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The Situation of the Rural Areas of Hungary in the Mid-1990's

Rural areas in Hungary consist of villages and towns with less than 10 thousand inhabitants. It is estimated that the proportion of the village population in Hungary is 37% at present, the population in small towns with less than 10 thousand inhabitants is another 10%. We can therefore say that, almost half of the Hungarian population lives in rural areas.

The society of the Hungarian villages has experienced historical changes in the last half century, namely the agricultural reform, collectivization and the new ownership reform of the 1990s.

1. *The agricultural reform:* Between the two world wars Hungary — like Poland — was dominated by large landowners. Less than 1% of the owners had 38% of the arable agricultural lands. Among the larger owners we find the Catholic Church and a few wealthy families. The first major step taken after World War II was the agricultural reform, announced on 15 March 1945, on an important national holiday of the Hungarian nation. 600 thousand families were then given land and the upper limit of the land properties that one owner could have was set at 110 hectares. More than half of the population lived from land cultivation at that time. The agricultural population started production with great enthusiasm and diligence. That was a traditional peasant society whose basic value was land. In that society the desirable thing was to inherit land passing it down from father to son, with each generation giving it away slightly enlarged compared to what had been received. The other value was slow but persistent work, which served the preservation of the family and the profit it produced, was of lesser importance. These values have lost their significance in the last few decades and at the time of the systemic change in 1990 they were no longer considered as values in the rural areas.

2. *Collectivization:* The reorganization of Hungarian agriculture, based on the Soviet example, started as early as 1948, when the so-called “kolkhoz” and “sovkhoz” were created. They worked with very low efficiency and

encountered the strong opposition of the peasants. The beginning of the 1950s saw the strictest "Sovietization" period, when legal procedure was in force against almost a quarter of the peasant families. Many of the peasants, especially the most well-off, were imprisoned and tortured. Following the revolution of 1956, Hungarian agriculture again moved towards family farms, but this was not a lasting phenomenon. In 1959—1961, Soviet "kolkhoz" type cooperatives were again created. This process, although it started under the aegis of a bad agricultural model, demonstrated significant results after approximately a decade and a half. Hungary was on the top of the world in the production of several agricultural products. The average yield of wheat and maize per hectare, for example, was three times as high as in the inter-war period. (5—6 tons/hectare of wheat and 8—10 tons/hectare of maize.) We have to admit that production costs were high, but this did not matter, because the objective was not to produce cheaply but to produce as much as possible for the countries of the Warsaw Pact and especially the Soviet Union. In the socialist division of labour, the main priority assigned to Hungary was agriculture. In order to produce as much as possible and to have social peace, private farming was allowed from the late 1960s, on small, half-hectare family farms. The family farms pursued labour-intensive production: animal husbandry (especially pig, poultry, rabbit, honey production) as well as vegetable and fruit growing and viticulture. Family farms mainly provided the labour force, while capital investment, sales and risk was taken up by the so-called integrators. These integrators were primarily the cooperatives and state farms. Income from agriculture was not invested in production, village dwellers built houses, bought furniture and cars instead. Once they had all of this, they built weekend houses. This was an important novelty in the life of the village people, as they had never spent money on consumer goods and convenience before. The family farms were almost exclusively part-time farms. The village people had their full-time jobs in the agricultural cooperatives, the local industrial branch companies (which were the subsidiaries of the large industrial enterprises) or commuted to the towns to work. The source of income of the village people was doubled this way: it came from the full-time job and from running the part-time farm. This led to the fact that in the early 1970s the income of the village people in Hungary slightly exceeded that of the urban citizens. This was a unique phenomenon both in East-Central European and Hungarian history. The village people, however, had no trust in the land and the family farm: they sent their children to the towns and gave them a significant part of the income coming from the part-time farms. Their children spent this money on consumer goods, too.

