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EXECUTIVE SUMMARY

This is an analysis of the rise of a new agrarian elite since decollectivization. I identify the social techniques the new elite employs for acquiring and managing agricultural properties in the post-collective period. My primary concern is to examine the relationship between previous experience in the cooperative farm sector and current managing practices. The data to be used for this essay include: interviews with farm managers and with specialists in service industries associated with agriculture, statistical materials on land ownership and the social profile of the farming population since decollectivization, studies conducted in various communities on decollectivization, and historical analyses of cooperative farming in Hungary as a whole.

The purpose of this investigation is to criticize a prominent view of the transition in Eastern Europe. In this perspective, a simple change in the structure of institutions will be necessary to transform these economies, removing the barriers to their easy participation in international commerce. Missing from this view is the simple but crucial insight that institutions are peopled by local actors, for whom the patterns of thought and action characteristic of the previous regime are normal, routine. The difficulties aid agencies and other frontline organizations have encountered in Eastern Europe are not due to intransigence, ignorance or incompetence, as some would have it, but to the elementary problem that learning new ways of doing business takes time, that it is difficult to alter in short order the habits, ideas, opinions, and the views people hold of themselves, of others, and of the world around them. Moreover, people live within complex social relations, ties of affection, respect, obligation and reciprocity. A radical change in economic activity requires not only a change in thinking, but a restructuring of the larger social world of which one is a part. And in fact, refiguring one's social relationships is far more difficult than learning new habits. In contrast to the views of liberal economists (and ironically, of their Marxist-Leninist predecessors), I do not believe that attitudes and practices change quickly or easily, even when much effort is expended in altering the institutional context of economic activity. It takes years of altered circumstances and new experiences to change the way people think and act. We are witnessing this transformation in Eastern Europe, but must recognize it for what it is: a slow, yet thorough transformation of social community and social thought.

To summarize briefly the conclusions of my investigation, it is very clear that former cooperative farm and state farm managers have had a series of advantages in moving into managerial positions in the post-collective agrarian economy. These include the knowledge and skills needed to run a large business, significant contacts in the broader agrarian economy, the ability and willingness to take risks in an altered economic environment, and a desire to continue farming in modern conditions (e.g. mechanized, large-scale production). These are all skills managers acquired in socialism. While it may not be surprising to learn that socialist farm managers, now capitalist businessmen, built contacts in the socialist economy or learned how to farm in modern conditions...
while still running cooperative or state farms, it does seem strange to think that their ability to cope with an uncertain economic environment may have been learned through the complex procedures of complying with state plans and directives. But it was precisely the specific character of the agrarian sector (specifically the cooperative farm sector) in Hungarian socialism which taught managers how to acquire resources in a highly competitive environment.

I would add, however, that the initial advantage these managers enjoyed in the immediate post-collective context (c. 1992-1996) will diminish if they do not continue to build upon these strengths in the increasingly competitive market. That is, past training, long lasting friendships and clever accounting will not ensure a former cooperative president success in the ever shifting agrarian market. The advantages he enjoyed in possessing an extensive network of contacts across the agrarian community, in knowing how to manage a large farm, and in commanding up-to-date knowledge on crop breeds, on new techniques for cultivating crops or on state-of-the-art machinery must be renewed and enhanced. Otherwise, he is bound to fall behind the performance of his fellow farmers, who invest in their own expertise as much as they do in their machinery or land.
FARMING IN THE POST-COOPERATIVE ECONOMY IN HUNGARY

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The following essay is an analysis of the rise of a new agrarian elite since decollectivization. I identify the social techniques the new elite employs for acquiring and managing agricultural properties in the post-collective period. My primary concern is to examine the relationship between previous experience in the cooperative farm sector and current managing practices. The data to be used for this essay include: interviews with farm managers and with specialists in service industries associated with agriculture, statistical materials on land ownership and the social profile of the farming population since decollectivization, studies conducted in various communities on decollectivization, and historical analyses of cooperative farming in Hungary as a whole.

This essay represents a portion of a larger project designed to investigate how social relations and cultural views influence the process of economic transition. How do ideas about how the world works, and should work, affect state policies and private initiatives in periods of economic transition? How do professional and personal networks play a part in structuring new institutions? In the broader project, I am specifically interested in the role that agrarian specialists--academic specialists like economists and pragmatic specialists such as agronomists--have played in the two economic transitions in recent Hungarian history: the Stalinist transition of 1948-1956, and the move away from socialism since 1989. The assumption driving my analysis is that ideas and practices acquired in the period immediately preceding the transition would continue to hold force in the transition period, constraining in serious fashion the degree of rapid change envisioned by government agencies promoting new policies. This assumption has been borne out.

The Stalinist transition will be analyzed elsewhere. But for the moment suffice it to say that in many respects, the process of transition in both periods--that from 1948-1956 and 1989-present--bears similarities, even though the particular form of transition differs. In the current context, the striking feature of decollectivization is the diverse manner in which former state properties were dismantled, speaking to the rapid removal of strong, centralized policies which had set the conditions for decision-making and prescribed organizational structures in the past. In the Stalinist period, it is precisely the imposition of state policies stipulating the terms of production and commerce which is decisive. I would emphasize, however, that in both transitions, the complex cultural and social heritage embodied in the social actors themselves--be they economists or agronomists--plays a central role in the pace and character of change. Significant attributes of a successful entrepreneur or effective bureaucrat--social contacts, professional training, pragmatic experience--continue to be important, indeed gain in importance when economies are subject to rapid change. So my assumption about the centrality of certain social attributes in transition economies appears to be true, demonstrating that although the particular goals and means of achieving those goals differed
substantially between the two periods under investigation, the social processes defining the transition are very similar.

