Different Scales of Uneven Development – in a (No Longer) Post-socialist Hungary

Abstract

The article analyses the causes of spatial inequalities in post-socialist Hungary from a Marxist approach. Socioeconomic and spatial differentiation between east and west of Hungary is a topic of debate that has gone beyond the academia. Regional disparities of the economic development of the country have increased during the postsocialist transition period and have not improved since the entry into the European Union. In this sense, spatial inequalities are, undoubtedly, the geographical proofs of the capitalist mode of production and to understand the current features of the production and reproduction of these inequalities is necessary to analyse the social conditions such as gender and ethnicity. The rise of regional inequalities in the Hungarian economy since the political change has been accompanied by changes in the division of labour and in the capital and, thus, creating new models of regional disparities in the economy. The unequal development of Hungary at different geographical scales shows that is the logic of the capital who rules the inequalities, as regional as urban.

Key words: regional inequalities, geographical scales, Postsocialist Hungary, gender, ethnicity.
Resum

Escales geogràfiques de desenvolupament desigual a l’Hongria postsocialista

L’article analitza les causes de les disparitats espacials actuals a Hongria des d’una perspectiva marxista. La diferenciació socioeconòmica i espacial entre l’est i l’oest d’Hongria és un tema de debat que ha traspasat el món acadèmic. Les desigualtats regionals del desenvolupament econòmic del país, que es consideraven moderades, s’han incrementat en l’època de transició postsocialista i no sembla que hagin millorat després de l’entrada del país a la Unió Europea. En aquest sentit, les desigualtats espacials a Hongria són, inqüestionablement, les manifestacions geogràfiques del mode de producció capitalista i per entendre les actuals característiques de la producció i reproducció d’aquestes desigualtats, cal analitzar les condicions socials, com per exemple les derivades del gènere i de l’etnicitat. L’aprofundiment de les disparitats regionals a l’economia hongaresa des del canvi polític ha anat acompanyat de canvis en la divisió sectorial del treball i del capital, que han creat nous models de disparitats espacials en l’economia. El desenvolupament desigual d’Hongria en diferents escales geogràfiques demostra que la lògica del capital és qui mena les desigualtats tant regionals com urbanes.

Paraules clau: desigualtats regionals, escales geogràfiques, Hongria postsocialista, gènere, etnicitat.

Resumen

Escalas geográficas de desarrollo desigual en la Hungría postsocialista

El artículo analiza las causas de las disparidades espaciales actuales en Hungría desde una perspectiva marxista. La diferenciación socioeconómica y espacial entre el este y el oeste de Hungría es un tema de debate que ha trascendido el mundo académico. Las desigualdades regionales del desarrollo económico del país, que se consideraban moderadas, han aumentado en la época de la transición postsocialista y no parece que hayan mejorado después de la entrada del país en la Unión Europea. En este sentido, las desigualdades espaciales en Hungría son, inquestionablemente, las manifestaciones geográficas del modo de producción capitalista y para entender las actuales características de la producción y reproducción de estas desigualdades hay que analizar las condiciones sociales, por ejemplo las derivadas del género y la etnicidad. El aumento de las disparidades regionales en la economía húngara des del cambio político ha ido acompañado de cambios en la división sectorial del trabajo y del capital, que han creado nuevos modelos de disparidades espaciales en la economía.
El desarrollo desigual de Hungría en diferentes escalas geográficas demuestra que la lógica del capital es quien rige las desigualdades tanto regionales como urbanas.

**Palabras clave:** desigualdades regionales, escalas geográficas, Hungría post-socialista, género, etnicidad.

“Unfortunately, EU accession comes from THAT direction. If Hungary accedes to the EU, we’ll be the last to notice it. Nobody comes here. Everything and everybody stops at the River Tisza. The soil is of poor quality, there’s no infrastructure, no roads, nothing at all. The cities in West Transdanubia, Transdanubia and maybe the region between the Danube and the Tisza are still accessible. There’re airports there. Here we’ve got nothing, only low quality soil. Western Europeans don’t want this or marshland or aspen groves. There’s nothing in it for them. The same with village tourism here. This is backwater … a ditch that is jumped over.”

The deep rift between the East and the West of the Hungary awaiting EU accession in 2004 was painfully imprinted on the mental map of a dam-keeper from a poor village in one of Hungary’s economically most backward micro-regions who wanted to break out from his bleak financial situation by running a small business that repeatedly failed to take off (Figure 1). In contrast to the state frontiers dissolved by economic development from the West, he views the River Tisza as a border that cannot be crossed, with ‘virtually redlined’ areas of the global economy to the East of the river, “experiencing the most intensely debilitating effects of uneven development”.¹

Socio-economic-spatial differentiation in the post-socialist transition has become a key issue in both the day-to-day existence and the learning process of the social sciences. Sociologists talk about “unleashed social inequalities”. The difference between the upper and the lower deciles of the society was less than 5-fold in 1987. In contrast, it soared to nearly 10-fold in 2000 (Ferge, 2000, 2002). Regional inequalities of economic development, which used to be somewhat more moderate, also rose: the difference – in terms of GDP per capita – between the most and the least developed of the 7 NUTS2 regions is estimated to have risen from 1.5-fold to 2.6-fold between 1975 and 2002 (Nemes Nagy, 2005). Although less dramatic, the vision of a rift between the Eastern and Western parts of the country also surfaced at the level of academic discourse. Although most will reject this vision, debate over increase vs.

