

LEGACY AND POLICY EFFECTS ON SPATIAL DEVELOPMENT
IN HUNGARY AND BULGARIA

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LEGACY AND POLICY EFFECTS ON SPATIAL DEVELOPMENT
IN HUNGARY AND BULGARIA

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Cornell University, 2006

This dissertation investigates the relationship between socioeconomic and spatial development in Eastern Europe from a historical perspective. I examine how global and national processes affect localities, and what their impact is on the spatial distribution of population and economic activities over time. The backdrop for this study is the historical transformation of Eastern Europe from a predominantly agricultural region to a modern industrial one, even if this modernity can be labeled as "delayed", "distorted" or "dependent" when compared to the Western experience. When investigating socioeconomic and spatial development over time, I focus on the impacts of two fundamental processes, historical legacies and development policies. Legacies and policies must be connected in order to understand their impact on patterns of socioeconomic and spatial development over time, and to assess trends for the future.

I approach the study of social and spatial development from an interdisciplinary standpoint, working at the intersection of development sociology, social demography, political science and population geography. The conceptual project of this study is to connect these disciplines' accumulated knowledge on Eastern Europe, and articulate causal links between processes described by these fields. Although each field has accumulated considerable knowledge on development in the region separately, there hasn't been a systematic effort to connect these findings in a historical perspective. I use a comparative framework to achieve this goal, and hence I

discuss the Eastern European development trajectory vis-à-vis the Western experiences. The particular contribution of this study is to connect the political theory of Eastern European "backwardness" to an analysis of the region's socio-demographic change, population redistribution and urbanization in particular.

The dissertation's empirical project is to examine population distribution and urbanization dynamics in Eastern Europe. I investigate how spatial development occurred in the context of broader socioeconomic development, and how various policies and legacies affected settlement morphology and population redistribution. This analysis will use the cases of Hungary and Bulgaria. Hungary will be the central analytical case of this study, and I will use Bulgaria to demonstrate the intraregional heterogeneity of Eastern Europe.

BIOGRAPHICAL SKETCH

László Kulcsár was born and raised in Hungary. In 1994, he earned an MS degree in Public Administration Studies at the College of Public Administration in Budapest. Four years later he received an MA degree in Sociology at the Eötvös Lóránd University in Budapest. During his college years he worked for a number of for-profit research firms and nongovernmental research organizations. In 2001, he moved to the United States with his family to begin his PhD studies at Cornell University. During his Cornell years he maintained strong professional ties to Eastern Europe, regularly conducted research in the region, and also contributed to the establishment of a new research institute in Hungary for the study of post-socialist transformation. László Kulcsár currently lives in Manhattan, Kansas with his wife and their two children.

To my father, an exceptional and devoted scholar.

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1. Introduction

1.1 General overview and objectives

This dissertation investigates the relationship between socioeconomic and spatial development in Eastern Europe from a historical perspective. I examine how global and national processes affect localities, and what their impact is on the spatial distribution of population and economic activities over time. The backdrop for this study is the historical transformation of Eastern Europe from a predominantly agricultural region to a modern industrial one, even if this modernity can be labeled as "delayed", "distorted" or "dependent" when compared to the Western experience.

Behind the general perception of backwardness in the region, there is a remarkable and puzzling heterogeneity within Eastern Europe. In some places, foreign businessmen are now regular sights, the street signs are in English, and the cars used for going to the malls are the latest Western European models. In other places public transportation is based on buses resemble to those in junkyards, the local supermarket is open only three days a week, and the surviving local factory uses old Soviet machines. And there are places where we can practically step back to the medieval era. The dominant activity is subsistence farming, there are only dirt roads on which only buggies go once in a while, and there are no shops or any kind of utility infrastructure.

What is the cause of this incredible heterogeneity and uneven development patterns in post-socialist Eastern Europe? It should be obvious that this is not simply the product of the large-scale societal transformation of the 1990s. The contemporary situation of a place is a culmination of a long socioeconomic development trajectory in

which two fundamental processes, historical legacies and development policies played the most important role. These two processes are in the focus of this study.

The discussion of Eastern Europe's historical legacy follows the academic discourse about the region's traditional periphery status. Legacies are very important since social change is more than simply a series of independent events. Social transformations do not happen in a vacuum, and even the most radical changes are taking place in an inherited political, institutional and socioeconomic environment. These circumstances influence how development is conceptualized, and they also have a significant impact on the public and private decision making environments.

The other emphasized process is the formulation and implementation of various development policies by national governments and supranational organizations. In Eastern Europe, the state's fundamental role in addressing real and perceived backwardness is a historic legacy persisting even today. But the state is not an independent actor that carries out development agendas in isolation from the social context. The state itself is also a product of a certain development path, thus subject to the same characteristics that might have caused backwardness in the first place. Moreover, contemporary state policies are influenced by external pressures from supranational organizations, such as the World Bank, the International Monetary Fund (IMF) and the European Union (EU).¹

Legacies and policies must be connected in order to understand their impacts on patterns of socioeconomic and spatial development over time, and to assess trends for the future. Legacy and policy are closely related, as policy-making is affected by particular development patterns or legacies. Moreover, not only do legacies shape policies, but today's policies will become tomorrow's legacies as well.

¹ Throughout this study, for the sake of simplicity, I will use the term "European Union" even when I discuss events that predated the birth of this term.

I approach the study of social and spatial development from an interdisciplinary standpoint, working at the intersection of development sociology, social demography, political science and population geography. The conceptual project of this study is to connect these disciplines' accumulated knowledge on Eastern Europe, and articulate causal links between processes described by these fields. Although each field has considerable knowledge on development in the region separately, there hasn't been a systematic effort to connect these findings in a historical perspective. I use a comparative framework to achieve this goal, and discuss the Eastern European development trajectory vis-à-vis the Western experiences.

The particular contribution of this study is to connect the political theory of Eastern European backwardness to an analysis of the region's socio-demographic change, population redistribution and urbanization in particular. In this sense I not only synthesize the literature from a cross-disciplinary perspective, but also establish new links between their findings to offer a more comprehensive understanding of Eastern European spatial and social change over time.

The dissertation's empirical project is to examine population distribution and urbanization dynamics in Eastern Europe. I investigate how spatial development occurred in the context of broader socioeconomic development, and how various policies and legacies affected settlement morphology and population redistribution. This analysis consists of two main parts. First, I focus on general European patterns of urbanization, and its intraregional variances to examine differences between spatial development trends in Western and Eastern Europe. Then I move on to the cases of Hungary and Bulgaria. Hungary will be the central analytical case of this study, and I will use Bulgaria to demonstrate the heterogeneity of Eastern Europe.

Although spatial development is associated with many forms of geographic disparity, I will focus on population change and redistribution. Its advantage over other indicators is that it allows for comparison at various points in time, which is

necessary for applying the historical perspective. The main focus will be on internal population redistribution and urbanization.

Hence, the objectives of this study are the following:

1. Provide a new conceptual framework for the analysis of spatial development by establishing links between various fields and utilizing their accumulated knowledge about Eastern Europe;
2. Describe the most important general characteristics of socioeconomic development of Eastern Europe, and examine links between these characteristics and the region's spatial development patterns in a comparative framework vis-à-vis the Western experiences;
3. Investigate, how spatial development in Eastern Europe has been affected over time by inherited legacies, political ideologies, external requirements and development policies;
4. Analyze how population redistribution and urbanization occurred in Hungary and Bulgaria over time in the context of historical legacies and development policies, and examine what the Hungary vs. Bulgaria comparison can tell us about general trends and particularities in Eastern Europe.

1.2 The structure of the dissertation

This dissertation consists of six chapters, including the introduction and conclusion. The introduction (Chapter 1) describes the overall conceptual framework, identifies the dissertation's main objectives, and gives a methodological overview of the study. Chapter 2 provides a historical and institutional analysis of socioeconomic development of Eastern Europe over time. The importance of investigating the

interacting societal, political and economic development paths is in the fact that spatial development and population dynamics cannot be understood in separation from their social and institutional context. Moreover, spatial unevenness is both a cause and consequence of socioeconomic development. The socioeconomic development history of Eastern Europe helps the reader to put legacy and policy aspects of spatial development and population dynamics into historic and geographic perspective. This chapter first discusses the evolving concept of Eastern Europe, focusing on how the region has been represented in the public discourse. It also investigates the conceptual background of the emergence of subregional entities such as Central Europe or the Balkans that also have important legacies on contemporary development. After this, the chapter focuses on the socioeconomic development of Eastern Europe from a historical perspective, contrasting alternative academic explanations about the region's backwardness. This chapter offers a historical analysis of the diverging trajectories of Eastern and Western Europe, describing various modernization efforts in the region, and concludes with a discussion about EU integration. It also identifies core structural components of backwardness in Eastern Europe that persist over time, despite numerous efforts to eradicate them.

Chapter 3 is the theoretical part of the study. It provides a literature review of migration, urbanization and spatial development theories, links these demographic processes to more general socioeconomic changes, and establishes the conceptual considerations motivating population distribution and spatial development policies. By describing how these spatial development theories evolved over time, I develop a conceptual framework which shapes the comparative-historical analysis of Eastern European population redistribution. This chapter also discusses the conventional notions of suburbanization, counterurbanization and rural development, as particular spatial phenomena to set up the comparative analysis in Chapter 4. Chapter 3 ends with a section about the policy component of socioeconomic development, discussing

a number of theories planners used to address spatial inequalities in the 20th century. Since this study contrasts Eastern European and Western experiences, I mainly discuss those theoretical and policy issues that are relevant to more developed countries, and speak less about the developing world.

Chapter 4 is a mixture of the dissertation's conceptual and empirical projects. Building on the historic contextual discussion in Chapter 2 and the theoretical background of Chapter 3, this chapter discusses Eastern Europe's spatial development trajectory, and compares this trajectory to the West. It starts with the period of state socialism from both its theoretical and policy approaches to spatial inequalities. The discussion of policy comparison fills the gap in academic knowledge in two respects. First, a systematic comparative analysis of state socialist and Western population distribution policies hasn't been done in the last 25 years, however, the collapse of state socialism would call for a policy evaluation. Second, a discussion of the comparative Eastern and Western European policy approaches vis-à-vis globalization is also missing from the literature. Chapter 4 also has a section about post-socialist spatial development, including the impact of globalization on Eastern European development, and the European Union's influence on approaches to territorial inequalities in the region. This chapter's genuine conceptual contribution to the study of Eastern Europe is the cross-disciplinary narrative, connecting the region's socioeconomic modernization efforts to its legacies and policies in urbanization and population redistribution. This conceptual project does not simply bring together separately existing knowledge, but also builds new knowledge by linking them to dominant development paradigms over time, and applying these linkages to describe the impact of legacies and policies in Eastern European spatial development. With respect to the empirical project of this study, Chapter 4 provides the analysis of European urbanization trends, with the aim of discussing regional differences within

Europe from a more comprehensive perspective, accounting for historical and political differences as well.

