

# **The Social Impact of Agrarian Land Reform. Social and Political Conflicts in the Post Communist Transformation of Hungarian Agriculture**

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The post-communist future of East European agriculture is just as unpredictable as the future of these societies in general. The communist agricultural system undoubtedly will disintegrate, which will result in major dislocation of resources, property rights and people. It is also likely that forces to restore the status-quo-ante, the pre-communist agrarian system are going to play some role. We can see these forces operating today in parliamentary politics, where the single most striking issue is the continuity with pre-communist political culture. Center-right parties won the first elections with margins similar to those of center-right victories before the Second or even before the First World Wars. However, a simple restoration is impossible: 40 years of communism has left a lasting mark on East European societies and the global landscape of the world economy and politics has changed drastically too. Still, some combination of the restoration of pre-communist forms and adaptations to the new global social and economic order jointly will shape the political, economic and social nature of these societies, thus their agrarian system as well.

As we are writing this article-- between late June and early August 1990-- the political system of communism has been virtually completely reshaped, while the basic economic institutions, such as the agrarian sector, have remained fundamentally unaltered. Since the change has been slow in coming, it is not possible at this point to foresee the future character of Hungarian agriculture. At most we may describe the "point of departure", the communist heritage, to show at which points that system begins to break down. Here we will raise a few interrelated issues that are prominent in the current political debates in this country: the question of property rights; the relationship between family farms and latifundia; conflict of interest between former owners, present coop members, coop workers and management, coop members and rural population in general. The analysis is focused on Hungary, yet generalizations about other post-communist societies will be made when relevant or possible.

## **The Point of Departure: The Communist Heritage**

Hungary was among the very few socialist countries,<sup>1</sup> which produced a workable agricultural system. Since the late 1960s food shortages in Hungary were virtually unknown. There was a significant export capacity (the hard currency revenues of agriculture far exceeded the proportion of capital or labor employed in this sector)<sup>2</sup>, and the per acre yields in many crops were among the highest in the world (capital and environmental costs often were rather high, however).<sup>3</sup>

This Hungarian agricultural "miracle" was achieved by a rather innovative mixture of collective and individual or even private forms of production. Approximately 90 percent of the arable land<sup>4</sup> was cultivated in "collective forms." On the remaining 10 percent about 60 percent of all families (including the urban families) produced food partially for their own consumption, partially for marketing.<sup>5</sup> This 10 percent of the land produced about 30 percent of the total value of all agricultural production and more than 20 percent of all marketed agricultural products.<sup>6</sup> Between 1972 and 1982 family production remained stable. Although the number of families engaged in production was gradually decreasing, this was compensated for by more intensive production from the remaining family-producers. By 1982 some 5 to 15 percent of the rural population began to produce mainly for markets rather than for subsistence and their incomes from family farming equaled or exceeded the income of an average industrial worker. Thus by 1982 in Hungary (a country with somewhat more than 8.2 million hectares of arable land) there were about 1-200,000 families of "agricultural entrepreneurs," mini-farmers rather than peasants, post-peasants or peasant-workers. Although they cultivated only one or two acres of land per family and had one or more industrial or agricultural full-time wage earners in each family they ran highly specialized commercial farms, rather than the typical peasant or peasantworker subsistence operations.

The relative tolerance of part-time family farming is one of the reasons behind the relative success of Hungarian socialist agriculture. In other socialist countries (even in those, where agriculture was not collectivized, for instance in Poland or Yugoslavia) family production was over-regulated and/or excessively taxed. The Hungarian regime after 1968 showed a great deal of tolerance towards the family plots and neither regulated nor taxed these activities. Also, beyond family production proper, even in the collective sector a variety of "family incentives"

were used, such as share-cropping or "putting-out" of livestock. Thus the actual "private sector" was even larger, than indicated above. By the mid-1980s approximately half the value of agricultural production may have been produced in family work organization, although in a symbiotic relationship with collectives.

By the mid-1980s one could sense that the opportunities of this symbiosis were exhausted. As in other spheres of economic and social life, state socialism was sinking into an everdeepening crisis in agriculture. Most important, the capital and environmental costs of production of the latifundia became prohibitive, and family entrepreneurship stagnated. This was caused by prohibitions on the purchase or lease of land; no available credit for investment purposes; and low general business confidence. Under these circumstances family production remained labor intensive, but without capital investments it lacked the dynamism, to compensate for the stagnation of the collective sector.