The purpose of this investigation is to criticize a prominent view of the transition in Eastern Europe. In this perspective, a simple change in the structure of institutions will be necessary to transform these economies, removing the barriers to their easy participation in international commerce. Missing from this view is the simple but crucial insight that institutions are peopled by local actors, for whom the patterns of thought and action characteristic of the previous regime are normal, routine. The difficulties aid agencies and other frontline organizations have encountered in Eastern Europe are not due to intransigence, ignorance or incompetence, as some would have it, but to the elementary problem that learning new ways of doing business takes time, that it is difficult to alter habits, ideas, opinions, views people hold of themselves, of others, and of the world around them in short order. Moreover, people live within complex social relations, ties of affection, respect, obligation and reciprocity. A radical change in economic activity requires not only a change in thinking, but a restructuring of the larger social world of which one is a part. And in fact, refiguring one’s social relationships is far more difficult than learning new habits. In contrast to the views of liberal economists (and ironically, of their Marxist-Leninist predecessors), I do not believe that attitudes and practices change quickly or easily, even when much effort is expended in altering the institutional context of economic activity. It takes years of altered circumstances and new experiences to change the way people think and act. We are witnessing this transformation in Eastern Europe, but must recognize it for what it is: a slow, yet thorough transformation of social community and social thought. My work takes inspiration from current debates over what constitutes significant assets in modern economies. Much recent scholarship has focused on the importance of social networks and knowledge in economic activity (e.g. Bourdieu, 1984; Granovetter, 1985; North, 1992), assets which complement other, more traditionally recognized ones like financial resources, access to desired market position, and timing. Social capital and cultural capital, so-called to underscore their value in economic growth, have been demonstrated to be significant factors in the transition in Eastern Europe (Czakó and Sik, 1995; Grabher and Stark, 1997; Kuczi, 1996; Róna-Tas and Böröcz, 1997; Szalai, 1997). I wish in this paper to extend these observations to the process of decollectivization.

Initial studies of decollectivization in Eastern Europe have provided us with stimulating analyses of land reform, a process fraught with far more social and political difficulties than many of their political proponents would have imagined (Creed, 1995; Kideckel, 1995; Swain, 1994). Years of collective production have substantially altered the landscape, making restitution of family properties nigh impossible. The intricacies of local governments, the questionable actions of land restitution committees, confusing legislation, and the nightmare of resolving irreconcilable legal claims has made what to many seemed a simple process of getting their land back into a long and
embittered battle (Verdery, 1994). The danger, however, is that in the all too understandable focus on the legal revolution in property rights underway in Eastern Europe, the actual practices of new farms would be obscured. As skirmishes over property claims subside (or at least fester), we must turn our attention to the actual activities of managing post-collective farms to understand what direction the economy is going. After all, the transition depends on a revolution in business practices as much as anything else. Indeed, I would argue that a serious understanding of "transition economies" depends on a clear picture of how managers are transforming former cooperative farms into viable capitalist businesses. I argue, furthermore, that the new agrarian elite does so with the skills acquired in managing socialist farms.

To summarize briefly the conclusions of my investigation, it is very clear that former cooperative farm and state farm managers have had a series of advantages in moving into managerial positions in the post-collective agrarian economy. These include the knowledge and skills needed to run a large business, significant contacts in the broader agrarian economy, the ability and willingness to take risks in an altered economic environment, and a desire to continue farming in modern conditions (e.g. mechanized, large-scale production). The manner in which former cooperative farm managers transformed themselves from socialist bureaucrats to capitalist businessmen was predictable. The specific means by which they acquired their new positions varied substantially, depending upon a variety of factors such as the earlier profile of the cooperative farm, the economic history of the community, the proportion of pensioners and commuters in the community, and the managers' skill in convincing (or deceiving) the local community to follow their lead (Andor, 1996). But the attributes that post-collective managers possess are far more limited in scope than the techniques they deployed to acquire properties, and so demonstrate the necessary requirements for success (or at least survival) in the new agrarian economy: up-to-date knowledge of farming, the skills to run a large business, and the right kind of contacts to smooth the way. Building upon extensive contacts from the socialist period permits managers to lessen the uncertainty of the new market economy. The skills one requires to feel comfortable taking risks in a highly competitive market economy were acquired, I argue, while managing socialist farms in a planned economy. I would add, however, that the initial advantage these managers enjoyed in the immediate post-collective context (c. 1992-1996) will diminish if they do not continue to build upon these strengths in the increasingly competitive market. That is, a simple diploma and long lasting friendships from the socialist period will not ensure a former cooperative president success in the ever shifting agrarian market. The advantages he enjoyed in possessing an extensive network of contacts across

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2 Managing socialist farms was a highly masculine profession (Lampland, 1995:185). While women often worked in socialist farm offices, as lawyers, accountants or secretaries, they were far less represented among the technocratic and managerial elite, i.e. as agronomists, machine shop managers, or farm presidents. This disproportionate representation of men among the agrarian elite continues into the post-collective period.
the agrarian community, in knowing how to manage a large farm, and in commanding up-to-date knowledge on crop breeds, on new techniques for cultivating crops or on state-of-the-art machinery must be renewed and enhanced. Otherwise, he is bound to fall behind the performance of his fellow farmers, who invest in their own expertise as much as they do in their machinery or land.

**Land Reform**

Although my focus is not on the complex change in property relations in agriculture, a brief summary follows of the way property was re-distributed in Hungary since the legislation stipulating these procedures was passed in 1991. Companion legislation requiring the restructuring of cooperative farms along the lines of Western cooperative practice, that is, as voluntary associations, was passed in 1992. This law stipulated the proportion of cooperative lands to be distributed among former land owners, cooperative farm members, cooperative farm employees and for the state. (For a more thorough analysis of the complexities of the land reform process, see Swain, 1993).

Land was returned to former owners in a scheme strongly influenced by the Smallholders’ Party, one of the three coalition parties in the government elected in 1990. The Smallholders exercised disproportionate influence over the eventual legislation, due to their significant position within the governing coalition, even though their plan to convert socialist enterprises into small, independent family farms did not bear much relation to the economic rationality of 1980s agricultural production, nor did it accord with the wishes of the large majority of those working in agriculture at the time. There is no question but their platform not only supported an anachronistic vision of agriculture, but was also intended to disenfranchise former socialist managers. In the eyes of the Smallholders, socialist managers had come to stand for the evils of collectivization, even though a large percentage of them had only been elected in the last years of the regime. The Smallholders’ cries for historical justice meant not only getting one’s land back, but punishing those it held responsible for having taken it in the first place, the so-called Green Barons. The attempt to eliminate the Green Barons floundered, however, because the Smallholders were completely out of touch with modern agricultural conditions, and with agricultural workers themselves. The Smallholders overestimated the villagers’ commitment to an outdated, old-fashioned view of agriculture, and did not appreciate the skills the Green Barons commanded to run large-scale enterprises. The irony, as Swain argues (1993), is that the Smallholders’ political strategy backfired, easing socialist managers’ appropriation of property and assets. The land reform became a bitter victory for the Smallholders’ electorate, who were left with little more than a few acres and a plow. Hungary implemented a voucher system for restituting land claims. Families were not given their

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3 In a poll conducted in 1993, "over ninety per cent of co-op members said that they would not opt for a breakup of the cooperatives into small-sized individualized holdings" (Agócs and Agócs, 1994:33).

