

Yayın Geliş Tarihi: 21.06.2010
Yayına Kabul Tarihi: 22.07.2010

Dokuz Eylül Üniversitesi
Sosyal Bilimler Enstitüsü Dergisi
Cilt: 12, Sayı: 2, Yıl: 2010, Sayfa:59-76
ISSN: 1302 - 3284

INTEGRATION MATURITY OF HUNGARY: EUROPEANISATION AND ECONOMIC ELITE IN HUNGARY

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Abstract

Present Hungarian elite was born from process of transformation after 1990. Hungarian economy has become one of the most globalised economies of the world, and integrated to Europe. In business elite two generations are distinguished. The older generation was already in manager or owner position before the system changed, but they did not come from Communist political nomenclature. The second generation finished their university studies in the late 1980s, without any initial capita, and their emergence showed greater similarities to Western contemporaries. Others are present managers and technocrats of big companies (TNCs and national as well), bankers and also from SMEs. The main group is from the political and public administration bureaucracy, who is in important positions at ministries, local authorities or at European institutions. The Hungarian elite is Europeanised, but divided, because some part, particularly national companies and SMEs are negatively affected by process of European integration.

Keywords: Integration Maturity, Transformation, Europeanisation, Business and Economic Elite.

MACARİSTAN'IN BÜTÜNLEŞME OLGUNLUĞU: MACARİSTAN EKONOMİK ELİTİNİN AVRUPALILAŞMASI

Özet

Şuanki Macar eliti 1990 sonrasında yaşanan dönüşüm sürecinden doğmuştur. Macar ekonomisi Avrupa ile bütünleşmiş ve dünyanın en küresel ekonomilerinden biri olmuştur. İş eliti çerçevesinde iki nesil göze çarpmaktadır. Komünist siyasi nomenklatürden gelmeyen eski nesil, sistem değişmeden önce ya kendi işinin sahibi ya da yönetici konumundaydı. Üniversite çalışmalarını 1980'lerin sonlarına doğru bitiren ikinci nesil ise, başlangıç sermayesi olmayıp Batılı çağdaşlarıyla benzer özellikler taşımaktadır. Diğerleri ise büyük şirketlerin (ulusaşırı ve ulusal şirketler) şuanki müdürleri ve teknokratları, bankerler ve KOBİ yöneticileridir. Siyasi ve kamu yönetimi bürokrasisinden gelen büyük grup ise bakanlıklar, yerel yönetimler veya Avrupa kurumlarında önemli mevkilerde bulunmaktadırlar. Macar eliti Avrupalılaştırmıştır fakat ulusal şirketler ve KOBİ'ler başta

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olmak üzere bazı gruplar Avrupa bütünleşmesi sürecinden zarar gördükleri için kendi içinde bölünmüştür.

Anahtar Kelimeler: Bütünleşme Olgunluğu, Dönüşüm, Avrupalılaşıma, İş ve Ekonomi Eliti

INTRODUCTION

We consider integration maturity as framework of our analysis, which reflects the capacity of a country to exploit benefits of integration. Integration maturity and Europeanisation are closely related. Integration maturity is conditioned by the level of Europeanisation in different fields, and high level of Europeanisation of a country means that with high probability it can exploit advantages of integration. First, we analyse the transformation of the Hungarian economy and society after 1988, which was accompanied by rapid global and European integration. We show the different ways of emergence of the Hungarian capitalist class, which forms one basic element of the Hungarian elite, besides the managers of TNCs, or the high level state bureaucracy. We show that the Hungarian elites are highly Europeanised, and beneficiary of European integration. Some are, however, at the losing end (national companies and SMEs), and they represent those, who resent globalisation and European integration. A chapter is added about creation of European studies centres in Hungary, and their role in creation of the European elite.

TRANSFORMATION AND INTEGRATION OF HUNGARIAN ECONOMY

We consider integration maturity as framework of our analysis. Integration maturity can be defined as a capability to exploit the benefits of the given form of integration to the maximum, while the costs and drawbacks can be minimised. Integration maturity can be measured by comparing costs and benefits. A country is mature for integration if membership on the whole is advantageous for it.

Integration maturity and Europeanisation are closely related. Integration maturity is conditioned by the level of Europeanisation in different fields, and high level of Europeanisation of a country means that with high probability it can exploit advantages of integration. In our paper, Europeanisation and integration maturity are analysed in social and political dimensions. The economic elites play a crucial role in the process, their and the country's success or failures are closely connected.

After 1990, the Hungarian economy and society were fundamentally transformed and the process was accompanied by substantial modernisation and global adjustment. The market reforms restored the normal functioning of the market and by the end of 1990s Hungary was recognised as "functioning market economy" by the EU Commission. As result of privatisation, similar proportions of private sector to developed countries was created, which produced over 80% of GDP. Hungary became a capitalistic country.

