

## The Creation of a Discretionary Welfare State: Professionalization and the Politics of Welfare Reform in Hungary

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According to the prevailing historiography, 1989 signified a major turning point in the development of Hungarian society. This is the grand historical marker, the moment when the democratization and marketization unleashed in the region are said to have restructured the Hungarian systems of re/distribution and interest articulation (Deacon, 1992; Adam, 1991; Tímár, 1991). On the one hand, democratization is said to have opened up the state to new political contests over what the population needed and how to meet those needs (Ferge, 1991; Szalai, 1992). By carving out a new "social" sphere surrounding the Hungarian welfare system, democratization is thought to have enabled new social groups to become involved in designing social provisions and in creating more non-state initiatives (Szalai and Neményi, 1993; Deacon, 1992). At the same time, economic privatization and marketization are also said to underlie the reform of Hungarian welfare. According to many, these economic processes forced the state to acknowledge the deleterious effects of expansive entitlement systems (Kornai, 1994; Tóth and Andorka, 1995). It took a government committed to a market economy to see the causal links between high welfare expenditures, soft budget constraints, and economic collapse. It also took Hungary's entrance into the world economy to force the state to recognize that its welfare expenditures were inconsistent with its level of development and had to be scaled back (Tóth, 1994). Thus, for many East European scholars, the post-socialist processes of democ-

ratization and privatization have given rise to a reformed re/distributive system and a new welfare regime in contemporary Hungary.

While democratization and marketization certainly placed new pressures on the Hungarian state, it is historically inaccurate to reduce welfare reform to these processes. In fact, it was in the early 1980s that key assumptions about which sectors of the Hungarian population were most in "need" changed. Until that point, the Hungarian welfare system had been based on a clearly-delineated set of social guarantees. Like other East European countries, the Hungarian welfare apparatus adhered to a group-based definition of need. It based entitlement on a combination of labor force participation and particular social attributes, such as motherhood status.<sup>1</sup> This latter subsystem of welfare was especially well developed in Hungary. Its welfare system extended a wide range of benefits to women as mothers, including generous maternity leave, family allowances, and childrearing supports.<sup>2</sup> Yet in the early 1980s this welfare model was dislodged by a new language of welfare. This new welfare model emphasized the "special" problems confronting the impoverished. It separated off the materially needy and accentuated the monetary basis of their problems. This welfare model also carried with it new practices, concrete ways to reconfigure state assistance so it could reach the materially needy. In effect, this was a client-based, discretionary system of re/distribution linked less to universal social rights and more to targeted material needs.

Within the larger welfare state scholarship, this kind of discretionary, client-based welfare

system tends to be associated with classically "liberal" welfare regimes (Esping-Andersen, 1990) or "advanced" capitalist democracies (Habermas, 1980; Offe, 1984). In a sense, such associations have bolstered East Europeanists' arguments that reduce Hungarian welfare reform to post-socialist democratization and marketization; they implicitly support the notion that the "competitive rush to capitalism" underlied welfare restructuring in the region. But there are two problems with such reductionism. First, the timing is off: In Hungary, the politics of welfare reform were initiated prior to large-scale democratization or marketization. At both the policy and institutional levels, the seeds of a discretionary welfare system had been laid in the mid 1980s. It was in 1985 that income and means tests were introduced, and in 1987 that the Hungarian state formally abandoned its commitment to full employment. Connected to this, the first bearers of this client-based welfare model were not neo-liberal ideologues; nor were they operatives of international policing agencies such as the IMF or World Bank. Instead, they were local professionals who made inroads into the Hungarian state prior to the post-1989 processes of democratization and marketization. They were social scientists who entered the state socialist reform stage due to their combined commitment to the poor and their own professional interests. Hence, by privileging 1989, East Europeanists have obscured the complex reform dynamics initiated under state socialism, dynamics that propelled new groups into policy formulation and prompted a reconceptualization of need before 1989.

This paper will provide a more complex historical account of the forces underlying the welfare regime change in Hungary.<sup>3</sup> Instead of simply attributing welfare reform to the political and economic changes of the post-socialist period, I will link it to social processes set into motion under state socialism. In particular, I will reveal that welfare restructuring was an integral part of the professionalization of Hungarian sociologists and economists; it was a springboard from which these groups exerted influence over the Hungarian state as policymakers, analysts, and welfare workers. In the process, many of them sought to create a welfare system in which universal entitlements were combined with tar-

geted poor relief. With such an agenda, these professionals were able to wield considerable influence over state socialist re/distribution. Yet their influence waned and their space to maneuver contracted in the post-socialist period as a series of powerful global actors selectively appropriated their reform agenda to institute an entirely discretionary welfare system. In this way, my historical account of Hungarian welfare regime change will reveal a paradox of Hungarian professionalization, illuminating how state socialist professionals planted the seeds for a liberal welfare state which, when it matured, undermined their own expertise and maneuverability. In doing so, my account will also challenge the prevailing social scientific script of "transition," suggesting that we may need multiple scripts or historical timelines to capture the complex dynamics of continuity and change in Hungarian society.<sup>4</sup>

