,3	70 400

Source : Hegedus and Tosics, 1988(1) : 27

Access to public finance can be summarised as follows :

Types of housing	Financing
State - rental	State budget funds
State - co-operative	State budget funds
State - NSB	NSB funds
Housing associations	NSB/Private funds
Private purchase of units	Private funds

Source : Hegedus, 1987 : 81

Housing financed through the state budget is allocated by local authorities.

Tosics (1987) has divided state subsidies into 3 categories; deep, average and low. He demonstrates how the proportion of deep subsidies increased during the 1970s. Deep subsidies refer to those forms where the cash requirement from the user is minimal and the state assistance is greater than the loan to be repaid. Average subsidies are for those forms where there is state assistance, but it is less than the cash requirement and the latter is exceeded by the loans, while low subsidies are for those housing forms where state assistance is minimal.

As is evident from Table 8 deep subsidies reached a peak in the period 1976-80, which coincides with the period of the greatest provision of new and resold housing, indicating that deep subsidies certainly impacted on the provision of housing as more poor people availed themselves of the opportunity to improve their housing.

**Table 8**  
The Proportion of Subsidies in New and Resold Housing

Subsidy	1966 - 70	1971 - 75	1976 - 80	1981 - 82	1983-85
Deep	33	36	46	39	18
Average	13	14	12	19	28
Low	54	50	42	41	54
TOTAL	100	100	100	100	100
New and resold hsg	62 000	89 700	92 500	80 700	81 400

Source : Tosics, 1987 : 67

## **8. Conclusion**

This chapter has described the history of housing policy since 1948. The history has been divided into 3 periods which concur with developments within the Hungarian economy. Accordingly, during the first period state provision was predominant although the major thrust of the state investment programme went into heavy industry. Moreover, any manifestations of market forms were suppressed. During the 1970s the role of state provision increased while self-help provision strengthened, as the second economy grew and became more integrated into the Hungarian economy. From the beginning of the 1980s, due to rising inflation and the structural problems in the Hungarian economy, the role of market provision of housing increased and the second economy became its economic base.



## **IV. Inequalities in the Housing System**

"... under capitalism the market creates the basic inequalities and the administration of welfare modifies and moderates them slightly, under socialism the major inequalities are created by administrative allocation, and the market can be used to reduce inequalities."

Szelenyi, 1983 : 11

### **1. Introduction**

Given that the housing stock in any city is historically inherited, having been built up over a long period of time, it is inevitable that differences in the quality of dwellings exist. New residential areas are continually emerging as a city develops and grows, hence differences in locality also obtrude. Some locations are better than others in relation to their access to environmentally favourable sites, places of work, community facilities and the like. The object of this chapter is firstly to examine the stratification in terms of social groups and their access to different types of dwellings, and secondly to examine the reasons for the differences that emerge. This will also involve touching on the debate amongst Hungarian housing sociologists on the roles of the state and the market in relation to the distribution of housing. An examination of the inequalities that have emerged in the housing system is important as housing policy has been motivated by attempts to reduce inequalities.

### **2. Housing and Position in the Division of Labour**

To recap briefly on the argument about position in the division of labour outlined in Chapter 1, it was held that the same tools of analysis cannot be mechanically used to examine the social structures of both capitalist and "socialist" social formations. Hegedus argued that the position occupied in the division of labour was the crucial category for social analysis in "socialist" social formations. For the purposes of this study it will be shown that the main benefactors of privileges and other advantages are those groups in higher positions within the division of labour.

The assertion that the higher social groups receive the best housing, even after the period of the 1970s, has, to some extent been verified empirically by Andorka et al (1984). Their study into social stratification found that top managers followed by professionals and low managers were in every respect better off than those of other positions in the division of labour. Their study examined a wide range of indicators such as incomes, education, health, working conditions, work load, cultural activities, holidays and others. This study is, however, only concerned with those indicators that relate to housing. The Andorka et al study examined the modernity of dwellings, characterised by their primary building material, bricks. The presence of piped water was seen to be an indicator of home health, while the adequacy of size was measured by the number of persons per living room. In Hungary, 2 persons per room is considered to be a minimum norm.