Chapter 5 is the dissertation's empirical core, a comparative analysis of the social and spatial development patterns of Hungary and Bulgaria. The first two sections discuss the two countries' respective historic and social development trajectories, and their demographic development and population dynamics. Following these sections, the chapter offers an analysis of migration and urbanization patterns in Hungary and Bulgaria to demonstrate that Eastern Europe is not a homogeneous region. Finally, Chapter 6 draws the conclusions of this study along the impact of legacies and policies on Eastern European spatial development and population redistribution. This chapter revisits the dissertation's core objectives, and identifies those socioeconomic and demographic forces that put Eastern Europe into a different spatial development trajectory from the West.

1.3 Methodological issues

1.3.1 Case selection

History in Eastern Europe produced a very special mixture of development patterns, composed of traditional Western, Orthodox Eastern and state socialist pieces. The region was divided by the border of Roman and Orthodox Christianity, and was also partly occupied by the Ottoman Empire for a long period. Although these borders were not stable at all, by the 19th century a clear difference had developed between the region's northern-central and southern-eastern parts. The former (which consists of contemporary Poland, Hungary, Czech Republic and Slovakia) followed more closely

the Western development patterns, while the latter (vaguely the Balkans) exhibited a different social, economic and cultural legacy.

Hungary and Bulgaria, the two subject countries, are arguably good representatives of the bifurcated development patterns in Eastern Europe. Their geographic positions clearly put these two countries into different groups. It is uncontested that Hungary has always been a country in Central Europe, or the northern tier of Eastern Europe, while Bulgaria clearly belongs to the Balkans, or Southeastern Europe. Moreover, since the 1920s these two countries had been very similar in land area and population size. This is an important consideration, since size determines the structure of public administration, indirectly affecting the political sphere in general and development policies in particular.

Besides geography, additional factors were also behind the case selection. The first was that I needed countries belonging to Eastern Europe as a political region. This excluded the member states of the former Soviet Union that experienced a very different development pattern in the 20th century. Second, the subject countries had to have a constant geographic territory since the First World War. This is an important question, because territorial changes significantly disrupt socioeconomic development. Minor changes happened in both countries since the interwar period, but lasted for only a short period of time, posing no problems in describing historical patterns of development.

Related to this issue, I wanted to avoid countries with federal political systems. The federal level brings an additional ambiguity in assessing development patterns and especially development policies. Moreover, federal structures in the region were by no means products of organic spatial or political development, but artificial entities of external statehood engineering, disintegrating right after the collapse of the central coercive force.

The next issue was the importance of political stability during the socialist period. This period is very important in the spatial development history of Eastern Europe. Countries in the region went through profound socioeconomic transformation roughly between 1945 and 1990. I wanted to examine countries that had a significantly long period of undisturbed domestic politics, in order to see the impact of spatial development policies on the development trajectories. The Kádár regime in Hungary and the Zhivkov regime in Bulgaria are considered to have been the most stable ones in Eastern Europe. For 30 years, between the late 1950s and the late 1980s, these two regimes were uncontested, providing a good opportunity to investigate the relationship between development legacies and policies.

In summary, the case selection accounts for the most important difference between these countries, their geographic position in different subregions of Eastern Europe. At the same time, important considerations, such as size, population or political structure that influence development legacies and policies are being controlled, and make Hungary and Bulgaria valid subjects for such comparison.

1.3.2 Defining the “West”

Throughout this study when discussing the social and spatial development trajectory of Eastern Europe, I often use the terms “West” or “Western” for comparative purposes. This brings up the definitional question of these terms, although even a cross-sectional definition is difficult, let alone grabbing these terms from a historical perspective.

It is a futile effort trying to give the ultimate definition of the West. From the “long 16th century” this term refers to the most developed core group of capitalist countries. This is the time when this core started to shift to Western and Northern Europe from the Mediterranean. However, both within the Mediterranean and in

Western and Northern Europe significant intraregional differences existed, making further conceptual difficulties, especially if someone wants to connect socioeconomic and political structures before the 19th century. Spain as a world power had a weak agrarian economy. France was a dominant political power, but a predominantly rural society. Germany was divided, and as a modern state it did not exist until the late 19th century unification. Thus, until the rise of the nation states and colonial empires, the core was mainly England and part of the region what the Netherlands is today. By the late 20th century when the conceptual West incorporated most of the political Western Europe, the economic core already shifted to the United States. Europe could keep its place within the core by a cultural conceptual inertia on which the image of the European Union was built. And in the era of globalization, it is a question whether we need to talk about the West as a separate entity at all.

Nevertheless, the West as a constructed entity played a significant role in the socioeconomic development of Eastern Europe. From an Eastern European viewpoint, the West was a permanent reference point. For Eastern Europeans there was no need to define this term. The West was a culturally constructed repository of comparative examples indicating the direction where Eastern Europe should go. Eastern Europeans seldom recognized the intraregional differences within the West, for them this term became the general manifestation of all desirable characteristics such as strong international power, high standard of living or political pluralism. One example for this is the emerging concept of Central Europe in the 1980s, discussed in Chapter 2 in detail. This concept of the West was created from incomplete information and through cultural and social filters in Eastern Europe, but paradoxically this fact made it easier for Eastern Europeans to deal with conceptual shifts in the core. The West proved to be a flexible term in this respect, because it was not constructed from the reality of the Western countries, rather from the realities of Eastern Europe, which latter changed only slowly.

Hence, when I use the terms “West” and “Western” without further elaboration in this study, I refer to this constructed entity based on the perceived backwardness of Eastern Europe. In almost all cases, these terms refer to Western European countries and the United States in some combination contingent on the historical period I discuss. However, when it is possible, I define exactly the “Western” side of the comparison.

1.3.3 Research design

I followed the mixed method approach in this research, using various methodological options in connection with each other. These methodological options, aggregate statistical analysis, interviews with key informants and case studies were chosen to ensure a comprehensive understanding of the research topic.

I started by collecting as much statistical information about the two countries as possible to have a general picture of their respective population dynamics. While there were considerable data on contemporary trends, it was very hard to find time series data reaching back before the 1960s even in national statistical yearbooks. Hungary was an easier case, as I had collected significant amount of data earlier and had relatively good connections at the Central Statistical Office in Budapest. With respect to Bulgaria, in this early phase I largely relied on the Library of the US Census Bureau, which has an excellent collection of such material. An additional difficulty was that statistical data for early periods exist only in native languages.

After getting a preliminary picture of population change in Hungary and Bulgaria, and also going through material about these two countries' development histories, I made a field trip to Eastern Europe in the summer of 2004. This trip served two purposes. Besides looking for additional statistical data in national statistical bureaus, I conducted interviews with key informants in both countries. Key informants

were individuals who possessed fundamental information about a particular topic. The main purpose of these interviews was to clarify various issues of policy-making, but I also got insights into how the countries' respective administrative structures operate with respect to social and spatial development.

The next step was to use the statistical databases and information from the interviews to start a selection process of municipalities for the case studies. The potential list of case study sites was put together by the end of 2004, and I started to organize the second field trip to the region. During that second trip in the spring of 2005, I visited a number of municipalities in both countries, and eventually four municipal case studies found their way into this dissertation, two from Hungary (Székesfehérvár and Szentes) and two from Bulgaria (Rousse and Ispirih).

The backbone of the study is a set of macro-level, aggregated statistical data from the Central Statistical Office in Hungary, the National Statistical Institute in Bulgaria, and various international sources, such as the UN and the OECD. Aggregated statistics were used to examine both nations' development paths and trajectories over time. Statistical analysis helped to identify population redistribution patterns and dynamics in both countries.

I used key informants to get background information with regard to particular spatial development issues. Altogether I conducted 14 structured interviews with experts, and 12 interviews with local governmental officials in the two countries between 2004 and 2005. The selection of the key informants followed the snowball sampling procedure. I interviewed individuals who worked in public administration positions where development policies are being made and supervised. Although the interviews were structured in a sense that I had particular set of questions, in many cases the atmosphere of the interviews or the body language of the interviewed person gave me even more valuable information.

Strictly speaking, case studies are not really a distinct methodology, and they can be conducted using various methodological techniques. In my instance, the cases had to be comparable in terms of representing similar geographic and public administration units in the two countries. Since the classification system of public administration is very different in Hungary and Bulgaria, this was a significant challenge. In Hungary almost each settlement is an autonomous municipality, while in Bulgaria one municipality consists of several settlements. Eventually, I decided to investigate municipalities for multiple reasons. Municipality in both countries is the unit in which local social organization takes place. Currently, it is the lowest level unit of a decentralized local governmental system in both countries. Even though local autonomy differed across time during the past century, and local governance certainly did not exist during socialism, place identity was persistently and strongly connected to municipalities. Also, municipalities are the lowest level units for data collection in both countries.

Since the case studies do not bring up the issue of representativeness, their selection was largely based on how well they illustrate the identified patterns and dynamics of spatial and demographic development. This does not mean that cases were arbitrary selected to support one particular argument or another, and those that did not fit into the picture were simply excluded. The case studies rather work as illustrations in a book. The text is based on the statistical analysis, but pictures help to understand the argument. Case studies were used to gain in-depth knowledge about general macro-level trends, and to see how particular localities experienced the socioeconomic and spatial changes in Eastern Europe over time. Accordingly, case studies offer a different perspective on the same processes, ensuring to gain a more comprehensive understanding of social and spatial change in the European periphery. Case studies included non-participant observation, document analysis, and also interviews with local individuals.

The use of different types of data collection allows researchers to gain a comprehensive understanding of the research subject. In my case, statistics revealed major trends, and interviews and case studies provided in-depth analysis to understand spatial and social development processes over time. It was especially interesting to see how general trends of social and spatial change come back in local narratives from a very different perspective, further proving the usefulness of the mixed methods approach.

1.3.4 Case study sites

When selecting the case study sites, I decided to work in places that demonstrate various peculiarities of the Eastern European development trajectory. I use the example of Székesfehérvár to discuss the role of foreign direct investment in development, Szentes to investigate the dispersed rural settlement system and the role of agriculture, Rouse to show the importance of public administration in development, and Ispérih to demonstrate the impact on ethnic composition on population dynamics. In this section, I briefly introduce these four places.