The fundamental social and economic facts, which will shape the future struggles around Hungarian agriculture were the following:

1) About 90 percent of the 8.2 million hectare land was in the collective sector, state farms or cooperatives. This sector employed about half a million people (among them about 40,000 professionals) and had significant capital assets (about 700 billion HUF, including the value of real estate) but also a 130 billion HUF debt).<sup>7</sup> On top of this the value of the land should be around 1,000 billion HUF. All net assets to be "personalized" are thus in the range of 1,500 billion HUF (or US\$10 billion). All capital assets in industry are estimated to be 2,000 billion HUF (or US\$20 billion). Thus agriculture represents about a third, if not more, of all those public assets which are now considered to be privatized. Under these circumstances the question who will become owner of the land is of vital social and political importance.

2) 60 percent of all families produce food on small lots. About 10 percent of these families do have entrepreneurial skills (half of them work for agricultural cooperatives, the other half are industrial workers, who typically commute to urban work-places and run their family business part-time. Even these "entrepreneurs" are without sufficient land and capital, and operate highly labor

intensive firms. Also, since they developed their mini-enterprises in a symbiotic relationship with the latifundia, if the collective sector were to suddenly sink and if subsidies to agriculture are rapidly eliminated this sector may suffer severely.

3) About 40 percent of all families, almost half of the Hungarian working class, live in rural communities. This stratum of the working class has survived on low salaries by complementing their wages and salaries with revenues from part-time family farming. It is this stratum that is going to be the most affected by lay-offs, because they are generally less skilled and more vulnerable to the skill-mismatch problems, which will result from rapid industrial restructuring in the coming years. The future political and economic stability of the country will depend on a significant degree on how this stratum will survive the next few years.

With the legal-political changes which took place during the last two years, the restructuring of the agrarian system becomes both possible and necessary. We will briefly review the critical issues concerning the agrarian question<sup>8</sup> in the current political discourse in Hungary.

### **Alternatives futures for Hungarian agriculture**

The agrarian question and, in particular, the question of transformation of property rights in the countryside, is one of the main issues of current political and social struggles. Two extreme positions were formulated by two relatively small political parties. The Smallholders Party (FKgP) advocates a restoration of 1947 landownership rights with its ideal being the transformation of the whole agricultural system into family farms. The Agrarian Alliance (ASz) wants to re-shape the current latifundia from kholhoz into proper cooperatives, in which coop members would become effective co-owners of both the land and capital. They also would allow some family farming, but the shift from large estates to family farms would be gradual, relatively slow and may have its limits.

Neither of these two parties enjoy massive popular support. Though FKgP finished in the April 1990 parliamentary elections as the third largest party, it received only slightly more than

10 percent of the votes and ASz did not gather the 4 percent minimum necessary to gain parliamentary seats (it has one individually elected MP today).<sup>9</sup> Still, the importance of the controversy should not be underestimated for several reasons. On the one hand, although FKgP finished poorly at the end, it temporarily had large support and its land ownership policy played an important role in this initial success. In June 1989 FKgP had only about 7 percent electoral support, but after the October declaration of its land policy, the party support sky-rocketed to 20 percent by February 1990. Just a few days before the first round of the elections in a public opinion poll 17 percent of the respondents believed that FKgP would win the elections, exactly the same proportion of respondents who predicted victory by the Free Democrats (SZDSZ).<sup>10</sup> It is unknown precisely why they fell back at the end of the campaign. Yet, it is clear that it was the party that picked up a larger percentage of rural votes and it is likely that its program had some role in this.<sup>11</sup> ASz did not do well at the polls, but it may have more strength than the elections revealed. ASz was badly damaged by the fact, that it was created by kholhoz presidents, and thus perceived as a crypto-communist movement closely associated with the past regime. As anti-communism is likely to lose some of its significance for East European politics ASz may be able to mobilize those sections of the rural population, which it would lose if FKgP succeeds in pushing its policies through the parliament. These are primarily those members of the coops whose families did not own sufficient land in 1947 to start a family business now (i.e. about half of the membership). Thus ASz may have some appeal to 5-10 percent of the electorate.

**TABLE 1. LAND TENURE OPINION SURVEY: WHAT IN YOUR VIEW IS THE RIGHT SOLUTION TO THE LAND RIGHT-ISSUE?**

	<b>Proportion of all respondents who gave that answer</b>
<b>The land should be given back to the 1947 owners</b>	<b>23.5%</b>
<b>The members of cooperatives should decide what to do</b>	<b>40.9%</b>
<b>Those should get the land who can pay the most for it</b>	<b>4.9%</b>
<b>Coops should stay as they are</b>	<b>22.7%</b>

According to a public opinion poll conducted by TARKI in May 1990 (Table 1) on average about 24 percent of respondents believed the right solution is to give the land back to the

original owners. As anticipated the proportion of those with such beliefs was the highest among those who voted for FKgP. Around 40 percent wanted the land given back to the 1947 owners (one may judge this to be a low figure; after all FKgP attributed so much importance to this issue in its campaign). Most people, including FKgP voters, wanted either the coop members to decide the future of the land or wanted the land to stay under cooperative cultivation.