The structure of economy was radically transformed. The process started already after the Second World War, when the formerly underdeveloped agricultural economy was changed to an industrial-agrarian economy, with rapid urbanisation. After 1990, the process took new dimensions. Between 1989 and 2001, the proportion of agriculture in GDP shrank from 15% to 4% that of manufacturing from 34% to 28%, while the share of services increased from 42% to 67%. The structure of Hungarian economy converged substantially to the most developed countries, and in fact entered into the post-industrial society. By the development of communication infrastructure, it made a big step towards the communication-information society.

In the last 20 years, the Hungarian economy has become one of the most globalised economies of the world. According the KOF Globalization Index of 2009, Hungary ranks 10th among the 189 countries of the world (11. Czech R., 13. Finland, 16. France, 17. Estonia, 22. Germany, 27. U.K. 32. Greece, 34. Latvia, 38. US.)¹

Hungary with its 10 million populations is a small country, and structurally is a highly open economy. The foreign trade gives about 70% of GDP, which means high global dependence from external factors. The high globalisation is based on massive inflow of foreign direct investment; between 1989 and 2009 more than €80bn was invested in the country. The share of foreign investments in 1990 was only 1,7% of GDP, now it is over 50%. Foreign TNCs give about 70% of industrial production, nearly 90% of industrial export, and more than 50% of employment. The outgoing investments from NMCs just started in recent years. In 2008, the investment abroad of Hungary reached €12bn, and they are close to 15-20% of incoming FDI, which proportion is highest in the region. But the average of developed countries is somewhat around 150%. The transnationalisation process is external and asymmetric. Hungary has few TNCs of its own (OTP, MOL, Matav), and they operate and expand only on regional markets of neighbour countries. The unevenness of the integration process is reflected also in a certain duality of local SME sector. Only their smaller part integrates into global economy (TNCs), while most of them remain outside, and still mainly oriented to local economy.

The transformation was accompanied by rapid opening (“negative integration” – Tinbergen) of the economy. The foreign trade was liberalised (elimination of bureaucratic control of external trade, reduction of tariffs and subsidies) during 1988-1993, and up to 2000 the country engaged into free trade with most of the European countries. It meant a free trade association with the EU (Europe Agreements), free trade arrangement with EFTA and other countries of the region (CEFTA – Central European Free Trade Agreement). By 1989 the Hungarian forint was convertible on current account, which was extended to capital

¹ The analysis is based on 24 variables (economic, social and political globalization): Economic - flows, cooperation intensity, restrictions. Social - Personal contacts, information flows, cultural proximity. Political - Diplomatic relations, membership in international organisations, UN. Security Council participation.

account convertibility by 1996, and from 2001, the HUF have become fully convertible. By entering the EU in 2004 as a full member, Hungary has become a globally open economy not only in structural terms, but also in institutional and economic policy dimensions.

The high globalisation means, in fact, a high Europeanisation of Hungarian economy. Traditionally more than 80-85% of Hungarian foreign trade was conducted with other European countries. Since 1989, the trade intensity (share in GDP) has highly increased, and at the same time, it was reoriented towards the European Union. In 1990, the share of EC in Hungarian foreign trade was only about 25-30%, which increased already by 1993 (prior to Europe Agreements) above 50%, and it is now around 75%.

The process of integration with Europe was basically promoted by foreign TNCs, based on their massive FDIs (dis-location) during the last 20 years. The EU membership boosted this process further, particularly up to 2008, but it remains open how this continues after the present economic crisis is over. The EU integration brought about 2-2.5% growth “surplus” for the country. Hungary’s per capita income in the 1960s were around 60% of the European average, and it was about 50% higher than that of Portugal and Greece. By early 1990, due to structural crisis of Soviet system, and then the “transformation recession” it fell back to around 43%. Per capita GDP of Hungary now is around 62% of that of EU27 (of course above data are not comparable with 1960s, but show the trend). Now, Portugal and Greece is still about 50% above the Hungarian level. Re-convergence had an encouraging start, but it was broken by the 2008-2009 recession. While on the whole the integration brought substantial gains for the country, not all part of the economy was benefiting of it. As result of EU membership, large number of small and medium firms, inefficient small farms (hundred thousands of semi-subsistence farms), and the capital-intensive service sectors seems to be at the loosing end, as result of increased competition.

PRIVATISATION AS MAJOR ELEMENT OF TRANSFORMATION

The end of 1980s was marked by the collapse of the Soviet system in Central and Eastern Europe, provoked by deep political, economic and social crisis, demonstrating the failure of bureaucratic central planning, and the popular rejection of one party system. In the years of 1989-90, the Communist party dominated political structures were replaced by multi-party parliamentary democracies, and the countries of Central and Eastern Europe embarked on fundamental transformation of their economies and societies.