Székesfehérvár, the county seat of Fejér County, is located in the Central Transdanubian part of Hungary, about 45 miles southwest from Budapest. This city has a great significance in Hungarian history by being the quasi capital of the country for long centuries². Despite its glorious past, Székesfehérvár remained a small town of about 20,000 until the mid-19th century. After the Compromise of 1867, the city's growth accelerated, but gained modern importance only after 1896. In this year the Millennium celebration of Hungary's 1000 years statehood brought the historic past

² Until the early 16th century, while Hungary was an independent kingdom, the crowning ceremony was only acknowledged as legal if it occurred in Székesfehérvár. This made the city an important asset in politics. Until 1527, 37 Hungarian kings were crowned here of whom 18 were also buried in the city.

into public focus. Although funds were not sufficient for large scale historic studies and archeological works for a long time, in the early 20th century more and more efforts were done to reveal the city's glorious past.

In the interwar period, the city's industrial development was accelerated by the establishment of the ammunition and cartridge factory which later became the Videoton, Hungary's best performing socialist electronics factory. Besides Videoton, other firms of national importance were located here, all of them based on the manufacturing traditions of the city. Due to this characteristic, Székesfehérvár had enough development support during the socialist period, and contrary to many urban industrial places, it did not completely collapse during the post-socialist era. This latter was partly due to the ability to attract considerable FDI in the 1990s, as it will be discussed in detail.

Rousse, another large city, is located in northern Bulgaria by the Danube. The river was important to stimulate transportation and trade from the early ages. The strategic location was understood by the Ottomans as well who made Rousse (under the name of Roustchouk) a navy base and military fort. Soon Rousse became an important trade port for European commerce activities. In 1864, it was made a provincial capital of the new Danubian Vilayet. As an administrative center for the Ottoman *Tanzimat* reform, Rousse was gradually transformed into a modern city by its governor, Midhat Pasha. During this time, the development trajectory of Rousse was clearly different from the rest of the Bulgarian places, including Sofia. This is important, because at that time most Bulgarian places were struggling with the declining Ottoman state's negative impacts on local development.

After the Ottomans withdrew from Bulgaria, Rousse kept its leading role in culture, and was a lively, multicultural center in the Balkans. However, this characteristic did not alter its industrialization pattern which followed the general

Eastern European periphery model. Before the Second World War, Rouse's industry was largely consisted of textile, woodworking and food processing plants.

This economic structure was changed shortly after the communist takeover. The cheap water transportation provided by the proximity of the Danube made Rouse a preferred location of heavy industrial development. Besides the traditional textile and food processing plants, new heavy industrial units, machinery, chemicals and electronics were established in two industrial zones. This economic change occurred parallel with the necessary administrative designation as well, and Rouse has been a district and regional center during socialism. And while this city was unique during the 19th and early 20th centuries, the decades of socialism altered its development path, creating a large industrial center. This also means that all the general problems of post-socialist transformation can be found here, "nothing special" as one of the local government officials noted.

Szentes is a small town located in Csongrád County, in the southeastern part of Hungary and the Great Plain. This is also an old settlement, however with less much national importance than Székesfehérvár. It had no military significance in the medieval era, yet Szentes could not avoid the cyclic destruction waves during the Ottoman era. Before the 18th century the town had to be resettled four times. After Baron János Harrucken acquired Szentes in 1720 as a reward for his royal services, he started a systematic colonization program, and the population of 1,380 in 1715 grew to almost 16 thousand by the early 19th century.

Contrary to many Hungarian places, no large estates were formed in Szentes during the 19th century. The largest landowner was the town itself, and this soon started a process of land fragmentation. By the end of the 19th century, the demand for land could not be met, and the surplus agricultural population (3-4 thousand workers) floated around the Great Plain to find seasonal jobs. The faster development of Szentes started after the Compromise of 1867, especially when it was made the seat of

the historic Csongrád County in 1878. This has meant some economic development, stimulated by the administrative functions, but most of the town's population still worked in agriculture. After the Second World War, Szentes was too small to perform the powerful role of a county seat, and this title was withdrawn. The city remained a well-performing agricultural center during socialism, but the lack of economic diversification had its toll during the post-socialist period.

The municipality of Ispereh contains 23 settlements in the Razgrad district in the northeastern part of Bulgaria. The municipality and the central city bear the name of the legendary leader Khan Ispereh (Asparuh) from the 7th century. Khan Ispereh defeated the Byzantine Empire in 680, and later became the first ruler of Bulgaria.

The town itself did not have particular historic significance in the early modern era, and its development trajectory was similar to many other rural areas in Bulgaria or in Eastern Europe in general. Ispereh is at the edge of the Southern Dobrudja region, and two characteristics show great resemblance with Southern Dobrudja. First is the relatively good quality land that kept agriculture the dominant economic activity even during socialism (similarly to Szentes). The second is the presence of a sizeable Turkish minority in the region, which creates certain development challenges that I will discuss in detail later in this study.

Thus the four places represent four very different development trajectories and socioeconomic histories. Yet all of them have some characteristics of the general development issues and challenges of Eastern Europe that will be revealed in this study.

2. The historical and geographic context: modernization and politics in Eastern Europe

This chapter provides an overview of Eastern Europe's socioeconomic development trajectory of over time, as well as a discussion about the evolving concept of Eastern Europe as a region. I argue that spatial development and population dynamics should be examined within their general societal and cultural context. Hence, this chapter's purpose is to offer a historical view on social and spatial processes in the region. Accordingly, this chapter aims to discuss development not as a sequence of historic periods or events disconnected from each other, but as a dynamic process in which the legacies of various periods were built on each other. Macro level social changes need time to unfold while they are influenced by inherited patterns of collective behavior and by legacies of institutional structure. This chapter discusses these fundamental changes over time, and identifies those structural components that are associated with the region's persistent backwardness.

This chapter also addresses Eastern Europe's heterogeneity. While the region is often viewed as a homogenous group, there are significant differences between the Eastern European nations' development trajectories. Although the region in general is considered to be a backward European periphery, there are different historical patterns of backwardness. The discussion about the definitional and developmental history of the two major subregions in Eastern Europe, namely Central Europe and the Balkans, sets up the comparison of Hungary and Bulgaria.

2.1 The evolving concept of Eastern Europe

I start this chapter with discussing the evolving concept of Eastern Europe, and various classifications that divided the region into different subregions. There are many definitions for the examined geographic area and its subregions, such as Eastern Europe, Central Europe, East-Central Europe, Southeastern Europe, Balkans etc. These definitions may seem arbitrary, but they did not emerge by coincidence. There are important reasons behind the birth of these terms that influence the conceptualization of development in the region. This section goes through these terms and identifies the historic periods and events accounting for the various conceptual differences.

Eastern Europe as a political concept is a product of the 20th century. This label was not used in the cultural or political geography until the First World War, when the dissemination of the old geopolitical order created a new perspective for looking at the region that spans roughly from the Elbe River to the Ural Mountains. But determining Eastern Europe in a strictly geographic sense would be a mistake, because while the geographic features of the region are permanent, the political landscape, which is the core of the concept, has been constantly changing. The most significant era contributing to the development of the concept was the Cold War, and this is the reason why Bohemia³ is always, but Austria or Greece is never included into the contemporary concept of Eastern Europe.

There are three major ways to approach the definitional question of Eastern Europe. Some definitions are based on a single border, dividing Europe into two parts. Others reserve the term for only the European client states of the Soviet Union. The

³ I will use the historic term Bohemia to refer to the Czech lands that are more or less the same as the contemporary Czech Republic. This term does not include Slovakia that came to existence only after the First World War.

third approach is different in making a distinction between the northern and southern tier of the client region, Central Europe and the Balkans, respectively. According to this view, these two subregions not only significantly differ from Western Europe and the former Soviet Union, but also from each other.

The classical Cold War approach is drawing a border somewhere across Europe, largely based on the postwar political division of the continent, and putting the Eastern European label on all countries of the former Soviet domain, including the Soviet Union itself. In this approach Eastern Europe starts at Checkpoint Charlie in Berlin and ends at the Chukchi Peninsula across from Alaska. This approach was only useful for identifying the friends and enemies in a bipolar world, but obviously failed to understand the significant intraregional differences.

A division of Europe into two parts was also made from a different perspective. Samuel Huntington (1997) emphasized the importance of the Orthodox-Catholic divide as a civilizational border. This border roughly runs along the Western border of medieval Russia and the Ottoman Empire at its peak, cutting the commonly perceived Eastern Europe into two parts. Working within the broader concept of Eastern Europe, Huntington's approach acknowledges that the former Western Christian kingdoms, such as Poland, Hungary or Bohemia show a civilizational resemblance to the West. For him the definition of Eastern Europe is reserved for the Orthodox states, while the former group is called Central Europe. Huntington's division of Europe accounts for a different cultural and historical experience, but his Central Europe is still based on the political division of the Cold War, and fails to capture the historic elasticity of cultural and political borders in the region.

The origins of the term 'Central Europe' are rooted in the early 20th century. In 1915, Friedrich Naumann published the book *Mitteleuropa* in Germany describing a post-war vision of political and economic order. This concept grew out of the German identity development in the 19th century and the Darwinian notion of geo-determinism.

Mittleuropa consisted Germany and Austria as core states, surrounded by smaller states in the East, creating a strong alliance that could successfully defend itself from both Russia and the Western powers. The geopolitical orientation of German intellectuals was driven by the fact that the German unification in the 19th century was conducted from Prussia, not only shifting the German center to the East, but also giving the unified state a distinct "eastern" character and agenda. Naumann believed that fear of Russia would lead the small nations of the region to accept German hegemony. While this concept corresponded with the economic ties in the region at that time, it underestimated the subversive force of Eastern European nationalisms. Naumann died in 1919, not seeing the discreditation of his ideas, and the German conceptual shift from *Mittleuropa* to *Lebensraum*.

Not surprisingly the concept of German *Mittleuropa* was not welcome in the designated allied states. Tomas Masaryk, later the first president of Czechoslovakia, rejected the feared "Germanization" and especially the economic hegemony of the large neighbor. Instead, he argued for an alliance of small states in the region, but excluding Austria as a "German" country. Originally the Czech and Polish ideas of the 1920s about a Central European alliance envisioned regional cooperation and mutual protection against the two main threats, Germany and Russia. During the interwar period, however, this idea was redirected against the revisionist states in the region, such as Hungary or Bulgaria, that were considered as the main threats for the Central European order.