Education is also a factor among those who would like to preserve the status quo. The more educated are much less likely to want the coops to stay as they are: among those with tertiary education only 7.9 percent wants this, while among those with only primary education 30.8 percent does not want to change the present system. University-trained respondents disproportionately favor the second choice (51.3 percent of them think coop members should decide their own fate, while the average is only 41 percent). However, there is no statistically significant difference<sup>12</sup> among classes as far as the first item is concerned: 25 percent of the university-trained would like to restore the 1947 land-holding system, and 27.4 percent of those who completed only primary school expressed such a wish.

The major parties, MDF, the core of the governing coalition and the major opposition party, SZDSZ initially did not take a strong position concerning the land-right issue. The initial agrarian program of the two big parties did not seem to be all that different from each other; both parties took a middle position between FKgP and ASz. Both the MDF and SZDSZ party programs emphasized the need of private ownership of agricultural land, a need for family farms of viable size. Both parties expressed their wish to create a mix of farm sizes. Neither parties wanted to return to the 1947 situation, though both accepted that those who hold land titles should be allowed to take their land out of the coops and bring the land under private cultivation and those who were unjustly deprived of their land should get some compensation.<sup>13</sup> However MDF did not win absolute majority and they had to form a coalition with FKgP and with the small Christian Democratic Party (KDNP) and thus with some reluctance they had to support a slightly watered down version of the FKgP land-right policy.<sup>14</sup> SZDSZ on the other hand is moving closer to the ASz position. This is not without surprises, since SZDSZ otherwise is the most radically "pro-free enterprise" party. On the issue of land-reform since the elections SZDSZ seem to be shifting grounds, and when the land-right law comes before parliament it is likely to vote together with the successor party of the communists, with the Hungarian Socialist Party (MSZP) and with ASz. While SZDSZ generally recommends "shock-therapy" and the fastest

possible privatization (including debt-equity-swap schemes), they take a cautious position about family farms and support a gradual transformation, rather than fast dismantling of the kholhoz system. The main point is that, while the above outlined "extreme" positions were formulated only by relatively small political movements, for complex reasons these positions have come to affect the major current of political debate today. After all, the future of the governing coalition is at stake. FKgP is rather stubborn, knows MDF has little choice, but to give them a lot on this issue. SZDSZ senses this, focuses its fire on some of the rather extreme points of the FKgP position and may eventually break up the coalition government. Some leading MDF politicians openly express hostility towards FKgP "extremism," but without FKgP support MDF either has to form a grand coalition with SZDSZ, where the smaller SZDSZ could easily play the first violin due to its better expert economics the smaller SZDSZ could easily play the first violin, or it has to learn how to govern as a minority party, which could be extremely difficult, if not impossible when parliament and government faces very tough decisions and has to pass vital legislation. Under these conditions at this historic conjuncture it is again the "Agrarfrage", which may decide the future of Hungarian politics.

In what follows we would like to outline briefly the pros and cons of the two "extreme positions." We regard these positions as kind of "ideal types." Thus, as we will indicate in our concluding remarks, the most likely scenario will be a compromise between these two positions.

### **1) Restoration of the 1947 landholding system.**

In 1945 the large manorial estates were divided democratically, and the process was completed in 1947. From 1949, in several waves during collectivization drives, the State used coercion to form cooperatives. The FKgP holds that because coops were created by force, subsequent land ownership and in particular cooperative ownership per se are illegal.<sup>15</sup> The FKgP, however, does not argue that it is solely because of moral obligation that returning the land is advisable. They also argue that because of favorable market considerations and Hungarian micro-climatic conditions, labor intensive small-scale agriculture is both viable and desirable. They argue that because Hungary is close to Western consumer markets where quality, organically grown food is high in demand, it may be sensible to produce these products, rather than operate as economies of scale.

They also anticipate that rapid economic restructuring elsewhere in the economy will create massive unemployment. The FKgP argues that many of those who will be made redundant in industry may be able to engage in agriculture, since as mentioned earlier, it will be the rural and less skilled strata of the working class that will be most affected by lay-off s.

FKgP policies are savagely attacked by both ASz and the SZDSZ. Even their coalition partner, the MDF has shown quite a bit of uneasiness about the viability or desirability of the restoration of 1947 land-rights.