4 "More than 50 per cent of collectives elected new presidents between 1987 and 1990" (Swain, 1993:3).
land back directly, but in the form of vouchers for the value of land once owned. Land claim vouchers were expressed in "gold crown" values\(^5\), which were then converted into forints (calculated by a complex formula to accommodate all the claims at a reduced level of their original monetary value, as the legislation only stipulated partial restitution; see Swain, 1993:8). Each cooperative farm was required to set aside land for restitution claims, and portions of former state farms were also appropriated for distribution. Auctions were then held to distribute the land designated for restitution, where anyone with a voucher (issued not only to compensate for land loss, but for other losses as well) could participate. Provisions were made to distinguish between the claims of current cooperative farm members and other claimants:

Collective farm members are able to claim land in one of three places: where it was originally held; where the member currently lives and, in any of the other villagers where the collective operates. Those who were not collective farm members have only the first two options. (Swain, 1993:9)

The process of auctioning off land was a complicated affair. (Swain offers a fine description of the confusing atmosphere, mixed emotions, and elaborate machinations one could witness at an auction; see 1994). The hesitation many expressed in dismantling cooperatives also made itself felt in people's ambivalence toward the auctions themselves, not to mention the confusion surrounding the bidding process.\(^6\) This created a situation in which a few clever participants could manipulate the auction for their own purposes. Those who had restrained themselves in the first round of auctions—either because they didn't understand what was going on, or because they disagreed with the policy as a whole—soon realized that they had made a mistake. As one friend explained, his principled support of collective production had been foolish, for he lost an opportunity to get land easily. Since then, he has spent large amounts of time coaxing fellow villagers to help him consolidate strips of land in the village so he can cobble together a plot of land large enough to farm.

The second phase of land redistribution was initiated with the process of "naming," that is, allocating cooperative land and assets to the membership. Cooperative farm members and their heirs, as well as former employees, were able to apply for lands in the cooperative.

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5 The system of estimating the value of land in gold crowns was initiated in the late 1890s, a modification of a system of land taxation introduced by Franz Joseph in the 1850s (Lampland, 1992). The gold crown or monetary value of wheat produced on a given parcel of land determined its market value. Over the last decade, a new system for judging the value of land was initiated. A century of use and abuse of arable land, not to mention the inherent political distortions in the original system, prompted a revision of the entire system, now to be based upon carefully measured soil samples.

6 This hesitation to avail themselves of the benefits a land auction might bring was similar to the reluctance people felt toward property restitution in the nation generally. Despite the frequent calls for historical justice in the early years of the new regime, most Hungarians had little sense of what they would do with the property, or more accurately the vouchers, they would receive with restitution. It was only after they witnessed the eagerness with which some of their fellow citizens jumped into the fray that they realized they had better take advantage of the situation at hand. This explains why so many people came late to the auctions, or to other moments in the process of restitution (e.g. recovering proper documentation at archives to substantiate claims, etc.).
Active members have received 41.2 percent of collective assets in the form of property shares, while active employees have acquired 0.9 percent. The share of retired members has reached 39.1 percent, while heirs of deceased members and former members (already non-members in December 1991, but having previously worked for the cooperative for at least five years) could altogether claim 18.9 percent. Distinguishing between 'active' beneficiaries (active members and employees) and 'passive' beneficiaries (retired members, former members and heirs of deceased members), we find that the 'active' and 'passive' ratio of assets is 42 percent against 58 percent, respectively, and 29 percent against 71 percent in the case of landed property. (Kovács, 1996:64)

It is important to underscore the fact that corporations or other legal entities could not legally buy land in the initial auctions and subsequent sales. The continued existence of cooperative farms has depended upon former cooperative farm members renting their land to the cooperative farm, thus transforming what had been the fiction of cooperative farm members' ownership of land into a reality. Current cooperative farm managers are wont to complain that the anti-cooperative farm slant of the 1992 legislation put them at a disadvantage, preventing them from acquiring lands on behalf of the cooperative. Potentially viable units of production have been undermined in some cases by their lack of adequate lands; this is particularly true for dairies, which require extensive pasturage.

Although one can sympathize with the managers' concerns about sustaining a viable farm, it is clear that if current cooperative farms had been able to acquire lands, it would have further enhanced the financial advantages farm managers wield over the membership. As it is, they are forced, for the first time, to consider the interests of their membership in developing the enterprise.

Land auctions and naming were the two legal means by which Hungarians could acquire land. The third, very common option many have chosen is the so-called "pocket contract" (zsebszerződés), that is, an informal, but binding contract. As many people eventually got land who had very little use for it, or for whom some ready cash was more attractive, there was a ready pool of customers for those in the market for land. Elderly villagers, unemployed workers, and other vulnerable parties were easy targets for those who had the money and energy to knock on doors in search of a good buy. As might be imagined, the monies paid for these properties was far less than would have been the case if owners had waited until the restriction on land purchase was lifted, and a more open market in land came into being. The Parliament is about to pass another land law, which will make it possible for legal persons (that is, for corporations) to buy land. Hence it will be possible in the coming year for successor businesses to enlarge their land holdings. Combined with the end of the moratorium on the legal purchase of restituted property, many anticipate some reshuffling of landholdings, but nothing major. The exact status of land property holdings is difficult to determine, since the statistics at present only reflect the official figures on file. At the moment it appears that most of land is still owned by former cooperative farm members and other villagers; however, a large percentage of this land has already devolved to other parties, either in the local community or elsewhere, having been exchanged for a nominal sum within months of decollectivization.
Post-collective farms