With Soviet subordination, the concept of Central Europe was submerged for about a generation. The Cold War did not allow any third ways in the region, which became the Soviet domain of Europe. The region was referred as Eastern Europe, together with the Soviet Union. By the time the concept of Central Europe was rediscovered, it went through an important transformation. Although shortly after the Second World War Karl Sinnhuber (1954) found sixteen different geographic

definitions for Central Europe, by the 1980s the concept had lost its original core, Germany and Austria.

The notion that Central Europe is something different from Eastern Europe can be traced back to the famous Polish historian, Oskar Halecki. In 1952 he published the *Borderlands of Western Civilization: A History of East Central Europe*, in which he gave the comprehensive history of the region, focusing on Poland, Hungary and Bohemia, but describing the major European historical trends in great detail also.⁴ His Central Europe mainly consists of these three countries, noting their different development path compared with that of the Balkan Peninsula.

Thirty years after Halecki's book was first published, the new Central Europe concept was less historical, but more cultural. It was the product of various Eastern European intellectuals from countries that were reclassified from Western to Eastern during the Cold War. It emphasized the existence of a transition region between the Western part of the continent and the Eurasian heartland. The "Eurasian heartland" meant the Soviet Union at that time, utilizing the "Asian" label as a codeword for despotic and backward. The re-emergence of the Central Europe concept was mainly a quest for a regional identity as opposed to the imposed Soviet one, a cautious uprising of the local intelligentsia that did not want to be included in the Cold War version of Eastern Europe. Thus, Central Europe was reinvented as a distinct transnational cultural entity between the West and Russia.

It was Milan Kundera, a Czech intellectual living in exile who put the concept of Central Europe into cultural terms in the mid-1980s.⁵ He argued that Central Europe, once a part of Western Europe, was kidnapped by Russia. Kundera's criticism targeted the West also for neglecting and forgetting the region, but its main thrust was

⁴ This book is a basic reading in the history of the region. Halecki wrote it when he was a professor at Fordham University after he left Poland during the Second World War. He died in 1973, but his book was published again in 2001.

⁵ Kundera's essay "The Tragedy of Central Europe" was published in 1984 in the New York Review of Books.

a cultural superiority statement over Russia. He argued that identity should be defined by culture and not politics, thus Central Europe has a legitimate claim to belong to the West.

Not everybody agreed fully with Kundera. Timothy Garton Ash (1990:157) simply noted that with the exclusion of Russian culture from the European heritage, Kundera confused Tolstoy with a T-42 tank. George Schöpflin (1989) also pointed out that Soviet Russia should not be measured by the common European criteria and intellectuals should recognize the different patterns of its cultural and political development. He argued that Russia is not inferior, but simply different. This is an important notion, because the development history of Eastern Europe should be approached in neutral terms, putting the emphasis simply on differences and not on superiority or inferiority.

Yet, this new regional identity emphasized by Kundera, only consisted of Czechoslovakia, Hungary and Poland, and even raised questions in their intellectual elites. In Poland, for example the cultural landscape still included the eastern territories of the historic Polish-Lithuanian Kingdom that were lost when Poland was shifted westward after the Second World War. This conceptual issue was represented by the poet Czeslaw Milosz, for example, another famous intellectual of the 1980s.⁶ In Hungary, the question of Transylvania created a conceptual issue in the reforming national identity.

From a historic viewpoint, Kundera's argument emphasizes the dominant Western elements in Central Europe, and sees the upheavals in Poland, Czechoslovakia and Hungary during socialism as the drama of the subordinated West. For him Central Europe was a part of Western Europe until 1945, which ignores the development paths of these countries in the previous centuries. Although Kundera's

⁶ Czeslaw Milosz himself was born in Lithuania. His influence on Polish identity formation was especially important after receiving the Nobel Prize for Literature in 1980.

political statement focuses on culture and not on socioeconomic history, culture and identity strongly related to historic development.⁷

The comprehensive historic development of the new Central Europe was first summarized by the Hungarian historian Jenő Szűcs⁸, building on the earlier work of István Bibó.⁹ Szűcs (1981) used the term East-Central Europe¹⁰, defining a periphery region on the border of both the Carolingian and the Byzantine empires, a region where Western institutions had some roots, but could not function similarly to the West, failing to foster a capitalist society. This line of thinking had an incredible intellectual impact in the region, influencing the work of many scholars, such as Iván Berend (1986) or Andrew Janos (2000). Unfortunately Szűcs died shortly before the collapse of socialism, and could not elaborate this thesis or engage into academic debates in the more challenging atmosphere of the 1990s.

Other than putting the concept into a historical perspective, Szűcs (similarly to Halecki) also excluded the Balkans from his analysis, due to their different development trajectory. However, while Halecki was a formal historian, focusing on events, rather than on socioeconomic currents, Szűcs tried to describe the broader development paths of Central Europe. He gave less detail to particular events, but more to the development of the societies. Unlike Kundera, he did not make explicit

⁷ It is interesting to see that the perception of being "Western" was present also in the medieval period, especially when the region had to face the Ottoman invasion. Both in Serbia and Hungary we can find elements of such claims based on the geopolitical and cultural division of that time, when these countries are portrayed as the last bastions of "Europe". Also, Eastern European countries are often self-identified as "civilizators" in the region, especially Hungary and Poland. But in Bulgaria tourists can also buy a promotional handbook of the country with the title: "Bulgaria, the Civilizator of the Slavs", referring to the work of the famous monk brothers, Cyril and Methodius.

⁸ The master essay of Szűcs was first published in the Hungarian journal *Történelmi Szemle* in 1981. Its translation can be found in a volume edited by John Keane (1988).

⁹ István Bibó was an exceptional intellectual, a political theorist who wrote his most important works during the Hungarian transition period between 1945 and 1948. Among these was one of his masterpieces "The Misery of the Small States of Eastern Europe" (1946) that analyzed the Czech, Polish and Hungarian historical experiences parallel with their modernization and political development.

¹⁰ East-Central Europe is vaguely used since then. A compact definition was given by Ash (1990), who described East-Central Europe as the term combining the criteria of post-1945 Eastern Europe and pre-1914 Central Europe.

political statements or value judgments, yet his work has contributed to the next conceptual shift about Central Europe.

As the innocence and optimism of the regime change evaporated, some politicians in the new Central Europe, such as Vaclav Klaus, started to think that the European integration of the region would be hindered by the Balkans. Recognizing the intraregional differences, Central Europe was soon reconceptualized vis-à-vis the Balkans, especially after the disintegration of the Soviet Union, as Russia lost its conceptual importance as a defeated foe. It was widely argued and believed that Hungary, Poland and Czechoslovakia were qualitatively different in culture, economy and democratic politics. Initiatives like the Visegrád Cooperation¹¹ between these countries also served identity purposes, making a clear point on the superiority of Central versus Southern Europe. This argument was well received in the European Union also, and the civilizational divide of Huntington slowly became the "Belgian Curtain", as Illés (2002) put it, representing the different preferences from Brussels.

This shift in the concept not surprisingly has met with harsh rejection from those who were excluded from Central Europe. Maria Todorova's book *Imagining the Balkans* (1997) should be mentioned here first, criticizing Kundera, Szűcs and Milosz for deliberately setting a discourse excluding the Balkans. While she acknowledged that the original discourse was used to portray Central Europe in opposition to Russia, she argues that the latest shift of the concept is nevertheless exclusionist. We have to note that the geographic origin of this shift was not a coincidence though, as some Balkan states, especially Bulgaria and Serbia did not see Russians as historic foes, whereas in Hungary and Poland a history of hostility made the conceptual soil ripe for such ideas. The Czech viewpoint had a shift after 1968. Until that point, the local

¹¹ The Visegrád cooperation referred to a royal meeting in 1335, when the three kings of Hungary, Poland and the Czech Kingdom came together at the Visegrád royal palace in Hungary to sign a cultural and trade cooperation agreement. Visegrád became the symbol of Central European cooperation using an era when these three countries were dominant powers in the region.

communist movement had substantial popular support, and Russia was not seen as a historic enemy. The events of 1968, however, made most of the Czechs to change opinion. The post-1968 Czech identity was partly built around the incorporation of Bohemia into Eastern Europe by Moscow, which was generally seen as a socioeconomic and cultural degradation.

The earlier exclusion of Germany and Austria from the new Central Europe was caused by the conceptual shadow of the Iron Curtain and the rejection of the original version of *Mitteleuropa*. The exclusion of the Balkans, however, was referring to an elitist intellectual vision about the region, which has been present in these countries since the Enlightenment (Ash, 1990). It was a cosmopolitan, humanist and westward-looking vision, which unfortunately suffered a serious blow with the purge of the two most important minorities in the region, the Jews and the Germans, largely because this vision was never accepted by the majority of the populations. Even scholars like Bibó made the distinction between the "historic states" of Central Europe that have medieval kingdoms as predecessors and the states in the Balkans. This argument was widely accepted and caused simplified assumptions with regards to democratic political experience. For example, Lowenduski and Woodall (1987) argued that "historic states" unlike "non-historic" ones experienced liberalism and constitutionalism by merely being "historic".

Probably the most accurate description of Eastern Europe in terms of its geopolitical components was given by Iván Berend (1986) who argued for the existence of four subregions: European Russia, the Balkans, Central Europe and the "Western edge". This latter consists of Germany, Austria and Bohemia, accounting for both the pre-WWII situation and the particular historic experiences of Bohemia. In this view, Eastern Europe includes all the regions that had some shared historical development experience from the 16th century and captures both the political and socioeconomic characteristics.

This brings up the issue of those states that until the First World War belonged to the Western part of the continent due to historic similarities. I have already discussed the case of Bohemia, but one additional perspective should be mentioned. In 1918, when Masaryk and Benes engineered the establishment of Czechoslovakia, they wanted to have a large enough state that could withstand external pressure. Accordingly, they successfully argued for the incorporation of the Slovak territories of the former Habsburg Monarchy into the new nation. With this they "bought" a border with Soviet Russia that later proved to be a fatal choice. After the Second World War, the Slovak part of the country pulled Bohemia also into Eastern Europe.

The other border case is Slovenia. Slovenia was a relatively well-developed region of the Habsburg Monarchy, part of the historic Carinthian Duchy. Its development resembles Austria's, but after the Second World War it was incorporated into the federal Yugoslavia. However, Slovenia was able to avoid the post-socialist Yugoslav breakdown. Now, it's widely considered as the best post-socialist performer in socioeconomic development (Bebler, 2002).

