

*Kai A. Schafft*

## **A Network Approach to Understanding Post-Socialist Rural Inequality in the 1990s\***

### **Introduction**

The widening gulf between the haves and the have-nots was one of the more disturbing and problematic outcomes of the 1990s in Eastern and East Central Europe. The reality of increasing inequality and the economic marginalization of whole segments of the region's population presents a direct challenge to the promises of transition to a market economy made at the beginning of the decade.<sup>1</sup> While the 1990s *did* bring new wealth and opportunity to some, that prosperity has been inherently *uneven* in nature, passing over a great many others. For some — those with significant material

---

\* Many thanks are due to David Brown of the Department of Rural Sociology at Cornell University for his instrumental and collaborative role in the bulk of the work discussed within this paper. Thanks are also due to László Kulcsár and the Department of Rural Sociology at the Szent István University of Agricultural Sciences, Gödöllő, Hungary, for the assistance and support which made much of this work possible.

<sup>1</sup> While most analysts in the early 1990s predicted a heavy social and economic burden associated with the process of transition to a market economy, at the same time the sudden changes and the possibility of sharing in Western prosperity was cause for at least some amount of initial optimism. In 1995, for instance, the Secretariat of the United Nations Commission for Europe wrote, 'A prolonged economic downturn, high levels of unemployment, sharply reduced social security, widening income and wealth differences, falling health standards and the rise of organized crime, have all contributed to frustration, disillusion, and mounting political tensions. As a result the current mood among the East European populations is very different from the enthusiasm and hope which were raised by the fall of the Berlin Wall in late 1989' (quoted in Szamuely, 1996: 54). See also Agocs and Agocs who quote an elderly Hungarian shepherd saying 'we will need a very big stone to engrave the names of the victims of this change, which we thought would bring miracles' (1994: 51).

assets, the skills and knowledge valued within a new technologically-based service economy, and especially those with the right social and political 'connections' — the changes have meant greater wealth. For others lacking these assets, the transformations have increased insecurity as social spending and other institutional support systems have withered away, especially for unskilled and semi-skilled workers and for rural residents.

This paper focuses on the resources accruing from formal and informal social networks as a means of suggesting the different mechanisms by which social inequality occurs and persists, as well as how it can be reduced. This type of analysis of post-socialist societies is part of a larger body of literature concerned with the functions of social networks. Stark (1996) has, for example, suggested the ways in which the legacy of informal social networks within which institutions were embedded provided the 'template' for enterprise re-organization in post-socialist environments. Other studies have examined informal networks as social assets which both help manage risk and provide opportunities to their members. Bodnár and Böröcz (1998) have examined the role of social networks in securing housing, Sík (1988) and Albert and Dávid (1999) have looked at the connection between inter-household exchange and informal networks of affiliation, Kuczi and Makó (1997) have studied the impact of community social network structure on small firm success, and Wallace (1999) has completed research on the use of ethnic and kinship ties by cross-border small traders to mediate business risk.

Much of this work owes an intellectual debt to Granovetter's paradigmatic concepts of 'strong ties,' the strong solidarity ties uniting primary social groups, and 'weak links,' connections to larger, more extended and loosely-knit networks of affiliation (1973). The arguments of much of the literature on the role of networks in post-socialist contexts are consistent with Granovetter's assertion that the ability to 'couple and decouple' (1985) from tightly knit social groups is a necessary precondition for accessing the resources of wider, more loosely connected social networks. While strong ties may produce *proximate* social cohesion, without weak links to wider networks, more insular groups risk isolation and fragmentation within the broader social context.

These processes are illustrated by many populations in the region's rural areas. In the new economies favouring a younger, better educated urban workforce, rural residents in particular have experienced erosion of material and human assets and increased insecurity at both the individual and community level as whole sectors of the labour force have been made redundant. Savings have been depleted, and skills once in demand have been devalued, seriously undermining the ability of rural residents to mediate household vulnerability and risk. In response, vulnerable groups have turned increasingly to the social resources of kin and community (Agocs and

Agocs, 1994). At the same time, evidence suggests that the social networks of the most vulnerable have narrowed as they turn defensively to, and become more dependent upon the narrower resources of their more intensive social networks (see e.g. Sík, 1994). This has occurred at the same time as the state has radically scaled back its redistributive role.