The economic transformation in itself has several aspects.

1. Internal transformation of the socio-economic structures: marketisation and privatisation
2. External aspects of transformation - international (re-)integration

- 2.1 Opening the formerly closed national (planned) economies (“negative integration”)
 - 2.1.1. Elimination of trade monopoly of state, and liberalization of foreign trade
 - 2.1.2. Convertibility of national currencies
 - 2.1.3. Liberalization of foreign investments
- 2.2. Integration (re-integration) into the world economy
 - 2.2.1. Joining international institutions (IMF, OECD, CEFTA, NATO)
 - 2.2.2. Associating (joining) the EU as a strategic integration partner (“positive integration”).

From point of view of economic and social transformation the privatisation played a crucial role. Privatisation was the most important strategic development toward transformation of economies and societies of Central and Eastern European countries. While certain sort of marketisation was accepted by the reform countries, the privatisation was rejected until the end of 1980s by the Party leaderships in all CEECs. Socialism and communism were defined as public sector economies and any privatisation was thought as a break with basic Marxist principles and therefore it was a political and ideological taboo all the time. The privatisation created new economic elite of the country.

It must be noted, that *the elements of private sector* survived even the most severe Stalinist periods, and they usually revived in the times of relaxation of the political course. The process has become marked particularly *from the beginning of 1980s*. The privatisation process, therefore, was not without antecedent, it can not be understood without this, particularly as far as Hungary is concerned.

1. Private sector prevailed in retail, repair, services and handicrafts (except for the SU or Cuba).
2. Private plots were allowed in agriculture for co-operative members, all the time, and in some fields they played important role in market supply (in Hungary, since the 1960s a peculiar symbiosis of the co-operative sector and the almost unconstrained small-scale household production)
3. There was a sizeable second economy ("black economy" or "moonlighting") and it flourished particularly in the reform economies and periods of relaxation.
4. Loose forms of co-operatives were developed, where there were broad possibilities of private initiatives and entrepreneurship, particularly from the 1980s (Hungary, Poland and the SU after 1987).
5. Entrepreneurship in the public sectors was increasingly recognized (profit motives, innovation, managerial skills and attitudes), which lead to the development of performance and profit motivated managers (in Hungary already after 1968).

6. Although, the capital markets did not exist, in Hungary from the early 1980s public utility bond or shares were issued to private persons (telephone, water supply etc.).

7. The number of joint ventures with Western firms gradually increased, particularly in the 1980s.

In the simplest definition, on micro level, privatisation is the transfer or exchange of public assets to private persons, while in macro terms it is a process, which leads to the dominance of the private sector or the creation of a private market economy. In a broader approach, some define privatisation as destatization, reduction of the role of the state in general.

In general, there are *four major ways* of creation of private market economy in CEE:

1. *Establishment of new private companies.* One major way of privatisation is through the private investments and establishment of firms (Gründung) and their increase and expansion. This is a continuous, organic, evolutionary process, which is the natural characteristic of a healthy market economy. This can be connected to the withdrawal of state companies from given fields and leaving the market for entering private investors. The private capital may be simply invested into state companies, transforming them into private business.

In fact, in most of those CEEcs, which have chosen market privatisation, great part of the private sector has been created by the establishment and expansion of an indigenous private sector brought into existence by investing and setting up new "start-up" firms and entities, and not directly by privatisation. The same applies to foreign companies, which in particularly certain fields (manufacturing, shopping centres etc.) have overwhelmingly been (in 60-70%) results of "green field investments", rather than buying or acquiring existing firms. Sometimes, however, it is difficult to distinguish, because the new firms are built indirectly on the "ruins" of some former entities.

2. *Through privatisation.* In the West, market-privatisations dominate: selling companies, state stocks, auctions and tenders, or management or employee buyouts. In the case of the privatisation of individual companies, initial public offering (IPO) is often applied. It can be made through an open tender or direct invitation of potential buyers. The main agents in privatisation may be private or legal persons (companies).

In CEEcs, several forms of privatisation (central direct selling of assets, open tenders etc.) have been applied. The important forms were the "manager" and "employee" privatisations (buy outs). Voucher (or coupon) privatisation was planned or started in many countries (Czech and Slovak Republic, Estonia, Lithuania, Mongolia, Rumania, Russia, Ukraine etc.). In Hungary, voucher

privatisation has been rejected, but the "compensation" or restitution bonds can be considered as vouchers.

Privatisation through selling companies to foreign firms was also broadly applied. Privatisations by foreigners, however, concentrated mostly to certain fields (food processing, sugar, alcohol, tobacco and paper industry, and also to some strategic sectors like energy or telecommunication). In ailing and declining sectors or companies in trouble, there was a general lack of interest, while some critics claimed that the cream of the state sector was skimmed by just the foreign investors. The main foreign investors were the transnational companies or the former trade partners or others with close personal connections.