The State did not invest in the development of the infrastructure in the villages; in 1970—1975, the villages only received 7% of all state support, despite the fact that more than 40% of the population lived in them. One of

the major problems with collectivization was that large cooperatives, covering 5—10 thousand hectares and several villages, were created in the 1970s. As long as there was one cooperative per village, people had some linkages to the land belonging to the village, but in the large cooperatives this was no longer the land of the individual villages where people went to work but that of the neighbouring villages. This way they lost all connections with the land that surrounded their villages. People became more and more introverted and indifferent towards everything that was not a matter of their narrow family circle. This process started in 1948 when the Communist Party prohibited the operation of all organizations. People gradually lost their independence, they became easy-going and the only thing that remained a value in the rural society was money, as a source of security.

3. *The ownership reform of 1990:* When the political changes took place in Hungary in 1990, 29% of the land was state property, 7% privately owned and the rest belonged to the cooperatives. One third of the state property was cultivated by forestry; another third by state farms, while the major part of the remaining one third were uncultivated areas. The number of state farms was 124, they were transformed into corporations, and some of them eliminated. 28 state farms continued to be state-owned — where experiments of plant cultivation and animal husbandry took place — the rest were sold. Among the buyers there were a large number of foreigners (Austrians and Germans), especially if the farm was also engaged in food processing and was located in the western part of Hungary. In the corporations, employees were given shares of small, almost symbolic value and approximately 1 hectare of land as private property.

The privatization of cooperatives was a very elaborate process. The privatization of land and that of the other property (machinery, buildings, livestock and mobile capital) should be dealt with separately. Three groups got the land. The first were the so-called share-holding owners. They were the original members who had joined the cooperatives on their creation and had been working there since, or, if they were no longer alive, their children worked in the cooperatives. The former are all pensioners by now. There are 1,400,000 of them who were given 40% of the land formerly cultivated by the cooperatives.

The second group consists of those who were compensated. They are the original owners or, if they have died, their children are, but, unlike the former group, they no longer worked in the cooperatives at the time of privatization. This is a group of half a million people.

Those belonging to the third group worked in the cooperatives at the time of privatization but did not belong to either of the former groups. This means that they did not work when the cooperatives were founded, maybe they were born after that. They were given 1.5 hectares on average. Their number,

together with the employees of the former state farms, is estimated to be around half a million.

There were some who were given lands on two claims, so we dare say that 2 million people, i.e. every second or third family was involved in the privatization of lands in Hungary. All the lands are privately owned in Hungary now, but 70—80% of the owners let the land to the transformed cooperatives or the new organization, limited liability companies, commandite companies which were born from the remains of the eliminated cooperatives.

The proportion of those involved in the privatization of the lands does not show an equal distribution across Hungary. Three regions stand out with their high proportion of those involved.

The first one is along the eastern border. This is a traditional agricultural region and is mostly underdeveloped.

The second one is situated in southern central Hungary. In this region viticulture and the production of fruit and vegetables are significant. This is also an agricultural region but it is not underdeveloped.

The third area is along the western border of Hungary. The population of this area became interested in owning land because, although illegally, they were able to sell the land to foreigners.

The Land Act was passed in 1994. This says that foreigners are not allowed to buy land in Hungary and one person cannot have more than 300 hectares of land. Both restrictions, however, are *de facto* frequently violated since then, despite the *de jure* prohibitions.

The property of the cooperatives now belongs to three groups: those who worked for the cooperatives at the time of privatization, the pensioners who had worked for the cooperatives and outsiders. The former are those persons or their descendants who had been working in the cooperative for at least five years, but at least five years before privatization took place. They received 20% of the property, the former groups 40% each.

The winners of the privatization of agriculture were the former management of the cooperatives, the descendants of the rich peasants — who did not work in agriculture at the time of the change of the system and usually did not even live in villages — as well as urban speculators. The simple village people were on the losing side. They immediately sold what they received, at a low price. They did not trust either the land or property, as they had been taught in the Socialist era that the source of security was money and not property. They regret what they did, especially if they lost their jobs, but this is too late now.