### **Table 9**

### Distribution of Active Earners and Indicators of Housing Conditions by Social Category

Social category	% of active earners	House built with sun-dried brick without foundation	No piped water supply	Density higher than 2 persons per room
<u>Non manual</u>				
TM	2,2	1,3	3,4	7,7
LM	3,3	2,9	8,0	9,7
P	6,1	1,0	3,8	5,9
M N - M	11,5	2,9	8,3	11,8
C	6,3	3,0	10,7	13,5
<u>Working class</u>				
F	1,8	2,3	8,2	14,4
SI	17,7	5,7	23,2	23,2
ST	7,7	6,1	19,8	20,5
S-SI	11,2	9,5	39,4	30,7
S-ST	7,9	6,6	27,4	25,6
UIT	6,5	10,1	41,5	32,7
SA	0,4	9,0	39,5	23,3
S-SA	1,0	13,1	62,8	34,8
UA	0,3	19,1	73,3	40,7
<u>Co-op peasant</u>				
F	0,3	5,0	20,7	13,6
SIT	3,2	9,3	33,9	24,5
S-SIT	2,0	15,0	47,0	28,3
UIT	0,9	14,8	44,7	33,3
SA	1,3	22,3	49,0	33,4
S-SA	3,8	17,2	60,5	29,7
UA	0,5	27,1	67,1	28,8
HFM	0,8	16,6	52,0	18,8
<u>Self employed</u>				
P	1,4	19,8	62,2	26,1
A,M	1,9	7,0	20,3	14,9
<b>TOTAL</b>	<b>100,0</b>	<b>7,1</b>	<b>25,8</b>	<b>21,4</b>

Source : Andorka et al, (1984) : 35 and 38

Key to the abbreviations :

TM	=	Top Manager
LM	=	Low Manager
P	=	Professional
C	=	Clerical
M N-M	=	Medium Non-Manual
F	=	Foreman
SI	=	Skilled Industrial
S-SI	=	Semi-skilled industrial
S-ST	=	Semi-skilled tertiary
UIT	=	Unskilled industrial + tertiary
S-SIT	=	Semi-skilled industrial and tertiary
S-SA	=	Semi-skilled agricultural
ST	=	Skilled tertiary
SA	=	Skilled agricultural
M	=	Merchant
UA	=	Unskilled agricultural
SIT	=	Skilled industrial and tertiary
HFM	=	Helping Family Member
Pe	=	Peasant
A	=	Artisan

Table 8 shows clearly how those in non manual positions are better off on all counts in relation to housing conditions while cooperative peasants, in particular those in semi-skilled or unskilled positions are worse off. It is interesting to note that even in relation to density, peasants are worse off despite the absence of a physical premium on space in rural areas.

While Table 8 demonstrates that there is inequality in terms of the distribution quality of dwelling amongst different social groups it does not explain how this has come about. Inequalities in the distribution or allocation of dwellings derive from a number of factors. State provided housing is primarily confined to the urban areas, therefore, people in rural areas rely mainly on the market or on self-help for the provision of their housing. They happen to be the most disadvantaged group in terms of their incomes so having to rely on market provided housing further compounds their poverty.

The question as to the role of the state or the market in relation to the inequalities is one which is being debated in the literature. There are two positions in the debate. The first claims that state interventions alleviate inequalities by more heavily subsidising the poorer social groups. Although it does concede that both state and market allocation are inequalitarian, in the final analysis the market generates greater inequalities. The second maintains that it is principally the state which creates most of the social inequalities through its system of allocation. In relation to this position it is also argued that the early years of "socialist" housing allocation reduced housing inequalities, however, they are now on the increase.

Hegedus (1987) examines the distribution of housing during the 1970s when the provision of socialised housing was at its peak in Hungary. He demonstrates, with empirical evidence to support him, that during this period, people in the lower social groups gained better access to housing. He argues that market processes increase the tensions between the different groups as the lower income groups end up having less and less access to better housing. His conclusions are, however, ambiguous as he shows that the poor did not have better chances of getting state dwellings during this period and concedes that social status is responsible for unequal allocation.