3. Through *re-privatisation*. In the West, it is conceived, as re-transferring of formerly nationalized sectors or companies into private hands, in general. In this case, the former owners were compensated for nationalization in most cases with fair price. In the East, in general, there was no compensation. Re-privatisation is, therefore, defined, as some sort of direct or indirect restoration of original ownership on nationalized or confiscated properties. In Hungary, direct re-privatisation was limited only to church property (related to church functions) and restoration of some land ownership, combined with restitution bonds. In other countries, in some cases, the properties were given directly back to former owners.
4. Through the simple *shrinkage or collapse of the state sector* (bankruptcies, liquidation, cutting production, closing down factories or stealing assets). In case, ailing or outdated sectors or capacities, this was one of the main forms of "privatisation".

GENESIS OF THE NEW ECONOMIC (BUSINESS) ELITE IN HUNGARY

The development of post-Soviet capitalism shows several characteristics. "One of the main specificity of transition from state socialism to market capitalism is its inorganic character. Historically, it is the first time that before the transition to capitalism there was no (considerable) capital owner class; consequently, the capitalism should be created without capitalists." (Kolosi – Szelényi, 2010:10)

In this respect, the countries of the regions differed substantially. In the reform countries (like Hungary or Poland), the private sector emerged and gained strength already in the 1970s and 1980s, and that made possible certain capital accumulation. Due to marketisation measures after 1988, the autonomy of managers in the state sector increased, they behaved (sometimes had to), like their capitalist counterparts. This generation was already in managerial or owner position before the system changes, and they used their capital accumulated during the socialism for making their fortune later. The second generation of new rich had a different way of carrier, they finished their university studies in the late 1980s,

without any initial capital, and their emergence showed greater similarities to that of their Western contemporaries.

In both generations the technocratic-managerial backgrounds played important role. Most of business elite have university diploma, there are rare exceptions, that they have lower education. Of course, in the sphere of lower levels, particularly in the SMEs, there are many less educated, and we know the phenomenon of “lumpen-bourgeoisie”, in many cases related to illegal or criminal economy.

Contrary to some assumptions, the first generation did not come from Communist political nomenclature; there are only few exceptions that somebody from the former party elite got into the capitalist owner club. That particularly applies to the older generation. Those close to pension, proved to be the “lost generation”, and they could hardly preserve even their previous positions. There are, however, many from the then middle aged party bureaucrats, who ended up in certain private business, but mostly in peripheral activities (setting up of an ostrich farm), and they definitely do not belong to the present business elite. This contradicts to the theory of “political capitalism” as a main hypothesis of post-socialist transformation, proposed originally by Jadwiga Staniszkis and Elemér Hankiss. “It is a fact, that there were attempts to convert political capital to economic one, but these, almost in each case, failed, or even best case, they can be only half-successes.” (Kolosi – Szelényi, 2010: 25) Hankiss-Staniszkis assumptions, however, apply to Russia, although, that due to Gorbachow policies, many young people got into the Soviet political nomenclature in the 1980s, and they became the main beneficiaries of privatisation.

One of the main gainers of the market transformation was the representatives of “late Kadarian technocracy”. They have university diploma, mostly as engineers or economist, but many of them were lawyers or even medical doctors. They had the necessary professional training, but also wide managerial experiences and international connection, both in business spheres or public administration. Their cultural and network capital was satisfactory enough for exploiting the opportunities offered by privatisation.

Typical cases were the “bankers”, who made their carrier and fortune in the financial spheres. They used the stock options and they became the main beneficiaries of bank privatisation. Later many made their fortune in financial sectors as brokers or traders of different financial services and assets. The privatisation leasing was also a lucrative business.

As the program mass privatisation started, the problem of lack of initial capital had to be addressed. There were two way for it. One was the so called E-Credit (Existence Credit), which was given exclusively for privatisation and for Hungarian citizens. The interest rate was 3-4% (while the current interest rate was about 30%), and its maturity was 10-12 years. In case, even 90% of the privatisation project could be financed that way. The other was the so called restitution bonds, which was based on re-privatisation, and it was a certain voucher

for compensation for the former owner, who lost their property during the Communist period through nationalisation or confiscation. As we noted above, beyond that, the notion of voucher privatisation was rejected by Hungary, and it was the only country, which insisted exclusively on market privatisation.

