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**Between ‘Northern’ Accommodation and ‘Southern’ Detachment:
On Some Dilemmas of Postcommunist Welfare Reforms**

Abstract

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The widely applied old geopolitical categorisation that spoke of the “First”, “Second” and “Third” Worlds has been replaced in recent years by a more opaque, though certainly less politicised classification that differentiates but between two large groupings: the bunch of “highly developed /post/industrial” societies, as opposed to the “developing” ones. Parallel to the unfolding of the new division, the geographically informed clustering of “Northern” vs. “Southern” states has become the point of reference in discussing issues of globalisation, while the old East–West divide has been relegated to history and varying cultural endeavours. These meaningful shifts in the discourse reflect, of course, important changes in the global economic and political relations. Just to mention the most significant ones, it is enough to refer to the decay of colonialism, the rise of new democratic states of the South, the collapse of communism, and, above all, the end of the Cold War concluding in substantial re-ordering of the prevailing international power-relations.

The rising new classification and the corresponding newly shaped global policies are inspired by two fundamental strives: the recognition of *geopolitical responsibilities* of the developed world toward the developing one, and the simultaneous feeding of *hope to cross the borders* that separate the two entities. In line with the new efforts, imaginative policies for reducing inequalities in economic power, wealth, and livelihood have been articulated and new institutions have been set up to assist/guard the process (Copenhagen Declaration 1995). At the same time, new initiatives have been developed to encourage innovative experiments in nation-states of the “developing world” to attain meaningful “categorical change” and to provide examples of *good practice* for those still behind (UNRISD 2005). In other words, *international solidarity* and *national empowerment* have become the two key elements of recent developmental designs that, while acknowledge the increased economic power of global capital, see more room for maneuvering and cooperation on the side of the ambitious “developing” nation-states than ever before.

However, these advantageous implications do not hold for all those outside the developed Northern camp. Beside the incapability of the new policies to address uneven development amid rapid economic growth in parts of Latin-America or Asia (Shamis 2002, Bauman 2004), they leave in the dark, for sure, the entirety of the region once called the “Second World”. The forgetting of this latter cluster is not incidental. It follows from the widely shared conviction that the collapse of the Soviet rule would open the path to quick recovery in economic, political, social and cultural terms alike; hence, the nations in question would soon catch up and simply dissolve as integral parts of the powerful Northern cluster.

The paper intends to show that despite the mentioned expectations for the spontaneous merging of the former “First” and “Second” Worlds, the past close to two decades of postcommunist transformation have pointed toward remarkable departures. Besides steady slowing down of economic growth since the late 1990s, a review of the key indicators of social development reveals the emergence of previously unknown Southern-like fault-lines in

the new social structures. (For justifying the statement, the paper will present the latest regional time-series on speedily growing inequalities in the distribution of income and wealth, sharply falling indices of labour market participation, the persistence of widespread unemployment and steadily growing poverty, etc., further, it will introduce some key facts about the worrisome extension of the informal economy, and, above all, about the massive exclusion from *all* forms of labour along race and ethnicity). It will be argued that, while the anticipated quick ‘Northern’ adjustment worked as the most important drive for marketisation, the actual reality of the post-1990 systemic transformation has brought about ever more remarkable “Southern-like retreats”. Thus, although the prevailing developmental discourse largely hides it, the *inseparable mix* of Northern and Southern traits seems to be a lasting condition in the postcommunist region, placing it into an invisible “nowhere land” on the map of meaningful development.

True, the state of being left out largely remains unnoticed, and the dangers are even less recognised. For membership in the European Union (and the NATO affiliation) creates the pretentious impression that lagging behind the North is merely a matter of gradualism; further, it takes away even the remnants of international solidarity and incentives for national empowerment, respectively. As a consequence, the rather weak new democracies of Central and Eastern Europe are deprived from justified claims for autonomous social development and the necessary stimuli to accomplish their historically unfinished embourgeoisement process, while they lack also the potentials of an innovative “third road”-type evolution to rely on the evolving new relations between their freshly designed democratic nation-state and civil society. The outcome is rather troublesome: the rise of two-tiered social structures (based on the cohabitation of a “Northern-like” national bourgeoisie and “Southern-like” vast layers of the socially excluded poor) is accompanied by the corresponding evolvement of bifurcated welfare states that clearly work toward lessening social cohesion all over the place.