Thus, the rural poor bear a double burden: increasing material poverty coupled with a shrinking base of resources and assets accruing from wider, more extensive networks (see e.g. Angelusz and Tardos, 1999). Hence, understanding inequality across both social and spatial dimensions entails gaining a more complete understanding of the ways in which macro-institutional and social change affects the degree and quality of a variety of social networks (both formal and informal), and the potential resources these networks are able to provide for their members. The following discussion briefly considers three recent methodologically divergent studies which help illustrate these arguments and demonstrate their relevance for understanding both the nature of poverty and inequality in the post-socialist context.

### **Deepening Poverty, Increasing Isolation: Complementary Lessons from Different Methodological Approaches**

#### **QUALITATIVE APPROACHES TO POVERTY ASSESSMENT IN EASTERN EUROPE: DATA FROM WORLD BANK PARTICIPATORY POVERTY ASSESSMENTS (PPAs)**

'If it hadn't been for the help from the village, the children would have died of hunger. My parents supplied us with cooking oil and potatoes and my husband's parents supplied us with heating oil.'

— Armenian mother of three whose husband had ceased contact with the family after leaving to work as a migrant labourer in Irkutsk (Dudwick, 1995).

'I worked my whole life. For 42 years I was officially employed. And now I'm a beggar. I don't have anything. If something happened to me tomorrow, if I lay down and died, it wouldn't matter because no one needs me. This feeling of my own powerlessness, of being unnecessary, of being unprotected, is worst of all.'

— Female pensioner, Ukraine (Wanner and Dudwick, 1996).

As part of an effort to develop and implement poverty alleviation measures incorporating greater sensitivity to local cultural and social contingencies, the World Bank during the 1990s increasingly utilized qualitative methodological approaches in its poverty assessments. 'Participatory Poverty Assessments,' or 'PPAs,' utilize approaches which take advantage of a wide range of qualitative data-gathering methods in order to increase the understanding of the nature of poverty from the perspective of a range of stakeholders. The data used to produce these reports come from focus groups, participant observation, and numerous interviews with individuals, groups and families, yielding information often missed by household surveys and

macro-level quantitative analyses. Between 1995 and 1999, eleven poverty assessments commissioned by the Bank incorporating PPA methods were completed in countries experiencing post-socialist transformation, including Armenia, Georgia, Latvia, Macedonia, Moldova and Ukraine.<sup>2</sup>

The strength of PPA data lies in their capacity to uncover the details of cultural, social and geographical specificity, rather than the generation of broader, generalizable conclusions. At the same time, several clear motifs resonate throughout the Eastern European reports, unifying the reports as a set. PPA-derived reports from Eastern Europe differ from those in other regions because of both the sudden, widespread emergence of extreme economic vulnerability, and the near-complete collapse of state-provided social protections within the region. People whose lives are documented in these reports repeatedly state how they have come fundamentally to depend upon a whole range of informal social networks for securing employment, accessing resources in times of crisis or shock, acquiring valuable information, borrowing money, getting food, and simply maintaining a sense of belonging and community with others. 'Without these simple humane signs of solidarity,' said a respondent from Kharkiv, Ukraine, 'our lives would be utterly unbearable' (Wanner and Dudwick, 1996).

However, a greater dependence upon primary group networks of kin and community has occurred at the expense of further depleting the already overburdened social and material resources of these networks. It has at the same time eroded the 'weak links' to other, broader social networks including those of wealthier community members and extended family. Respondents often hide the extent of their poverty from others out of fear that it will damage their family's reputation and decrease the social mobility of their children. This has been a significant contributing factor to the greater intra-community isolation and social fragmentation experienced in both rural and urban places. In Macedonia the wife of a man who lost his job after 33 years complained bitterly of the situation in which they found themselves. 'I feel my heart aching when somebody comes and we do not even have coffee to offer. I am ashamed of what we have become' (Institute for Sociological and Political-Legal Research, 1998).

Similar stories were reported across all reports in which socializing, characteristic of past times, has been severely curtailed. While in the past, a social call would most likely be met with coffee and cakes or a meal, people now are unable to provide the same levels of hospitality. In Armenia, for instance, 'people hesitate to visit each other for fear of putting their hosts under pressure to provide hospitality they cannot afford. (A respon-

---

<sup>2</sup> Much of the following discussion is based upon Narayan (2000), work in which the author participated. Cites in this section refer to primary sources used in Narayan (2000).

dent) told us she never drops in on neighbours uninvited "because they will assume I have only come for tea or food" (Dudwick, 1995). Those without strong networks experience poverty that is both more severe and prolonged. They are often forced to cut back on expenses by further reducing their diet or by selling their apartments, deepening the risk that their children and grandchildren will experience poverty (Wanner and Dudwick, 1996).