The main forms of privatisation by the managerial and technocratic class were the so called management buy outs and setting up new business. The two was often combined. The managers bought their managed companies or they took part in the so called employee's shared ownership programs. Later could mean joint ownership with the employees, but in many cases, it ended up by buying out gradually the majority of the shares or the whole company by someone. The manager privatisation was often called privatisation by "deputies". The top, the number one managers were even in the late Kadarian period's political appointees, and the real management of the company or institution was left to the professional deputies. While the former ones were largely discredited, the "deputies" had all the capacities and at the same time the network capital to successfully compete in the privatisation process.

Some of the later business elite started in former private business. The small business in handicrafts, in repair, in restaurants or the private practice of doctors (dentists) was tolerated even during the harshest Communist times. Some of them successfully developed their business after 1990, but there are only few exceptions, who become billionaires. The other possibility was to start from the second economy, which was partly legal, particularly connected with the agricultural cooperatives, and partly could be called as a real "second economy" as far as it meant semi-legal or illegal activities, mostly in trade. For the later, the typical example was the import of computer or communication-information products and technologies, which were under COCOM restrictions, but which were, however, informally tolerated as they served "strategic interests" of the country.

The financial sources and support for privatisation process was, of course, not enough. It had to be combined with entrepreneurial and risk taking capacities. Information and imagination were also important. For bank credit, collateral, knowledge and network capital was also needed.

The case was different with the second generation. Among them, two separate way of carrier can be distinguished. A great part of them, relied on their political positions, but their political capital was accumulated already after the systemic changes. Some belonged to the late Kadarian political elite, they were functionaries of the Communist Youth Organisation, but they actively participated in democratic transformation, which gave them legitimacy in the emerging new democratic structures. Many others built up their carrier in the newly emerging democratic parties. The political capital was particularly important in the earlier periods of privatisation (1992-96); these were the years of getting rich rapidly. The corruption cases demonstrate that their importance remained until recently.

The other part relied on its knowledge and business capacities. Many of the present business elite started as inventors, innovators or they come from the scientific research fields. The typical spheres are the software business, the computers trade and development, new medicines, health treatments, communication and the eco-business. Some started from scratch (from garage), and made a spectacular rise on the business ladder. Their carrier is the most similar to that of Western counterparts, who made their success overwhelmingly on their special knowledge and talent. For them, besides the good entrepreneurial capacities, the good political network capital (gaining public tenders) is also equally important.

A part of the new elite based its carrier and success on its income or capital brought “home” from abroad. These were old (leaving the country in 1956 or before) or later émigrés (leaving in the 1970s and 1980s), or those, for example from foreign trade, who managed to accumulate capital abroad before 1989. Their share, however, remained fairly modest, particularly contrary to Baltic countries, and there are only few, who got into the upper class of the richest capitalists. It is a Hungarian specificity that the Hungarian business elite is rooted rather in the domestic economy.

“In Central-Europe the ownership relations are consolidated, the new capitalist class can be considered to be established. The politics is rather dependent on it, than it depends on politics. Contrary to that the private property is far not consolidated either in Russia, or in China, although the fluidity of ownership relations has opposite character. In China, one can be a billionaire through managerial way, and then he must look for political protection. Contrary to that, in Russia, the big capitalists are appointed by politics, and then they can be deprived of their property (or even from their freedom) by almost completely as one pleases.” (Kolosi – Szelényi, 2010: 283)

A great part of the Hungarian economic elite, in its strict sense, is not from the capitalist owner class. These are the present managers and technocrats, although, many of them have decent fortune and can be considered as rich, but their high incomes are based on their professional performance. These are the managers and high technocrats of big companies (TNCs and national as well), bankers and working in different fields of economic life. Many are working for consulting firms, in research fields or they are simply free lancers, but having regular assignments as high experts from both private or public sector. These are high level trained experts or people working in different strategic position of business or political sphere. Some of them are crucial figures of economic elite as far as they sit in strategic positions of decision making. There are a great number of journalists, who play particularly important role in forming public opinion in economic and business matters. Some of these people make occasional “excursion” to political life, but their existence is not based on politics. A big group of these elite is from the political bureaucracy, who is in important positions at ministries, local authorities or at international institutions. The elite representing Hungary at

the different EU institutions has to be particularly mentioned. These are close to business elite, in some sense, they definitely belong to it.

IMPACT OF EUROPEANISATION AND THE ELITE

The globalisation is accompanied with growing inequities. The proportions, due to lack of proper statistics, are broadly disputed, but the main trends of the last decades can be hardly denied. The increased inequities can be shown between different social classes or groups, between regions and countries as well. Regional disproportion has increased inside the countries (such as China or India), but also among the main global regions (Europe, America or South-East Asia).