What do I mean by post-collective farms? This term covers a wide variety of businesses. These can range from the simplest family farm of 1-2 hectares worked by a family outfitted with little more than a horse-driven plow to a farm of nearly 1000 hectares, worked by two or three hired men with fully mechanized equipment. In between these extremes one finds a number of farmers who own more substantial holdings of 50-200 hectares, land worked either with the farmer’s own machinery or with machinery rented in the village. Common are rump units of former cooperatives, farms which were constituted out of previous units of the cooperative, such as the dairy or the pig farm, or farms which are simply reduced in size owing to the loss of lands to private owners. These smaller cooperatives still employ a number of their former members, unable to trim their staff drastically because of their need to keep access to lands. Successor businesses have been carved out of former socialist cooperatives, or from former state farms. One finds machine parks, that is, service units which specialize in maintaining and renting large machinery. In some cases, these are sections of a former cooperative farm, in other they are expansions of a successful second economy7 business, building from a simple tractor to a fleet of combines and other machinery. So too, one can find other businesses—for example nurseries, poultry farms, vineyards—which grew from their modest beginnings in the second economy to more substantial dimensions in the post-1989 period.

It is difficult to construct a clear picture of how former cooperatives and state farms transmogrified into what are now large-scale agricultural businesses. In the initial years of decollectivization, the number of farms grew, from 1268 cooperative farms and 67 specialized cooperatives8 in 1990 to 1334 cooperative farms and 71 specialized farms in 1991 (Andor, 1996:15-16). The numbers increased, despite the collapse of a number of farms for economic reasons (the legal constraints against bankruptcy for cooperative farms were lifted in 1992), and because local communities asserted their rights to re-establish farms in their own village, reversing the trend since the 1970s when farms from several contiguous villages were forced to consolidate. By 1994, however, the number of cooperative farms dropped to 436, and specialized farms to 18 (ibid). These numbers, however, do not reflect the number of successor businesses which are farms re-constituted in legal terms—as a limited liability company (korlátolt felelösségü társaság), joint stock company (részvény társaság) or limited partnership (betéti társaság)—but which work the same land and employ a number of the same former cooperative farm members. In other cases, the successor

7 The term second economy refers to the legal, but non-state sector of the socialist economy. Agricultural activity conducted in backyards and on small plots of land was strongly encouraged by the socialist state, to complement large-scale production at cooperative and state farms.

8 Most cooperative farms in Hungary held land and machinery in common. But specialized cooperatives also existed, where only the machinery was jointly owned, and land was kept in private hands. These were established in regions with an unusual history of land tenure (e.g. the tanya region on the Great Plain) or where special crops were grown, e.g. vineyards. (See Hann, 1980).
businesses represent only a portion of the once socialist farm, having been totally privatized by a
clever manager, or re-organized with the support of cooperative farm membership as a smaller,
more specialized unit of production. The numbers of “economic associations” in 1991 was 1493,
whereas by 1994 there were 3342. (Andor, 1996:16).

What happened with the assets of former state farms is unclear. Parliament chose to keep
several state farms intact, for research, experimentation, and special breeding projects, as in the case
of Mezöfalva, where nearly extinct Hungarian breeds of sheep and cattle are being raised. A portion
of former state farm lands was privatized with restitution. The rest was to be sold, but to this day it
is unclear how much has actually found a buyer.

The various branches, plants and properties of former state farms (for example, machine
shops, packing shops, large sheds used for various purposes, offices, distilleries, cattle
farms, pig farms, packing crate factories, etc.) were divided up and [the privatization
agency] tried to sell them this way. This generally was more successful than the sale of
lands or orchards. How much of this was bought for how much money is completely
obscure. (Andor, 1996:14

For this reason, it is still difficult to determine the precise relationship between former state
properties and current businesses. The process of decollectivization was a scramble for collective
property and assets, the results of which remain a mystery to this day.

But despite the differentiated fate of the co-operatives, the emerging pattern of farming is
remarkably consistent. Most people are not interested in farming and rent their land to
whomever will cultivate it. From one to ten families per village have farms which cover
more than subsistence, and three to four families at most per village are embarking on
large-scale commercial farming. In addition to these family farms, if the co-operative no
longer exists, successor companies to the co-operatives have been established which farm
roughly the same acreage of land, and look after roughly the same quantity of livestock,
but with far fewer staff. (Swain, 1995:76)

How do managers acquire farms?

What were the factors which allowed former socialist farm managers to stay in positions of
authority and privilege? Mihály Andor and Tibor Kuczi did a study of decollectivization in Hungary,
conducting a series of local case studies and compiling statistical information to augment the picture
they gathered in local studies. Andor’s work in particular offers valuable insights into the various
strategies former socialist managers followed to maintain their farm, or to preserve some semblance
of a large-scale farm following decollectivization.

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9 This study was part of a larger study of decollectivization in Hungary, the Czech Republic and Poland, led by Nigel
Swain at the Centre for Central and Eastern European Studies of the University of Liverpool.

10 I am indebted to Mihály Andor for providing me with an unpublished version of the results of his study (1996).
While former socialist managers may have succeeded in maintaining their economic and political privileges, their motivations for doing so differed. Andor describes three motivating strategies among former socialist managers (1996:4):

I) Socialist farm managers try to keep the farm intact, despite the political and economic pressures to dismantle it. This strategy is driven both by personal interests (to stay in management), and by a sense of responsibility for the employees’ welfare.

II) Taking advantage of their disproportionate access to information and their position of authority, managers try to acquire the most valuable assets of the farm in order to start up their own private business.

III) The third strategy lies in-between the first two: managers attempt to salvage some portion of the former cooperative farm, transforming branches of production into a successor organization (limited liability company, limited partnership, joint stock company). This permits them to continue in management positions, while ensuring that at least portion of the former farm membership is given employment locally.

