
RESEARCH REPORTS

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EXPERIENCES IN A SMALL TOWN DURING THE TRANSITION

The research reported here was carried out in the period from September 1990 to February 1991, at a time when Hungary was going through the second phase of the so-called system change from a one-party system and a largely state-controlled economy to a multi-party system and a market economy. This phase was marked by the municipal government elections. We wanted to learn about the experience of these events in Szentendre, a small, and in many respects unique, town in Pest County. The investigation centred upon specific groups in local society. We aimed to find out how the members of different social groups experienced and felt about these changes. Our aim was not so much a comprehensive survey of the town as rather a 'snapshot' of its major economic and political actors.

We conducted in-depth interviews and collected the main data on the elections. We focussed on three groups: firstly, entrepreneurs, whom we asked about shifts in the business environment, and about their own situations and prospects; secondly, we spoke to the incumbents of leading positions within the state sector, the managers of state-owned or communal firms and cooperatives; and thirdly, we interviewed political actors, the local leaders of the old party and of the new parties, incumbents of positions in the former town council and its institutions. Both the old council functionaries and the members of the new local self-government were interviewed. The following report attempts to sum up the main features of the picture that emerged from our seventy interviews.

The town of Szentendre with its almost 20,000 inhabitants is a tourist centre near Budapest. In the 1980s it underwent a development which was contradictory in several respects. Due to the policies of the Pest County first secretary as well as of the chief cultural politician of the Hungarian Socialist Workers Party, the town was turned from above into a showpiece of development. The centrally provided funds produced questionable results. The construction of a highway through the town practically cut it into two separate parts. The housing estates, built for the commuters to Budapest, inserted a foreign element into the texture of the town. The creation of a dozen of little museums in the historical centre also came to honour mediocre artists. The partly spontaneous, partly planned development into a centre of tourism clashed with the interests of local residents, particularly of the inhabitants of the old town. The tax system effectively prevented them from getting a share of the income from tourism.

The forced development of tourism lured business 'sharks' into the town already in the early 1980s. Their aggressive expansion and ties to certain local council dignitaries became a constant topic of gossip. The Cultural Centre and Library of Pest County, presented to Szentendre as a kind of reward, could not be integrated into the life of the town, due to the aversion of both the local residents and the municipal council. The attention paid to Szentendre from the higher echelons of the party also filled the leading positions in the town's museums and schools with old or failed lower and middle level functionaries of the central party organization.

In the 1980s, the political leaders of the town, including the last local MSzMP party secretary, followed a more liberal policy than usual at that time in Hungary. This might account for the fact that the locally founded Petőfi Society for the Preservation of Traditions opened itself to several members of the then illegal political opposition; indeed, Szentendre was one of the cradles of the MDF (Hungarian Democratic Forum, the leading party in the government coalition of 1990–1994).

In the second half of the 1980s the local MSzMP leaders supported liberal thought and local civil initiatives, shielding them from the interference of the county level party organizations.

Hungary's first MDF organization was formed in this more liberal climate by members of the above mentioned Petőfi Society. The course of political change in Szentendre was similar to that which took place all over the country: the first new type political organization, the MDF absorbed most of the people who had been eager to join an oppositional party (this also happened with other strong local MDF branches). Having been the first brought the MDF significant advantages in Szentendre. It won the general election by a landslide and not until the local government elections could any other party figure in Szentendre's political scene. The Christian Democratic People's Party (KDNP) was small and silent. It remained insignificant in spite of its close ties to the Church. It proved unable to put up a suitable, generally respected candidate for the elections. The SzDSz (Alliance of Free Democrats, the largest parliamentary opposition party after the spring 1990 general election) appeared here belatedly and recruited only a few dozen members. It attracted mainly intellectuals who were more attached to Budapest than Szentendre. Nevertheless, in conformity with the general nationwide trend, it won the local government election of autumn 1990 together with Fidesz (Alliance of Young Democrats).

The local election result surprised the SzDSz most, for it had not been prepared for a victory and lacked both staff and programme. Indeed, it was not the local SzDSz that defeated the local MDF, but rather the national MDF lost against the national SzDSz. In Szentendre, the local SzDSz and its candidates were practically unknown to the voters.