Szelenyi (1987) is sceptical of the egalitarianism of state "socialism" and argues that the most egalitarian period was possibly after the Second World War when existing housing stock was redistributed and the heritage of capitalist inequality was eliminated.

In relation to the second position, Szelenyi (1983) argues that those who occupied higher social positions had better access to state housing than those in the lower positions who were forced to rely on private provision for their housing. His study began by looking at new Hungarian housing developments where he found that the occupants were predominantly middle class and that the working class were nowhere to be found. Not only was the best housing allocated to those with higher incomes, it was done so at less cost and with higher state subsidy, than was available to the lower income groups. Szelenyi attempts to show that the inequalities do not derive from bureaucratic mismanagement or through corruption but rather from the logic of the socialist system of production and distribution. Inequalities occur in the allocation of housing, that is, through administrative allocation, which is a uniquely "socialist" mechanism of allocation. It is due to its scarcity (the new housing brought into circulation each year) that it will inevitably be allocated to the most meritorious citizens who tended to be those with the highest salaries. The social implication of this is that the housing system's class inequalities have been polarised and increased by state housing policies and continue to increase despite the absolute improvement in the housing situation of all classes. This contradicts the purpose of the policy which is to reduce housing inequalities. Szelenyi goes further and argues that housing inequalities can be reduced through the introduction of the market. He argues that the market could play a welfare function substituting for state intervention through filtration (opening up of a higher quality housing market to the elite helps the filtering down of better public housing to the poor).

Tosics (1987) and Hegedus (1987) both criticise him, arguing that redistribution perform effectively the function of creating social justice even when it remains the dominant mechanism. They feel that the existing system can work through reforms as it did in the 1970s. In relation to their argument Szelenyi points out that in the 1970s poorer people gained greater access to state housing not because of more equitable allocation but rather because the volume increased substantially due to favourable economic conditions.

Inequalities in the housing system is not merely the subject of academic debate, it is the source of real social conflict between social groups over access to housing. In the situation of housing shortage, members of the public often located vacancies for themselves hoping to increase their chances of having a dwelling allocated to them. Tension emerged, as in many cases more than one family would apply for the same dwelling, which would be allocated taking social origin and standing, rather than need, into account. So in practice the position of privileged groups was reinforced.

The present policy, which has reduced the financial resource consumption of socialised housing, is set to increase tension and inequality in the housing system. The retardation of housing production will increase the shortage of dwellings as well as the number of people competing for them. The competition between these groups will be won by those that have privileged access to the mechanisms of distribution.

### **3. Conclusion**

It is clear that inequalities emerge in both capitalist and "socialist" housing systems. Neither the market nor the state in Hungary have managed to eliminate inequalities. Despite the different forms that the inequalities have taken, it is always the poorest sections of the population who end up in the worst living conditions. The response of the poor has therefore been to rely on self-help housing. The period when the most effective efforts were made to reduce inequalities was during the 1970s when subsidies were greatest. However, economic conditions need to be such that these improvements can be sustained.

## **V. Conclusion : The Failure of Hungary's Socialised Housing Policies**

### **1. Introduction**

This chapter addresses the central issue of this study and assesses Hungary's socialised housing policies and examines the reasons for their failure. Hungary adopted a socialised policy after the Hungarian Working People's Party (HWPP) assumed political power in 1948. In 1983 a new Housing Act was adopted overturning the central thrust of policies which had been in place for over three decades. The 1983 Act substantially reduced the number of state built dwellings and subsidies and emphasised the construction of dwellings which relied on private funding. In future allocation would take place through the market. What were the reasons for this turnabout in policy and in what terms must policy be assessed?

In 1948 a clear set of aims or principles was adopted with the introduction of socialised policies. It is partially in relation to these aims that policy should be assessed. The impact of economic development on housing policy is also assessed and finally the system of provision per se is examined.

### **2. Failure of Socialised Housing Policy to Meet its Aims**

The underlying aims of housing policy in the late 1940s were set out in Chapter 1. To recap, they were that :

- i. housing should not be market merchandise
- ii. rents should not be strictly related to housing quality and should be a modest item of household expenditure and
- iii. families should have the right to healthy, modern and self-contained housing, which they should receive distribution in kind, independent of their rent paying capacity.