¹. This description was provided by Smith (2000: 868) in reference to Sub-Saharan Africa.
decrease in spatial inequalities, i.e. convergence vs. divergence has been around since the 1990s. A number of geographers have examined the degree of inequalities in different geographical scales rather than the integration of micro- and macro scales. Generally speaking, adopting a positivist approach, Hungarian geographers focus on the issue of “how” rather than that of “why”. Numerous analysts map out trends in spatial disparities, while just a few are attracted to fathoming their root causes. When they\(^2\) are, the latter

- mostly apply mathematical methods to identifying the factors that shape inequalities, labeling such factors as “social”, “economic” or “infrastructural”. They would sooner measure their “explanatory power” than explain the nature of their connections.
- study the issues related to the one-off nature of a political transition, or the particular historic event of 1989-90,\(^3\) suggesting (or explicitly arguing for) the transient nature of inequalities – or, at least, of the growth in them.
- refer to the current period exclusively as a “transition from the state socialism/state owned/planned economy” to a “privatized market economy”. They refuse to contribute to the debate going on in Western geography on

2. The author of this study also accepts part of the critique mentioned here.
3. Levelling criticism against conceptualising poverty, sociologist Júlia Szalai (2002) also addresses a similar issue.
the length of time during which “post-socialism” is a useful category in studying spatial processes and when transformation should be regarded as complete (see e.g. in Bradshow and Stenning 2004). They mainly restrict themselves to providing information on similar debates in sociology and economics in Hungary; at best, they raise issues (see in Timár et al. 2005). Probing into the causes of spatial inequalities, they fail to adopt the kind of system approach to their arguments/counter-arguments that, for instance, sociologist Ferge (2000) adopts in her arguments challenging the explanation that Kolosi (2000) offers for the nature of changes in the social structure. The latter argues that the political changeover in Hungary has led to a shift in the delicate balance between redistribution and the market, i.e. the two forces/mechanisms that also existed in the socialist era and can generate and mitigate inequalities in different ways. In contrast, Ferge claims that we are seeing a more pervasive structural transformation, and that it is the structuring forces that change: power relations that dissected the society have been replaced by capital relations. Geography in Hungary seems to ignore the presence of a capitalist society/capitalism or new capitalism as some sociologists call it. It studies “developed and underdeveloped areas”, giving the impression that social relations, not to mention the “mode of production”, are outside of the scope of its research.

This relates to general beliefs in the impartiality of science, the dominance of the concept of space that separates abstract spatial forms from concrete social processes and, last but not least, the embryonic state of critical geography and the negative overtones that Marxist terminology carries. Thus, it is hardly surprising that no interpretation of uneven development, corresponding to what Marxist geography offers in the West, has so far been offered here. Geographers rarely mention the availability of such an approach to uneven development (in Nagy G. 2005) and even more rarely adopt it when they analyze spatial inequalities (in Timár and Nagy 2007). With this interpretation uneven development is endemic to capitalism: as it ‘becomes an increasing necessity in order to stave off crises, geographical differentiation becomes less and less a by-product, more (and more) an inner necessity for capital’ (Smith 1990: 153). This study mainly seeks to confirm that such an approach to accounting for uneven development could also play an important role in understanding spatial inequalities in Hungary and offer a different, more refined and subtle picture of how spatial inequalities are embedded in spatial processes in Europe. Bearing this in mind,

- and adopting a political economic approach, I would like to present a series of compelling arguments to show that geographical disparities on differ-

ent geographical scales are actively produced by uneven development closely linked to capital accumulation; that is, in essence, inequalities are the geographical manifestations of the capitalist mode of production (new capitalism) in Hungary as well. With this aim, within a global-local framework, I would like to offer an analysis of the regional and urban scale of uneven development in Hungary.

- Although I propose that, in essence, development-underdevelopment is the geographical expression of the capital-labor relationship in the Hungary of today as well, social reproduction is still strongly influenced by socialist practices. Hence, in order to understand the current characteristics of the production/reproduction of spatial inequalities, along with the capital situation, I will also analyze the social conditions in their broader sense and their ramifications in gender and ethnic relations. In so doing, embracing the social responsiveness of critical geography, I will focus on impoverished areas and the losers of post-socialist transition, among them, women in rural areas and the Romas.

**Equalization and differentiation from the global to the regional scale**

The school of Western geography challenging perhaps neo-classical economics the most, which saw the uneven landscape as little more than a temporary phase in an ultimately equilibrating process, and rediscovering the Marxist theory of uneven development in the 1970s that interpreted capitalist geography in a very different light. Representatives of this school consider uneven geographical development to be the result of contradictory but inseparable tendencies toward the equalization and differentiation of the levels and conditions of development related to the accumulation and circulation of capital. From the perspective of this paper, the only noteworthy difference in the arguments offered by those who agree with this tenet is that some interpret these contradictory tendencies as a *see-saw phenomenon* where capital oscillates between the places of development and that of underdevelopment (Smith 1990), while others support the idea of the *coexistence* of forces leading to equalization and differentiation (Dunford 1996, Smith 1998 in Dunford and Smith 2000).