A frequent reaction is shock and profound anxiety over this increased vulnerability. 'Up to a few years ago I didn't even ask myself the question: "what shall I cook?". Today there are times I do not have anything to put on the stove, and this is very difficult for a mother (crying)... before we were not afraid of getting ill, everything was regulated, and there was health protection. Today we pray to God that nobody gets sick. What could we do?' asked a female respondent from Macedonia (Institute for Sociological and Political-Legal Research, 1998). Another from Moldova stated 'There was a time when I had two pigs and about twenty chickens, but now I have nothing. A few years ago my refrigerator was full of sausage. Now the refrigerator is empty. Perhaps God has punished us for our wastefulness in the past' (Desoto and Dudwick, 1997).

While there is greater inequality within urban areas (primarily in the form of increasing income/wealth disparities), poverty tends to be more concentrated and severe in rural areas. Urban residents tend to be able to mitigate their poverty more effectively through various informational resources, better quality health care (as well as better access to such care), and greater access to a fuller cultural and intellectual life (Hofmane, 1997). Many poor urban respondents argued that at least rural dwellers had greater possibilities for self-provisioning. 'What benefit do I have from the fact that everything is in the town? It is even harder for me. You see things but you do not have money for anything. If I could live in the village I would be happy. If I had one small piece of land, I would plant things, breed cattle and say goodbye to poverty' stated a respondent from Macedonia. However, the comments of a rural respondent implied that while there may be some truth in this, it did not always hold true. 'Here in our village there are no hungry people. Whatever you plant will grow. You just have to work. My daughter in-law comes from a mountain village near Ohrid. They could be starving there. They do not have anything else but rocks. It was good before when they could go to work abroad. Now I do not know what they will do' (Institute for Sociological and Political-Legal Research, 1998).

Although one clear advantage held by rural areas is the greater potential for self-provisioning, these areas also tend to suffer disproportionately from lack or insufficiency of basic services, including transportation, health care and education. The report from Macedonia, for instance, notes that while children in more urban areas generally finish secondary school, children in rural areas generally only complete primary school because parents

lack resources to send their children to schools outside the village. The report states that 'this is an especially significant factor as far as children coming from families with limited financial possibilities are concerned since they do not have any alternatives but the nearest school. In this sense children living in small villages with only four-grade primary schools are in worse positions. The possibilities increase with the size of the settlement' (Institute for Sociological and Political-Legal Research, 1998). All of this puts rural people at a distinct structural and spatial disadvantage and lessens their likelihood of escaping poverty or achieving greater social mobility. Those with the resources often leave if they can, reinforcing the structural disadvantage. The report from Ukraine for instance notes that in rural areas 'a deteriorating infrastructure does not in any way encourage the entrepreneurial spirit. A skeletal transportation system hinders any attempts to develop a business. Poor housing, medical, educational and recreational facilities prompt many of the brightest and most ambitious and certainly most of the young to head for the cities, rendering recruitment of trained cadres to rural areas a challenge' (Wanner and Dudwick, 1996).

The reconfiguration of state infrastructure and national economies has created significant strains for the region's poor and rural populations. It has fragmented communities, widened gaps between rich and poor, and redefined social divisions. Much of this has come about as a result of the institutional withdrawal of the state's capacity for regulation and provision of social welfare. In the absence of state protections the most vulnerable have been left in the precarious position of dependence upon their own dwindling sets of assets. Most see it as a vicious cycle with little hope for relief as the rich become richer and the poor sink into further destitution. A Latvian respondent simply stated: 'We have our problems — how to survive; they have their problems — how to guard their fortunes' (Institute of Philosophy and Sociology, 1998).

#### RURAL-URBAN SPATIAL INEQUALITY IN HUNGARY AND THE QUESTION OF RURAL IN-MIGRATION

While much research has clearly demonstrated the ways in which inequality in post-socialist countries occurs along the urban-rural continuum, comparatively little research has been completed illustrating how the process of increasing rural impoverishment has been reflected in demographic trends of population movements. The question of how post-socialist restructuring was reflected in patterns of internal migration, led us to an analysis of internal migration in Hungary focusing on the 1980's and 1990's and the patterns of urban-rural population movements associated with post-socialist economic restructuring (Schafft and Brown, 1999). The data show that a long, steady process of urbanization and population concentration through the 1980's (Hungarian Central Statistical Office, 1998), has turned

to a marked population deconcentration and movement into villages during the 1990's (Figure 1). This poses an apparent paradox: that demographic responses to the economic crisis would entail net movements into areas arguably most negatively affected by economic transformations.