The actual manner in which farms collapsed, transformed, or simple ceased to exist was a complex process, the end result of much wrangling, contention, and struggle (see Kovács, 1996; Swain, 1995 for good descriptions of the social struggles surrounding the dismantling of cooperative farms). I visited one community where the farms were promptly dismantled, owing to a wide consensus in the community that people wished to farm privately; needless to say, one of the former socialist managers has succeeded in building the most substantial, and profitable private farm in the village. In a neighboring village, the cooperative broke up along the lines of branch organization (dairy, pigs and grains), putting an end to years of wrangling between the various branches over the distribution of resources within the cooperative as a whole. In the next village over, the cooperative farm was effectively privatized by a former socialist manager, who runs a tight ship. In still another village the farm has continued to be run much as in the socialist period, although with reduced landholdings. The leadership continues to engage in the shadiest of dealings, and tolerates widespread corruption among its members. Everyone is waiting for the cooperative to collapse under the weight of its own debt and incompetence; in the meantime, everyone is rushing to steal what they can while it is still theirs.

The strategies former socialist managers have followed to improve the viability of their farms and related businesses do not differ substantially from the strategies of new businesses in other sectors: reducing staff and restructuring the dimensions of the enterprise to enhance efficiency. The devolution of cooperative farms into smaller units with a specialized profile follows the pattern of large industrial conglomerates in the early years of privatization. In industry, new managers

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11 In the case of agrarian businesses which grew out of the socialist second economy, such as small machine shops or tractor stations, the opposite trend is common, that is, expanding the size of the business to accommodate greater demand among new landowners, and to compete more effectively with their new competitors, e.g. reconstituted cooperative farms which hire out machines to local landowners.
pruned former factories, forging smaller, more efficient businesses out of the constituent parts of the enterprise. While the construction of specialized functional units such as a dairy farm makes business sense, it is often also motivated by the desire among aspiring managers to escape debt burdens accumulated in the socialist period. Selling off viable units of mammoth factories, leaving the inefficient and indebted remainder in the hands of the state, has been a common tactic in the process of the privatization of industry. In cooperative farms, at least, the success of this maneuver depends on the foresight of a manager able to sneak out from under the debt looming over the farm, and leaving his former, less insightful colleagues with a quickly deteriorating farm (see Kovács). It often also depends on the manager’s ability to convince a portion of the former cooperative membership to ally with him in his new business venture.

Initially the size of cooperative farm membership was reduced with the migration of former members into independent farming. After the initial drop in membership, however, cooperative farm management was left with the task of reducing the staff further, in order to rid itself of workers long deemed unqualified or unreliable. This has not been as easy as it would be in other businesses, such as state farms or non-agrarian companies where management could simply fire as many workers as possible to reach a reasonable staff size. Cooperative farms rely entirely upon the good will of their membership to continue farming, since they must now rent the land they once farmed with legal impunity. While not all the land which post-collective farms rent belongs to their employees, managers are aware of the dangers of alienating segments of the village community by harsh personnel policies, the results of which could easily be the withdrawal of lands from their control. It is thus extremely important for post-socialist cooperative farm managers to be able to convince segments of the local community to support their efforts. In this context it becomes clear why long-term ties, developed in the socialist period between managerial elites and their manual work force, can be deployed in classically paternalist fashion to accrue to the manager’s benefit.

The alienation of state properties by private businessmen has been a contentious process throughout Eastern Europe in the post-socialist period, raising all sorts of questions about the constitution of new elites and the rejuvenation of old patterns of privilege and power. This is as true in Hungary as anywhere else. I would argue, however, that the process of restructuring agrarian businesses—in the case of outright appropriation by private interests, or in milder cases in which cooperative farms are simply re-constituted—has some special features which distinguishes it from the process of privatizing industry or service companies. Both the social location of farm businesses, that is, a close and observant village community, and the requirements for successful business, that is, access to land, make the transition to new business forms particularly difficult, constraining management decision-making in ways different from other sectors of the economy. Since land still cannot legally be bought and sold, the range of options open to managers is limited. The fact that many have resorted to illegal means of acquiring land only underscores this fact.
As all the evidence suggests, former socialist managers have succeeded in maintaining their authority and position within the agrarian sector, either as fully private farm owners, as cooperative farm managers, or as managers of successor businesses. The degree of their success, however, was not always in line with their ambitions, as their strategies for retaining control over property and assets could be stymied by opponents within the community and beyond. Management success, or the ability of villagers to frustrate their plans, depended upon the right combination of a number of factors. Andor has specified nine factors which could play a role in management's success or failure (1996:5-8). I would regroup these factors under two headings: 1) features of the socialist farm prior to decollectivization; 2) features of the community of which the cooperative is a part. Although the pattern of privatization in industry may have involved some of the features listed below, I would emphasize the significance of local community pressure and participation in decollectivization as a crucial, and distinguishing feature of privatization in the agrarian sector.

I. Features of the socialist cooperative farm.

Grouped under this heading are five of the factors Andor identified as playing a role in the possible success of former socialist managers in achieving their goals at the farm. Essentially all five factors speak to the degree to which farm members were able to influence decision-making during the socialist period. As I have argued elsewhere (1995), a substantial shift occurred in the relationship between management and labor at cooperative farms during the 1970s, a shift which increasingly favored the disenfranchisement of the membership to the advantage of managerial authority. If a fortuitous combination of the following factors were present, a manager could easily succeed in taking the farm in the direction he envisioned for the near future. It also bears emphasis that these five factors consist of features directly related to the last decade of the socialist economy.

1) The proximity of cooperative farm decision-making to the local community. With the amalgamation of farms in the 1970s, the daily management of cooperative farms often took place in farm centers far away from the village, making it difficult for villagers to keep a close eye on managerial activities. This concentrated greater power in the hands of management, a factor which managers could use to their advantage during decollectivization.

2) Petty commodity production independent of the cooperative farm. If local forms of commodity production developed in the socialist second economy which were relatively independent of the cooperative farm, e.g. vineyard cultivation, then cooperative farm members were far less integrated into the daily workings of the cooperative farm. They used the farm as a convenient source of income, but did not actively participate in the farm's overall management. This could give local management a greater hand in the process of decollectivization, since they had far greater control over decision-making than in a farm where the membership had greater interests in the farm's everyday business practices.
3) Success in the 1980s. If management had done a good job of running the cooperative farm in the 1980s, farm members were apt to go along with their strategies for re-organizing the farm in the 1990s. In such cases, management could also use the loyalty of local villagers to exert inappropriate or even illegal pressures on those who chose to break with the farm entirely, forcing them to stay with the farm against their will.