The fact that the *global scale* is purely a product of the tendency towards equalization is also underpinned by the fall of socialism in East Central Europe. The opening-up of this region to global capital offered solutions to the crises of overproduction and an empirically evidenced lower rate of profitability (Went 2002 in Szalai 2006). Many agree that the disintegration of the Soviet empire and the transformation of socialist economies into free markets can be construed as processes engineered and inspired by the institutions of global capital like the IMF, the World Bank, and other bureaucratic institutions within the European Union. Szalai (2006: 54) also adds that, in addition to its
acquiring markets, cheap skilled labor and cheap means of production, a global financial and economic “superstructure” strives to use Eastern Europe as a testing ground “for combating the working classes of key countries in the West”.

But what is happening on the sub-global scale? Yet again challenging the neo-classical and neo-liberal interpretation of recent growth and spatial development in Europe which emphasizes convergence, Dunford and Smith (2000, 2004), while performing a quantitative analysis of economic performance (productivity and employment rate), noticed more complex and differentiated mosaics of uneven development. They claim that the integration of ECE into European and global economies deepened the already existing territorial inequalities even further. Within ECE, capital accumulation is increasingly centered in core areas, with capitalist development strategies and marketization adding to the backwardness of marginal regions. This is corroborated by Gábor Nagy’s (2007) most recent study analyzing GDP. He claims that though Hungary has converged rapidly since its accession to the EU, on a sub-national county scale, the landscape of development ranges from outstanding to lagging behind (Figure 2). His projection suggests that the differences will stubbornly persist, i.e. that they are of a long-term nature. In contrast, Nemes Nagy (2006), modeling connections between national economic capability and regional disparities, thinks that Hungary (like the Czech Republic and Slovakia) is in a transient state from both perspectives and expects equalization in the next phase of development.

Figure 2

There is no denying that the deepening of regional disparities in the economy since the political changeover has gone hand in hand with changes in the sectoral division of labor (and capital), while also creating new patterns of spatial disparities in economy (Figure 3, 4). As regards economic development, the most striking phenomena, also reflected in the structure of the society, are the so-called West-East slope and urban-rural (mainly Budapest-provinces) disparities. Undoubtedly, the shock caused by the political changeover (loss of the Eastern markets and crisis in the former engines of growth etc.) played an important role in this differentiation process. Referring to long-term development, economic geographers emphasize the major role of industrial development, foreign investment and greenfield investment (Kiss 2001, Barta 2005, Nagy E. 2005). Kiss (2001: 327) even argues that the industry-based model of regional development in Hungary is now embedded in European and global economic processes: “the success of the re-industrialized regions is mainly exogenous in origin, being strongly dependent on the conjuncture of cycles in the world economy, … and the strategies of multinational companies”. The growing concentration of business services, the large banks, and ICT sectors in Budapest (Barsi et al 2005, Gál 2005, Raffay 2005) all suggest the existence of trends in uneven development similar to what Smith (1990) described as the connections seen at the level of individual capital, namely that the concentration and centralization of capital is a major engine of geographical differentiation. Erika Nagy (2005) provides an excellent illustration of how, in the retail sector, the acceleration of capital and organizational accumulation moved in close conjunction with the territorial centralization of ‘retail spaces’, against the background of expanding foreign networks.

Irrespective of the geographical scale we study, the capital-labour relation lies at the very heart of uneven capitalist development. It is no coincidence that the spatial consequences of the above changes in and current characteristics of economic performance in Hungary are faithfully reflected in maps showing labor market relations. Moreover, because such maps are drawn on a smaller scale, the picture, based mainly on quantitative research at a micro-regional (or settlement) level, is more subtle: it is mosaic-like. Behind the mosaics are, however, major regional differences. Thus, for instance, as regards the dynamic spatial structure of unemployment, unemployment is consistently high (over 15%) in the North, North East, East, and, affecting smaller areas, in the South West. (Dövényi 2004, Figure 5) This type of a rift, primarily between the regions in the West and those in the East, but also between the North and the South, is identified in an advanced study (using labor market, social and economic indicators) which outlines the country’s spatial structure in a way that also takes into account the urban-rural disparities (Bihari and Kovács 2005, Figure 6). This analysis reveals that, not to mention crisis regions that have

5. Excluding Budapest where the prosperity rests on the tertiary sector.
Figure 3
Regional structure of Hungary before the transition

Source: Krajkó, 1982.

Figure 4
A potential spatial structure of Hungary

Figure 5
Change in the rate of unemployment in Hungary between 1998 and 2001

A = Structure line; B = Unemployment rate in 1998 and 2001 (per cent): a = very low; b = low; c = medium; d = high; e = very high.