#### **The Rise of Professional Expertise: Late State Socialist Policy Reform**

Prior to the mid 1980s, neither income nor social class directly influenced access to state support in Hungary. After welfare administration moved from the enterprise level to national and local governments in the late 1960s, recipients' labor force participation, family form, and maternal abilities determined their eligibility for state assistance (Gal, 1969; Ferge, 1979). All Hungarian families with the same number of children received the same family allowance (*családi pótlék*); all mothers were eligible for the same flat-rate maternity leave grant (*Gyermekgondozási Segély/GYES*). At the local level, childrearing assistance (*Rendszeres/Rendkívüli Nevelési Segély/RNS*) was distributed without much concern for applicants' material circumstances. These discretionary funds were allocated by caseworkers as rewards for "good" mothering (Haney, 1997a; Horváth, 1982). Such expansive eligibility requirements were made possible by the funding structure underlying these programs: The maternity leave and family allowance programs were financed directly from the central state budget, while childrearing assistance was supported by centralized subsidies given to local governments (Nagy, 1986). Thus, this fairly universal, group-based welfare model was tied to the centralized

structure of state socialist re/distribution.

In the early 1980s, the *targets*, the *site*, and the *financing* of state re/distribution all changed. First, social policy began to move from a *group-based* to a *class-based* system. Initially, this targeting took the form of income-tests through which those with low incomes had access to special benefits and assistance. With time, these income-tests were coupled with means-tests which required applicants for state aid to demonstrate all of the material resources at their disposal. These tests were first applied to local childrearing assistance (RNS). Later, the entire national-level policy apparatus was subjected to strict income and means tests. As a result, the targets of state assistance shifted to the materially "needy."

Accompanying changes in the targets of state welfare were alterations in the site of re/distribution. While the post-1968 welfare system gave more power to both national and local governments, the late state socialist policy regime bolstered the role of local governments. From the mid 1980s on, district-level welfare programs expanded rapidly. For instance, from 1983-1990, the number of Hungarians receiving local childrearing assistance increased by nearly 1000 per cent (Ferge, 1996: 33). Moreover, beginning in the mid 1980s, local governments created a series of new poor-relief programs to provide temporary aid to impoverished families. As these local programs expanded, national programs remained stagnant. With the exception of unemployment compensation, no new assistance schemes were introduced at the national level in this period. As a result, the financial burden for welfare began to shift, and local governments took on more funding responsibilities. This then bred variation among locales in the level of assistance provided to clients. Wealthier locales could afford to offer more extensive support to their residents, while poorer locales were more strapped financially (Harsca, 1995). Thus, with the decentralization of funding, welfare policies took on a more explicit class character. Recipients' access to state support began to depend not only on how much money they earned, but also on where they lived and the median income in their neighborhoods.

In this way, the social policy reforms enacted in state socialist Hungary were more com-

plex than the simple reduction in benefit levels. They also signified shifts in the target of state welfare, the site of re/distribution, and its financial underpinnings. All of these shifts led to the replacement of group-based eligibility criteria with class-based criteria. Importantly, these changes were not carried out all at once, after democratization and marketization swept into Hungary. Rather, they surfaced through a series of protracted reforms that were spearheaded in large part by groups of professionals in the late state socialist period.

Hungarian sociologists were the first to pose a challenge to the state socialist welfare system. After decades of having their research curtailed and remaining marginal to the academy, in the late 1970s a number of Hungarian sociologists successfully carved out the space to conduct analyses of the social problems and class divisions of state socialism. Many achieved this through stratification studies that, among other things, documented the effects of the introduction of the second economy and market mechanisms (Ferge, 1979, 1987; Hankiss, 1982). These sociologists found a dual system of stratification developing in Hungary. At the top were new entrepreneurial classes with access to second economy goods, services, and incomes. At the bottom were Hungarians without the skills or resources to secure second economy incomes (Széleányi and Manchin, 1987). These sociologists' work revealed that the latter group, constituting over 30 per cent of the population, had begun to experience real pauperization in the late 1970s. Moreover, sociologists also discovered new social inequalities surfacing among Hungarian families. They found that female-headed households and urban families faced difficult material conditions and slipped into poverty in the early 1980s (Ferge, 1987; Szalai, 1991). All of these findings sensitized sociologists to the plight of the materially deprived and prompted them to begin searching for palliative measures.

Other sociologists came to similar conclusions through their research on working class and Romani communities (Kemény, 1974, 1979; Solt, 1991). For instance, in the 1970s, sociologist István Kemény initiated one of the most influential studies of poverty and the Hungarian Roma. Working with a number of young

sociologists, Kemény set out to uncover the living conditions and life circumstances of the Romani population. Through their interviews, these young sociologists encountered the extreme poverty plaguing Romani communities. They found families living without access to the most basic necessities such as food, shelter, and clothing. The research papers that resulted from this study provided the first concrete analyses of state socialist deprivation (Csalog, 1977; Hooz, 1975; Kemény, 1974). They also indicted the state socialist welfare apparatus for allowing the "neediest" to fall through cracks in the system, with their social problems unresolved (Solt, 1991). To fill in these cracks, some of these young sociologists created their own poor-relief organization, SZETA. First and foremost, SZETA conducted charity work, distributing money, food, and clothing to the "needy." Yet SZETA also acted as a political pressure group that lobbied local governments (Szelényi and Manchin, 1987). While the bulk of their lobbying efforts were on behalf of individual clients, they also exerted pressure on local government officials to create new policies designed to protect the impoverished as whole.