Slovenia has an ambivalent relationship with the Balkans. Until the First World War, Slovenia was not considered to be a part of the Balkans. However, just like in the case of Czechoslovakia, the federal state determined the conceptual location, and with the membership in Yugoslavia, Slovenia not only became a part of Eastern Europe, but also a part of the Balkans for half a century. Currently an important part of the Slovene identity is denying its association with the Balkans. But why is this general hostility against that region and that label?

The term "Balkans" derives from the Turkish word for "mountain". After the Balkan Wars and the First World War, this originally neutral term gained a negative connotation, partly because it was Sarajevo where the first shot was fired in 1914. Obviously, the road leading to the war was much more complex, but that particular event captured the public imagination for decades to come. By the late 20th century,

the term was associated with social unrest, ethnic cleansing, aggressive nationalism, ancient hatreds and other unpleasant phenomena. A good example for this very simplified yet unfortunately influential view is Robert Kaplan's *Balkan Ghosts: A Journey through History*, published in 1994.¹² It is a very subjective description of the contemporary Balkans based on the author's travels. He implies that Balkan history is essentially characterized by continuous ethnic violence since the Middle Ages. But we can find a similar example in population studies also. "Demographic balkanization"¹³, might have its advantages raising attention on particular issues, but further contributed to a negative connotation about the concept of Southeastern Europe.

Maria Todorova (1997), in contrast, does an excellent job deconstructing the myths and the reality surrounding the Balkans. She argues that the Balkans from the "European" viewpoint is a culturally constructed "other within", a dark alter ego and a convenient repository of negative characteristics against which the positive self-image of Europe can be created. Todorova is right when saying that the Balkans should be approached with the same rational criteria that the West reserved for itself, and instead of ancient hatreds and primordial cultural patterns, the discourse should be about self-determination, citizenship, autonomy and minority rights. This observation is valid for Eastern Europe as a whole.

Todorova's observation is not without previous example. Barbara Jelavich (1984) pointed out that the history of the Balkans should not be compared to the most developed Western core, but rather to Spain, Portugal or Greece. She also noted that the typical problems associated with the Balkans, especially ethnic intolerance, were distinct characteristic of many Western European nations earlier as well. For example, in 1918, after annexing Alsace-Lorraine, the French introduced a language law

¹² Kaplan is a semi-celebrity journalist, whose work has a strong influence on US foreign policy. His latest book "Eastward to Tartary" is basically a sequel and covers the rest of the former Ottoman Empire.

¹³ The term "demographic balkanization" is the spatial and social segmentation of population by race, ethnicity or class, driven by a particular (usually international) migration pattern (Frey, 1996).

similarly intolerant to those of in many Eastern European countries at that time. Hence, Jelavich noted the double standard in Western judgments in the early 1980s, even before the conceptual changes that differentiated between Central Europe and the Balkans.

Becoming "Eastern" in many cases was a clear sign of a downward spiral, not only in terms of economic development, but in perceived identity as well. In Todorova's argument the label change from "Eastern" to "Central" in the 1980s left "Eastern" with a negative connotation. She asked the question: who is then an Easterner? Her answer was that it's just the matter of the point of observation: Hungarians, Czechs and Polish are still "Easterners" from the Western European viewpoint.

This is where the latest development in the concept occurs today. With the admittance of eight Eastern European countries to the EU, the concept of Central Europe as a "third way" has largely lost its relevance. By now, virtually nobody is interested in being in Central Europe, as everybody wants to be in Europe. But although the enlarged Europe slowly engulfs the countries of Eastern Europe, it has difficulties digesting this powerful concept itself.

The EU enlargement nevertheless drew a new picture within Eastern Europe with the admittance of not only the "Visegrád countries", the original idea of the early 1990s, but also the Baltic Republics and Slovenia. This enlargement broke the commonly perceived borders of Central Europe, and for purely short term political considerations created a new political border. The new core of Eastern Europe is the eight countries already in the EU; the second group consists of the new candidate countries of Romania, Bulgaria and possibly Croatia later, and there is a third group of countries from the former Yugoslavia and the former Soviet Union that are unlikely to join the EU in the near future.

Even if EU membership for the Eastern European countries is exclusionary, imposing a number of regulations by which particular rights are suspended, the concept of Eastern Europe will now develop in relation with the European Union. The problem with the conceptual image of the EU and the European identity in general is the lack of collective historical memories and traditions. As A.D. Smith (1992:73) wrote, "*When it comes to the ritual and ceremony of collective identification, there is no European equivalent of national and religious community.*" The self-proclaimed European identity is a repository of contemporary liberal and democratic, individual and collective traits, often portrayed as opposed to the Eastern European backwardness. However, European identity is also built on national identities and "*each of Europe's national states seeks to influence the future shape of a European Union along the lines of its self-image.*" (Smith, 1992:76). Smith wrote this a generation ago, but his observation is still valid today.

Nevertheless, during the Cold War Europe unfortunately became equal with Western Europe as the repository of all positive traits that were considered as "European", while all the negative characteristics were associated with Eastern Europe. Because the European Union grew out of Western Europe, the term "Europe" started to refer exclusively to the EU itself, creating further problems, as the EU as a supranational organization does not represent the assigned positive European values.¹⁴ Although the various enlargements extended the concept from its core, they also brought up the problem of connecting the cultural and historic concept of Europeanness to political borders defined in Brussels.

Eastern Europe as a concept will likely to persist for a long time. This is not at all a problem, as long as the focus of recognition is the difference and not some conceptualization of inferiority and marginality. Eastern Europe, as most people

¹⁴ The most characteristic among these contradictions is the democratic deficit of the EU institutional system (Mayhew, 1998).

perceive it, is a product of the Cold War, and was conceptually homogenized from both sides of the bipolar world. However, historic, cultural and social peculiarities were too deeply ingrained and re-emerged in the form of perceived and projected Central European or Balkan identities, reflecting the significant differences in the socioeconomic and cultural histories among subregions of Eastern Europe. In the next chapter, I will discuss these intraregional differences in backwardness and development.

2.2 Diversity in backwardness: Eastern European development patterns in historical perspective

2.2.1 Defining backwardness

The question of why and how did the Western and Northern parts of Europe emerge as a dominant world region is one of the central research themes of social science. The rise of the West, however, automatically implies that the "East", in our case the Eastern part of Europe, did not rise, and can be considered as backward. Here my purpose is to provide a condensed description of the origins and characteristics of Eastern European backwardness.

Academic discourse discusses all examples of socioeconomic backwardness vis-à-vis the Western experience. Anything deviating from that model is backward, merely because the West is considered to be the most successful global region. Obviously, this was not always the case. Moreover, as I argued, the West has not been a constant geographic entity over time. Brenner (1989) argued that from a developmental viewpoint the West should be the exception and not the norm,

challenging the Smithian notion of economic development as a natural state of a society.

Backwardness has three closely interrelated aspects. Economic backwardness is the most commonly perceived and considered to be the core problem. The dominant view for a long time was that if lagging countries or regions would follow the Western development pattern, they would eventually catch up. This view led to the modernization paradigm in the post-WWII era, and less obviously to the economic development agenda of state socialism. From the 1960s, alternative explanations about development challenged this one-way paradigm. From the perspective of historical economics Gerschenkron (1962) and his followers pointed out that any imitation is necessarily combined with indigenous factors when implemented. From a structural perspective Wallerstein (1974) and his followers argued that economic backwardness is systematically recreated. Nevertheless, the non-Western economic character of a society tends to remain the core component of its backwardness.

The second aspect of backwardness can be found in the social structure. The structure of the society is closely interlinked with socioeconomic development paths, supporting some while limiting or completely blocking others. A predominantly rural population slows down the spread of literacy and the diffusion of new technologies. The lack of an urban middle class and the risk-taking entrepreneurs limits the innovation capacity. The dominant power of a landowner aristocracy with little motivation for implementing structural changes also contributes to underdevelopment in the long run. Systematically limited social mobility makes it harder to overcome backwardness.

Both economic underdevelopment and rigid social structure are connected to the third aspect, backwardness in politics. The political institutions of a country are influenced by social and economic conditions. Being in the periphery perpetuate authoritarian politics that contributed to backwardness in the first place. Certain

socioeconomic conditions, such as the uneven distribution of wealth or the lack of a middle class that balances out the political development, slow down liberal reforms and the diffusion of political rights, further reinforcing the authoritarian political structure.

Barrington Moore's *Social Origins of Dictatorship and Democracy* (1966) is one of the most cited examples for the interrelated social and political causes of backwardness. He investigates the relationship between the urban commercial class, the landowners and the peasants during the transformation from an agricultural to an industrial society. Unfortunately Moore does not discuss Eastern European societies in detail for being too small and exposed to external influence to a great extent, but Stokes (1989) applied Moore's model to the region. He concluded that although Moore devaluated the role of the state, which is a fundamental actor in Eastern Europe, the model is applicable to this region.

George Schöpflin (1989) has offered an example for the link between agricultural prosperity and politics, borrowing the argument of Julian Pitt-Rivers (1971). In societies where there is a constant fear of starvation due to the difficulties of accumulation in agriculture, there is an increased quest for external agencies that offer protection. However, due to the one-sided relation between the public and the rulers, the "demand" for protection comes together with strong distrust, contributing to a less democratic political structure.

The role of the state in development was discussed by Gerschenkron (1962) also. He noted that relative economic backwardness could be overcome by state intervention. The volume of intervention is in proportion with the extent of backwardness, thus among his cases, Russia experienced the most extensive state intervention. Gerschenkron related economic backwardness to politics by arguing that backwardness creates a tension, which tension takes political form and eventually leads to institutional change.

The process of uneven development also interacts with the spatial features of a given area. Geography had an impact on settlement patterns, because the location of economic activities is based on resources. Settlement structure also influenced cultural interaction. Geographic isolation or unfavorable topography hindered travel and trade, slowed down the emergence of urban centers, resulting in a predominantly rural social structure, possibly with an obsolete land tenure system. Landlocked territories are generally less open to international trade and expansion.

These three aspects of backwardness, economic, social and political, are strongly interrelated, yet they are not identical. There are causal directions among them but not deterministic ones. Due to the incredibly complex structure of a society, adoption of particular models in different national contexts seldom leads to the same results. Adoption of a development model is especially problematic if it does not correspond with the actual social conditions. As Szűcs (1981) has pointed out, social structural elements that evolved for centuries in the West appeared in East-Central Europe in a concentrated form, parallel with each other over a short period of time. During the various modernization efforts in Eastern Europe, Western state models were implemented in terms of their political institutions, but the social fabric was unsuitable for their intended operation. In fact, as Schöpflin (1993) has argued, the political elite in most cases did not have any intention to change the social order at all.