Figure 6
Types of micro-regions based on economic, labour market and social indicators (1990-2001)

Source: Bihari & Kovács, 2005.
emerged as a result of a structural crisis, there is also an area that forms a contiguous swathe in the Northern, North Eastern and Eastern periphery of the country and in Southern Transdanubia, and that is already considered to be undergoing segregation. In 2001 only 1.5% of the subscribed capital of business enterprises operated in this type of region with a population of 963 thousand (of 10.2 million) and 725 (mainly small rural) settlements (out of 3,135) and, within the span of a decade, the fall in employment was nearly twice the national average, and monthly income amounted only to 79% of the rural average (Bihari and Kovács 2005).

In areas like this, which were categorized as “backward” even in the era of socialism (Beluszky and Sikos 2007), the proportion of the Romas is rather high (Baranyi at al 2003, Bajmócy 2004, Virág 2006, Csatári and Kovách 2007, Kiss 2007, Figure 7). Relying on sociological studies focusing on macrosociety, Szalai (2002) argues that social exclusion in Hungary today mainly affects two social groups where the primary cause of poverty is a ‘shared fate’. One comprises those living in isolated small villages in depressed regions badly hit by unemployment, the other is impoverished Romas accounting for approximately 60%-80% of the Gipsy population. In her village typology, G.Fekete (2005) refers to the places shared by members of the two groups as “small villages undergoing ghettoization”. These places are glaring examples of how the capital-labor relation is intertwined with several others like ethnic and gender relations.
In contrast to families with two earners in employment accounting for 43.9% of the families in the cities of Central Hungary, both husband and wife are out of work in 39.4% of the rural families in Northern Hungary. Bearing this in mind, what decisions can the latter make on their job chances and movements in the labor market? Families are important in terms of both spatial differentiation and temporal changes. Due to a shared past, the family in East Central Europe has played a more important role as stabilizer of private life and defender of living conditions than its West European counterpart (Neményi 1999, Szalai 2002). During socialism, the family used to be a safe haven where one could be protected from the omnipresent control of a paternalistic socialist state. At the same time, Ferge (1999) argues that while state socialism improved women’s situation in a number of respects, it hardly affected the manner in which the traditional male and female roles evolve in the family. The family and gender relations inside and outside the family are social dimensions where you can still trace the vestiges of socialism (or, perhaps, pre-socialism) that have also affected the current capital-labor relations.

On a macro-social level, one of the most marked characteristics of the changeover was that before the economic consolidation (i.e. the second half of the 1990s), processes in Hungary were exactly the opposite of those in advanced economies in Europe. While female employment compared to male employment grew in the EU-15 countries, they both fell sharply in Hungary. The employment rate of working age women was 81.2% of men’s in 1990 (compared to 65.0% in the EU then). The corresponding figure for 1997 was 75.2% (hardly above the EU average of 72.0%). As regards their main trends, the changes after economic consolidation were identical to their Western counterparts. The employment rate of both sexes rose in a manner such that the difference between the two rates in 2006 was close to what it was in 1990 (i.e. 80.1%). However, gender inequalities decreased against the backdrop of a fundamentally low level of employment (63.8% of 15-64-year old men were in employment in 2006; the corresponding figure for women was 51.1%).

Another characteristic that seems to have survived socialism is that unemployment, which rose suddenly in Hungary around the time of the regime change, hit men more than women. Explaining this phenomenon, Fodor (1997), in her theory of ‘revalued resources’, argues that the (sustainable) competitive edge of women in the labor market is marketable assets like a university/college-level degree, training and jobs in the tertiary sector. They have acquired especial importance in the new post-socialist era and this may be able to protect women (who can rely on gains made during state socialism) from unemployment. Glass & Kawachi (2001: 145) found only modest evidence for this theory. They thought that a postponed reform process simply put off

6. Data from Frey’s (2002) study formed the basis for further calculations.
7. It was not the case in other post-socialist countries, though.
the emergence of gender inequality, ‘endemic to capitalism’, until a later date. They were right, as it is the female unemployment rate that has exceeded its male counterpart since 2005. Furthermore, even before that date, geographic surveys provided a more differentiated picture and identified settlements that did not fit in with the national pattern (Timár and Velkey 1998). It was surveys on villages (Timár 2002, Váradi 2005) which first showed that a large number of women escaped the scourge of unemployment by using various forms of economic inactivity ‘tricks’ available to them like opting for early retirement, disability retirement, or maternity leave.

Although, during the post-socialist transition, the correlation of inequalities in male and female employment with regional scale uneven development grew less severe, the urban-rural dichotomy did not relent (Timár 2005). The fact that villages offer the fewest employment opportunities holds true for the county level in general. This hits female residents the hardest; gender inequalities in employment are always higher here than in cities/towns. This, however, does not mean that differences in the level of economic development on a regional scale leave the urban and rural scales unaffected. Women in cities and towns in Vas county in a favorable economic position along the Western border stand a better chance of finding legal employment (with the employment rate standing at 63.0%) than do working age men in Nyíregyháza, the county seat of Szabolcs-Szatmár-Bereg county, Hungary’s most backward county, in the Northern border region (60.0% employment rate). That said, men and women compete with each other in the labor market of their immediate neighborhood. When decisions are made on matters involving entire families, job opportunities in the local labor market affect their decisions on undertaking a job. The limits imposed on the decisions of families, conditioned in the era of state socialism, the active role that they may assume in shaping the capital-labor relation and the manner in which their life relates to trends in uneven development are important issues to be addressed.