Some of the critics emphasize that it may be difficult or impossible to find the 1947 owners or their descendants today. For instance only about one third of the land in the title office is in the name of the original owners. The title to the remaining land is held by public bodies, such as cooperative, or state farms.<sup>16</sup>

Others argue that many or most of the original owners or their descendants no longer live on the land. If FKgP's ideas were to be implemented, it would create a massive absentee land-owning class. FKgP is thus seen as expressing the interest of speculators, who are only interested to rip profit off, to collect ground rent, but who would not produce themselves. It is further argued, that absentee landownership would create a speculative land market and certainly it would burden with further costs agricultural production in times when costs are already excessive and agriculture is competing for survival on international markets.

Critics also emphasize that even if owners are identified it may not be possible to give the land back to the original owners, since building, roads,... etc. have been constructed on it. These critics express grave concerns for the capital investments which have been spent. Coops, for instance own buildings and equipment (such as tractors and other agricultural machinery, valued at 400 billion HUFs' (this is the value of fixed assets from the total of 700 billion HUF capital assets), Some of these equipment can only be operated by latifundia,<sup>17</sup> while the small farms have no capital and are poorly served with equipment and buildings. A fast dismantling of kholhozes according to ASz experts may have a backlash effect on the whole agricultural sector and even on the banking sector. The kholhozes borrowed some 130 billion HUF. If banks would lose that 130 billion HUF due to the dismantling of kholhozes, the whole banking system may collapse.

Critics of FKgP also accuse the Smallholders of opening up a "Pandora's box." if indeed people can reclaim the land they owned in 1947, why can't others reclaim apartment houses,



factories, banks (as it seems to be occurring in East Germany). if those whose assets were nationalized were now given the right to compensation, the state budget would inevitably be devastated.<sup>18</sup> Experts also point out the advantages of economies of scale in agriculture. In certain crops small scale farming is not viable. Specialization on labor intensive culture may make the Hungarian food industry more dependent on the international market. The current system works quite well, as Hungarian agriculture had a net import revenue of \$1 billion a year.<sup>19</sup> This makes agriculture one of the most important industries of the country, which should not be destabilized. Critics of FKgP policies also express concern over the restoration of the 1947 landholding situation, as this would create numerous small holdings of insufficient size, not unlike those in Poland.<sup>20</sup> One of the explosive consequences would be to make redundant the 40,000 highly trained agricultural experts who are currently running the agricultural system. It is also argued that it is dangerous to push the costs of unemployment onto the rural, agricultural sector. Modernization of agriculture is needed and the creation of a large rural underclass of unemployed, struggling for survival on tiny lots in the countryside would work against this.

The Social Mobility and Life History Study of the Central Statistical Office, (conducted in 1983), asked respondents about the size of landholding in the family in 1948. These data confirm that return to 1947 tenure would create very small holdings where up to 60 percent of owners, who today work in the cooperatives, would not have sufficient land. The data also confirm that with the restoration of 1947 land-ownership absentee ownership would be also significant.

Some of the more interesting cross-tabs are found in Tables 2-5.

<b>TABLE 2: LAND-OWNERSHIP IN THE FAMILY IN 1948 ACCORDING TO THE CURRENT OCCUPATION OF THE HEAD OF THE HOUSEHOLD (IN %)<sup>21</sup></b>				
	<b>Current occupation of head of household in 1948</b>			
<b>Size of landholding</b>	<b>Farmer</b>	<b>Blue collar</b>	<b>White collar</b>	<b>All workers</b>
<b>No Land</b>	37.0	59.9	70.1	61.7
<b>0-2.85 hectares</b>	29.1	21.0	15.8	19.8
<b>2.86-5.7</b>	21.0	13.3	8.8	12.3
<b>5.71-</b>	12.9	5.8	5.2	6.1
<b>(N=18,078)</b>				

**TABLE 3: LAND-OWNERSHIP IN THE FAMILY IN 1948 ACCORDING TO THE CURRENT OCCUPATION OF THE HEAD OF THE HOUSEHOLD (IN %)**

	Current occupation of head of household	
Size of landholding in 1948	State employees	Members of agricultural coops
No land	64.8	41.6
0-2.85 hectares	18.8	26.9
2.86-5.7	11.1	20.5
5.71-	4.8	10.9

**TABLE 4: LAND-OWNERSHIP IN THE FAMILY IN 1948 ACCORDING TO THE CURRENT PLACE OF RESIDENCE OF THE HEAD OF THE HOUSEHOLD (IN %)**