Finally, backwardness is usually visible only from a historic perspective. Regions shifting to a different development trajectory do not necessarily realize this change at that time. Fundamental changes in societies need time to unfold and have a visible long-term impact, and in fact social science also needs time to evaluate and label them as fundamental. When Zhou Enlai was asked what he thought about the impact of the French Revolution, he replied, "it's too early to tell". Even if this reply has not much to do with social science *per se*, it warns us to be patient.

2.2.2 Development and backwardness in the periphery

2.2.2.1 Diverging trajectories: Eastern Europe before the 18th century

The general consensus is that the slow growth trajectory of Eastern Europe started what Wallerstein (1974) described as the "long 16th century" when the Western and Northern part of the continent went through a profound and interrelated economic and social transformation. This does not mean that until that time development courses were identical, or that the West acquired some decisive trait then. Rather, as Chirot (1985) has noted, the rise of the West incubated for a full millennium. The Atlantic trade as a new opportunity for example was an important factor behind the change, but the socioeconomic development process leading to the utilization of this trade was even more important. The exact time of the structural change is a subject of academic debate, but the real question of course is why it happened in Western Europe and not elsewhere?

Most explanations connect this to the legal and political legacy of the Roman Empire, combined with geographic advantages. The main argument, summarized by Chirot (1985), Schöpflin (1989), Stokes (1997), Janos (2000) and others, focuses on the early fragmented political situation of Western and Northern Europe. After the fall of Rome, the Western Christian Church was able to play an integrative social role. This was conducted through the interiorized value system, since such integration through secular enforcement was not possible for the church. By the time of Charlemagne, who united the Frankish realm in the West, the church was in place as an alternative power core. The result was a permanent political competition, from which the Western concept of division of power developed.

In the Eastern part of Europe through the early medieval period, political power was not fragmented because the Byzantine Empire still prevailed. Here, the Church had no room to compete with the secular power. In fact, it reinforced the

emperor's sacred character, thus no alternative political power base came to existence. Gunst (1989) noted that it was also very important in Western Europe that Roman law was able to merge with Germanic property traditions.

Geographic features also contributed to the rise of the West. Chirot (1985) noted the importance of two particular factors. First, the development of agriculture in Western and Northern Europe was slow and gradual, as opposed to the great valley civilizations in the Middle East that were exposed to sudden changes, including frequent breakdowns in agricultural production. Second, the topography of Europe, with a number of smaller rivers instead of one or two major ones, contributed to political fragmentation. With this, many centers surrounded by natural barriers needed to be conquered in order to achieve political hegemony.

The political development in the West created a social fabric which was suitable for nurturing the Reformation, Enlightenment and later the Industrial Revolution. Chirot (1994) argued that the development of Western science was not based on accidents or geniuses, but on broad social currents including urban merchant traditions, religious doubts and political fragmentation. In my view these currents not only made the emergence of exceptional individuals more frequent, but also provided broader social support for them.

Chirot used this explanation to prove why Habsburg Spain lost the race for being the dominant power in the emerging capitalist world. Although Spain was the first nation to open overseas colonization, and for at least a hundred years dominated it, the country was still a relatively backward agrarian empire with a social and economic structure that was unable to benefit from its colonial advantages. Spain carried out its overseas expansion as a large-scale military conquest as opposed to a merchant endeavor. The plunder of the Americas turned into great personal wealth for some but due to the lack of the social fabric that was the characteristic of England and the Netherlands, it could not turn into a broader scale structural improvement.

Probably the most important feature from a historic perspective was Europe's changing settlement structure, which brings us back to the particular topic of this dissertation. Both Schöpflin and Chirot pointed out that urbanization was an important factor in the rise of the West, following the Weberian argument about urban autonomy and legal rationalization. In the West, due to the spatial and political fragmentation, emerging urban places could negotiate political deals, increase their autonomy and obtain various liberties. This further strengthened them, and had a significant impact on rational and critical thinking. Urban traditions were especially important where the spread of literacy has undermined the monopoly of the church and the state over public discourse.

Cities were the centers of national economies with local societies that significantly differed from those in rural areas. The differences in economic activities, social interaction and political rights made urban areas the key actors in socioeconomic development. As Hohenberg and Lees (1995) demonstrated, even though urban development fluctuated in early medieval Europe, throughout the long period between the 11th and 16th centuries urban places proved to be catalysts for the social changes to come. Szűcs (1981) also pointed out that cities became the gravity points of the economic structure in Western Europe, whereas in the East it was the landowner aristocracy which acquired this position, but was unable to perform a similarly innovative role.

Obviously Eastern Europe was not without urban areas. But even if Eastern European cities had markets for goods and performed certain administrative functions, with some exceptions they were only big villages where the majority of the population was still engaged in agriculture. In Western Europe, cities interacted with their rural hinterland, giving impulse to the intensification and development of agriculture, which in turn stimulated further urban expansion. In Eastern Europe, in contrast, the predominance of agricultural activities in cities conserved an agrarian social structure

(Gunst, 1989). Modern urban strata that played key roles in the capitalist transformation could hardly penetrate the agrarian characteristics of Eastern European towns. In political terms the city was simply an administrative center and not a nest for autonomy (Schöpflin, 1993).

The density of the urban settlement structure also made a developmental difference. In Eastern Europe, towns were usually in greater distance from each other, with a less developed transportation system. This increased the prevalence of subsistence farming, since it was not just harder to get the products to the market, but due to the distance some of the more perishable products (milk, fish or fruits) could not be traded at all. It also meant a lower level of money circulation as opposed to in kind trade, since the money economy was mostly concentrated in towns.

Chirot (1985) has argued that it was not the overall high level of development of the Western towns making the difference in the early medieval period. Quite contrary, their relative underdevelopment compared to the great cities of the Middle East or Byzantine contributed to a political power structure that was based on rural areas. Had they been more attractive to feudal lords early on, they wouldn't have been able to develop the institutions and social structure that counterbalanced the lords later on.

The emerging capitalism put Eastern Europe into a very difficult position. The tempting demand for agricultural products to feed the growing urban population of the West, together with the region's feudal social and economic structure gave birth to the second serfdom in the 16th century. During the population decline of the late medieval period the Eastern European aristocracy accumulated land, but for the same exact reason lacked sufficient labor to cultivate it. The labor shortage resulted in the increasing circulation of peasant labor looking for better terms. While landowners in Eastern Europe usually did not have enough capital to hire labor, they had a strong influence on the state to introduce and enforce regulations on peasant labor mobility.

This was a step back to the manors of the early Middle Ages and it was very different from the emerging rent-paying agrarian labor of the West. In Eastern Europe the circulation of the peasant labor became almost impossible and heavy labor was imposed on peasants to cultivate the large estates of the aristocracy. This latter was a result of the price revolution in the 16th century, which devaluated the income of the nobles, making it insufficient to maintain their usual standard of living. As a result, they were motivated to increase pressure on their dependent peasant populations. The second serfdom, a logical reaction of the political elite in Eastern Europe, was probably one of the most important phenomena that pushed the region out of the Western development trajectory. It made the emergence of a genuine middle class impossible, hindered the urban development of these countries, and reduced them to suppliers of cereal and livestock for the West.

This does not mean that the landowner aristocracy did not make profit on this trade. The problem was that they only used their profit to keep up a lifestyle which was socially expected according to their position. As Chirot (1994) noted, the key is the relation between the pursuit of gain and pursuit of honor. In capitalist societies these two are connected, whereas in Eastern Europe economic gain was not considered as honor for a long time. Moreover, as Berend (2003) has pointed out, the second serfdom caused the emergence of a strong anti-capitalist characteristic in the landowner class.

The second serfdom was not the only significant difference in socioeconomic development between Western and Eastern Europe. The rise of empires in the East (the Austrian Habsburg, the Russian and partly the Prussian expansion) was also a geopolitical reaction of those who were excluded, or only partially benefited from the new economic order. Between the 16th and 18th centuries, the internal conquest of Eastern Europe was completed, and when Poland was partitioned in 1795, the independent kingdoms vanished from the region's map. However, incorporation into

an empire was not always detrimental for economic development. Kochanowicz (1989) contends that the partitioning of Poland gave it access to protected domestic markets within the Prussian and Russian empires, which created a momentum for economic development.

Chirot (1989) pointed out a confusing aspect of the complexity of backwardness. Using the example of Poland versus Russia in the 18th century, he pointed out that although Poland was partitioned, thus politically backward, yet it was economically more developed than Russia. Similarly, Burgundy that was divided between the French and the Habsburgs remained a dynamic economic region. On the other hand, Spain under Philip II as a world power had a weak, agrarian economy.

Moreover, backwardness is a variable, and even within a region that is considered backward, notable heterogeneity exists due to local peculiarities that have a significant impact on the outcome.¹⁵ This is the case with respect to Eastern Europe also. Berend (1986) argued that until the 16th century the medieval kingdoms of Hungary, Poland and Bohemia were lagging, but basically followed the same development trajectory as the West. Southeastern Europe, in contrast, had a significantly different development path.

2.2.2.2 The impact of Ottoman conquest

By the end of the 15th century, most Balkan territories were under Ottoman rule where life was very different from the rest of Europe. There are three major views on the impact of the Ottoman period on socioeconomic development. Until recently the dominant view (especially among the native Balkan scholars) was that the decline started at the moment the independent kingdoms were conquered by the Ottomans.

¹⁵ Measuring backwardness from a historical perspective is basically impossible, because it brings up serious problems in both the conceptualization and the operationalization, similarly to the futile effort of measuring democracy by the Freedom House.

This was a popular belief originating in the political circumstances of the late 19th century Balkans, when after the liberation national elites explained every single factor of their countries' backwardness with the Turkish rule (Adanir, 1989). This argument, however, is no longer widely accepted. Instead, the mainstream argument emphasizes that for some time the Ottoman system was not backward at all, and the problems emerged only during its period of decline from the 18th century. Finally, a third view claims that while the Ottoman impact was detrimental on the development of the Balkans, the roots of backwardness can be found in the period prior the Ottoman conquest.

Let us start with this third view, argued most comprehensively by John Lampe, a respected scholar on Balkans history and economy. He claimed that Balkan backwardness originated much earlier than the Ottoman period (Lampe, 1989). The geographic features of the Balkans and its subsequent low population density led to the slow development of trade and the lack of urban centers. Agriculture could not emerge as a driving sector behind economic growth since the proportion of arable land was smaller and the soil poorer than in the West. Although the Balkans can be considered as the meeting place of various cultures, its topography makes it a locally isolated region. This means that intercultural social relations could not improve significantly social development or trade.