1) A special feature of the changeover was that entire social groups started to run a business of their own. Our empirical survey (Momsen et al 2005) carried out in advantaged villages along the North Western border and in their disadvantaged counterparts in the South East identified women who used to be expressly content with their status as full-time employees in the socialist era. Their role in the family rather than the loss of their jobs or an ambition to become independent (as was the case with many) urged them to become small proprietors.

Mary admitted that she had decided to change job at the urging of her respective husband. With the family home doubling as business premises, Mary helped her husband with the sale of building materials from very early on in her married life. Her husband persuaded her to give up her job in the canteen and stay at home. Later on, he proposed that they should open an animal feed mixing business with Mary as its owner, so that ‘she might earn social secu-
ty service time’. However, the real underlying reason for his proposal, he admitted, was to keep his wife at home.

“You know that just didn’t work…, there was also the cooking and the washing to be done. She went to work in the morning, or if there was a wedding [they prepared dinner for wedding receptions at the canteen], she stayed the whole night there. So, that was not what you’d call a family life, was it? This didn’t work with us. And then, housework was left undone… Yes, she gave up being a cook.”

He did not think it had been difficult to persuade his wife to work in the home. Mary, however, cherished good memories of her time as a cook at the canteen. Everybody had been pleased with her performance, and she had liked being able to earn a living, no matter how meagre her pay had been. “I was sad when I had to leave because I liked it there. And they, too, asked me not to quit, as it was doing quite well. But I gave in, and agreed to stay at home.”

Among the businesswomen surveyed there were some who had steady jobs as employees due to FDI after the political changeover. It was these jobs that they gave up of their own accord. At 37 years of age, and living in the west, Susan was in her second marriage. She had stayed at home with their three children for nine years, receiving childcare allowance. Then she joined a German firm that assembled radio spare parts. She commuted to the neighboring village daily. It soon turned out that, compared to the work schedules at state-owned companies,

“…here you never knew when you’d be allowed to go home. If an order was placed, it had to be delivered. … Didn’t matter if you had children to look after. If the deadline was tight, you had to stay on, no matter that there was no shift work. There were times when you only managed to catch the midnight bus, and then you were practically never at home. … The reason why I chose self-employment was that when I was no longer eligible for childcare allowance, that is, my daughter was 9, I thought I could spend more time with my family than if I commuted to work.”

No matter with whom responsibility rests for the final decision, the relationship between female entrepreneurs and their husbands seems to affect – whether directly or indirectly – their decision on starting a business. Gender relations on the household scale are unequivocally interwoven with those on the national scale, i.e. with women’s lower pay compared to men’s and gender roles that are accepted at a macro-social level.

II In a more comprehensive survey (Timár 2005) on households that we also conducted in the villages in the above two regions, which have assumed an increasingly important role in spatial development since the political tran-
sition, we found that three forms of adjustment to increasingly difficult macro-economic conditions have become widespread: certain types of extra work (supplementary agricultural activity, certain consumer goods produced and services replaced by something else in the household, and so on), and a reduction in consumption and use of external aid. The selection of household survival/livelihood strategies is heavily influenced by differing spatial opportunities. The main difference between Győr-Moson-Sopron (North West) and Békés Counties (South East) in terms of the strategies adopted is that in the South East employment opportunities and, hence, chances of extra work are far fewer and slimmer respectively. Those living in disadvantaged regions face not only greater economic difficulties, but also the fact that the number of tools of adjustment at their disposal is more limited. Regional and rural-urban inequalities produced by capitalist uneven spatial development are reproduced at the household scale. Life stories also reveal that survival strategies do not necessarily mean equal sacrifice on the part of household members. Our findings suggest that there is an increased chance that impoverished working class families living in the regions in question can only adjust to harsh economic conditions, which are harsher in the South East than in the North West, through the resumption of traditional female roles.

“Global in the local” – uneven development at the urban scale

As part of the transformation of the urban space, which brought glaring social inequalities to surface in Hungary and, indeed, in the whole of Eastern and Central Europe, gentrification was an inexorable process in the 1990’s (Enyedi 2007). What follows seeks to underpin the assumption that neither gentrification (nor urban restructuring), currently taking place in Hungary, stems from transition. Rather, they are the combined outcome and local manifestation of the same equalisation and differentiation that are present at the geographical scales of uneven capitalist development discussed above.

As part of the establishment of a global framework for capital accumulation, i.e. the process of equalisation (as a combined effect of global economic slowdown and the establishment of the legal and institutional system of market economy in ECE countries), real estate markets of cities in post-socialist countries became the targets of the localisation strategies of global actors. As initial conditions such as fast growth originating from transition, the lack of well-capitalised domestic actors in the real estate market and its weak institutional and professional background had changed by the mid-2000s. As a result, the region and, within that, Hungary became embedded in the trends of the global real estate market (Nagy, 2007).