While SZETA was busy pressuring local government officials, other sociologists set their sights higher. In the early 1980s, the Hungarian government commissioned a group of researchers from the Hungarian Institute of Sociology to study the existing welfare system and to recommend areas for reform. Headed by Hungary's most prominent welfare state scholar, Zsuzsa Ferge, The Social Policy Research Group prepared a series of reports and reform proposals throughout the 1980s. They also established a journal, *Szociálpolitikai Értesítő* (Social Policy Report), to publish their findings. In their work, sociologists documented the cracks in the existing welfare system and revealed the discretionary nature of state re/distributive practices. Their efforts culminated in a major research report, entitled *Fordulat és Reform* (Turnabout and Reform), which outlined their reform proposals (Ferge and Szalai, 1987). First, they called for more centralized control over redistribution through the creation of a new Ministry of Welfare. Second, they proposed major increases in expenditures. This included

the expansion of universal entitlements, as well as the creation of new income maintenance programs targeted at the poor. Because these researchers were themselves influenced by SZETA, they also criticized existing welfare institutions for their "preoccupation with mental hygiene" (Gosztonyi, 1993). They then pushed for the introduction of poor-relief agencies to treat poverty directly. As Gosztonyi (1993: 17) puts it, this was a time when "science and power" came together to pave the way for the reform of the welfare system.

Gosztonyi's formulation underscores the dual motivations behind sociologists' appeals. On the one hand, their work was an oppositional move, an attempt to use social democratic politics to critique actually existing state socialism. They drew to the fore issues that remained outside officially-accepted discourse; they voiced proposals that had never before been advanced in the Hungarian state. In doing so, they often mobilized West European and Scandinavian social democratic welfare models to imagine a system in which comprehensive entitlements were coupled with poor-relief. In many respects, they did this at great personal risk, unsure whether they would be silenced or reprimanded by the authorities. At the same time, these sociologists were also driven by professional concerns. Claiming the role of "experts," they carved out quite influential positions for themselves. They became the ones with the knowledge to reform the old and to formulate the new policies of a discretionary welfare state. They were also prepared to staff this welfare state as analysts, policymakers, and welfare workers. Hence, while sociologists were in no doubt concerned about the fate of the impoverished, their reform maneuvers were also propelled by their own professional interests.

As sociologists formulated their proposals for revamping the Hungarian welfare system, another group of professionals was busy developing their own reform agenda. In particular, by the mid 1980s, sociologists began to share the reform stage with liberal economists. Like sociologists, these economists made a direct link between economic and social policy. But while sociologists used social policy to alleviate economic problems, liberal economists viewed these social policies as themselves

economically debilitating. They based their analyses on the internal dynamics of the Hungarian economy, and claimed that the "needs" of the economy were antithetical to the prevailing welfare model. These economists argued that successful economic growth was contingent upon the reduction of the centralized state budget (Szelényi and Manchin, 1987; Závada, 1983). Their formula was clear: A reduction in state expenditures would harden soft budget constraints and thus increase efficiency at the enterprise level (Szegö, 1984; Bauer, 1983). They therefore pushed to narrow eligibility criteria away from "encompassing" categories like labor force participation or motherhood, and toward more "restrictive" ones like material need (Kornai, 1994). In this respect, their reform agenda diverged from that of sociologists: their prescriptions for the entitlement system were bleaker. But these two agendas shared an important feature: they both proposed that a more consistent "principle of need" be applied to state *re*/distribution through the targeting of social assistance.

Hence, by the mid 1980s, these two home-grown welfare discourses had begun to take root in Hungary. Since they differed in terms of the fate of entitlements, they were engaged in something of a discursive struggle to define the precise terms of welfare reform (Szelényi and Manchin, 1987). Yet it was their point of convergence that proved most decisive and transformative: Out of their shared belief in the need for targeted social assistance came a series of concrete policy changes that profoundly altered the contours of Hungarian welfare.

The first such change occurred in 1985 with the reform of the maternity leave system (GYES), a pillar of the Hungarian welfare apparatus. Since its inception in 1967, GYES had consisted of flat rate payments given to all mothers, regardless of their income. Payments lasted for up to three years and were utilized by a large majority of Hungarian mothers. Despite the program's popularity, its flat rate system was disadvantageous to middle class or professional women whose salaries were significantly higher than the universal payments. As a result, these women tended to use the grant less and to stay on it for shorter periods of time. This use pattern prompted concern among sociologists who

linked them to rising inequalities among Hungarian families. In their poverty studies, sociologists found that these GYES rates were widening the social distance separating middle, working, and lower class families (Ferge, 1987; Szalai, 1991). They argued that, by flattening out these use patterns, the stratification among families could be undercut.<sup>5</sup>

In response to such findings, in 1985 the GYES system was reformed and bene benefit-levels were linked to recipients' incomes as a way of increasing middle class women's usage. In particular, GYES was broken into three separate provisions. First, there was the maternity leave grant (*Gyermekágyi Segély*) that ran for six months after childbirth at a rate equivalent to the mother's previous salary. Then mothers were given a choice. They could opt to stay on GYES and receive a flat-rate payment for two and a half more years. Or they could go on the new child care grant (*Gyermekgondozási Díj/GYED*) that paid them 75 per cent of their previous salary for two years and flat-rate payments for an additional six months. The goal of this new provision was to entice middle class women to use the grant, thus leveling the class differences associated with it.<sup>6</sup> Hence for the first time since its creation, income became a central principle structuring the maternity leave system.