4) Composition of the work force. Managers have an advantage in achieving their plans if their membership is, on average, older, poorer, less educated, and has a higher proportion of women. These members are less apt to be involved in decision-making generally, and are also more apt to defer to the authority of managers. Hence they are unable to prevent managers from doing what they would with communal assets, even if they were to be suspicious of the plans management put forward for the farm's future.

5) Missing generations. In villages found in more industrialized regions, one or two generations have abandoned agricultural production entirely, leaving no one to make claims on agricultural properties. In this context, managers can easily acquire the farm's goods with little resistance. Villagers also have a hard time resisting managerial control if there is a history of commuting to employment in nearby or distant towns, which means that their frequent absence makes it hard for them to exercise local control over village institutions.

II) Features of the community.

This grouping contains those factors which are related to the current economic conditions of the village in which decollectivization occurs.

1) Management’s residence. If a former socialist manager lived outside the community in which the cooperative farm was located, it was much easier for him to engage in shady dealings than if he were subject to the censure and moral pressure exerted on those who lived in the local community. In simple terms, people cannot see the accoutrements of wealth a manager acquires if he lives in a neighboring town than if he lives in a house right down the block.

2) Local employment possibilities. Management has a greater hand if the community is located in a region in which employment possibilities are limited. In such conditions, the management can convince members to stay with the farm, giving the new business a solid foundation, all the while acquiring the farm’s assets for their own private use.

3) Proximity of markets. The members’ familiarity with or knowledge of the workings of the market for farm goods can influence how easily they leave the socialist cooperative to farm privately. If they are unschooled in marketing their produce, and unable to reach markets easily, they are less able to withstand management’s strategies for re-organization or privatization, since they are at a disadvantage vis-a-vis their managerial colleagues in developing an independent business strategy.
There is one category Andor mentions which falls outside this grouping, reaching back to the pre-socialist period, that is, the history of the community. Management has a greater hand if the history of the community has been one in which villagers have not had strong representative institutions. Studies in the 1980s suggested that the pre-war history of proletarianization (cseleدمült) influenced patterns of schooling and career choice, which could have an effect on the current history of re-organizing village institutions.

It is common to hear sociologists and rural folk alike explain the passivity of former cooperative farm members as the result of pre-war labor relations. If a community was inhabited by former sharecroppers, manorial estate employees and day laborers, rather than by subsistence peasants, it is more apt to be one characterized, they say, by apathy and a lack of entrepreneurial spirit. I find these explanations problematic, for the simple reason that they ignore the intervening forty years of socialism, in which workers were regularly prevented from having a say in politics in general, or in the policies of their workplace in particular. Workers were not rewarded for initiative and independent thinking on the job in socialism. That they might have sought to compensate for this in their ingenious second economy activities is one reason some thought that pent-up desires for independence presumably characteristic of Hungarian peasants (maga-ura parasztok, or peasants who are masters of themselves) would flourish in the post-1989 economy. This did not come to pass, which appears to substantiate the new managers' claim that former cooperative farm workers have acquired the habit of being told what to do, and are unwilling to change this behavior. As I have argued elsewhere (1995), the one sure result of the socialist period was to transform the large majority of the population (former peasants and sharecroppers alike) into wage workers, for whom the highest goal was to avoid any responsibility whatsoever at the workplace. Thus it is unnecessary to reach back to the pre-war period to explain the widespread rejection of an entrepreneurial attitude among the majority of villagers. Moreover, as is true in any capitalist economy, there are those who simply are unwilling, or in some cases unable, to become a manager. Among these one finds those who find themselves restricted to certain kinds of employment which their ambition would shun but their abilities dictate. Then there are those who choose the nine-to-five job, preferring a low-key lifestyle to one fraught with anxiety and stress. There were some former cooperative farm members and state farm workers who would have enjoyed the prospects of running a large farm, and even would have been good at it. But as various local studies of decollectivization demonstrate, a number of factors determined whether one succeeded in acquiring the sorts of assets necessary to run a large farm, not least the ability to defeat others in their bid for land, machinery, and managerial control. The tendency for managers to dismiss the "socialist worker attitude" of their fellow citizens thus masks the very complex, and sometimes quite shady dealings, the now managers engaged in to assure their own success.
The manner in which decollectivization proceeded varied widely. It bears emphasis, however, that crucial factors influencing the devolution of property and cooperative assets were directly tied to the late history of socialism. Who eventually acquired a farm’s assets, and who continued to work in the jobs generated in the new business, was the result of very intense, long and complex battles. But they were battles first staged in socialism. The armament and ammunition obtained then are powerful to this day.

Farm managers’ attributes

What were the crucial attributes former cooperative and state farm managers possessed at the moment of decollectivization? How were agronomists, farm presidents, unit managers able to parlay earlier training and experience into a distinct advantage in the new economy? In simple terms, the use of important social ties and expert knowledge gave agrarian elites a disproportionate advantage in the transition.

A truly successful entrepreneur must depend on a wide variety of social relationships in the course of establishing a business: kin, friends, colleagues and business associates. Relying upon the financial resources of one’s family can be as important or more so in the current climate as persuading banks to offer monetary supports. (The use of bank loans in agriculture is limited, as land cannot be used as collateral until property rights are fully stabilized in the coming year.) The emotional support of one’s family, and of the wider community of which one is a part, can mean the difference between success and failure. This was clear in the example of a machine station I visited which grew from a small, second economy activity to a full-grown business since 1990. All but one person employed at the farm is a member of the family. (This perhaps makes it easier for the owner of the machine station, who once ran the cooperative farm machine shop, to turn away former employees who seek him out for a job.) Also, the entire business was built on the revenues generated in his parents’ and his wife’s parents’ second economy agricultural activities. Without the financial and emotional support they received from their extended families, they probably could not have made it as far as they have.

A negative example also demonstrates the significance of community support. I have been shocked at the degree of animosity shown a former socialist manager in one village I know well.