It is perhaps important to ask what these principles represented at the time. They were first articulated after the HWPP took power and were developing their "socialist" programme. The aims were a reaction to the misery and deprivation experienced by the Hungarian people during the capitalist period. They also represented an ideal to which they should strive. Guided by these aims through the 1950s, 1960s and 1970s housing policy developed dialectically around the tension between the state and the private sector. The tension between the two sectors arose through a conflict of interests between them in the housing sphere. The rhythm of the conflict changed during different periods as the relative dominance of the sectors shifted. During the first period of socialised policies, the role of the state grew through the enactment of measures aimed at the suppression of market mechanisms. The state made definite efforts to control the housing market through the development of state construction enterprises and the allocation of subsidies. Hegedus and Tosics (19885) note that there were limits to the extent to which subsidies could be used to control the housing market. The costs of control over distribution and production got so high that the economy could no longer afford them. Efforts to suppress the market clearly accorded with the

first aim. During the 1950s all market mechanisms were suppressed. This was, however, shortlived as the industrialisation policy adopted created the conditions for the development of the second economy. Forced industrialisation and the development of heavy industry neglected the consumer market and in particular the housing market. The second economy, which grew because of this omission, began to form the basis of a housing market. By 1983, this market had developed to the point that it formed the economic basis of the new policy and thus became hegemonic. It was therefore, the very suppression of the market mechanisms which have led to their redevelopment and their inclusion into housing policy.

The contradiction between the state and the market was also expressed in rents policy. The state was able to suppress market related rents through rent control and through subsidies in both the socialised and the private sectors.

The suppression of the market was ideologically motivated and was an attempt to bring equality to the housing system. Allocation of housing would no longer take place by means of the market but rather through public bodies. Ideologically, housing would be allocated according to need rather than ability to pay. Public allocation, however, developed its own contradictions as inequalities continued to persist albeit in a different form. It became evident that the most modern housing in the most favourable locations and with the highest subsidies tended to be allocated to those people who occupied the highest paid positions.

The second aim of socialised policies was to keep rentals to a modest item of household expenditure. Rent controls and subsidies throughout the first two decades kept rentals to between 2 % and 3 % of household income (Baross, 1987 : 164). While rentals were low and uniform with small variations, inequalities in housing quality were vast. In order to achieve a greater correlation between housing quality and rental the Housing Act of 1971 restructured rentals so that they more accurately reflected their costs of production and maintenance. Lower rentals applied to older nationalised apartments whilst newly built flats had higher rentals. This measure produced yet another contradiction in that it reinforced income inequalities as the best flats were available to those who could afford the higher rentals - again the people who occupied the higher positions. So once more an attempt to deal with an inequality produced inequality in another form. This measure strayed from the original aim in that rentals now became tied to quality although they still remained low in relation to household incomes. Better quality flats which were newly built were accessible to the lower income groups, particularly during the 1970s through heavy subsidies.

Modern, self-contained units were provided by the state either for rental or for owner occupation through state investment in the construction industry. Industrialised methods of production made it possible to produce large quantities of dwelling units. Paradoxically the achievement of large scale investment in construction during the 1950s was contingent on the success of large scale investment in heavy industry. Large scale housing production was only possible once the economic means to achieve it was in place. This was to some extent achieved in the 1970s, when on average 88,206 dwelling units were produced per annum, compared with 42,026 in the 1950s and 52,956 in the 1960s (Central Statistical Office, 1984 : 14).

It is interesting to note that at some time each of the initial aims was achieved to a greater or lesser extent. However, they were never achieved simultaneously. Market mechanisms with respect to housing were effectively suppressed and rentals were kept low and were unrelated to housing

quality until the 1970s, while the large scale provision of socialised housing reached its peak during the 1970s.

### **3. Failure of the System of Production**

The Hungarian state employed what can be called a conventional housing provision policy through its large scale production of dwelling units. Conventional policies are those which attribute to the users very little control in the provision of the housing they are to occupy. In Hungary, this is true at all levels of state provision, from conception to implementation. Building co-operatives and private production provide the user with varying amounts of control over the housing process. The conventional approach taken provides in part an explanation for the failure of the socialised policies.