Immediately following these changes, more Hungarian women did begin to use the maternity leave grant. In 1979, 83 per cent of those eligible used the grant; in 1986, this number rose to 89 per cent (KSH, 1988). Moreover, the introduction of GYED did lure more middle class mothers to take maternity leave. Table 1 has these breakdowns:

**Table 1: Percentage of Eligible Mothers Using GYES/GYED**

Year	Manual Workers	White Collar Workers <sup>7</sup>
1967	78%	63%
1973	83%	71%
1979	88%	79%
1986	93%	86%

Source: KSH, 1988

What is more, middle class and professional women also remained on the grant for longer periods of time after the introduction of GYED. Table 2 has these data :

**Table 2: Length of Time on GYES/GYED, White Collar Workers<sup>5</sup>**

<i>Amount of time</i>	<i>1979</i>	<i>1988</i>
Up to 1 year	29.5%	14.5%
Up to 2 years	29.2%	27.1%
More than 2 years	41.3%	58.4%

Source: KSH, 1988

While these GYES reforms sought to increase middle class women's usage, all subsequent reforms aimed at the opposite. They were designed to exclude the middle class and to target the "needy." The first policy to undergo such reform was local childrearing assistance. Once distributed on the basis of domestic competency, these funds were transformed into poor-relief benefits beginning in the mid 1980s. In my interviews, many policymakers claimed that these RNS reforms resulted from the practical work of groups like SZETA. As lobbyists, these activists began their struggle locally, exerting pressure on district-level welfare offices. They served as advocates for the materially deprived, many of whom had been denied local assistance. These activists forced a recognition of the poverty plaguing sectors of the population. They also challenged the discretionary nature of welfare distribution and pushed for more clearly defined eligibility criteria to encompass the materially needy. As the head of one welfare office explained to me in an interview: "The poverty was worse. We all saw it and the leaders upstairs saw it too. [It was] very visible, even in our waiting rooms that these officials passed by each day. Everyone knew it was time for something else."

Initially, this "something else" was income tests. In the mid 1980s, applicants for local childrearing assistance were subjected to strict income formulas. The timing of the introduction of these tests varied by locale. In the two Budapest districts of my research, these tests surfaced in 1984 and in 1986. These tests profoundly altered the nature of re/distribution. All RNS applicants were required to submit official income documentation. These documents were evaluated by a new cadre of eligibility workers. When eligibility workers were suspicious of the income documentation, applicants had to submit actual letters from their employers. Caseworkers then calculated the applicants' real income. Only those whose average monthly in-

come fell below the subsistence level were eligible for the funds.

With time, more questions were added to these income tests, questions that effectively transformed them into means-tests. At first, these questions were designed to control for applicants' second economy work. They attempted to weed out those applicants whose official incomes were low, but who bolstered them with "unofficial" work. So caseworkers required applicants to submit bank statements and accounts of their savings. They also had to provide lists of valuable household items, including electronics, automobiles, telephones, and expensive furnishings. Home visitors were then deployed to check up on applicants' accounting. Caseworkers used this information to calculate the resources at an applicant's disposal. Only those whose *disposable* income fell below the subsistence level were eligible. These regulations applied to those seeking occasional and regularized assistance. Moreover, recipients of regular assistance had to undergo follow-up investigations three times a year to determine if their disposable income had changed. These rules applied to clients who caseworkers found to be domestically "competent" as well as those considered to be "incompetent." Thus, within only a few years, poverty tests became the key method for distributing local welfare benefits.

Interestingly, with this shift, the number of clients who received this aid soared. Table 3 provides national-level data on this increase. While these numbers are a reflection of the socioeconomic changes of the period, they are also indicative of how biased the allocation of these funds had been in the previous decade. Once means-tests took the place of domesticity tests, caseworkers ended up distributing more of this assistance.

**Table 3: National-level Childrearing Assistance Cases**

<i>Year</i>	<i>Regularized Assistance</i>	<i>Occasional Assistance</i>
1985	27.848	120.309
1987	39.081	194.997
1990	101.033	375.987

Source: Ferge, 1996

As childrearing assistance programs expanded in the mid 1980s, local governments also created a series of new supplemental programs for their residents. These programs varied by locale, with some offering a wide-range of programs,

and others very few. The two Budapest districts of my research had a fairly extensive array of programs. They offered special funds for large, impoverished families. They provided "transitional" aid to families undergoing serious economic changes (*Átmeneti Segély*). This transitional aid program was so large that, by the early 1990s, it encompassed close to two million Hungarians nation-wide (Ferge, 1996). Districts also had special support schemes for those unable to pay for medicine (*Közgyógyellátási Segély*), flat upkeep (*Lakásfenntartási Segély*), at-home care for the sick and elderly (*Ápolási Segély*), or funerals for the deceased (*Temetési Segély*). They also distributed food packages, coupons, and other handouts. These new programs all shared one key feature: they were all means-tested and extended to the materially needy.