	Current residence of head of household	
Size of landholding in 1948	Urban	Rural
No land	66.1	48.5
0-2.85 hectares	17.6	25.9
2.86-5.7	10.9	16.9
5.71-	5.4	8.8

**TABLE 5: LAND-OWNERSHIP IN THE FAMILY IN 1948 ACCORDING TO THE ELITE OR NON-ELITE POSITION OF THE HEAD OF THE HOUSEHOLD (IN %)**

	Current occupation of head of household	
Size of landholding in 1948	Non-elite	Elite
No land	59.7	73.3
0-2.85 hectares	20.6	14.0
2.86-5.7	13.2	7.4
5.71-	6.5	5.3

From Table 4 one could estimate that about 100,000 urban families (there were about 1,8 million urban families in 1983) had ancestors who owned more than 5,71 hectares in 1948 (though some of these respondents, being brothers and sisters may make claims for the same holding). This seems to represent about 10 percent of all agricultural land, or about 800,000 hectares.<sup>22</sup> Smaller

absentee owners - if they would claim their land back could increase absentee ownership to about 20 percent of all land.<sup>23</sup> Since there is "double counting" (brothers and sisters claiming the same land) and since some former owners would not want their land back or could not prove ownership if FKgP would have its way, actual absentee ownership may of course be significantly less. It is also interesting that among the largest former owners people in elite positions are well represented (see Table 5) and this may explain why education does not discriminate well among those, who would like the restoration of 1947 ownership rights.

On the whole restoration of 1947 landholding system does not seem to be quite realistic politically, legally or economically: a) only 25 percent of the electorate supports the idea, the overwhelming majority is opposed, b) it would result in too small holdings, c) about half of the coop population would be threatened in its existence; d) absentee ownership may not be as severe as some suggest, but it would still absorb some rent from agricultural producers to fuel the consumption of the urban middle class; e) finally, constitutionally it may not be tenable to allow reprivatization in agriculture, but to forbid it elsewhere. If land is to be re-privatized there will be pressure for reprivatization in all spheres, which may put a great deal of financial strain on the state budget and create the atmosphere of uncertainty, especially among potential foreign investors.<sup>24</sup>

## **2) From kholhoz to real coops. Gradual and restricted expansion of family farming**

As an alternative to the restoration of 1947 land-holding system ASz recommends a renewal of the latifundia system, its transformation from kholhozes to real cooperatives. ASz would not leave property relations unaltered, but they would distribute land among present coop members (the kholhozes operated under the assumption that land cannot be divided). They would leave the decision how such a distribution should occur to them. As someone put it on a recent ASz meeting: "City-folks should not decide what should happen to the land. They should leave these decisions to those who live on the land and work it. The peasants always find the right solution, when they are left on their own."<sup>25</sup> ASz policies would allow some regulated movement towards family farming (for instance allowing that a given percentage, i.e 15 percent, can be taken out of the collective a year) with the obvious hope that a significant proportion of large enterprises will survive this operation and become genuine cooperatives.<sup>26</sup>

The ASz agrarian program has its attractive features. The change from kholhoz to cooperative would create at least the first elements of a proper land-market. Varieties of forms of coops could emerge and the amount of land in family farms would increase.

At the same time the gradual transformation of the agricultural sector would assure that it could maintain food production and remain a major source of hard currency revenue, instead of undergoing too rapid and unpredictable changes.

But there are shortcomings of this approach, too. First of all, it is not easy, and can be socially rather difficult to implement these policies. There are at least three different ways how jointly owned assets or land can be subdivided among members. Ownership may be proportional either to the time spent as coop members, to current income levels, or the amount of capital or land families possessed when they joined to coops. Each one of these options may have far reaching social consequences. The first benefits the agrarian proletariat who did not bring land into to coops. The second is advantageous for the agrarian professionals and the third for that third of the membership which came from an established peasant background and which is likely to be already among the larger family producers in the kholhoz family plots.<sup>27</sup>

ASz refers to the principle of "the land belongs to those who cultivate it." This is an attractive, but definitely socialist idea. Since the current trend in Eastern Europe is a transition from socialism to capitalism this may not be the best possible principle to guide this process. After all the essence of capitalism is exactly the separation of the capital and labor.<sup>28</sup> With the emergence of a capitalist market economy the principle of "the land belongs to those who cultivate it" becomes a rather empty shell anyway and the social justice it represents may be more apparent than real. If real land-ownership rights are transferred to coop members, the next day they may wish to become absentee landlords, sell, or lease their land. Thus they may not be all that different from those who inherited the land.