At the same time, however, structural transformation and the services sector, which grew at an unprecedented rate in post-socialist countries, re-evaluated and differentiated the urban real estate market as well according to the role
that they played in the global flow of capital (Nagy, E. 2001). Furthermore, real estate stock appreciated in some regions and depreciated in others, which also set a limit for gentrification. Capital, which (re-)produced inequalities within the urban space, exerted its influence through both the mechanisms of the real market estate (rent gap) in post-socialist cities, too, and led to a reshuffle of urban activities and population. A decisive component of the process was the transformation of functions, the most spectacular example of which was the evolvement of central business districts (CBDs) (e.g. Beluszky and Timár 1992, Kovács 1999, Csapó 2005). Retail played a key role in it, which also resulted in differentiated space utilisation by urban communities (Nagy, 2001, 2007). Residential social segregation became even more pronounced (Ladányi 1993, Kovács 2006).

**Veszprém**, a city with a population of 60,000 illustrates the mechanisms through which differentiation within the urban space occurs as well as the way in which such mechanisms become embedded in the global system of uneven capitalist development in the case of even a small town.\(^8\) A decade after the political changeover, a spectacular physical renewal of the historic centre of Veszprém, financed by the middle classes that had moved in, began. It was mostly residential and mixed-use properties in Jókai Street, a street below Veszprém Castle that was affected by the process.\(^9\) However, resultant gentrification, occurred concurrently with the displacement, implemented as a local government project, of approximately 235 disadvantaged, predominantly Roma families.

Gentrification in capitalism is the “product” of local real estate markets – there is local dynamics to capital investment and disinvestments, to which market participants respond at the scale of urban districts and blocs. According to Smith’s rent gap theory (1979), these market participants respond to the disparity between the actual “capitalized ground rent” of a plot of land and the “potential ground rent” that might be gleaned under a “higher and better use”; this creates an opportunity for reinvestment. The rent gap theory helps us understand how, during the post-socialist transition, the withholding for long decades of capital investments in the surveyed district of Veszprém has created an opportunity for gentrification and why local agents and, especially, the local government responded by displacing the inhabitants affected.

The turning into slums of the neighbourhood of the Veszprém Castle date quite far back. After the nationalisation of large old middle class houses often

\(^8\) Erika Nagy and I conducted the case study within the framework of OTKA research no. 043510 FT2. I would like to seize the opportunity to express my indebtedness to her for her support with the publication of part of the research results in this study.

\(^9\) Simultaneously, and later a further 4-5 streets.
with a floor area of 600–700 m² in the early 1950s, the local council converted them into tenement houses, dividing them into one-roomed flats without any modern convenience. Industrialisation, which gained momentum in the 1960s and 1970s and the rapid growth of urban population, which also reached Veszprém, generated housing developments as “greenfield” investments on the periphery of towns/cities. In the meantime the houses offering little in terms of modern conveniences in Jókai street fell to neglect and their tenants in socially prestigious jobs (e.g. physicians, lawyers), also making the most of the housing subsidies of the state, decided to move into comfortable flats in the modern blocks on the outskirts. As one of our interviewees, a municipality official put it: “That was when problems began, … because, at the time, only families in the peripheries of the society were willing to move into the houses left behind.”

The most spectacular result of the 1989 political change was the renovation of the Castle, which became, in part, church property. Simultaneously, the dominance of institutional functions (CBD) was gaining ground, which, in turn, led to an increasing appreciation of the Castle area. As a result, the highest rent gap could have been identified in the completely run-down streets in its immediate vicinity, had they been utilised on a business basis. One thing is certain, however; namely, that, as one of the characteristics of post-socialist transition, fundamentally, it was the socialist state that created the pre-conditions for “capitalist” (market-driven) gentrification.

It is not only the operation of the local real estate market that serves as proof of embeddedness in the global system of uneven capitalist development. The example of Veszprém corroborates, at a small town level, the assertion that gentrification has become a “global urban strategy” and that it is a manifestation of (capitalist) neo-liberal urbanism (Smith 2005). The newly established local government, that was involved in the process as an agent of the local property market, could not, for lack of adequate funds, and did not, as a number of circumstances suggested, want to finance “social rehabilitation” (László and Tomay 2002) aimed at retaining, at least part of, the tenants, (i.e. aiming at a socially mixed gentrified area, which was still the case in Western Europe in the 1970s). In the late 1990s the local government helped to kick-start market-driven gentrification: first, it used financial incentives to persuade the tenants to move out of the council flats, then sold the flats.10 Given such pre-conditions, similarly to other cities in a number of countries, a “collective social action” was taken, “collective capital” (Smith 1996) flowed in, making space suitable for social groups much higher up in the social hierarchy to take possession of it. All kinds of developers, professional, occupier and landlord developers (Smith 1996), involved in gentrification elsewhere, also emerged here. As they were creditworthy, indirectly through them, banks also got involved, though to a much lower extent than in Budapest or Western countries.