The FKGP (Independent Smallholders' Party) is regarded with much interest in Szentendre, due to its noisy internal strife which seems to mirror the characteristics and scandals of its national organization. Its first local leadership was soon ousted by a new group, headed by the generally disliked owner of a big enterprise. The FKGP

became popular among the wealthier but less educated entrepreneurs in the town. This case illustrates a generally perceptible trend, namely that the more well-off entrepreneurs about to move into a larger scale of business tend to use the local FKGP organization for converting their economic capital to political capital. Suffice it to note that the local FKGP newspaper is sponsored by private businessmen, its articles reflecting their opinions and general outlook.

The political spectrum had been further modified by a split within the MDF, due to personal quarrels and struggles for positions of power. As a consequence, several former adherents of the MDF entered the race for the seats in the municipal government as independent candidates.

The SzDSz and Fidesz won the majority of seats in the municipal assembly, but soon became bogged down in political and personal conflicts. Like many other local governments, that of Szentendre was prey to endless and futile disputes and constantly changing coalitions, which made made operational decision-making impossible. The immature and rootless parties had no concrete programmes. They put people in positions of power who had failed to work out a consensus within their respective organizations prior to the elections. (That would have required agreement at least in some basic objectives.) The local assembly finally elected a mayor after several failed attempts but after many months of deliberation they still could not agree on who should be the town clerk. The former head of the local administration, a well-trained and experienced professional, was fired. He was subsequently employed as town clerk by the local government of Budapest's fifth district.

In the first months of its existence, the new local government was preoccupied with its own disorganized state, paying insufficient attention to the affairs of the town. Decisions fell victim to the permanent disputes over power.

While the lack of conceptions and programmes and the stalemate in the power struggles slowed down political change, the private business sector bustled with activity. The parties were, despite their prehistory in the Petőfi Society of the 1980s, pushing people into the political arena who had never been involved in politics before and had no experience in systematically formulating programmes of action. The internal operation of the parties and their systems of selection had not yet taken form. They often had difficulties in finding and putting up candidates for the elections. In contrast, private business had a significant tradition in Szentendre. Many local craftsmen and traders had inherited their shops from their parents. The boom of the 1980s also led to the emergence of a group of businessmen, genuine entrepreneurs and capitalists, who were only partly bound to the town. In the 1980s Szentendre became a typical mercantile town, particularly as regards its tourism-oriented centre. This new state of affairs provoked several conflicts.

In our description of the group of craftsmen and traders we shall refer to them as entrepreneurs. We discerned at least three subgroups among them. The first comprises local people who were either born here or have been operating in the town for decades. Their enterprises are small, their activities are almost exclusively trade-bound, and they

have never shown much interest in politics. The second group embraces local residents who have expanded their businesses beyond traditional small-scale trade and production. They have been joined by entrepreneurs who lack traditional links with the town but have in recent years actively sought to engage themselves in the life of the town by participating in public life and sponsoring the construction of roads, the renovation of churches, etc. In the third group, we find people with practically no links with, or interest in, the town. They are big entrepreneurs who avail themselves of the favourable business opportunities provided by the town, but who have business outlets and capital investments in other places as well.

This stratification of private enterprise feeds several conflicts. The first and still persistent conflict broke out in the struggle for space in the town centre. There is much gossip about the close connections between entrepreneurs and certain departments or persons in the local council, particularly in the Department of Construction and Public Works. It is implied that entrepreneurs bought up the houses in the centre with the approval, and even assistance of the council, forcing the residents to move (some speak of outright 'evictions'). A good number of the 'relocated' had no choice but to resign themselves to the 'concrete jungle' of one of the new housing estates. The entrepreneurs, mainly those of our third group, have, in fact, taken over the town centre. Those who managed to remain there have formed an Association for the Defense of Inner City Residents which aims to represent the interests of residents against the entrepreneurs and the local government, but so far with little success. But its activity at least demonstrates that it is possible to create organized representation for other than business interests. A similar association has also been formed in the Izbég district of the town. It has achieved a significant compromise with the nearby small vehicle factory that polluted the environment in the area. The Izbég Association also sent a delegate to the meetings of the local government. Thus the residents' associations are acquiring growing influence in the life of the town.

The private business sector is divided in itself. This is evident in its relations with political organisations and professional associations. The earlier associations continue to exist, but their weight and significance is waning. During the period of transition, entrepreneurs, small merchants and craftsmen tried to found a board of trade and industry as their own organisation. It has been plagued by deep conflicts from the very start. Several board members turned out to be using this form of association to further their own political careers and to form connections that might become beneficial to their own enterprises. This divided the membership and made many board members, mainly entrepreneurs of our first group, withdraw and abstain from activity in the association. The remaining members could then implement a decision that the board of trade and industry would side with the Independent Smallholders' Party and support its election campaign.