Finally, while these new assistance programs were indicative of the welfare regime change underway in Hungary, the real symbol of this shift was the creation of policies to address unemployment. Although full employment had never been entirely realized in practice, it had been the pillar of the Hungarian welfare system for decades. While the regime did not officially abandon its commitment to full employment until 1987, a series of policies were enacted throughout the 1980s that effectively undermined it. In 1983, employment offices were established at the district level to assist those without work (Baxandall, 1996).<sup>9</sup> By 1985, these offices administered a "retraining benefit" to update the skills of those without work. This program reached 8,000 workers in 1986. The following year, the first official unemployment benefit scheme was created. Its name was as convoluted as its eligibility requirements: The "Extended Waiting Period Before Terminating Employment" program covered groups of at least ten workers made "redundant" simultaneously (Ferge, 1993). The program provided six months of full pay and an additional six months at a means-tested rate. Not surprisingly, the program reached very few workers: In its first year, only 332 workers were eligible (Ferge, 1993). In 1987, a special communal program of "jobs for public utility" was founded for those who could not find work out of "no fault of their own." In practice, this meant claimants had to actively

seek employment. State employment officers had the power to check up on recipients' diligence, to determine who fit this criterion, and to withdraw support from the "undeserving" or "uncooperative." Then, just as this new scheme got off the ground, another unemployment benefit was introduced. Like its predecessors, this benefit was highly restrictive; it excluded first-time job seekers and those who had been unemployed for over a year. Thus, while employment offices registered 18,000 unemployed workers in 1989, less than one-fifth of them received this unemployment compensation.

Through all of these small, incremental changes, the principle of full employment came undone. In many ways, this unemployment legislation was a symbol of the demise of the old and the rise of a new conception of need. First and foremost, it marked an end to the most basic and fundamental social need acknowledged under state socialism — the need for stable, secure employment. By abolishing the state's long-standing guarantee of a job for all, it dismantled the main pillar of the Hungarian entitlement system. It also signified a new mode of welfare allocation. By distributing benefits according to applicants' income and educational level, it codified new eligibility criteria and extended benefits only to the materially needy and worthy. Importantly, these welfare reforms were shaped by the practical and scientific work of Hungarian professionals. In large part, these new policies were outgrowths of social scientists' critique of state socialist welfare and their research on how to improve this system. Using their professional "expertise," these social scientists gained significant influence in state socialist welfare politics, an influence that was soon to wane in the post-socialist period.

#### *The Demise of Professional Expertise: The Post-Socialist Politics of the Bokros Plan*

After the storm of welfare reform in the 1980s, there was calm. Once maternity leave grants had been linked to income, local assistance means-tested, and unemployment compensation established, few social policy changes were enacted in Hungary. Amazingly, from 1990-1995, no new national-level welfare programs were created. And no major cuts were waged on existing programs. Most importantly, the two

remaining entitlement programs — family allowances and child care grants — made it through the early stages of the transition unscathed. Clearly, such inaction challenges those arguments that equate welfare reform with democratization or marketization. During the first five years of the transition, when these economic and political processes were set into motion, the national-level policy apparatus remained more or less intact.

In fact, this period of inaction was largely due to the democratization process itself. That is, it was linked to the ideological orientation of the first post-socialist government, the Hungarian Democratic Forum (*Magyar Demokrata Fórum/MDF*). Comprised of a coalition of Christian conservatives and moderate nationalists, the Antall-Boross government prided itself on a commitment to "God, Family, and Homeland."<sup>10</sup> Although this commitment was mainly ideological, it did constrain the government's budgetary agenda. Given its promise to protect the Hungarian family and the reproduction of ethnic Hungarians, the government opposed additional cuts to national level welfare programs. In effect, the government's parliamentary majority created a buffer around such programs, shielding them from further reductions in size or scope.<sup>11</sup>

Although the MDF government could form a protective barrier around what remained of the entitlement system, it could not block a powerful welfare discourse from entering Hungary through its increasingly porous borders. This was the welfare discourse articulated by the IMF and World Bank, both of which had stepped up their policing of the Hungarian economy to guide it toward liberal capitalism. Armed with Western mythologies about how welfare states "should" operate, the IMF and World Bank issued numerous social policy reports urging Hungarians to develop restrictive eligibility criteria. They arrived in Hungary with prepared arguments: They pointed to the foreign debt to instill fear of an economic collapse and they proposed "welfare with a human face" through poverty programs. Of course, they backed up this welfare discourse with loans and debt-restructuring plans, two hot commodities at that time in Hungary.

To bolster their new welfare visions, these

international policemen began to mobilize local welfare state scholarship. In particular, they selectively appropriated the research that social scientists had conducted in the state socialist period, ignoring sociologists' commitment to social entitlements, while grasping onto their ideas about poor relief. In their policy reports and proposals, these agencies drew on sociological analyses of the bureaucratic privileges embedded in the socialist entitlement system to call for a more targeted system. They argued that without clear income-tests, the Hungarian system would continue to operate according to informal bargaining that put the poor at a disadvantage (World Bank, 1990b, 1990c). In this way, these agencies presented their proposals as "welfare with a human face." By replacing expansive criteria with more restrictive ones, they argued that the poor would be better protected and would receive a larger piece of a smaller pie (World Bank, 1990a, 1992).