The trends of increasing social gaps in relations to transformation and globalisation of Central and Eastern Europe is also marked. „Across most of Central and Eastern Europe and the former Soviet Union in the 1990s, a limited circle reaped major material gains from the new connection to global capitalism, while the majority of the people saw their standard of life worsen.” (Scholte, 2005: 322) The problem for Hungary is dramatically presented by Professor Laszló Bogár. “The ‘local society’ of globality has emerged, elite, which represents the upper 5%, but owns 30-35% of the resources. On the other pole, there is the “negative print” of this, the junk or debris society of those, who fell out of history, and who represent about 20-35% and owning only 5-8% of resources. In between the two, there is an extremely heterogeneous middle society, which conducts a self-exploiting struggle partly for climbing up to the local elite of globality, partly for escaping somehow from sliding down to the junk society.” Bogár, 2003: 340)

The proportions may be disputed, but it is a fact that no more than 20-25% percent of the society is on the gaining side of transformation (globalization – Europeanisation), while about 10% of the society is in deep poverty, without any realistic hope to getting out of its situation. According to a TÁRKI research it can be assumed that “in these two decades, about 20-25% of families reached the circumstances of a decent civilian welfare in a European sense, and although their majority lived better than the average even before the system change, their real living conditions today are comparably much better than before, even so if many of them not always feel this way.” (Kolosi – Szelényi, 2010: 279)

The transformation was accompanied with the emergence of a capitalist owner class, which we can call the main representatives of business elite of the country. According the statistics, there about 800.000 registered companies, business units in the country. A great part of them are quasi companies, which are created just for tax optimalisation and bring no more income than a moderate salary. But it can be realistically assumed that 3-5% of the society, which could be considered as a real capitalist owner class. Among them only few hundred are billionaires, and only about a dozen, who may own dollar billions. We can say therefore, that Hungary has a number of big capitalists, which can be considered rich even in international comparisons.

In recent years, in the Hungarian society, we can experience growing anti-globalist and anti-European feelings. A great part of the society feels loser of the transformation and European integration, so the “transformation fatigue” or “Europe-fatigue” become a general phenomenon. The growing inequities support this view, and not only the poor think this way, but even the great part of the middle class has mixed feeling, particularly because it look its future uncertain. That was particularly strengthened by the recent global crisis. That helped the populist politicians and the lead to growing nationalistic feeling. (“We suffer now not from foreign (Soviet) tanks, but from foreign (Western) banks.” “Now the commands are coming from Brussels, instead of Moscow.”)

This leads us to the question of Europeanisation and the Hungarian economic elite. The Hungarian economic elite is highly Europeanised. It is basically due to high Europeanisation of Hungarian economy. The birth of this elite was greatly influenced and determined by the fact that privatisation and the opening and integration of the country to Europe was parallel and closely related. We don't speak about those who were connected to TNCs and foreign direct investments, because there this connection is entirely obvious. During the privatisation process there was an intensive interconnection between the foreign and domestic actors. The foreigner often looked at local agents, and the later were taken as partners. Sometimes, the money was brought from abroad, but the knowledge or necessary relations were given by local peoples. The external markets for the new enterprises were almost entirely in Europe, so the European orientation from the beginning was vital. There are many examples of close business cooperation, and again the partners are almost entirely from Europe. Most part of the foreign investments came from Europe, and the target countries for emerging Hungarian capital export are the European neighbour countries. The about 2/3 of the Hungarian commercial banking capital is owned by foreigners, mostly from Europe, the financial and banking activities orient to European (global) markets. After the joining, great part of elite public administration got into daily contacts with European Union institutions; they had to learn how to deal with Europe.

The economic elite and particularly the broader business community are not exempted from the negative impacts and the process of disappointment. Even a part of the big business is calling for more “national protection”, and this is characteristic mainly for those national big companies (emerging Hungarian TNCs, like OTP or MOL), which got into conflict with their foreign competitors. Even those Hungarian SMEs, which were successful to get into the networks of TNCs as suppliers or sub-contractors, often feel exploited, and forced into unfavourable conditions. This is much more the case with other SMEs, which much directly suffer from foreign competition, and even those who are not forced out of business, they feel an uncertain future. The large shopping centres and chains mean deadly competition for small local shops, and the death rate among them was particularly high in the recent years. The foreign competition was increasingly felt after the full membership in the EU from 2004, and the impacts could be clearly identified in many sectors. There is a clear increase of anti-European voices. This phenomenon

can be called a negative identification with Europe, namely this is also a certain sort of Europeanisation, but with negative consequences for the effected.

INTRODUCTION AND DEVELOPMENT OF EUROPEAN STUDIES IN HUNGARY – TRAINING THE ELITE

It was recognized from the beginning, that enlargement presupposes a comprehensive process of preparation and adaptation of the country. In 1991 Hungary became an associate of the European Union, and thereby by 2000 became part of the European free trade area. With full membership it joined the EU's internal market and the common policies, and took part as full member in the work of EU institutions. It was clear, that this presupposes a fundamental transformation of Hungary's entire economic structure and institutional system and widespread adaptation at every level (from companies to the state administration). This required the training of a large number of integration experts.