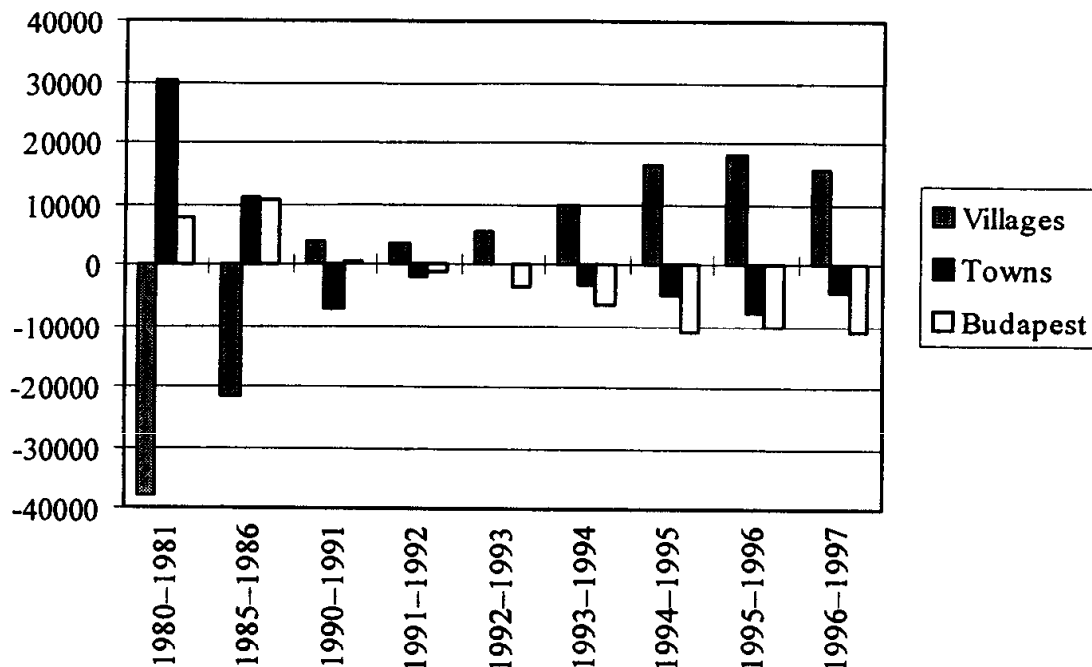


Figure 1. Net migration in Hungary for Budapest, towns and villages, 1980-1997

Source: Statistical Yearbook of Hungary, 1997. Net migration equals the total number of permanent in-migrants minus the total number of permanent out-migrants for each municipal category.

In fact, a large part of this phenomenon reflects a process of suburbanization. We analyzed a computerized file of municipal-level demographic data for the years 1990 and 1994-1997 to compare annualized rates of population change and net migration by types of residence. These data show that in a country experiencing net population declines, Budapest's metropolitan fringe has consistently gained population (Table 1). At the same time, it is interesting to note that villages as a whole, including those located far from urban centres, experienced lower levels of population decline than larger places. This is particularly true in the 1990-1994 period in which rural villages retained their populations at higher rates than even towns near urban centres. Unfortunately net migration figures are limited to 1994-1997. However, villages far from urban centres, along with suburban areas, experienced net internal migration gains. Comparing the rates of change along the two periods, in-migration to rural areas was likely even stronger in 1990-1994.

Table 1

Annualized rates of population change and net migration  
by residence location for the period 1994–1997

	1990–1994	1994–1997	1990–1997	Net Migration, 1994–1997*
Budapest	-1.07	-1.19	-1.10	-20,120
Budapest suburbs**	1.06	1.44	1.25	31,818
Urban centres	-0.57	-0.52	-0.54	-17,085
<b>Near***</b>				
Villages	0.18	-0.03	0.09	23,797
Towns	-0.20	-0.23	-0.21	1,960
<b>Total</b>	<b>0.04</b>	<b>-0.11</b>	<b>-0.03</b>	<b>25,757</b>
<b>Far</b>				
Villages	-0.17	-0.39	-0.26	9,442
Towns	-0.32	-0.61	-0.44	-7,792
<b>Total</b>	<b>-0.24</b>	<b>-0.49</b>	<b>-0.35</b>	<b>1,650</b>
<b>ALL TOTAL</b>	<b>-0.31</b>	<b>-0.39</b>	<b>-0.34</b>	<b>22,020</b>

\* Net migration calculated as the residual of change in population less natural increase.