10. According to the concept, the proceeds from the sales were to finance the compensation to be paid to the Romas.
Local government used its rehabilitation strategy mainly to generate economic development, subordinating the management of social problems to this goal. As an interviewee, a municipality official told us, these two goals had been linked, first and foremost, in the programme of tourism development, “Veszprém’s tourist attraction was the Castle itself, which had to be utilised commercially through upgrading the streets in the vicinity into a finely designed thriving neighbourhood.” Such was also necessitated by the fact that the Castle district became deserted in the evenings. Many seemed to agree that “the Romas also provided accommodation for socially excluded groups in their homes in the run-down street, where there is also a prison further aggravating the situation”. The interviewee quoted above clearly identified the underlying reasons for the municipality’s decision: “there has evolved a district about which, we said, we should do something for the sake of the city so that no beggar can be seen in the streets”.

Another aspect of social issues was housing conditions, which were ‘miserable’ and affected the residents of the run-down neighbourhood. The solution which finally led to a decision on the relocation of the residents is inherent in the above-described logic of economic development. The municipality of Veszprém decided on paying those who agreed to move out compensation. This project was declared to be a non-welfare project, which was also reflected in the fact that neither the welfare office, nor welfare suppliers had been involved in the preparatory or the implementation phase, and, even more importantly, in the fact that it was regarded to be an “agreement” or a “civil code-based legal relationship” rather than a “social affair”. The ideology used to provide an explanation for the solution was an unmistakeable product of post-socialist transition. It was a combination of criticism levelled at the practice of the former paternalistic state and an eulogy of the new social order (liberalism) that treats citizens to be on equal footing with it. It is reflected in the reasoning offered by an interviewee, an officier, arguing in favour of compensation money rather than replacement accommodation.

“People shouldn’t be pampered at any cost. Before 1990 you were told what was good for you. And that was it. Now, a few of us are saying that people shouldn’t be pampered. Rather, they should be persuaded to think things over and decide what they want and what they want to do.”

Nevertheless, they did not think it necessary to involve those concerned in the preparation. Where needs were assessed, it turned out that accepting compensation money offering the possibility of “free choice” rather than requesting replacement accommodation was not at all an obvious choice (László and Tomay 2002).

Despite its undisputed peculiarities, gentrification in Veszprém, which adjusted to local conditions, exhibits rather “familiar” mechanisms. However, while in Amsterdam, for example, spontaneous gentrification in the 1970s
became an urban policy objective a decade later (Musterd and van de Ven 1991) in Veszprém the spontaneous and the local government-led processes evolved simultaneously almost from the outset. Gentrification was perceived to be the success of urban policy – at least according to the municipality officials and the entrepreneurs whom we interviewed. The Castle district is now suitable for tourism-related developments and the further gaining ground of the businesses in the tertiary sector, which also adds to the tax revenues of the city. Furthermore, cultural heritage was successfully protected, which was to the satisfaction of most local residents. The mayoral office finds the sums paid to the tenants expressly generous. They were calculated so that they might amount to as much as 60% of the price of a 50 m² apartment on a housing estate. The rest of the purchase price was supposed to be financed with a bank loan (certainly, it was available only for those having permanent job). Estimates reveal that only 3-4 families could and were able to do so. Housing conditions for the Romas improved, at least for a while, but not in the city, rather, in the surrounding villages where compensation money bought them a place. As they left not only the rehabilitated district, but also Veszprém, the number of the problem families giving a headache to officials of the social department at the mayor’s office also decreased, at least temporarily.

The interviewees employed in the social care network told us that those who still lived in social housing apartments were looking forward to rehabilitation and compensation money, which seems to underpin the acceptance of the procedure. Nevertheless, the researcher who led a survey on the local Roma groups concluded that

“Looking back, the Romas still smart from the memory of this ‘cleverly engineered de-Romanisation’, as a result of which the Romas are worse off in terms of both job opportunities and their share of social care … The Romas thought that interviewers [i.e. the undergraduates conducting the survey] were the harbingers of a new series of anti-Romany measures … Undergraduates explained the hostility and uncooperativeness of the Romas by what had happened earlier.” (Albert 2005: 204)