The centrally planned character of housing means by definition that the conception of housing strategy is vested in the state planning bodies. Planning has undergone changes since 1948 and now only the locations of the most important investments take place centrally. The National Settlement Development Strategy, approved by the Council of Ministers in 1971, serves as a guide-line for the Ministry of Construction and Urban Development, this commissioned the Scientific and Planning Institute for Urban Construction to prepare the National Regional Plan Conception, which makes recommendations about space usage and measures to protect the environment. State produced housing estates are built in a sense as speculative developments and people are allocated dwellings to rent or purchase by a local authority. Users do not participate in the process of provision.

Socialised housing suffers from the same problems as have been experienced with conventional policies world-wide. Socialised housing also requires by definition a bureaucratic system of allocation. Public allocation was introduced as a means of ensuring equality. It has, however, paradoxically been the source of inequality as people with higher positions in the division of labour are able to influence the allocation process. Szelenyi (1983) argues that this could hardly be otherwise as scarce commodities are always likely to be allocated to those citizens perceived to be the most meritorious. He asks, what would happen if the housing chances of rising managers and bureaucrats were to be reduced as they were promoted ?

Conventional housing programmes lay emphasis on quantitative and not qualitative aspects of housing. Belley and Kulcsar (1977) examined the quality of life in new housing developments and note how both the internal and external construction features of the buildings make it difficult for inhabitants to get to know each other and develop a sense of community. Buildings are uniform in character and urban areas lack parks and other recreational facilities. Uniform urban environments are the result of production processes which produce standard or prefabricated building components. In this respect, the quality of the urban environment can be said to reflect the Fordist nature of production, monotonous and inflexible. Since the 1970s, the costs of living in housing estates have been relatively high, which has meant that families spend most of their time working, both formally and informally, in order to afford their accommodation. While in many cases living in a new housing development may represent an improvement, it is unlikely that they are able to meet the complexity of human needs which Turner (1976) would argue can only be made possible by the users having control over their housing provision.



While industrial methods of construction has meant that large numbers of units can be produced, enormous investments in the means of production are required offsetting economies of scale. During the 1970s this meant that only people with high incomes, derived either through their high position or through their second economy income, or those who received heavy subsidies could afford to live in socialised housing. They therefore did not reach the people they were intended for, namely the poorest sections of the urban population who were most in need of housing.

The industrialisation of the construction industry reflected the industrialisation strategy in general. Forced industrialisation was characterised by Fordist type methods of production which were located in heavy industry and did not take consumer needs into account.

#### **4. Failure due to Economic Factors**

The Soviet model of industrialisation, adopted in Hungary, emphasised the development of heavy industry that produced means of production for markets in other "socialist" countries. The negation of consumer needs undermined the suppression of market relations as the second economy developed. The second economy fulfilled two functions. Firstly, it filled the gap left by the first economy, in the production of consumer goods and services, and secondly, it provided many low paid people with a means of increasing their incomes. The second economy operated on the basis of market relations and began to undermine the first economy. Moonlighting and the theft of materials and components cost state run enterprises dearly. Workers who saved their energy for their second economy activities began to reduce the efficiency of the formal economy. The culmination of the growth of the second economy and the decline of the first economy came with the introduction of measures to introduce market mechanisms into the economy.

Construction related activity was always a key second economy activity and has led to the growth of the market in the private housing sector. The 1983 Housing Act was the formalisation of the growth of the second economy and market relations in the housing sector. This Act has reduced subsidies, making the provision of housing reliant on the financial capacity of users. This has brought a drop in the number of housing units produced. Housing production has been reduced by 30 % between 1975 and 1986 when 99,588 and 69,428 units were produced respectively (cf Central Statistics Office, 1984 : 14 and Hegedus and Tosics, 1988(1) : 32). The drop in production must also reflect the fact that fewer people are able to afford housing. Being market related means that new state-produced flats are accessible to people with higher incomes, or with second economy (or these days private sector) jobs. The poor are still at the bottom of the housing hierarchy and income inequalities prevail. It therefore seems likely that the complete withdrawal of subsidies by the state and the current reliance on the market will increase the tensions between income groups and social positions, as aid to the poorest groups has been withdrawn. This means that they have less access to better housing than they did previously. The withdrawal of subsidies was a measure taken because the Hungarian economy could no longer afford them. By the late 1970s and early 1980s prices had risen more rapidly than they had previously. Hungary was also undergoing balance of payments difficulties brought about by the oil crisis and its increasingly large foreign debt. Table 10 shows the increases in prices between 1970 and 1985.