This plainly indicates that the third group, the 'big' entrepreneurs, have taken over the main positions of power in the administration of the board. Entrepreneurs of the first and second groups have withdrawn in disgust. In the interviews, many of them

spoke of their loathing for politics, whether in the past or in the course of the present changes. They admitted that they used to have some hopes but the events which accompanied the elections have again scared them away from politics.

The interviews also indicated the respondents' awareness that political activity and involvement in associations made great demands on their time. The second group of entrepreneurs have much more time to spare and devote to these activities than the first. This also aggravates their conflict and widens the gap between their capabilities of promoting their interests.

Private enterprise underwent significant changes in this period. Its movement is much less constrained now than it used to be before the system change. The new situation is reflected in both professional and political activities. The increased freedom of movement has, however, also increased differentiation among private entrepreneurs and their subsequent polarization. Attempts on their part to convert financial capital into political capital can be expected to gain momentum either in a manifest or in a more concealed form. The signs are already clearly visible. Big entrepreneurs seek to establish good connections not only with the local government, but also with the police. At the time of our research they were planning to buy cars and short-wave radio transmitters for the police. Such aid will obviously strengthen their other political and economic ties.

At the same time there have appeared civil associations which, although as yet weak, will probably become strong opponents of the private business sector when they are better organized.

The trade-off between the Izbég Association and the small vehicle factory offers a good example. The factory has agreed to cease releasing some (although not all) harmful substances into the environment. The Izbég Association will, in turn, stop its campaign for the removal of the factory. In return, the factory offers regular financial support for the association and delegates its director onto the association's board. This is a new, so far not seen form of the interpenetration of the economic and political spheres.

The third field of our research involved the cooperatives, state-owned companies and public utilities. Since the last mentioned showed no signs of change at the time of our investigations, we shall discuss here only our experiences concerning cooperatives and state-owned companies.

While certain sectors of the private economy are enjoying an upswing, the state sphere is clearly in decline and shows signs of a crisis. Almost all its firms complain of the lack of orders. They anticipate further inevitable cutbacks in the workforce. Their managers find themselves in an awkward position. They are aware of the necessity of economic change and they tend to acknowledge certain of its advantages. They speak of the necessity and the benefits of embarking on new projects, yet they are unable to exploit the new opportunities these may provide. The structure and the size of the previously developed capacities were adapted to a different form of market relations. Nevertheless they could be used now to advantage. However, the know-how, the kind of thinking and imagination that more enterprising methods would require are missing,

and the sector as a whole either lacks scope for manoeuvre or, as in the cooperatives, initiative. We did not meet a single manager from a state company or a cooperative who had a practical conception for the future. The collapse of the old markets (particularly its extent) had simply surprised them. The manager of the local construction firm, for example, had been used to a comfortable position in which municipal orders always provided the firm with work. With the disappearance of this protective shield, the situation has become difficult. Not only demand has diminished but cooperatives and state-owned firms also find themselves in competition for orders with private businesses even in their own town.

In this group of managers, political opinions also merit notice. Although all of them achieved their leading positions in the old system, their careers were only loosely connected with the MSzMP. Most of them joined its ranks only after having reached a leading position, usually after a shorter or longer period of urging by MSzMP functionaries (in some cases 'persuasion' needed more than a decade to succeed). Of the 19 interviewed managers in the state sector, only one gained his position as a political reward, while the rest had clearly been promoted on the basis of their qualifications. This is also reflected in their political views: with one exception, all of them agreed with the system change and regarded it as expressly beneficial for the economy. Their political opinions were, in general, neutral and reserved or showed a slight leftist bias. This, combined with their own biographies and habits formed in the old system, accounts for the fact that it seriously troubles them to have to fire workers, particularly family breadwinners and people near retirement age. This attitude seems to be common across the country. These managers cannot cope with these dilemmas and the stress they involve. Their enterprising initiative is also curbed by such sympathies.