\*\* Budapest suburbs include all municipalities with 30 km of the outer limits of the Budapest municipal boundary.

\*\*\* 'Near' indicates a location less than or equal to 30 km from an urban centre. 'Far' indicates a location greater than 30 km from an urban centre.

Source: T-Star database, Hungarian Central Statistical Office. Figures extend through the end of the 1997 calendar year.

There are several plausible explanations of net rural in-migration. Rural environments generally have lower associated costs of living, and therefore incomes and other financial resources can be spread further. There are also greater possibilities for self-provisioning through the small-scale raising of crops and livestock. However, there is also reason to believe that the 'pull' of these rural areas may be in part accounted for by the particular types of community and kinship social networks in rural villages which act as a buffer and a collective resource during times of scarcity (Brown and Kulcsar, 1997).

It is for this reason that movements of the newly unemployed back to rural areas may be a particularly 'rational' response to economic crisis (Ladanyi and Szelenyi, 1988). Economically marginal populations and redundant workers are attracted to rural villages by lower living costs, housing availability resulting from earlier rural out-migration, and the resources of kinship ties with family members who retained their rural residence. Rural villages thus become destinations for resettlement. Yet the community



becomes poorer because of the economically marginal populations it attracts and the fact that once there, many become 'trapped' because of the scarce economic possibilities elsewhere.

However suggestive the work may be, it is preliminary and leaves a great many unanswered questions. By examining net migration, we have no way of determining the composition of the migrant streams in which rural areas are either a destination or a point of departure, and thus there is no empirical method, using these data, to determine how these migration patterns contribute to either spatial or social inequality. However, Ladanyi and Szelenyi's (1998) hypothesis of a 'trapped' rural underclass is as compelling as it is disturbing, for if this in large part is what is occurring, it suggests the formation of deepening pockets of rural poverty which attract poor immigrants *precisely because* the underdevelopment of these places makes them economically attractive destinations for economically marginal populations with few other possibilities.

### Using Institutions to Reconnect the Poor

#### THE CASE OF GYPSY MINORITY SELF-GOVERNANCE IN HUNGARY

The case of the rural Gypsy population in Hungary, as elsewhere in the region, provides a clear example of the ways spatial and social dimensions of inequality intersect as well as the ways in which inequality and underdevelopment can interact, spiralling marginalized rural areas deeper into cycles of neglect and impoverishment. While less than 40 per cent of Hungary's total population resides in villages, this is where over 60 per cent of the Gypsy population is located (Havas et al., 1995). This population is particularly concentrated in regions where the economy is especially poor and infrastructure underdeveloped (Abraham and Kertesi, 1996). However, there have been recent legislative and institutional developments which have opened the possibility for many of these communities to access wider institutional resources. In 1993 Hungary enacted legislation designed to help maintain and preserve the 'cultural autonomy' of Hungary's national and ethnic minority populations (Ministry of Foreign Affairs, 1994). A result of this legislation was the creation of institutional structures by which local minority populations can elect minority self-governments.

The primary function of a local minority self-government (LMSG) is to act as a liaison between a municipality's minority population and the local government. Minority government representatives have the legal right to attend all local council meetings and provide input into the decision-making process. While they do not have the power to cast votes, they may veto certain local government decisions concerning local public education, cultivation of traditions and culture and the collective use of language which

directly affect the municipality's minority citizens. Additionally the law enables LMSGs to establish institutions and foundations, particularly in the areas of education and culture, and establish and run foundations and other economic enterprises. They thus have the institutional potential to play a unique role in local economic and community development. In the best cases then, LMSGs function not only to increase the level of minority political participation, increasing the transparency and accountability of local government, but also to act as a local vehicle of change and development. Two rounds of elections were held in 1994 and 1995, and between these two sets of elections 817 LMSGs were formed, representing 12 different national and ethnic minority groups. Gypsy populations, the minority of which at more than 5% of the total population forms Hungary's largest minority group, formed 477 of these. Second-term elections were held in 1998 during which time 1251 LMSGs were formed, of which 721 represented Gypsy constituencies. By virtue of the sheer number of LMSGs formed, it is an institution which has unquestionably reconfigured the landscape of local politics.