Until the mid 1990s, such reform recommendations hovered around the Hungarian state, but were not translated into concrete policy reforms due to the MDF's parliamentary buffer. The situation changed with the Hungarian Socialist Party's (MSZP) landslide victory in the 1994 parliamentary elections. Eager to revamp its image, the MSZP quickly distanced itself from its state socialist predecessor, the ruling Hungarian Socialist Workers' Party (MSZMP). This implied abandoning its prior commitment to social justice as overly idealistic and outdated. It also led the MSZP to embrace the liberal discourse of economic restructuring and to pledge allegiance to the formulas dictated by the IMF and World Bank. The MSZP promised comprehensive, yet cautious, economic reform. It agreed to bring inflation and the deficit under control. And it vowed to reduce the size of the state sector. These promises drew the Socialist government into the business of welfare reform. During its first year in office, the MSZP's rhetoric began to sound like that of international policing agencies. In public forums, MSZP officials argued that Hungary needed a more "equitable" welfare state that reflected the country's new class divisions. In political speeches, MSZP representatives faulted the socialist welfare system for resting on bureaucratic privilege that disadvantaged the poor. And in written political

manifestos, the government tried to persuade the population that Hungary's high expenditures were not sustainable and would eventually lead to economic collapse. Only by applying a more consistent "principle of need" to welfare allocation would state support finally reach the poor and the truly needy. The parallels between these arguments and those articulated by international policing agencies are obvious.

Through early 1995, the MSZP government contemplated using the tax system to reform state re/distribution (Ferge, 1995b). It considered proposals that would have levied new taxes on state benefits received by high-income groups. This would have left entitlement programs universal on the surface, while taxing away these benefits for the upper/middle classes. Yet, in government negotiations, officials began to conclude that this approach would not cut far enough. There is also some evidence that representatives from the IMF and World Bank were not satisfied with a revised tax code and pushed instead for comprehensive reform of all entitlements (Ferencz, 1995). Yet it is difficult to ascertain exactly how influential these international policemen were since these negotiations were closed. Unlike the late state socialist reforms, which were formulated with the input of Hungarian social scientists, these reform discussions were carried out in the absence of professionals. There was no attempt to elicit their professional expertise about the different ways the policy apparatus could be reformed to meet the government's new budgetary agenda. Nor was any effort made to seek professional opinions about the social effects of different reform proposals. In essence, these discussions constituted a closed discursive space, restricted to those who shared a particular reform vision.<sup>12</sup>

On March 14, 1995, this reform vision was unveiled when the Hungarian government announced the "Bokros Plan." Named after the then Financial Minister, Lajos Bokros, this plan was a collection of reform proposals designed to dismantle the remaining entitlement system. It achieved this by income-testing the two existing entitlement programs, the family allowance and maternity leave provisions.<sup>13</sup> In its ini-

tial form, the plan stipulated that only those families with monthly incomes below 15,000 fts/per person would remain eligible for these programs. Because this cut-off was below the subsistence level, it would have shut out large sectors of even the lower/middle class from these programs. In this way, the plan not only obliterated the remaining entitlement system. It also created a welfare state targeted *exclusively* at the poor and based on a "principle of need" aimed *only* at the most impoverished.

The announcement of the Bokros Plan immediately sparked a contentious public debate. The political battle lines were quickly drawn. On one side was a coalition of liberals and Socialists who supported the plan, albeit for different reasons. The liberals applauded the plan as "brave" and "courageous" (Kertész, 1995). They flooded the media with statements about how welfare "universalism" had become globally extinct and how means tests were the international norm. They also mobilized arguments about how Hungary "needed" these cuts to avoid economic collapse. The Socialists used class arguments to justify the plan. For instance, the day the plan was announced, Prime Minister Horn stated that Hungary had become divided by class and this necessitated new policies aimed at those in need.

Public protest over the plan was limited, despite the fact that a poll taken immediately after the plan's announcement revealed that 63 per cent of Hungarians thought these cuts posed a "danger" to them (*Magyar Hirlap*, 1995).<sup>14</sup> Instead, opposition to the plan took two main forms. In the parliament, conservative politicians challenged the plan in the name of the Hungarian nation and family. They argued that the welfare cuts amounted to "national suicide" and a "tragic end to the family" (Kertész, 1995; *Magyar Hirlap*, 1995). They faulted these cuts for destroying the "Christian middle class," which they believed to be the backbone of the nation. In effect, they bemoaned the fact that their previous buffer around these programs had crumbled and that they were without the political resources to resurrect it.

While these politicians waged their critique in ideological terms, others based their criticisms

on professional grounds. In the weeks following the plan's announcement, Hungarian social scientists held emergency meetings and conferences to launch a public attack against the plan. In large part, their outrage over the Bokros Plan stemmed from their exclusion from the negotiations leading up to it. They were appalled that they were not consulted by the government; they were infuriated that no one bothered to ask for their professional opinion when constructing the plan.<sup>15</sup> In effect, they interpreted the Bokros Plan as a sign that economic policy had taken priority over social policy, thus deeming their expertise superfluous and irrelevant. Moreover, many were worried about the social consequences of the plan. These social scientists quickly conducted statistical analyses to reveal that large sectors of the population would be devastated by the plan's welfare cuts (TARKI, 1995; Krémer, 1995; Ferge, 1995). They then flooded the media with these analyses in an attempt to sway public opinion and to convince the government to modify the plan. In addition, social scientists also joined forces with other professionals to apply pressure to the constitutional court. In the months after the plan's announcement, the constitutional court was inundated with legal appeals from doctors, lawyers, welfare workers, and sociologists that questioned the plan's constitutionality. Using a constitutional clause that guaranteed the state's protection of familial and maternal welfare, these professionals appealed to have the Bokros Plan deemed unconstitutional.