The presence of the state sector in the life of the town has changed considerably. The prevailing liberal attitude had for many years successfully prevented the exercise of party power, and even its coordinating role vanished completely after 1986. Earlier the party had mainly functioned as a coordinator of projects and contributions, providing the directors of local state enterprises with an opportunity to get acquainted with each other's work, activities, problems and plans. This coordinating function gradually decreased and finally stopped with the system change. Almost all the directors complained of the lack of this coordination and spoke of the need for a chamber of commerce, business club or some other institution designed to perform this coordinating function. Indeed, one manager has already made the first steps towards establishing such a business club or organization. The interviews also indicate that the absence of such institutions is due to the disintegration that accompanied the system change and robbed business units of the channels of local business deals.

With the failure of cooperation among economic organizations in the state and cooperative spheres, with the loss of business partners consequent upon downsizing, the role of these economic units in the public life of the town has also diminished. The former practice of bargaining with the local council and party organization used to secure them a role in local public life. Although they had never formed a strong economic

lobby, the local political leadership often took action to defend the interests of local economic units. This 'safety net' is gone. Also gone are — if only temporarily — the customary 'donations' of the local enterprises to the town (the paper factory provided envelopes, the cement factory construction materials and help in the renovation of children's playgrounds, etc.). These connections have been so radically cut that the new local government, for political or other reasons, sternly refuses to establish contacts with these enterprises or to welcome the overtures of the companies in that direction. And this despite the fact that the present mayor himself was formerly the deputy-director of the local cement factory. The Mayor's Office seems oblivious of the difficulties the town may experience if the state sector is forced drastically to reduce its workforce. None of the means for generating the necessary cooperation has been considered and no conceptions formulated as regards the form and extent of reliance on the diversely owned economic organizations in placing public orders. The emergence of new lobbies is to be expected, among others in connection with privatisation for which the local government does not seem to be prepared. As in so many other fields, it lacks both information and experience. The state and cooperative enterprises are in decline, yet their leaders have just begun considering ways of adaptation. They have no idea how privatisation, private enterprise and all the other trendy changes will affect the future of their enterprises. This uncertainty marks their attitudes to the prospects of the companies under their direction and to the fate of their own economic positions. Some experience this with great anxiety. The transition has pushed them to the margins of public and political life, and cut their old business connections which used to secure them orders and coordination. Their fears, insecurity and sense of desolation may account for the fact that, at least up to the time of our research, they have not made any remarkable effort to promote their interests. Their tentative attempts to get in touch with the local government have failed. The successes of the private economic sphere do not exactly strengthen their self-confidence, either. Their passivity is indirectly revealed in their conspicuously low key opinions on current political issues, although they are probably among the better informed by virtue of their past and present situations.

Our aim with this field study was to obtain an initial overview of public life, economic and political conditions in the town of Szentendre at the time of the first local elections after the system change. Our findings indicate that the situation was characterized then by uncertainty, disintegration and the emergence of certain new trends in embryonic form. There was new political activity, but, lacking a new institutional system, it gave rise to serious conflicts, tensions, blockages and resulted in inefficient operation. There were as yet no programmes or conceptions, and the culture of bargaining and negotiation had not yet taken root. The rudimentary parties put their stamp on all institutions with which they came in contact. Changes in the private economic sphere, begun a few years earlier, gained in momentum and enlivened the stratum of capitalist entrepreneurs who will probably often come into conflict both with the local residents and the local government, and with the enterprises in other economic sectors. Capital has entered political life, buying political influence and increasing the interpenetration of business

and politics. The organization of local residents and small entrepreneurs has also begun, but is as yet capable of little influence and efficiency due to a lack of experience.

Money-controlled politics proved to function more efficiently and self-confidently than well-organized civil associations. The private sector has started to develop its own cooperation network, the more prosperous entrepreneurs and their organizations strive to involve local small entrepreneurs, individuals and economic organizations in their own business and thus provide work for local people. They try to take an active part in local public life and offer the town their services. For the time being the state sphere is neglected and uncertain in its prospects because of the expected economic and political changes, privatisation in particular. This is evident not only in its organization, but also in the attitudes of its leaders. Their past and their former positions and attachments hindered them in developing a proper entrepreneurial attitude to business. They are fighting for the survival of their economic units and they have just made the first step in this direction by reducing superfluous capacities and workforce. But precisely this step entailed a conflict between their traditionally leftist attitudes and the necessity of firing their employees. Their old connections have collapsed and their sense of insecurity impedes the establishment of new ones.

In sum, the old world is dissolving and the new has not yet taken root. These were the facts and experiences of the transitional stage that we could register in the course of our research in the town of Szentendre.