Finally we have to mention the most essential data concerning Hungarian agriculture:

- Fifty one per cent of all land is ploughland;
- One third of the land is cultivated by the former cooperatives, one third by the farmers — some of whom are very small — and one third

- by different organizations: limited liability companies, corporations, commandite companies;
- The proportion of agricultural employees was 17% in 1990, which has now decreased to 7%;
 - Agricultural production has dropped by 40% during this time;
 - Despite all of this, Hungary is the only former socialist country, which exports more agricultural products to the EU than it imports from there. This is mainly due to the favourable soil and climate, traditions and the high skills of the agricultural specialists.

Following the change of the system, large infrastructural developments took place in the rural areas. In the early 1990s, infrastructural developments per capita were higher in rural areas than in the urban ones. A large step forward was taken in the field of telephone supply, roads, healthy drinking water, sewerage, gas supply and education. The expected development, however, has not yet started in the majority of the rural areas, because of high unemployment and the lack of capital and human resources.

We can now distinguish three categories of rural regions:

1. *Villages capable of development.* This group contains 20% of the villages but 40—50% of the rural population lives in settlements like these. They can be found all over Hungary, along transportation lines and around towns with a sufficient number of jobs. Holiday regions, rural tourism and the second homes in the favoured mountain villages can be listed here, too. Most of these villages are situated along the Budapest—Vienna route. This region and the surroundings of Budapest are the most developed areas of Hungary. In these villages, besides the local people, the presence of white and blue-collar employees who work in the towns is more and more significant. They contribute to a large extent to the formation of the middle class in the villages. At the same time, they do their shopping and use services in the towns. Many children attend kindergartens and schools in the towns.

2. *Underdeveloped villages.* 33% of the villages and 20% of the rural population belong here. These villages are situated in underdeveloped regions with a shortage of towns, along the county and national borders and in areas with poor accessibility. They can be found in the poor quality ploughlands and in the mountainous areas all over Hungary but especially in the north-east and south-west regions. Most of them are small villages with less than 500 inhabitants. Public institutions moved away from these rural areas back in the socialist era. Their situation is not alleviated by the fact that all the villages were given back their local governments after the

systemic change. The population in these villages mostly comprises Hungarians with low school education and Gypsies. Unemployment is extremely high. Most of the families sustain themselves from family allowances, income support and some illegal work. There are four times as many poor people here as in Budapest, whereas the category of the well-to-do is only one seventh of those in Budapest. Impoverishment proves to be lasting in these areas.

3. *Villages in a transitory situation.* These are neither down nor up. This category contains 47% of the villages and approximately 35% of the rural population. The majority of the population that lives here belongs to the middle class and the poor. Those who are in such a situation are not doing anything other than waiting at the moment. They have furnished houses, and at least either the husband or the wife, or maybe both, have jobs. They keep a part-time farm which provides for a bare subsistence. Another frequent problem in these families is the low standard of education of their children. In these villages there are many pensioners who, after the change of the political system, were not able to pay the rising costs of the houses in the towns and thus moved to villages where their expenses are significantly lower. This mainly concerns changing gas-heated flats in multi-storey buildings in towns for village houses with gardens. In the latter, traditional heating (wood and coal) is possible and they do not have to heat the whole flat, only a part of it, keeping heating costs much lower. Separate meters measure the amount of water used in the village houses, while in the town there is one water-meter per large house and the tenants divide the cost among themselves.

In conclusion we can ask what will happen to the Hungarian villages and what kind of rural policy Hungary is going to have. Rural policy is part of the agricultural and regional policy. Now we have an accepted Act for Regional Development in Hungary. The Act on Agriculture is in the process of preparation, as is rural policy. In my opinion, Hungarian rural policy has to promote the support of the villages in a transitory situation to prevent them from falling into the underdeveloped category. At the same time, experts familiar with the development of the Hungarian rural areas have to work out programmes for the development of the most underdeveloped villages, too. The primary task in these areas is the development of human resources. It is feared that once Hungary becomes a member of the European Union, the masses living in the underdeveloped areas will wish to emigrate to the developed countries. Hungary knows that these people must be kept and helped where they are living now. It is very unfortunate that we do not have the financial resources for that.

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