One thing is for sure, however, namely that, in order to make a success of the project, the local government saw to it that those moving out observed its office decree. They received a cheque to the amount of the promised compensation only when the seller of the house they were going to move into appeared, the whole kit and caboodle was in the car and the windows were boarded up. By contrast, despite the fact that the developers who purchased the houses were bound by a 3-year obligation to renovate them and a prohibition on their alienation, they were never asked whether they complied or not. Therefore, although the population exchange accompanying gentrification was over, actual urban rehabilitation was not.
What happened in Veszprém proves it that it is the global interrelationship between gentrification, segregation and displacement that we can identify. It was only in the first phase that the Romas’ leaving both the inner city area and the city itself as a result of municipality-led gentrification did not accelerate segregation within the city. However, it deepened segregation between the city and the neighbouring villages that fell behind in (uneven) development and thus, offered affordable housing to the Romas. A municipality official in one of the villages affected said, “They resolved a certain problem in one of the districts in Veszprém by exporting the problem here and we simply took note of the fact.” As time passed, the Romas turned out to be unable to maintain their households. In the hope of affordable lodgings, better employment opportunities and easier living and, as a municipality official in Veszprém added, more generous social care benefits, they returned to the city ‘by stealth’. The Romas found “shelter” on a deteriorating housing estate in the North East and in enclosed gardens with mostly tool sheds on them in the North Western periphery, thereby deepening urban segregation accompanying gentrification themselves. Furthermore, according to social workers, they are likely to have been involved or get involved in the ghettoization that is concentrated on a privatised 10-storey building – once a workers’ hostel – in the periphery of the Northern industrial belt. Housing conditions for lodgers, bed-renters, illegal squatters and corridor squatters there are modern 21st century reproduction of the conditions prevailing in Jókai Street prior to gentrification.

As uneven capitalist spatial development carries the inevitability of differentiation, the local manifestations of global economic processes and global neo-liberal urbanism include not only urban physical renewal, but also gentrification with re-produced social inequalities as its implications. The legacy of state socialism was all too obvious at the start of the process of market-driven gentrification. (In addition to the above, it played a role in deciding who could participate in the ‘original capital accumulation’ and who could become a domestic developer. Today, from among the post-socialist after-effects, it is only the lack of anti-gentrification movements, so typical of developed capitalist societies, that persists.

Conclusions and further questions

This description of the characteristics of uneven development in Hungary on different geographical scales was included here to support my hypothesis that the same engine drives both regional and urban scale inequalities, namely the logic of capital. In other words, these actively produced geographical disparities are already the products of uneven capitalist development. Nothing alters this essential point, not even the fact that social practices that have survived state socialism continue to find their way into capital-labor relations. These practices can influence the extent and the subject matter of the deci-
sions made by rich and poor families, men and women, Romas and non-Romas, and other social group pairs. It can determine the manner in which they internalize their participation in changes in socio-spatial inequalities, decides whether, as social groups, they can create “spaces of resistance” (Lefebvre 1991), and whether new national or local neo-liberal policies succeed in supporting their own objectives with some “anti-socialist” ideology.

Though my conclusions may seem controversial to some, I am nevertheless convinced that the adoption of a Marxist approach to the analysis of uneven development may enrich Hungarian geography with major new points of consideration, thereby contributing to the understanding of spatial inequalities. It may, among other things,

- help disseminate a new approach which differs from that of mainstream geography and the adoption of such an approach could lead to a new interpretation of trends in certain spatial processes. For instance, the adoption of a “production side” approach rather than a “consumption side” explanation, the latter being prevalent in studies on both gentrification and suburbanization guided studies that have got bogged down in striving to identify the causes of migration to a different direction. It has helped to reveal that there is a close relationship between the intensity and scope of suburbanization and the regional concentration of foreign and domestic capital investment as well as the purchasing power of the population (Timár and Váradi 2001).

- a Marxist approach to the analysis of uneven development, by offering a different explanation for spatial processes, creates a different attitude towards future trends in the shaping of spatial inequalities and the manageability of the problems and conflicts that stem from inequalities and hit oppressed social groups. It considers uneven development to be an inherent part of capitalism rather than a mere temporary post-socialist shock or setback. And though encouraging change, it does not suggest – and, thus, reinforce the current status quo – that today’s neo-liberal policy (along with regional policies treated separately from economic and social policies) can permanently equalize spatial inequalities or solve conflicts,

- it always studies space in the context of society. As a result, it does not downplay underdevelopment, claiming that it is specific to certain regions, rural areas undergoing segregation, or urban neighborhoods undergoing ghettoization. Rather, it sheds light on the full reality of capitalism and how it is instrumental in the process.

The dam-keeper whom I mentioned at the beginning and who sees a divided country lives in a village where, under a 1949 socialist settlement policy, no permit for the construction of residential property was allowed (Hajdú 1989, 1993). Although the policy was never implemented, for a long time such rural settlements were ineligible as targets of state housing construction projects and
loans could not be obtained for such purposes either (Lengyel 1991). In 2008 a newspaper article described a woman living in a small village whose loan application was turned down. This was because, according to the bank’s reasoning, “those living in small villages like this are not eligible for home loans”.

Such international practices of redlining and the serious problems of villages undergoing segregation raise other far-reaching issues. Taking into account the fact that the amount of capital flow between core countries over the past two decades was larger than that of capital flow in the direction of peripheries and semi-peripheries (Oblath 2002 in Szalai 2006), I think that Szalai’s global scale hypothesis is worth mulling over. In her opinion, one of the signs suggesting that new capitalism is in a state of crisis is that the number of “superfluous” people and even countries that are deemed unworthy of even exploitation is steadily rising. Capital seems unwilling to freely expand towards peripheries or semi-peripheries. Does her opinion hold true for Hungarian rural regions undergoing ghettoization? If the answer is yes, how is it to be interpreted and what are its implications for such regions?

References