The paper aims at showing the constituents and traps of the process by introducing the case of Hungary. It will demonstrate that the rationale of speedy marketisation required an economic policy that was compelled to prioritise economic growth at all costs. Under the pressure of the given conditions, the conversion of the run-down stock of the planned economy logically led to the inflow of the most efficient capital, that is, it “naturally” concluded in the rapid buy-out of all productive assets by the most powerful global capital (the share of the multinationals currently amounts to some 80 per cent of all productive capital in the country). At the same time, the unrestricted opening of the Hungarian economy concluded in losing no less than 40 percent of the jobs available around 1990, and only 8 per cent have been replaced ever since. Amid these conditions, the once designed welfare provisions to assist forced employment had to be quickly re-tailored to calm down sharp competition on the labour market, and keep vast groups in the insecure informal economy.

Most importantly, successful implementation of the project assumed remarkable reduction of the earlier excessive power of the central state. However, forceful downsizing of the central administration quickly turned into the actual *desertion of the state*. The elimination of the all-embracing programmes of the old regime concluded into a lasting vacuum-situation which led, in turn, to the rapid increase in the number of people without any forms of social protection. Hence, beyond steep rise in the rate of poverty, the withering away of the central schemes significantly contributed to the speedy social exclusion of the weakest groups once in full service of “socialist production” and direct dependence from the provisions of the ruling communist party-state behind.

But the process had some further consequences, too. The drastic retrenchment of the centrally distributed resources induced heated social struggles: the freshly freed central funds quickly

became absorbed by privatisation and economic adaptation. At the same time, the decentralised municipal welfare programmes proved incapable of keeping pace with the unstoppable increase in the number of applicants: the poor struggling for mere livelihood and the impoverished groups of the middle class seeking compensation unequivocally identified the new local assistance schemes as their only remaining option. The evolving cruel competition between the two groups has contributed to the sharpening of those deep socio-economic divides by class and race/ethnicity that had arisen as sorrowing but “inevitable” concomitants of economic restructuring.

By the turn of the millennium, the indicated processes concluded in the evolution of a bifurcated welfare system with hermetically separated structures of services for the well-integrated and the marginalised groups of society, respectively. With the country’s successful economic recovery, all the contribution-based services and benefit schemes (social security, semi-privatised healthcare, childcare, private insurance, pension, etc.) have produced remarkable rise in standards and coverage for those successfully involved in Hungary’s already dominant market economy. At the same time, it is the highly segregationist world of local welfare assistance that is meant to deal with the respective needs of the poor: the longer the period of their poverty, the thicker grow the walls that lock them into the secondary arrangements designed “for them alone”.

The bifurcation of Hungary’s newly emerged welfare state and its apparent failures to meet the reforms’ initial expectations raise a number of important questions. First of all, how far do the indicated negative developments follow from the peculiarities of postcommunist transformation? In other words, are they transient by-products of the systemic changes that will spontaneously fade away upon the completion of the necessary economic adjustment of the country? Or contrarily, one has to perceive the Hungarian case as a new establishment in the making that takes weak “Northernism” (integration into the market) and newly emerging “Southernism” (remarkable fault-lines of the social structure and the accompanying symptoms of social disintegration) as enduring socio-economic realities and creates its two, sharply segmented, sub-systems of welfare accordingly?

If the latter is the case, then it seems inevitable to think also about the longer-term political implications. One has to ask, whether is it feasible at all to maintain a modern democracy with ingrained and institutionally escorted arrangements in line with doubled standards of social rights? What are the likely effects on the quality of social coherence and also on the working of universal political institutions? Further, what are the entailed dangers for the stability of the postcommunist state, and beyond, the entirety of the organisationally united continent under the geopolitical umbrellas of the EU and NATO?

It goes without saying that neither the involved far-reaching socio-political consequences, nor their historical and structural foundations can be satisfactorily explored without placing Hungary’s recent developments into a comparative perspective. As dispersed information about the recent reforms of the inherited pension and healthcare systems, unemployment benefit schemes, childcare provisions etc. reveal, the so-called “transition societies” of Central and Eastern Europe have shown great variation in the timing, scope and speed of altering their former welfare arrangements. The paper takes its departure from suggesting that, despite important differences among them, the historically informed common characteristics of the societies of the region delineate the scope of maneuvering in a rather consistent way. As the vast historical literature demonstrates, the concordant determinations follow from the region’s belated modernisation over the past two centuries that slowed down (from time to time, even blocked) the process of embourgeoisement which, in turn, concluded in severely deformed relations between the state and civil society. It will be argued that the

emerging postcommunist welfare states have to be conceptualised against these historic antecedents. It is then crucial to find out whether the new arrangements work toward the reproduction and/or reincarnation of the old structures of subordination and dependency, or instead, a properly tailored developmental design can help to break out of the "nowhere land" and assist the once anticipated Northern conversion and integration.

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