Since its inception however, the Minorities Law has been the object of controversy. Some argue that the law's original intent was motivated far more by the possibility of leveraging neighbouring countries to pass similar legislation to the benefit of ethnic Hungarian populations residing outside of the national borders than by true concern for ethnically-drawn inequities existing *within* its borders. As evidence many point to the original drafting of the law which was designated for *national* minorities, but effectively excluded the Gypsies, an *ethnic* minority, from its benefits. The Hungarian government has since been charged with lax or non-enforcement of the law in a number of instances in which Gypsy rights are concerned. Other problems include insufficient funding, lack of adequate training, experience and access to information on the part of the minority representatives, and ambiguously defined rights and responsibilities. These are all factors which have a decided impact on the degree to which a Gypsy LMSG is able to function effectively.

At the same time, there is evidence that despite these criticisms, some LMSGs have managed to forge developmental roles within their communities. In the spring of 1998 a survey questionnaire was posted to all Gypsy self-government leaders.<sup>3</sup> The response rate was 57%, representing 19 of Hungary's 20 counties (including Budapest). These respondents indicated that under-funding, lack of resources and political inexperience presented serious challenges, even forcing many LMSGs to cease operations. Others however had managed to use the institution as a way of attracting outside resources to their communities. With funding and assistance from a variety

---

<sup>3</sup> The following discussion refers primarily to Schafft and Brown (2000).

of public and private sources, 78% of Gypsy LMSG leaders reported that their LMSGs were involved in providing housing and other social assistance to their constituencies. Sixty one per cent were involved in or had helped to initiate job training programmes and/or local educational support programmes including textbook subsidization for school children, adult secondary school diploma courses and in some cases computer training workshops. Other LMSGs were instrumental in providing agricultural assistance by organizing municipally-held land for private, small-scale production, and providing seeds and inputs at reduced or deferred costs. One leader from a northern county wrote 'nowadays not only the Gypsies go to us asking for help, but many members of the majority community, and they also help us in our work.'

We wanted to determine whether the type and degree of informal social networks at the local level would have an effect on the institutional capacity of Gypsy minority self governments (as measured by the degree to which a Roma LMSG is able to effect positive developmental outcomes in its community by fostering increased minority political participation, the development and implementation of projects contributing towards economic development, and the improvement of relations and communication between minority and majority groups). We took a 'strong tie'/'weak tie' approach, and from the questionnaire items developed scales measuring levels of trust and cooperation within the local Gypsy population and between Gypsies and ethnic Hungarians. We further measured formal institutional linkages between the LMSGs and external buttressing organizations including NGOs and governmental agencies connected with Gypsy affairs. Statistical analyses indicated that over 50% of the variation in LMSG institutional capacity was accounted for by these three measures, holding socio-economic factors constant.

The research on minority self-governance provides an example of how legislated policy measures can be put in place to create an institutional structure for the inclusion of marginalized groups in local political processes. The aggregate-level quantitative analysis indicates that community cohesiveness and norms of trust and reciprocity at the local level are positively associated with the institutional capacity of the LMSG, and moreover that Hungary's legislation on its minority populations provides an important institutional space for grassroots development to occur. In the case of Hungary, local minority self-governments can *potentially* result in enhanced social, economic and civil sphere engagement. They have had the effect, in many instances, of turning rural residents from passive recipients of external aid and assistance into agents of local change.

While these success stories are exceptions to the rule, these 'exceptions' must be examined carefully to determine *why* they are exceptions. However, it does appear as though cohesive, inclusive communities are more

likely to produce LMSGs which function better by increasing political representation, helping to shape local decision making and bringing in outside financial and technical support. Clearly there is a role for buttressing organizations to help communities work collaboratively. In Hungary, several NGOs have helped take on this role. *Partners Hungary*, for example, has worked actively to provide conflict resolution assistance to communities and local governments working with minority governments. The Open Society's *Local Government Initiative* has done similar work and has provided innovative training programmes to local minority representatives, helping to boost the capacity of both LMSGs and local governments. The *Democracy Network* has likewise provided technical assistance including grant-writing workshops for minority government representatives. *The Fund for the Development of the Carpathian Euroregion* has funded a number of innovative local development projects, all with grassroots origins, and designed to build new links within and between ethnically diverse communities. All of these efforts have functioned to increase the collaborative capacity of diverse communities while at the same time helping to integrate them into broader institutional frameworks.