The aim of education in European integration was to train experts whose basic professional knowledge has been deepened with regard to European integration and who are sufficiently well qualified to take part, at both micro- and macro- level in every area of economic and social life, in carrying out the tasks relating to integration. We attached particular importance to the training of experts capable of properly representing Hungary's interests in the EU and the other international institutions (the OECD, NATO, etc.).

In Hungarian higher education institutions, teaching and research relating to European integration began as long ago as the 1970s, and took off especially in the 1980s, so that in certain universities today (Budapest, Gödöllő, Pécs) substantial traditions have developed. Teaching and research in this field have been associated with a number of professors and researchers, who even before the 1988-89 changes had gained international reputation and recognition. The same can be said of a number of experts in institutes and the state apparatus, who were likewise considered outstanding international experts on the subject of European integration. So already by 1990, Hungary had already an expert elite on European integration, but far not enough in number in light of integration ambitions of the country.

In the 1990s teaching and research in Hungary relating to European integration became more intensive. A suitable standard was ensured where properly qualified experts and a research base existed, and where there were already long-established traditions of this kind of teaching. Elsewhere, however, the process has just began and it was clear, that it requires a few more years before teaching and research capacity of sufficient quantity and quality develops.

In the period after 1990 teaching on the subject of European integration the Hungarian higher education institutions received substantial external assistance within the framework of the Tempus, Erasmus, Jean Monnet, PHARE, and other EU financing measures (exchange programs involving foreign teachers and

students, infrastructure development, support for research, financing of courses, etc.). This contributed greatly to the development of European integration studies.

The first ever European Documentation and Research Centre were set up in Hungary in 1988 at Eötvös Lóránd University, and this was followed by the establishment of similar centres at other universities, the CUB in Budapest and the main universities in the provinces. These centres regularly received certain EU publications and infrastructure support on a case-by-case basis, and organized conferences, etc.

From 1993 the EU Commission extended the Jean Monnet program first to Hungary and Poland in the region. From 1997 the Czech Republic was also included, and later the other candidate countries as well. The financial resources for the Jean Monnet program were provided out of Hungarian PHARE funds, on the basis of an agreement between the Commission and the Hungarian government. The program was supplemented by others measures on a case-by-case basis. Among these we can mention participation in ACE, in Framework Programs, and many individual researches and grants.

From the academic year 1998-99 the so-called EKKÖ (European Scholarship for Training in Public Administration) program was launched, in which roughly 133 students received grants of 100,000 forints per semester for two years. The students had to enrol for special courses and under the terms of a contract, to work in the state administration for two years after graduation.

In Hungary the teaching of European Union studies at university level really received comprehensive, organized government support after 1998, with the establishment of 12 European Studies Centres financed by the PHARE program. We can safely say that in Hungary by 1998 the conditions and academic background had been created for the establishment of European Studies Centres de facto at all of the Hungarian universities.

The ESCs, in fact, began their subsidised activities in the academic year 1998-99. The non-repayable grant of ECU (euro)3m awarded to 12 ESCs in 14 higher education institutions was for 3 years, ending in 2001. The grants provided resources for teaching and research activities and for the infrastructure development necessary for their operation. The teaching activity of the centres ranged from basic training to postgraduate education, and the organization of profession- and target-oriented courses, chiefly for secondary school teachers, civil servants, media experts, businessmen and jurists. The centres drew external experts into the research work; the results were reported in many publications, and conferences and seminars were organized. With the creation of the documentation centres important European information services could be provided, not only in higher education institutions. Teaching related to EU integration, of course, went on in various forms in other higher education institutions as well. It was a condition of the grant that the universities should continue the programs for 5 years after the lapse in 2001 of the financial support.

In Hungary's higher education institutions teaching related to European integration issues were being carried out in the following main forms and frameworks:

EU studies are being incorporated more and more into many subjects, chiefly in accordance with the particular characteristics and professional requirements of each given specialized field (economics, law, political sciences, culture, engineering, medical studies etc.). The students thereby gain familiarity with the European integration aspects of the field in question, and acquire the most important knowledge that they may later need in the practice of their profession. The depth and nature of this varied according to the special field. Obviously the needs of a jurist are different from those of a vet. The incorporation of European integration studies into higher education courses had accelerated with the approach of full membership.

Many independent courses relating to European integration have been launched. On the basis of figures by the academic year 2000-2001, in the ESCs altogether 340 subjects were taught. These basic courses dealt mainly with economic, legal, political, historical, sociological, cultural, linguistic and other aspects in the framework of covering one semester or more. In the 12 ESCs these subjects supplemented the professional training programs of the higher education institutions concerned. We can say that in Hungarian higher education, students at virtually every university and college could choose from a large number of independent courses on European integration, and in the majority of subjects relating to their specialization they have access to the necessary knowledge in the form of independent courses.