12 It is common in the United States to overlook the role of social networks and contacts in business interactions. We avail ourselves of these advantages, but consider them a natural way of doing business. In foreign environments, however, we label such patterns corruption. This was brought home to me in a conversation with a Hungarian manager of a well-known U.S. agrarian concern which has been doing business in Hungary for several years now. One of his bosses, an American, regularly questioned his judgement when he made suggestions in hiring personnel. He was challenged in every instance, being asked, “Do you know this man personally?” If he did, the American assumed that the Hungarian was engaged in shady dealings, rather than drawing another conclusion, that Hungary is a small country with a limited number of specialists in his field. One could easily argue that personal knowledge of a potential employee--his skills, work habits, commitment to the company--would be an advantage in hiring. But his American boss could not see things this way.
Once admired for his moral fortitude and fair treatment of cooperative farm members, he is now regularly maligned, being compared to his former boss, who was famous for his corrupt practices. The budding capitalist is frustrated by village apathy and distrust in his attempts to build a small private farm (alongside his job at the still extant cooperative farm). Although his motives are straightforward, and totally legal, people find his actions suspicious. It doesn't help that people consider him to be engaged in the same kind of corruption which is rampant among the current management of the farm. But there is more here than his being simply grouped with his superiors. Villagers display a general distrust of anyone who seems to be busy making a business, whose actions are not devoted to simple hard work but to building a business, much of which is beyond the direct supervision of the community. What is not seen is not to be trusted. He has also found that county bureaucrats blithely stymie the paperwork he submits to transfer properties. He can only speculate that although his actions are legal, he has not greased enough palms to smooth his way.

While the support of one's kin within the community can be crucial, giving one the chance to build up a business, other fault lines within a village may stifle new business growth. A community divided by ethnic hostilities--where one's ethnic identity can determine whether one will do business with someone or not--can seriously impede the growth of one's business. So too, lingering political hostilities can impair one's success. In the case of one cooperative farm I visited, the manager complained about former cooperative farm members refusing to rent their land to the now much smaller cooperative, if only because they resented having been forced to alienate their lands to the cooperative in the early 1960s. Indeed, one farmer rented his land to a friend for a minimal amount, to spite the cooperative farm management, since he knew full well the cooperative dairy was in desperate need of pasturage.

The social relationships which former socialist managers have depended upon in the transition include their long-standing paternalist relations with the cooperative farm work force. During the socialist period, cooperative farms played an important role as channels of social goods and services, e.g. organizing holiday parties for the children, providing important subsidies to local day care facilities, providing cheap sources of grains for the second economy, tiding over a family needing help with funeral costs, etc. More than once I have been told that the habit of seeking out the cooperative farm president in times of need is still alive and well. This is a two-way street. While cooperative workers may benefit on occasion from the largesse of the farm president or branch manager, these men also have been known to call in their debts (figuratively). The ability to exercise moral suasion in such contexts can go far when the stakes are high.

The most valuable form of social capital former cooperative farm managers possess for building a business is an extensive network of county and national contacts in the agrarian economy. These contacts range from simple friendships built of common projects in the past to elaborate patron-client relationships with industry (e.g. fertilizer companies, food processing, distilleries) and
complex connections with bureaucratic organs at the county and national level. Fellow agronomists and agrarian managers at cooperatives and their successor businesses rely on each other for information and assistance. Agrarian managers formed long-lasting relationships while still in school, or when attending refresher courses or other classes designed to advance their training. So too, the frequency of county-level and other regional meetings and conferences created a large, and valuable network of advisors and friends.

If I were to summarize the central feature of these relationships, it would be trust. In all of these various transactions, the players can rely upon each other to deliver goods on time, to offer a decent price, to provide valuable information, to make the right decision on one’s behalf. The dependability of these relationships diffuse the uncertainty of the new market economy, and give entrepreneurs an edge on their competition. Used in the right ways, such relationships can enhance the viability of one’s enterprise. Used poorly, they can undermine one’s profitability and signal future losses. This was illustrated to me in the case of one cooperative president, who consistently refuses to sell his produce to strangers, even when they offer him a higher price than his regular customers. He finds the transaction with strangers uncertain. "He’s not a sure buyer," he claimed. (Nem biztos vevő.) When villagers hear such comments, they develop their own explanation for his behavior. He is reluctant to engage in transactions with people he doesn’t know, they posit, because then he won’t be given a piece of the action. And so, he lines his own pocket, to the detriment of the farm as a whole. This intransigence in management style and decision-making has pushed the farm to the edge of bankruptcy. This example stands in stark contrast to a neighboring farm, where the management is keen to restructure itself along new lines, specifically as a business providing a variety of different services to the community. The process of decollectivization has severed the tie between land ownership and production, the manager explained. It is incumbent upon him to develop new relationships with members of his community, reorganizing the cooperative into an agricultural "service station." This way he can continue to make use of his extensive machinery, the expertise of his staff and the economy of scale his unit represents, all the while serving those in the community with land to work.

A crucial strategy deployed by former socialist managers in their transformation into capitalist businessmen has been the use of their extensive contacts in the agrarian sector, as noted above. The advantages that former cooperative managers had in terms of social networks should not be underestimated.

It should be noted, however, that the means of negotiating a good contract, of getting a fair price for one’s goods cannot be attributed to personal contacts alone. Simple economic laws play an enormous role in these transactions, an issue which may be overlooked in the hurry to emphasize the significance of social relations. Economies of scale strongly influence one’s position in contractual negotiations. One of the greatest problems created by the push to small family farms was the loss of
economies of scale. Advocates of small farms don’t seem to have thought through what would happen with grain cultivation, in the absence of large manorial estates to grow what a two-hectare farm cannot. And what of selling one’s produce? The notion that small farmers would flourish in a new economy which no longer has any form of marketing cooperatives to guard them from exploitation by middle-men commercial agents is laughable. (Such marketing cooperatives existed in the pre-1948 period, and lived on in altered form in the socialist period, playing an important role in buying up produce from the second economy.) It is clear that many cooperative farms will take on the role of clearing agents for the produce of local farmers; their interests and that of the community are to enhance their bargaining power with their customers.

Networks of friends, familiars, advisors and loyal supporters can serve as the emotional and financial foundation of a business. But the existence of good social contacts is insufficient if one has not learned to run a business effectively. The knowledge and experience of running a large-scale farm has also played a crucial role in the former socialist elite’s appropriation of farming enterprises.