### Conclusions

The transformations in Eastern and East Central Europe have not only resulted in *overall* increased inequality, further exacerbating inequalities which already existed or were at least latent, but with the disappearance or devaluation of key assets for certain segments of the population, *new* social cleavages have been created, further separating the needy from the well-to-do. These policy changes of the 1990s undermining social welfare are the result of inherently political choices<sup>4</sup> reflecting an imperative of market integration and economic efficiency over the safeguarding of social welfare for especially vulnerable groups.<sup>5</sup> As a result, policy responses to social

---

<sup>4</sup> Szelenyi and Kostello (1998) for instance note that around 1990 all Eastern European countries declared their intent to privatize industry, ending state control of production even though approximately 90 per cent of the population's workforce held jobs in the public sphere. However, they argue, privatization 'was a wise strategy for certain elements of the past elite for converting their political capital into economic capital and for the preservation of their social privileges in the transition from a one-party state' (319). Many of these economic policies were also in large part leveraged by multilateral lending institutions like the International Monetary Fund (IMF) as a way of increasing 'market responsiveness' in socialist and post-socialist economies (McMichael, 1996).

<sup>5</sup> The distinction between these two imperatives, however, has frequently been obscured by neo-liberal economic agendas in their claim that 'a rising tide will lift all boats.' This assumes, metaphorically speaking, that all boats are seaworthy.

welfare needs have been largely *laissez-faire* at a time when many are least equipped to cope.

This should give us cause for reflection as we consider the directions rural development should take in the years ahead. There is overwhelming evidence that while the 1990s brought prosperity and progress to the region, democratization of institutions and new civil spheres, the benefits of these changes, and in particular the economic benefits, have been inherently uneven, creating prosperity for some, insecurity and vulnerability for others. Rural areas in particular have lost out and currently in many areas there are deepening pockets of rural poverty for which little relief appears to be in sight.

Each of the pieces of research discussed within this article detail in one way or another how vulnerable populations have responded to these changing institutional environments and how the resources of social networks have functioned as important assets in managing risk and vulnerability. They reveal patterns suggesting how deeply vulnerable groups depend on social networks when formal institutional supports are removed. More explicitly, 'strong ties' of immediate friends and family are relied upon extensively as weaker ties to broader social networks are eroded. While 'strong ties' may enhance local cohesion and serve as a *proximal* resource for vulnerable groups, without meaningful linkages to wider formal and informal networks, increased social fragmentation and isolation of the most vulnerable will be the likely result. Social interaction, however, does not occur within a political vacuum, but rather is shaped by (and in some instances helps to shape) the institutional contexts in which it is embedded. Effective policy formation addressing poverty and rural underdevelopment must therefore be mindful of the ways in which institutional change affects both economic vulnerability as well as the capacity of formal and informal social networks to mediate that vulnerability.

### Bibliography

- Abraham, Arpad, and Gabor Kertesi (1997), *Regional Unemployment Differentials in Hungary, 1990–1995: The Changing Role of Race and Human Capital*, [in:] L. Halpern and C. Wyplocz (eds.), *Hungary: Towards a Market Economy*, Cambridge University Press, Cambridge.
- Agocs, Peter, and Sandor Agocs (1994), 'The Change Was But An Unfulfilled Promise': *Agriculture and the Rural Population in Post-Communist Hungary*, *East European Politics and Societies*, Vol. 8, pp. 32–57.
- Albert, Fruzsina, and Beáta Dávid (1999), *About Friends*, [in:] Tamás Kolosi, Istvan György Tóth, and György Vukovich (eds.), *Social Report 1998*, TÁRKI, Budapest.
- Angelusz, Róbert, and Róbert Tardos (1999), *Changing Patterns of Social Network Resources in the Nineties*, [in:] Tamás Kolosi, Istvan György Tóth, and György Vukovich (eds.), *Social Report 1998*, TÁRKI, Budapest.