The fact that they are unlikely to do so, since they are used, or committed to live on and work the land, if true, is not necessarily good news. If coop members pursue economic rationality they will sell or lease land they would earn more if from capital gain or ground rent than from production. If they don't behave this way, they remain peasants and do not become entrepreneurs, though the whole point of privatization is to help the development of proper entrepreneurship.

It is also not that clear whether it is a socially just and economically efficient measure to allocate the 6 or 7 million hectares of coop land among the 500,000 workers of coops. If one acre of land is worth at world market prices \$1,000, this would imply a "grant" of \$20,000 for each individual in coops, while the rest of the population receives nothing. Such a rearrangement of landholding rights may have devastating effects on the rest of the rural population and their agricultural productions.<sup>29</sup> Approximately half the households of the most effective and largest mini-farms are not coop members, but are industrial workers. These entrepreneurs, who proved their agricultural and entrepreneurial skills on the market, would be greatly restricted by such a reallocation of land.

One could argue, that the major distortion of the current Hungarian land-holding system is the excessive dominance of latifundia (the average size is about 3,000 hectares). There is a consensus among MDF, SZDSZ and FKgP that a significant reduction of farm size is needed, and it is imperative to create small and middle sized family farms in sufficient number. After all in most advanced countries agro-business or latifundia usually does not take up more than a third, or at most half, of all land with the rest is family farms. Even in the United States, where the micro-climatic conditions are more suitable for extensive production, and large farms, the number and proportion of small farms has stopped declining. Under Central European conditions there may be even more future for quality production, especially organic food production, which is only viable on smaller, labor intensive farms. On "the supply side" since there are some 100-200,000 market oriented mini-farms in Hungary today, these mini-farms could grow rapidly, to 20, 50, or even 100 acres, creating viable farm sizes for family farms under the Central European climatic and market conditions.<sup>30</sup>

### **Likely future, possible political compromises?**

It is not the task of sociologists to offer "solutions" but it is our job to assess what the likely outcomes of struggles may be. We can't tell what ought to be done, but if we practice our profession well we should be able to say something about what is possible and what is likely or unlikely.

## **1) Short term prospects: parliamentary struggles around the land-right issue**

The coming months promise intense parliamentary struggles around the land-right issue. MDF was trying to persuade FKgP to compromise and to produce a draft-law which would not be scandalous, but so far they failed to come up with a text they can submit to the law-makers. The essence of the MDF and FKgP compromise promises to be an acceptance by MDF of the principle that past injustice should be undone by the new land law, while FKgP may accept that only those capable of cultivating it should get their land back, and that landless coop members should be offered some safety net (for instance a minimum amount of land grant). The Democratic Forum nonetheless tried to postpone debate over the land-law and sent the draft law to the Supreme-- or constitutional-- Court for consultation. No matter what the eventual text of the draftlaw will be, it will be attacked by the opposition parties for creating a danger of absentee land ownership and land speculation; for fueling inflation by adding ground rent to agricultural production costs; for not caring sufficiently for the agrarian proletariat; for dismantling the latifundia too rapidly and so destabilizing in agriculture.

The first one hundred days of the Hungarian parliament showed that, after overheated debates, sound, rational compromises eventually were made. This compromise emerged from the government offering firmer guarantees that it will prevent absentee ownership and land speculation and by working out some regulated way of reducing the amount of land under coop cultivation, thus preventing the sudden collapse of the cooperative sector. On the other hand, for the governing coalition to survive this issue, the government has to get some concession from the opposition so that it can offer some decent compensation to those who were deprived unjustly of their land.

Beyond the immediate political fights the extremely difficult task which has to be solved is the following: in some rational way half or two thirds of the land has to be transferred to those 100-200,000 families-- either by leasing, selling, or giving it to them-- who already proved in the second economy that they are interested and capable of running family farms. Municipal self-government may indeed play a key role in facilitating this, as it was initially suggested by the SZDSZ program.

No matter what political compromise is found the majority of the rural population, those who were over the last two or three decades peasant-workers, who did not demonstrate

entrepreneurial talent, but produced food in their backyards or on the family plot received from the cooperatives, will have hard times. As this "second economy" was dependent on its symbiotic coexistence with the socialist cooperatives, with large estates becoming market oriented capitalist ventures with a market for land, this peasant-worker existence will be undermined. This promises to be the most painful event in the near future of rural Central Europe.