The political situation in the Balkans did not favor permanent economic development either. When the Byzantine Empire was a dominant power, its high level of development discouraged the advancement of competing local economies. Also, it was not always a matter of simple economic competition between neighbors, but in many periods a continuous warfare with Byzantium over territorial control. Even when the Byzantine Empire was declining, the short dominance of the Bulgarian and later the Serbian kingdom throughout the 13th and 14th centuries was not enough to have a fundamental impact on the region's development trajectory. In fact, these two

kingdoms were fighting against each other and both were eventually conquered by the Ottomans.

Two important changes occurred when the Ottoman Empire incorporated new lands in the Balkans and elsewhere. First, the local political elite was either eliminated or expelled, significantly disrupting local social organization. The Ottoman system did not allow the emergence of a stable landowner class for a long time. When in the 19th century the Balkan states gained independence and the Ottoman elite was expelled, these reconstructed societies had to face the difficult task of development in the absence of a genuine landowner elite or other important social strata.

Related to this, an even more important change was introduced by the Ottomans. The Ottoman land tenure system from the 15th century was based on the *timar*, a geographic area of family farm units in which a *sipahi* (a *timar* holder or a provincial lord in other words) was responsible for collecting the taxes. The *sipahi* could retain a proportion of the taxes, but was obligated for military service in the Ottoman cavalry. This system differed from Western feudalism in many respects. The land was not hereditary so if the *sipahi* died it reverted to the state. Also, justice was a domain of the sultan thus no local power base existed which could penetrate the local social organization besides tax collection. Accordingly, particular institutions such as local governance in a Western sense could not emerge.¹⁶

Scholars, like Berend (2003) argue that in the beginning the Ottoman system was a relatively successful agrarian social structure. The Ottoman state replaced the irregular, decentralized surplus extraction with a strongly regulated and centralized one. It also limited the power of the new local lords, creating a possibility for agricultural development (Brenner, 1989). Compared to their counterparts in other

¹⁶ It was argued that the *obshtini*, the municipal community in various Balkan societies was an example for the notion of local governance as these organizations had control over local social life (Lampe, 1989). However, the presence of a municipal council does not necessarily lead to the notion of local governance in the Western sense, especially when the structure of the society, from which this institution has emerged, is very different.

territories of Eastern Europe, peasants had a significant level of mobility, and *sipahis* had no legal rights of lordship over them other than collecting taxes on the sultan's behalf (Stavrianos, 2000). The second serfdom did not emerge here, but while local exploitation was limited for some time, this property system also prevented the local accumulation of land or capital. Hence, even though the system gave indirect incentives, it also removed the possibility for development. Agriculture in this system didn't exceed the level of subsistence farming, and a further spatial peculiarity, the huge urban center of Istanbul¹⁷ between the Anatolian homeland and Rumelia, the name of the Balkans at that time, required a strong state control on grain prices.

In the 17th century the *timar* system started to decline when the price revolution devaluated the fixed income from land. Also, the unsuccessful Ottoman military campaigns not only terminated the possibility of acquiring new land, but also made the *timar* system less attractive. Even with a central shift to a separate military and administrative base built on the *devshirme* class¹⁸ the power of the sultans declined and land slowly became hereditary. This new system was called *chiftlik*, and it usually meant worse terms for the local population, because stable state taxes were replaced by increased and uncontrolled taxation from their local rulers.

¹⁷ There is confusion about the names of Istanbul and Constantinople. After the 1453 conquest of Constantinople the Ottomans did not officially change the name of the city, but during the next centuries gradually started to refer to it as Istanbul. Constantinople comes from two words: "polis" which is city in Greek and "Constantine" the Roman emperor who founded the city on the old Greek colony, Byzantium. The etymology of the name "Istanbul" is debated. Westerners until the 20th century preferred Constantinople, while Turks used Istanbul, thus both names appear on maps and documents. Finally in 1930 the city was officially named as Istanbul, however, in 1923 the capital was moved to Ankara. I will use the name Istanbul for the city as its dominant rulers did.

¹⁸ "Devshirme" means "collection" in Turkish and refers to the practice when each province had to present a number of young non-Muslim boys for administrative and military service directly under the sultan. These uprooted boys, the *Janissaries*, were responsible for only the sultan himself, as chief administrators or infantry soldiers. They were not necessarily converted to Muslim religion at childhood, but were placed at Ottoman families to learn the "Ottoman way" a complex set of customs and norms, by which they acquired the attributes of the Ottoman class. They were drafted around the age of 8 and entered to service around the age of 20. Although it was considered as a slave system, for many non-Muslims it was a way to upward social mobility. It was only individual mobility, however, since their children were not allowed to be in the same class, to prevent the emergence of a hereditary stratum.

Adanir (1989) argues that contrary to the public belief, *chiftlik* property did not become dominant in overall agricultural production, and usually was limited to stock breeding ranches. The reason for this lies in the internal contradictions of the Ottoman social and economic structure. Private large estates were unable to find labor from a relatively free peasant class, while their products were subject to fixed, low prices in the command economy. Todorov (1983) noted that it eventually led to the alienation of the ruling elite from the productive strata, as the former did not engage with pre-capitalist production. Instead, they interlocked themselves with the state apparatus, creating an exploitative bureaucracy. The close relation between military and social structure had dire consequences when the empire reached its geographic limits of expansion, and the Western innovations in military science and strategy created an edge in warfare.

The main problem for all areas under the Ottoman rule was isolation from the West. Even in the most successful periods, trade remained local in character and the spread of Western technological and institutional innovations was limited (Stoianovich, 1994). The Ottoman dominated Balkan economy was isolated from the world market, and its social and political development also took a different path than its neighbors to the north. The responses of the Ottoman Empire to the rise of the West were insufficient in both social and military organization. After the Treaty of Karlowitz in 1699, the Ottoman-Christian division of Eastern Europe was solidified, and in the Balkans Istanbul became the reference point in every aspect of life. Even if the Orthodox religion was not banned, the main patriarch was in Istanbul and local church authorities were expected to guard the social order.

This brings up the issue of the role of the Orthodox Church. After being subjugated by the Byzantine state, it did not become an alternative power during the Ottoman period either. However, religious distinctions had surprisingly little explanatory power in socioeconomic inequalities in the Balkans during the Ottoman

era. Public administration was organized in *millets*, separate religious communities, which had considerable autonomy in internal affairs. The separation of *millets* reduced the possibility of ethnic violence, contributing to social stability. The four *millets* of the empire were the Greek, Jewish, Armenian and Muslim. There were no separate national Orthodox churches until the late 19th century, thus every Orthodox Christian belonged to the Greek *millet*, administered by the Greek Patriarch in Istanbul. Also, due to the considerable amount of social mobility in the system, the ruling oligarchy consisted of a great number of Christian and later Jewish families. At the same time, Muslim peasants were not better off than their Christian counterparts, the *rayahs*. In fact, in many cases they had less autonomy. Partly because of economic reasons, as taxation was higher for *rayahs*, and partly due to the larger religious tolerance of the Ottomans, Christians were not forced to convert to Muslim faith. This undermined the Orthodox Church's potential leverage for political representation.

In fact, the Orthodox Church was easily compromised by the Ottoman state. Istanbul was able to utilize the conservative mentality and strong anti-Western character of the Orthodox Church developed after the Great Schism in 1054. What started as an opposition of Western heresy eventually turned into the opposition of Western modernity. The Orthodox Church strongly rejected the implementation of any change in the Western social structure (Stavrianos, 2000). Both Orthodox and Western Christians considered the other faction actually worse than Muslims. This historic animosity is reflected in the infamous looting of Constantinople in 1204 by Western crusaders sponsored by Venice, which wanted to weaken Byzantium as an economic rival. On the other hand, this animosity helped the emergence of visions from the Orthodox Patriarchy that considered the Ottomans as protectors, who help keep Western heresies out of the Balkans.

As for impact on Balkan society at large, the very fact that people of the Orthodox faith (and in fact Catholics as well) were expected to listen to lectures about

the Bible and not read it themselves like the Protestants did, together with the very low literacy rate contributed to a society that was unreceptive to change. The Orthodox Church was not only unable to represent the Balkan Slavs under Ottoman rule due to its subjugation in Istanbul, but also couldn't channel ideas of modernity to the region. Instead, it helped to solidify a traditional culture, ending up in a static theocracy that lasted until the late 18th century.

2.2.2.3 Modernization from above: absolutism and empires

The late 18th century was the period when the first signs of the Industrial Revolution appeared in England. Empires in the East used absolutist power concentration to introduce reforms to catch up with the West. In the 19th century, the second serfdom was gradually eliminated as it was seen more of an obstacle than a way for improvement, especially as it perpetuated the scarcity of capital. In the Balkans, where the second serfdom did not develop, the insecurity around property rights proved to be equally devastating for socioeconomic development on the long run.

The main problem with Eastern absolutism was its lack of social correspondence. Since it was introduced on a feudal social structure, the strong central power did not foster the emergence of capitalism. Growth was based on agriculture, and development was dependent on a landowner aristocracy that had little interest in structural changes or modernization. Moreover, the main characteristic of reform from above was caution, and absolutist rulers did everything to avoid a major breakdown in the social order. In terms of ideology, romantic national revival was the main theme, because as Berend (2003:41) wrote, the "*poor Central and Eastern European soil was neither fertile nor cultivated enough to nourish the fruits of the Enlightenment*". Another major obstacle for economic development was the very low level of human capital. Cameron and Neal (2003) noted the strong correlation between literacy and

industrialization in the 19th century, and in this respect Eastern Europe was definitely lagging behind.

The Napoleonic wars in the early 19th century brought a rise in agricultural production. As Gunst (1989) pointed out, increased military activity not only resulted in an increasing demand for grain, but also improving road conditions stimulating trade. However, only in Bohemia did this mean a developing internal market. In other Eastern European countries grain was simply exported, and the agricultural boom did not foster any social change. The growing Western urban population provided a permanent market for agricultural products, but this in turn resulted in dependent development. Eastern European urban places were still weak in many respects. Their population was small, not creating an internal demand that would substitute for export, and subsequently, their own political power was limited.

In the second half of the 19th century, Eastern European countries had a strong example to follow as a seemingly successful case of belated development. The forced modernization of Prussia was very attractive, especially after their victories over Austria and France. After the Prussia-led German unification, the new German state aggressively started to catch up in geopolitical terms, and participate in the overseas colonization. As a result, the expansion of the Habsburg Monarchy was redirected to the Balkans where its main competitor was Russia. At the same time the former Ottoman territories emerged as independent nations. The collapse of Ottoman rule in the Balkans created a series of political problems, but at least the region and its newly independent countries broke out from isolation.