**Table 10**

### Price level increases compared to the previous year (%)

Year	Price level increase
1970	1,3
1971	2,0
1972	2,9
1973	3,3
1974	1,8
1975	3,8
1976	5,0
1977	3,9
1978	4,6
1979	8,9
1980	9,1
1981	4,6
1982	6,9
1983	7,3
1984	8,2
1985	7,0

Source : Marton and Zafir, 1987 : 10

Tosics (1986) notes that between 1976 and 1980 nearly half of those acquiring new dwellings obtained them very cheaply, at a fraction of the market price. He estimates that the sum of cash to be paid amounted to five times a workers monthly salary. By the mid 1980s the situation has changed to such an extent that the "least expensive" dwelling now requires the payment of an amount ten to twelve times the monthly salary of a worker. Housing inequalities have not been reduced by the new measures and, if anything, they are likely to increase as the market grows and social inequalities increase.

## 5. Summary

It seems then that in the final analysis the problem of Hungary's socialised housing relates to its economic policy. The state cannot solve the urban housing problem exclusively from budgetary

sources. In some form it does need the assistance of the private sector. The involvement of the private sector places a burden on the population who have to rely on the second economy to supplement wages earned in the first economy, but which are insufficient to provide for an improvement in housing conditions.

The socialised housing policy did not change substantially until 1983. During the 1950s and 1960s it was able to suppress market mechanisms in the housing sphere. Suppression of the market led to the development of the second economy which operated in part at a subterranean level and was able to fill the gaps created by the large-scale Fordist type industry. The second economy flourished because of its small scale and its flexibility and was perfectly suited to the housing market. State and family expenditure on housing increased substantially. During the 1970s the state construction sector had developed to the point that it was able for the first time to surpass the private sector in the production of dwelling units.

## VI. Bibliography

- Andorka, R & Kolosi, T** (Eds), 1984, *Stratification and inequalities*, Institut for Social Sciences, Budapest.
- Bandyopadhyay, P**, 1985, Book review of Urban Inequalities under state socialism by Szelenyi I, in *IJURR*, Vol 9.
- Baross, P**, 1987, Managing the housing queue in Hungary : The current debate on the character of socialist housing policy in Hungary, in *Habitat*, Vol 11, N1 2.
- Batt, J**, 1988, *Economic reform and political change in Eastern Europe*, MacMillan Press, London.
- Belley, L and Kulcsar, L**, 1977, Public life on new housing developments, in Szanto, M (ed), *Ways of Life: Hungarian Sociological Studies*, Corvina Press, Budapest.
- Berend I and Ranki, G**, 1985, *The Hungarian economy in the twentieth century*, Croom Helm, London.
- Biro, D, Jozan P and Miltenyi, K**, 1984, *Population and population policy in Hungary*, Akademiai Kiado, Budapest.
- Central Statistical Office**, 1981, *Statistical pocketbook of Hungary*, Statistical Publishing House, Budapest.
- Central Statistical Office**, 1984, *Statistical yearbook*, Budapest.
- Central Statistical Office**, 1985, *Hungary Today*, Budapest.
- Clarkson, S**, 1978, *The Soviet theory of development: India and the Third World in Marxist-Leninist scholarship*, The MacMillan Press, London.
- Compton, PA**, 1979, Planning and spatial change in Budapest, in *The Socialist City* (French RA and Hamilton FEI (eds)), John Wiley and Sons, Chichester.
- Compton, PA**, 1984, Hungary - the national development strategy, in *Cities*, Vol 1, n1 4.
- Dawson, A H**, 1987, *Planning in Eastern Europe*, Croom Helm, London and Sydney.
- Fuerst, JS** (ed), 1974, *Public housing in Europe and America*, Croom Helm, London.
- Halasz, Z**, 1975, *A short history of Hungary*, Corvina Press, Budapest.
- Hare, PG, Radice, H and Swain, N** (Eds), 1981, *Hungary : a decade of economic reform*, George Allen and Unwin, London.
- Harvey, D**, 1989, *The Urban Experience*, Basil Blackwell, London.
- Hegedus, A**, 1977, *The structure of socialist society*, Constable, London.
- Hegedus, J**, 1987, Reconsidering the roles of the state and the market in socialist housing systems, in *International Journal of Urban and Regional Research (IJURR)*, Vol 11.
- Hegedus, J**, 1988, "Self-help housing in Hungary", revised edition of paper presented to the International