## **2) Long-term prospects**

Curiously enough, in its agrarian system Central Europe seems to be returning to the pre-war and pre-land-reform era. If the short term political compresses described are reached, a significant latifundia will remain in place. State farms will remain state owned (they have a long history, pre-dating communism). Many of the more viable cooperatives, with a large agricultural proletariat, not interested or capable of entrepreneurship (there may be about 2-300,000 people who fit this category) will remain in operation though with reduced territory. New, much smaller cooperatives will also come into existence, mainly formed by those smaller farmers who do not have the dynamism to lease or purchase large enough properties and/or buy equipment. We would be surprised if during the next 5-10 years family farms would be able to absorb more than a third or half of the land. The rest will remain large estates, with many of them operating as agro-business.

This, in certain ways, is astonishingly analogous to the land tenure system of the prewar years, though it is a modernized version of it. The large estates will be more likely to be proper capitalist ventures or real cooperatives rather than the semi-feudal latifundia of the inter-war years. Also, if Central Europe proves to be unable to cope with the tasks of industrial restructuring and thus declines to Third World status, rural overpopulation, and farms with suboptimal size may again play a crucial role.

## **Notes**

1. China after Mao had its own agricultural revolution, but since the scale and context are so different we do not dare to make comparisons.
2. 25.8 percent of all hard currency revenues in 1988 came from agriculture, while all manual workers in agriculture comprised only around 10% of the economically active

population during that year. See Statisztikai Evkonyv, 1988. Budapest: Kozponti Statisztikai Hivatal. 1989, pp. 52 and 207. One should take into account in comparing these figures, that while the export revenue include not only raw, but also processed food, the employment in food processing industry.

3. Ferenc Donath in his "Reform and Revolution", Budapest: Corvina, 1980 documented persuasively the rapidly deteriorating fixed capital/revenue ratio in the collective sector.
4. These figures reflect the realities of the early-mid 1980s. Most of our data come from a national income survey, conducted by the Hungarian Central Statistical Office in 1982. The results were in the book *Socialist Entrepreneurs* (University of Wisconsin Press, 1988)
5. Almost all of the family producers produced part-time. Some of them were members of agricultural cooperatives, though over-time the number and proportion of non-coop families was on the increase. The number of full time family farmers and the amount of land under their cultivation was negligible and we do not have data about any major change in this respect so far.
6. See for more details Ivan Szelenyi and co-authors: *Socialist Entrepreneurs*. Madison: University of Wisconsin Press, 1988.
7. See Pal Kiss: "Tulajdonreform es privatizacio a mezogazdasagban. Banki magatanas a foldtulajdon valtoztatasara". (Property reform and privatization in agriculture. The attitudes of banks to the transformation of landright). Manuscript. No date.
8. It may indeed be quite appropriate to use the term "agrarian question" in this context. In the agrarian systems of Western core capitalist countries the "agrarian question" in the sense Kautsky used it around the turn of the century has been replaced with the problem of agrarian production. In Kautsky's time, especially in Center Europe, from Prussia to Poland and Hungary, the key social issue in the countryside was the struggle for land. In core capitalist countries today farmers' main problem is to find consumers for their products at prices which guarantee decent living for them. Thus the question of land-rights was replaced with the problems of agrarian production. In post-communist Central Europe, at least temporarily, it appears Kautsky's "Agrarfrage" is back on the social and political agenda as one of the most hotly debated topics.
9. See "Szabadon valasztott" (Free elections). Budapest: Idegenforgalmi Propoganda es Kiado Vatalat, 1990, p.44.
10. In fact the elections were won by the Democratic Forum (MDF) with 43 percent of the seats, followed by SZDSZ with 24 percent and FKgP, a distant third, with 11 percent. See "Szabadon valasztotv", op. cit, p. 17.
11. According to a public opinion poll conducted in June, 1990 by the Public Opinion Research Institute 21 percent of the rural population voted for FKgP, MDF received 35 percent of the rural votes, while SZDSZ was a distant third in villages with only 11 percent. According to the May, 1990 TARKI survey FKgP did not do very well among agricultural workers, it received about the same number of votes as SZDSZ and only one fourth of the MDF votes, thus FKgP support seems to rest mainly among rural citizens, who are not coop members, nor state farm employees.
12. For both the TARKI and institute of Public Opinion Research polls the random error is 3 percentage point. Both are national random samples with an N around 1,000.