In the late socialist period, cooperative farm managers had become astute in manipulating social contacts and financial resources to their own advantage. These skills were born both of opportunity and necessity. From the mid-1960s onward, cooperative farm managers had enjoyed fewer supports from the state than their colleagues in industry or at state farms. Forced to scramble for scarce resources, such as sources of credit to tide them over during the growing season, cooperative managers had learned to cajole county officials, bend the rules and cook the books to make it through the year. While this did not always lead to the most efficient use of resources (Lampland, 1995:247-272), it did teach managers that having privileged access to information (what new crop profiles will the county be looking to support in the next year?), well cultivated contacts (which processing company will buy my crops at a better price than those of the neighboring farm?), and good leverage (can I twist the local bureaucrat’s arm to give us credit sooner than other farms?) can make all the difference in one’s career.

These sorts of elaborate machinations were not specific to agriculture. As the work of János Kornai has shown (1959, 1992), the everyday workings of a planned economy depended on regular negotiations--finagling, manipulating, reworking plans--to achieve an overall plan which suited actors in different sectors of the economy and at different levels of the party/state and enterprise hierarchies. These techniques were enhanced in the cooperative sector, in part because of the unwillingness of the party/state to pour extensive resources into agriculture, and in part because--in contrast to industry--the agricultural sector was not dominated by monopolies. A lively and quite diverse number of farms regularly competed with each other for attention and resources at the county and national level. No matter how true the image may have been that cooperative farms in 1989 were stagnant, inefficient, highly bureaucratized institutions, the causes for their poor performance bear only a partial relationship to the skills and attributes of the managers who ran these farms. The
state not only stipulated employment policies—how many people must be employed and at what rates of pay—but also set prices and controlled the entire chain of moving goods from rural farms to urban kitchens. The extensive constraints the state placed on making decisions amenable to efficient and profitable business practices strongly influenced how viable cooperative farms were in the late 1980s. In other words, the everyday experience of cooperative farm managers was of having to make do in a difficult economic environment, experience which can be built upon in the different, but nonetheless difficult economic environment of the 1990s. One cannot underestimate the value of knowing how to write up a budget, how to plan investments, where and how to cut corners if necessary: all these are traits that have long been the stock and trade of the socialist farm manager.

Another way of formulating the skills managers acquired in the ins and outs of planning a socialist enterprise is to say that cooperative managers learned to take risks. This may sound strange, if one considers the degree to which state and party agencies constrained decision-making in production and commercial transactions, that is, prevented an active market economy from taking hold. But it was precisely the clever manipulation of these rules and regulations which made one’s career in socialism. Playing against the legal edifice has honed the skills of former cooperative managers in knowing how and under what conditions to move forward, to hesitate, to diversify, to scramble. The uncertainties of state supports, the chaos of planning schedules (chaotic because so much of one’s plan had to be falsified to meet the sometimes pressing, sometimes frivolous demands of one’s superiors), the difficulties of making ends meet contributed to the ability of managers to live in an environment with much uncertainty. This is precisely the quality non-managers lack.

Admittedly, not all former socialist managers are as skilled in weathering the difficult waters of the new market economy. The cooperative farm president who only sells to friends will soon find this a dead-end strategy. But many others will learn, and already have learned, to build upon their extensive managing skills to extend and strengthen their businesses.

Socialism altered the Hungarian countryside irrevocably. Many features of modern agricultural production—mechanization, chemical fertilizers, a specialized work force—were introduced during the socialist period. Attitudes about money, about time, and work were changed, both among the manual labor force, and among managerial elites. Contrary to popular wisdom, much of what managers learned running cooperative and state farms has accrued to their advantage in the post-collective era. This simple lesson should warn us against dismissing the social legacies of socialism so blithely, in our rush to institutionalize new economic forms.

Future Concerns

The ability of former socialist managers to slide into positions of authority (or outright ownership) in successor businesses is well documented. Just how successful these managers will continue to be is an open question. Let me conclude this essay by discussing a few of the issues managers themselves raise as worries for the near future.
Two issues are of immediate concern to agrarian managers: next year's elections, and the impact of European Union membership on Hungary’s agrarian sector. The upcoming changes in the land law, which seem to occupy the imagination of many urban commentators, does not seem to be a preoccupation. This perhaps is because the die has been cast in most communities, and managers know full well what has been sold and what has not. The prospect of foreigners acquiring land may be worrisome, but there is little that can be done to prevent it. Foreigners with Hungarian relatives, or even Hungarian agents, can easily acquire land for the right price. Moreover, as one manager suggested, it may no longer be in the interest of foreign companies to acquire land. In the current context, in which scarcity of financial resources is the most common complaint among managers, it will be easy for foreign agents to become middle-men, providing farms with sorely needed funds while negotiating highly favorable contracts. In such conditions, why bother to invest in land at all?

Next year’s elections worry managers, as they constitute another unknown in their universe, bringing possible changes in legislation and altered economic conditions. Former socialist managers turned capitalist businessmen are still getting used to the practice of a state making policy through a multi-party legislative process. Managers complain about the difficulty of getting legislation through, while also voicing concerns about how easily it is to shift priorities within the government. Agrarian managers have survived one government’s explicitly anti-cooperative stance (the 1990-1994 government), and are finding it hard to flourish under the current government’s lukewarm support of large-scale production. The ruling coalition has started to make concessions to the agrarian sector this year, but managers are suspicious of any last minute promises. In the absence of any well developed forms of interest representation—the Agricultural Kamera does little more than collect statistics on agricultural production—managers feel unable to exert any influence on ministerial officials or party representatives.

The impact on agriculture of joining the European Union is the central question in managers’ minds. Fraught with unknowns, the prospect is daunting. While it is common knowledge that the current state of agricultural price supports in various Western countries are slated for elimination, Hungarian managers do not expect that they will join the Union under conditions of equal treatment. But these are all worries which will not be assuaged until the process of entering the EU begins. Until then, managers must continue to work hard running their businesses, in the hope that they will be around to compete, in however disadvantageous conditions, when the Union opens its doors.
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