- Bodnár, Judit, and József Böröcz (1998), *Housing Advantages for the Better Connected? Institutional Segmentation, Settlement Type and Social Network Effects in Hungary's Late State-Socialist Housing Inequalities*, *Social Forces*, Vol. 76, pp. 1275–1304.
- Brown, David L., and Laszlo Kulcsar (1997), *Interhousehold Exchange in Hungary*, Paper presented at the 60th annual meeting of the Rural Sociological Society in Toronto, Canada, Aug. 14, 1997.
- Desoto, Herine G., and Nora Dudwick (1997), *Poverty in Moldova: The Social Dimensions of the Transition, June 1996–May 1997*, World Bank, Washington, DC.
- Dudwick, Nora (1995), *A Qualitative Assessment of the Living Standards of the Armenian Population, October 1994–March 1995*, World Bank, Washington, DC.
- Granovetter, Mark (1973), *The Strength of Weak Ties*, *American Journal of Sociology*, Vol. 78, pp. 1360–1380.
- Granovetter, Mark (1985), *Economic Action and Social Structure: The Problem of Embeddedness*, *American Journal of Sociology*, Vol. 91, No. 3, pp. 481–510.
- Havas, Gabor, Gabor Kertesi, and Istvan Kemeny (1995), *The Statistics of Deprivation*, *The Hungarian Quarterly*, Vol. 36, No. 138, pp. 67–80.
- Hofmane, L. (1997), *Report on the Qualitative Analysis Research Into Living Standards of Inhabitants in Aluksane District*, World Bank, Washington, DC.
- Hungarian Central Statistical Office (1998), *Statistical Yearbook of Hungary, 1997*, Hungarian Central Statistical Office, Budapest.
- Institute of Philosophy and Sociology (1998), *Listening to the Poor: A Social Assessment of Poverty in Latvia*, Institute of Philosophy and Sociology, Riga.
- Institute for Sociological and Political-Legal Research (1998), *Qualitative Analysis of the Living Standard of the Population of the Republic of Macedonia*, Institute for Sociological and Political-Legal Research, Skopje.
- Kuczi, Tibor, and Csaba Makó (1997), *Towards Industrial Districts? Small-Firm Networking in Hungary*, [in:] Gernot Grabher and David Stark (eds.), *Restructuring Networks: Legacies, Linkages, and Localities in Postsocialism*, Oxford, New York.
- Ladanyi, Janos, and Ivan Szelenyi (1998), *Class, Ethnicity and Urban Restructuring in Postcommunist Hungary*, [in:] Gyorgy Enyedi (ed.), *Social Change and Urban Restructuring in Central Europe*, Akademiai Kiado, Budapest.
- McMichael, Philip (1996), *Development and Social Change*, Pine Forge Press, Thousand Oaks.
- Ministry of Foreign Affairs (1994), *A brief summary of Act LXXVII of 1993 on the rights of national and ethnic minorities*, Fact Sheets on Hungary #3, Ministry of Foreign Affairs, Budapest.
- Narayan, Deepa, with Raj Patel, Kai Schafft, Anne Rademacher and Sarah Koch-Schulte (2000), *Voices of the Poor: Can Anyone Hear Us?*, Oxford University Press, New York.
- Schafft, Kai and David L. Brown (1999), *Patterns of Population Redistribution in Hungary and the Consequences of Post-Socialist Restructuring*, Paper delivered at the 62nd Annual Meeting of the Rural Sociological Society, August 5, Chicago, Illinois.

- Schafft, Kai A. and David L. Brown (2000), *Social Capital and Grassroots Development: The Case of Roma Self Governance in Hungary*, *Social Problems*, Vol. 47 (2).
- Sik, Endre (1988), *Reciprocal Exchange of Labor in Hungary*, [in:] R. E. Pahl (ed.), *On Work: Historical, Comparative and Theoretical Approaches*, Basil Blackwell, New York.
- Sik, Endre (1994), *Network Capital in Capitalist, Communist and Post-Communist Societies*, *International Contributions to Labour Studies*, Vol. 4, pp. 73–93.
- Stark, David (1996), *Recombinant Property in East European Capitalism*, *American Journal of Sociology*, Vol. 101, pp. 993–1027.
- Szamuely, Laszlo (1996), *The Social Costs of Transformation in Central and Eastern Europe*, *The Hungarian Quarterly*, Vol. 37, pp. 54–69.
- Szelenyi, Ivan, and Eric Kostello (1998), *Outline of an Institutional Theory of Inequality: The Case of Socialist and Postcommunist Eastern Europe*, [in:] Mary C. Brinton and Victor Nee (eds.), *The New Institutionalism in Sociology*, Russell Sage Foundation, New York.
- Wallace, Claire (1999), *Investing in Social Capital: The Case of Small-Scale, Cross-Border Traders in Post-Communist Central Europe*, *International Journal of Urban and Regional Research*, Vol. 23, pp. 751–770.
- Wanner, Catherine, and Nora Dudwick (1996), *Ethnographic Study of Poverty in Ukraine, October 1995–March 1996*, World Bank, Washington, DC.