13. See "Magyar Demokrata Forum Programja" (The program of the Hungarian Democratic Forum). October 1989, pp. 82-88 and "Foldet annak, aki megműveli" (The land belongs to those, who cultivate it), election flyer by the Free Democrats, February 1990.
14. In his program speech the new prime minister, Mr. Antall made a cautious reference therefore to 1947, which should be the measuring rod against which claims for compensation can be assessed. Here he restates the original MDF position: "The principle of the agrarian property reform is, that land should become the property of those, who are likely to cultivate it." This is almost word-by-word the SZDSZ program: "Our slogan is: the land belong to those, who cultivate it" (see "Foldet annak, aki megműveli", op.cit). However, Mr. Antall now added two sentences as a concession to FKgP: "Our aim is to undo the injustices that peasantry had to suffer during the past decades. From this point of view 1947 is the crucial year. . ." See "A nemzeti megújodás programja" (The program of the national revival), May 22, 1990, p. 19.
15. See "A nemzeti újjászűtetés programja, 1990" (The program of national revival) by FKgP, especially, pp. 10-13.
16. If one looks at texts of programs there is surprisingly little difference among the parties, and the rhetoric is sharper than actual differences. Thus for instance the agrarian program of SZDSZ stated: "The title of about 1/3rd of the land in cooperatives is currently held by natural individuals.... We have to declare such land is private property without any qualification" (see "Foldet annak, aki megműveli"). An interview given by Mr. Istvan Prepeliczay on April 18, 1990 to the daily newspaper Daily News under the title "Small holders Inclined Only to Minor Compromises" sounds not all that different from this position. According to this interview: "The Smallholder" think that the planned redistribution of land would amount to 30 percent of the cultivated land. They are aware that families have died or left the country and masses of peasants were forced into the towns by the industrialization...
17. ASz expert, Pal Kiss estimates this can be as much as 80 percent of all capital goods. See his report on "Property reform and privatization in agriculture" op-cit, p.3.
18. The government senses this danger too. In their recent theses on privatization (*Tulajdonok privatizacio*, 1 August 1990) the government explicitly states: "privatization yes, but reprivatization no" (see p. 8 of the above cited document). Under pressure from FKgP the government was ready to make one exception land, but this draft-law was thrown out by the Supreme Court. As of Spring 1991 the Hungarian Parliament is debating a general "law of compensation" for former private owners, who were deprived illegally of their property. It remains to be seen how much the legislature can do about this issue. If a legal system is in place, which defends the sanctity of private property former owners can always turn to the court of justice. If they can prove ownership we fail to see how a judiciary, independent from state administration could not honor their property rights. In this sense reprivatization is not a political, but a legal question.
19. See Pal Kiss, op.cit, p.3.
20. In 1949 of the 1. I million agricultural enterprises, 527,000 firms operated on 5 cadastral yoke or less and only 235 enterprises had more than 10 cadastral yoke, which seems to be the minimal size on which a family can survive even under the conditions on relatively intensive cultivation. See Ferenc Donath, op.cit, p. 167.
21. These are our own calculations from the primary data. Bruce Western and Eva Fodor acted as our research assistants and helped us to analyze these data sets.

22. Statisztikai Evkonyv, 1988, p. 131.
23. We estimate absentee ownership to be about 1.5 million hectares, which is close to the estimates by SZDSZ experts. Balint Magyar expects "more than two million hectares to become property of urban dwellers"-- by likelihood an overstatement. See Nepszabadsag, August 27, 1990.
24. The government's theses on privatization explicitly cites these reasons against reprivatization, though it does not explain how legally-constitutionally a half-way reprivatization would be possible. See "Tulajdon es privatizacio,"p. 8-9.
25. Se Pal Kiss, op.cit.
26. Ibid.
27. In "Socialist Entrepreneurs" we tried to demonstrate that families from middle peasant background were much more likely to be among the larger family producers already in 1982.
28. Family farming is a curious exception to this rule. As Harriet Friedmann pointed out, the family farm is not a proper capitalist form. She-- inspired by Chayanov-- recommended to regard family farming as a relatively autonomous "from of production."
29. During the election campaign the SZDSZ agrarian program criticized ASz program along these lines. According to SZDSZ position around February-March 1990 the distribution of land among coop members is unacceptable: its unfair, which leaves unfulfilled the land needs of the non coop population, does not promote competition, slows down change." Instead SZDSZ recommended to organization of "land taenure committees" at the municipal level. People could request land from these committees and the land tenure committees "could force the leaders of cooperatives or state farms, which land to put on the market". See "Foldet annak, aki megmuveli," op.cit. There are indications, that in the current parliamentary battles SZDSZ may slightly shift its position closer to ASz. In recent radio interviews we heard concerns expressed about the proper functioning of municipal land tenure committees, since they may pursue party politics and may not be sufficiently impartial.
30. It is often argued by those who resist the idea of revitalization of family farms, that decades of collectivization left agriculture without entrepreneurial spirit. This is not quite true. As we have shown in "Socialist Entrepreneurs", over the last two decades "cadres" for future family farming were "trained" in the second economy in impressive numbers.