Since the liberals and the socialists constituted a solid parliamentary majority, the only hope for those opposing the plan lied in this constitutional court review. When the court deemed the Bokros Plan constitutional in early 1996, it became clear that the plan would be implemented. Attention then turned to setting acceptable eligibility cut-offs. After months of debate and negotiations within parliament, the Bokros Plan went into effect on April 15, 1996, over a year after it was proposed. In the form passed by the government, the plan dismantled the two remaining entitlement programs. First, it income-tested family allowances and thus made them available only to certain classes of families. This affected huge numbers of Hungarians: in 1995, family allowances reached 1.5

million Hungarian families to support over 2.5 million children.<sup>16</sup> After 1996, only those two-parent families whose monthly incomes fell below 19,500 fts/per person remained eligible for the allowance. For single parents, the cut-off was higher at 23,000 fts/per person. In order to keep the allowance, recipients had to undergo income reviews. If their average monthly income fell above the cut-off, they were denied further support.

Second, the plan restructured the system of child care and maternity leave grants. Once entitled to three years of support, Hungarian women were granted 24 weeks of maternity leave. The Bokros plan abolished GYED, the grant that had been linked to mothers' income in 1985. This affected large numbers of women, since in 1994 over 150,000 Hungarian mothers were supported by GYED. The plan also subjected GYES to income-tests. Only those women whose income fell below the family allowance cut-off of 19,500 fts/per person were eligible for an additional year of support at a fixed rate. Mothers were required to update their income data regularly; those whose monthly income exceeded the cut off while on the grant were denied further assistance.

Although the final income cut-offs for both programs were higher than those initially proposed, they did exclude large sectors of the middle class from these benefits. While there are still no reliable data on exactly how many women were cut from these programs, it is possible to arrive at approximate numbers on the basis of national-level data on the minimum subsistence level.<sup>17</sup>

**Table 4: Subsistence-level by Household Type, in Forints**

<i>Household Type</i>	<i>Monthly Family Income</i>	<i>Monthly Family Income per Person</i>
Single mother w/1 child	39.476fts	19.738fts
Single mother w/2 children	52.282fts	17.427fts
Two parents w/ 1 child	57.226fts	19.075fts
Two parents w/2 children	70.924fts	17.731fts
Two parents w/3+ children	94.512fts	16.902fts

Source: Ferge, 1996

As these data reveal, the Bokros plan's income cut-offs lie just above the subsistence level for a family of three. According to Ferge (1996: 29), approximately 60 per cent of all Hungarians currently live at or below these subsistence levels. Thus, it is likely that the plan cut 25-30 per cent of Hungarian mothers from the family allowance and child care grant programs.

Finally, the Bokros Plan did more than limit the scope of these social programs. It also applied a new definition of need to the Hungarian policy apparatus, a definition that gave preference to class over all other social attributes. In this way, the Bokros Plan signified the creation of an entirely discretionary, client-based welfare system. One local government official put this best when he justified the plan to me in an interview: "It is a simple principle. Give to the poor and not to the rich. This is basic. But because of our socialist past, we have a hard time understanding it. We will learn." In the process, Hungarian clients will learn a lesson of their own. Claimants' appeals for state assistance can no longer be based on their contributions as mothers, fathers, or family members. Instead, they must now be framed around material need. Thus, these reforms have socialized the population that welfare is the terrain of only "needy" individuals and that this "neediness" will be conceptualized in strictly monetary terms.

#### *The Paradox of Professionalization and Multiple Transition Scripts*

Yet there is another group of Hungarians who learned a somber lesson from the Bokros Plan. A decade before this reform package was implemented, Hungarian social scientists had been an integral part of national-level welfare politics. In the mid 1980s, "science and power" had found ways to work together and to reshape the system of re/distribution. For their part, Hungarian social scientists used this political opening for dual ends: to construct a welfare system that was more sensitive to the impoverished and to carve out institutional positions for themselves. But by the mid 1990s, this opening had closed. "Power" was no longer interested in being influenced by or forging alliances with "science." Thus, Hungarian social scientists were relegated to the sidelines of this latest round of welfare reform. They were forced

to watch as economic policy dictated the fate of social policy and eventually squashed what remained of the entitlement system. They were left to observe as an exclusively needs-based, client-centered welfare system was erected to take the place of social rights and guarantees.

The real irony of this professionalization story is that it was the precise welfare discourse advanced by social scientists under state socialism that came back to haunt them a decade later. The arguments that MSZP officials and international policing agencies used to dismantle the entitlement system were not foreign-born. Rather, they had been essential parts of the professional critique of the state socialist welfare system. It was Hungarian social scientists who first uncovered the poverty plaguing large sectors of the population and who indicted universal welfare provisions for doing little to resolve it. They were the first to mobilize the language of means-tests, income-tests, and welfare targeting to formulate palliative policy measures. And they were the ones who used this welfare discourse to catapult themselves into influential positions as policymakers, analysts, and welfare workers. Although they were careful to couple this poverty discourse with an appreciation for universal social guarantees, they did introduce such arguments into Hungarian welfare politics. Once unleashed, this poverty discourse then spun out of their control, progressively chipping away at the entitlement system until, in 1995, all remaining social rights were demolished. The end result was extremely paradoxical: While Hungarian social scientists planted the discursive seeds of welfare reform, once these seeds had been sowed, they gave rise to a welfare state which dramatically undermined these professionals' expertise, influence, and maneuverability.