Seminar on self-help housing in Kassel.

- Hegedus, J and Tosics, I**, 1983, Housing classes and housing policy : some changes in the Budapest housing market, *IJURR*, Vol 7.
- Hegedus, J and Tosics, I**, 1988 (1), "Is there a Hungarian model of housing system ? Changes in the Hungarian housing system in the past three decades", paper presented on the re-union of CIB W 69 in Santo Kiriko, Bulgaria.
- Hegedus, J and Tosics, I**, 1988 (2), "Transition to a new housing model?" Paper presented to the International conference on housing, policy and urban innovation, Delft.
- Hegedus, J and Tosics, I**, 1988 (3), "Filtration in socialist housing systems (results of vacancy chain surveys in Hungary)", paper presented at the conference on housing between state and market, Dubrovnick.
- Heinrich, H - G**, 1986, *Hungary - Politics, Economics and Society*, Frances Pinter, London.
- Joffe, A**, 1988, "Hungarian enterprises : a problem of flexibility", Unpublished dissertation, Institute of Development Studies, Sussex.
- Kolosi, T and Wnuk-Lipinski, E**, 1983, *Equality and inequality under socialism: Poland and Hungary compared*, SAGE, London, (eds).
- Marton, A and Zafir, M**, 1987, *Prices, wages, incomes and consumption in Hungary 1968 - 1985*, Vienna Institute for Comparative Economic Studies.
- Pamlenyi, E**, 1975, *A history of Hungary*, Collett's, London.
- Parkin, F**, 1973, *Class inequality and political order - Social stratification in capitalist and communist societies*, Paladin, Herts.
- Radice, M**, 1981, The state enterprise in Hungary : economic reform and socialist entrepreneurship, in Jeffries I (ed), *The industrial enterprise in Eastern Europe*, Praeger, New York.
- Sillince, JAA**, 1985, The housing market of the Budapest urban region 1949 - 1983, in *Urban Studies*, Vol 22.
- Stretton, H**, 1981, Book review of The intellectuals on the road to class power, by Konrad G and Szelenyi, I, in *IJURR*, Vol 5.
- Szelenyi, I**, 1983, *Urban inequalities under state socialism*, Oxford University Press, Oxford.
- Szelenyi, I**, 1987, Housing inequalities and occupational segregation in state socialist cities, in *IJURR*, Vol 11.
- Taylor, J G**, 1989, *From modernisation to modes of production : A critique of the sociologies of development and underdevelopment*, MacMillan, London.
- Tosics, I**, 1986, *Empirical research on housing mobility in Hungarian towns*, Budapest.
- Tosics, I**, 1987, Privatisation in housing policy : the case of the Western countries and that of Hungary, in *IJURR*, Vol 11.
- Turner, J F C**, 1976, *Housing by people : Towards autonomy in building environments*, Marion Boyers,

London.

**Vajdovich-Visy, E**, 1984, Economic change and the local planning process : the case study of county Baranya, UN ECE research colloquium, Bristol.

**Vajdovich-Visy, E and Ormosy, V**, 1987, The Pecs "Case, Hungary - The diversity of policy responses in a turbulent environment and their influence on the local planning process, Swedish Council for Building Research, Stockholm.

**Wilczynoki, J**, 1982, *The economics of socialism*, George Allen and Unwin, London.

**Zsilak, A**, 1975, The changes in the social structure of Hungary and the main questions concerning the Alliance Party (1949 - 1956), in Vass H (ed), *Studies on the history of the Hungarian working class movement*, Akademiai Kiado, Budapest.