From the point of view of the PHARE program, support for training in specialized language was important, to enable students to master the terminology relating to integration in the main official EU languages, and the language of professional communication in connection with the given branches of knowledge. This is achieved partly through high-level mastery of specialized language within the framework of language teaching, and partly by teaching certain subjects in the foreign language.

The development of specializations in European integration as part of basic higher education courses is the next level. In addition to the teaching of integration subjects in basic courses, this means courses where and students received some form of certification in it. The program of these specializations and special fields follows the structure of similar European courses, and in some cases they lead to the equivalent of a Master's degree of European Integration. The first 5-year university training program in European studies began in the academic year 2000-2001 in Szombathely. Since the start of Bologna process many other universities started European studies program both on Bachelor and on Master level.

Postgraduate training in European integration for experts who already have a university degree were also launched at virtually every studies centre. This training can take several possible forms. Further training in special fields

(specialized economist, specialized engineer, specialized jurist, etc.) may include European integration courses, which appear on the diploma and give a “Europe specialist” qualification in the given restricted field (agricultural or tax expert). To those who have a university degree but not necessarily the given basic qualification, the universities offer so-called “Europe expert” diplomas.

Doctoral training programs have begun, mostly as specialisation. Up till now doctoral schools in European studies have not been accredited in Hungary simply because the law on higher education does not regard “European studies” as an independent field of knowledge. A handful of students at most institutions are working on Ph.D. topics relating to European integration, but these topics are all linked to already accredited doctoral programs.

Doctoral programs are aimed mainly at the training of university teachers and researchers, but obviously people with such a depth of expertise can find good jobs in the practical sphere as well and also enjoy the prestige of the academic degree. It is no accident that there is great interest in doctoral programs on the part of people working in the state administration.

With the establishment of the centres a new situation has evolved in Hungary with regard to teaching and research in the field of European studies.

1. First of all we must mention the growing intellectual and physical capacity, the importance of which cannot be overestimated. The basis for this was provided by the few dozen qualified teachers and researchers who had already been engaged in teaching and research activity in the area of European studies, had gained academic degrees in this field and were well known through their international contacts. They have been joined by those who in the past years have launched new courses, added European studies to their earlier courses and become proficient in these and the related topics. It is difficult to give precise figures, since many people work together on a particular course or research topic, and a sizeable number of Ph.D. students have also been involved, but I think it is no exaggeration to say that in Hungarian higher education the number of people seriously engaged in European studies is about 250-300. This is a remarkable amount of intellectual capacity.
2. With the establishment of the centres, the physical, infrastructure capacity supporting these activities has also developed. In the case of several centres the bases for these were the former Documentation Centres, where important stocks of literature and documents and computer and informatics bases were created. These were further developed by the PHARE program, and with a few exceptions the centres were provided with premises in the universities, together with the necessary infrastructure.
3. It is important that education relating to European integration and the EU should really reflect the multidisciplinary nature of “European

studies”, which is internationally recognized. We know that it consists of a marriage of law, economics, political science, sociology, history and the cultural sciences (European culture). Various branches of language studies can also be related to it. It is notable that this multidisciplinary is characteristic of most of the universities and centres, with differences that of course traditional earlier strengths in certain fields and the academic profile of the faculties responsible determine the main emphases. But law, economics and politics are given greater or less emphasis everywhere.

4. The comprehensive nature of the network of centres means that in practice ESCs operate in the great majority of Hungary's higher education institutions, or are linked to them in some way. This means, and this cannot be sufficiently emphasized, that in Hungary today, as a result of the program of support, students in higher education have access to European integration studies, and in fact can take courses in these in their own institutions. Total area and regional cover is provided, since European Studies Centres are in operation in all Hungary's provincial university towns.

CONCLUSION

In the last 20 years, the Hungarian economy has become one of the most globalised economies of the world. The high globalisation means, in fact, a high Europeanisation of Hungarian economy. In Hungary after 20 years of transformation the capitalistic ownership relations are consolidated, the new capitalist class can be considered to be established. The other part are the present managers and technocrats of TNCs and national as well, bankers and working in different fields of economic life. Some of them are crucial figures of economic elite as far as they sit in strategic positions of decision making. There is a great number of journalists, who play particularly important role in forming public opinion in economic and business matters. The trends of increasing social gaps in relations to transformation and globalisation of Central and Eastern Europe is also affecting the elite. The Hungarian elite is Europeanised, but divided. While they are fighting and competing, at the same time, they are compromising and cooperating. Development European Studies Centres in Hungary helped the birth and training the elite.

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