Finally, there is yet another lesson to be learned from the dynamics of welfare reform in Hungary. Clearly, this historical account does not fit neatly into the classic periodization of "transition" that privileges 1989 as the symbolic turning point. Had I followed this standard timeline, my analysis would have missed the important conceptual and policy shifts that occurred within the state socialist period. It also would have been blinded to the central paradox of Hungarian professionalization - i.e. how a welfare

discourse that began as a strategy of inclusion later became the primary mechanism for professional exclusion. In this way, my analysis suggests that we may need to develop different time-lines to unearth the distinct processes of change within East/Central Europe. While the pre/post 1989 periodization may work well to explain shifts in the economic or political spheres, it does not apply well to the sphere of welfare re/distribution. Thus, instead of adhering to one uniform and homogenizing transition story, it may be time to begin constructing more specified transition accounts. This would imply the creation of multiple peri-odizations that can capture the complexities of transition in different institutional realms and their contradictory, and often paradoxical, social consequences.

#### Notes

1. Other social attributes recognized by the state socialist welfare system included age, family status, and to some extent ethnicity. See Gal (1969), Ferge (1979), and Haney (1997b) for more on these classifications.
2. These benefits were "universal" in the sense that they were not tied to recipients' income or class position. Rather, they were tied to labor force participation.
3. In this essay, I will focus on shifts in the social policy apparatus. For an account of corresponding shifts in welfare institutions and the nature of welfare work, see Haney (1997a, 1997b).
4. The data used in this paper are drawn from research carried out in Budapest from October 1993 to April 1995. During this period, I conducted research on the development of the Hungarian welfare system from the earliest years of state socialism to the present. In my research, I collected four types of data. First, I conducted 18 months of fieldwork in the three social welfare institutions of two Budapest districts: Child Protective Services (*Gyámhatóságok*), Child Guidance Centers (*Nevelési Tanácsadók*), and Family Support Centers (*Család Segítő Szolgálatok*). Second, I completed 35 in-depth, open-ended interviews with Hungarians affiliated with the social welfare apparatus. My respondents included former caseworkers, psychologists, local government officials, and politicians. Third, I carried out primary source research in local government archives and analyzed a random sample of over 1000 case files. Finally, I collected primary and secondary source materials on the social policies, laws and provisions produced at the national level in the state socialist and post-Communist periods.
5. In addition, these GYES use patterns were also of concern to an increasingly vociferous group of populist writers. For them, these patterns threatened the development of the Hungarian nation and created a situation in which the country "looses intellectual capital year by year" (Varga, 1981). By rewarding the "undeserving and the deserving equally, these writers argued that GYES taught Hungarians that "being lumpen pays" (Beke, 1982). In effect, they interpreted these GYES rates as "ethnic suicide," the "extinction" of the Hungarian people, and the "decay" of the Hungarian nation (Goven, 1993: 241).
6. There was also a racialized undercurrent to this move from GYES to GYED. In addition to differing by class, GYES use patterns varied by race, with Romani women using the grant for longer periods of time. The shift to GYED was then an attempt to convince more non-Romani Hungarians to have children and stay on the grant longer.
7. The actual Hungarian word used in these analyses was "szellemi munka," which I have translated as "white collar" worker instead of "intellectual" worker.
8. These data from 1988 were projections, based on how long respondents said they planned to remain on GYED.
9. These facilities were established even though the official unemployment rate was minuscule at this time, hovering around .03% (Baxandall, 1996).
10. This was the actual campaign slogan of the Hungarian Smallholders, a political party who participated in the governing in coalition with the MDF.
11. In fact, as many Hungarians have shown, this period was marked by an *increase* in welfare expenditures. Because the two major social programs (family allowances and GYES/GYED) remained untouched and the state took on new commitments in the form of unemployment compensation and income maintenance programs, welfare expenditures increased by nearly 20 per cent from 1991-1995 (Tóth, 1993; Tóth and Andorka, 1995).
12. Even those MSZP officials who did not share this reform vision were excluded from participating. Amazingly, the then Minister of Welfare, Pal Kovacs (himself an MSZP official) was not consulted prior to the announcement of the Bokros Plan. Aware that he would have resisted the plan, the government excluded him from all negotiations. In response, Kovacs resigned from his Ministry post immediately following the Plan's announcement.
13. The Bokros plan included other economic measures: it devalued the forint, cut subsidies for medical care, created new rules for paid sick leave, and levied new import taxes on "luxury goods."
14. This is quite a contrast to the Czech Republic where the announcement that the government was simply considering cuts in the welfare system provoked mass demonstrations.

15. My arguments about these social scientists' responses come from observations I made during the spring of 1995. I was able to attend numerous meetings and conferences organized by these social scientists. I also interviewed many of them so as to ascertain their perspective on the Bokros reform package.
16. The amount of this benefit was not insignificant. In 1995 it constituted 2,600 fts for two-parent families and 4,000fts for single parents.
17. This lack of data is due to the fact that the plan gave women a one year grace period after it took effect. Thus, women who became pregnant before the end of 1996, were not subjected to the new income cuts offs. Hence, reliable data on the true number of women affected by these cuts will not become available until the end of 1997.

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