The economic progress of Eastern European countries in the second half of the 19th century was based on a traditional social structure, and hence only constituted quantitative growth. And even this growth came with a price. Internal discrepancies between the traditional landowner and the new capitalist classes were exacerbated. The landowner elite preserved its power by occupying the state, for which Hungary is

an excellent example. The traditional aristocracy dominated the high politics, while the lesser nobility, the *gentry*, was channeled to state or military service, and became the backbone of public administration, as a way to retain its former living standard. This latter aspect had a major consequence on the social structure, as a strong native middle class could not form. Political career offered success with little personal risk or cost, as opposed to ventures in entrepreneurship.

In Eastern Europe, the state had a fundamental role in development, hence modernity was associated with the well being of the state. Jobs in state bureaucracy were very attractive, and obedience was the most important trait for those who held state offices (Schöpflin, 1993). Eventually, middle-class entrepreneur positions that had key importance for the modernization of the society were filled from minority groups, mostly Germans and Jews, causing significant social tension later.

In the Balkans, where the traditional landowner elite was eliminated by the Ottomans, the social and political vacuum was even larger after the liberation. Since social strata, unlike political elites, do not emerge overnight, the Balkan experience, especially in Bulgaria and Serbia, was very different from what went on in the Habsburg domain or in the partitioned Poland. Berend (2003) argued that Western social structure had some roots in Central Europe, even if in a superficial way, while the Balkans showed more similarity to traditional Byzantine or Russian social development patterns. Hence, the distinction he made between the dual societies of Central Europe and the incomplete societies of the Balkan is a fundamental difference in these two regions' development trajectories.

Other than having incomplete societies, the Balkans had other significant difficulties, such as the enormous task of nation and state building. But as Lampe (1989) pointed out, while the state got loans from Western banks to ensure certain political agendas, foreign investment in the private sector was minimal, making the emergence of a strong urban commercial class impossible.

Agriculture remained the main economic activity in the Balkans. But it was not modernized, as large holdings providing the capital and the will were missing. The lack of large agrarian landowners and the persistent fragmentation of land could not overcome the dominant practice of smallholder subsistence farming. Moreover, land was not only fragmented, but in most cases also consisted of scattered parcels that made rational production almost impossible. The main change was that animal husbandry was substituted with cereal production as the major agricultural activity. Also, as Berend (1998) noted, Balkan agricultural products usually did not need processing before export, thus the agricultural boom did not foster industrialization.

Michael Palairt (1997) in his study about the development of Balkan economies argued that political liberation actually led to economic decline. According to him, the Balkan economy was integrated into the larger Ottoman economy, which provided a consistent internal market and also made export possible. After the liberation, however, this export-oriented agriculture declined back to subsistence farming. This might be true, but the Ottoman economy was on a declining track, and the integration itself would not have helped a lot on the Balkans on the long run.

The fragmentation of land causing much of the trouble in the Balkans has historic roots. The elimination of the local landowner elites and the introduction of the Ottoman land tenure system have already been discussed. One additional aspect should also be mentioned, though. Unlike in Western Europe, where according to the German model of primogeniture the first-born son inherited the land, in the Balkans the plots were equally divided among all sons. Thus, in a historic perspective, Western European sons were under social and economic pressure to either find new land or new occupations, while in Eastern Europe no such pressure existed until the late 19th century, when the onset of the demographic transition resulted in a population boom. This was a fundamental difference in the social and economic structures in Central Europe and in the Balkans.

The dual societies of the Habsburg Monarchy and the partitioned Poland also suffered from the weakness of the urban middle class. Until the First World War, as Berend (2003) pointed out, the role of modern citizenry was played by intellectuals who were under the influence of romanticism instead of the spirit of capitalism. Romanticism meant the emergence of nationalism and the reintroduction of historical myths instead of rationalism. This led to a tension with those groups that were not considered as historic parts of the nation. The nation was derived from the common ethnicity and culture, contrasting it with "aliens" who were outsiders at best. An additional psychological effect was that elites in these backward societies were continuously frustrated by their relative poverty compared with their international counterparts (Janos, 1982). This resulted in a strong desire to improve their standard of living at any cost, while they had only limited ways of achieving this goal.

The internal market of the regional empires provided a certain framework for economic growth, especially in the Polish territories and Bohemia.¹⁹ Hungary's problem was its position within the Habsburg economic system as the main provider of agricultural products. This role was not surprising though, as geographic circumstances and economic traditions corresponded with both Austria's development agenda and the strength of the Hungarian landowner aristocracy. Its political implication was that the question of land redistribution was always on the agenda, as the landless rural population was floating between the estates looking for seasonal labor. Since the low level of industrial development could not absorb this group, the political agenda constantly revolved around the "land question" as if no other way of development could occur.

¹⁹ Bohemia was in a special situation, as after an unsuccessful revolt of the nobility against the Habsburg king (the battle of White Mountain in 1620), the native Czech elite was simply displaced and the nobility was "Germanized". This, however, did not make any fracture in the natural development course of the country and by the 19th century Bohemia had a considerable industry serving the division of labor within the Monarchy (Stokes, 1989).

This does not mean of course that Eastern Europe was a homogeneous backward region. Bohemia's industrialization has already been mentioned. The Prussian part of Poland was also more developed, as were most of the large cities of Eastern Europe. In the late 19th century for example, Budapest had the second largest grain milling industry in the world after Minneapolis (Cameron and Neal, 2003). Modernization, however, was uneven in space. Moreover, predominantly agricultural national economies suffered a major setback when the decrease of transportation costs made the overseas grain more competitive in Europe in the 1870s, perpetuating the problems created by the 1873 economic crisis.

By the late 19th century, the unfolding demographic transition resulted in substantial population pressure in Eastern Europe. But this pressure did not turn into structural transformation providing industrial labor. Instead, population growth was partly absorbed by overseas emigration, mainly from rural areas. The industrial capacity of Eastern European countries was insufficient to absorb this surplus population. Those who did not emigrate were left as either working on small, fragmented parcels (in the Balkans), or as floating seasonal agricultural laborers (in Central Europe).

The First World War ended the long 19th century and the traditional geopolitical order. As Berend (2003:289) wrote, it is rare in history that "*all the conflicts, internal and international, unsolved national-minority and social problems exploded together and slashed the old empires and societies to pieces*". Unfortunately the war and its aftermath failed to open a new chapter for development in Eastern Europe. It only redrew the borders in Eastern Europe, leaving behind not only ethnic minorities in almost every country, but strong resentments about the peace treaties with territorial claims and counterclaims. The political machinations of the Western powers to make Eastern Europe a convenient security zone between Germany and Soviet Russia created a hotbed for aggressive nationalisms instead.

2.2.2.4 The interwar period

Although the empires were slashed to pieces, societies in most Eastern European countries changed surprisingly little after the First World War. The landowner class and the state bureaucracy were not affected by the war and its consequences, and were able to retain their power and privileges. As Schöpflin (1993) has pointed out, parties were organized around individuals, not ideologies, which led to political clientism and opportunism. The intelligentsia was still not an economy-based bourgeoisie, but rather a conservative administrative stratum strongly connected to state service.

After the First World War, Eastern Europe turned to economic nationalism, where the economy was organized to serve and protect real or perceived national political interests (Berend, 1998). The export-led modernization of the 19th century changed to import substitution. It had some positive impacts, as Eastern European countries avoided competition with the Western products, but on the long run it proved to be disastrous because it isolated these countries from modern technology and failed to help their adjustment to industrial development. Industrial growth in Eastern Europe occurred in sectors that already were on a declining course in the West, such as resource-based, non-durable manufactures, textiles and food processing.

Slow recovery meant that Eastern European economies could not fully benefit from the growth of the 1920s, but they were devastated by the Great Depression, especially in agriculture. The social environment that hindered economic modernization was still the largest internal problem. The Depression strengthened the vision of the interventionist state, but not in the Western sense where it led to a structural change. In Eastern Europe, it reinforced the authoritarian regimes' obsolete economic policies.

Soon after the Depression, Eastern European countries signed bilateral agreements with Germany. This German orientation was inevitable because of the

fundamental contradiction between the political and economic systems of the Versailles treaties (Janos, 2000). England and France were not able to provide market for Eastern European countries, thus the English and French political interests did not correspond with the economic realities. Paradoxically, Czechoslovakia, the favorite country of the Western powers, later became the first regional victim of the new continental order in Munich. The failure of the French diplomacy to control satellite states in the region was especially striking, after it became obvious that France was not able to give any meaningful help to its allies contrary to Germany, Italy or later the Soviet Union (Jelavich, 1984).

In terms of politics Eastern Europe became semi-fascist in the 1930s, albeit with different degrees of authoritarian rule. According to Berend (1998), Eastern European political experience in the interwar period was eventually a mixture of fascism (the movement part) and nationalism (the regime part). However, as Breuilly (1994) pointed out, the only genuine and strong fascist movement in Eastern Europe was in Romania, but in an underdeveloped agrarian country this movement could not mobilize masses and operate like its counterparts in Germany or Italy. Also, in some countries fascist movements were actually in opposition, giving the traditional aristocracy many headaches. The Eastern European regimes of this time showed the incredible flexibility of nationalism. Nationalism was utilized to justify various authoritarian regimes from Benes and Horthy, through the military dictatorship of Antonescu and Pilsudski, to the openly fascist rule of Pavelic and Tiso.²⁰ These political machines were extremely strong. As Schöpflin (1993) noted, governments in Eastern Europe between 1900 and 1939 only lost elections if there was a split in the governing elite.

²⁰ Interestingly the post-socialist nationalist movements and parties showed similar diversity. Klaus, Meciar, Iliescu, Antall or Milosevic are just a few leaders representing various versions of contemporary Eastern European nationalism.

The social base of these regimes was the state and military bureaucracy, especially its lower rank groups that came from the declassed lower nobility two generations before. The original development differences between the northern part of Eastern Europe and the Balkans interestingly led to the same phenomenon: the uncontrolled growth of bureaucracy. In the former Habsburg territories its recruitment base was the lower nobility, while in the Balkans it had a rural origin. After a generation, however, bureaucracy displayed a similar conservative rigidity in both cases. As Jelavich (1984) noted, the most critics with respect to the development of the Balkans should go to the corrupt and incompetent public administration, which was built over the traditions of a decentralized community structure.

2.2.2.5 The big leap: the state socialist experiment

Unlike after the First World War, after the Second World War and the communist takeover the old social order was completely disintegrated. A new ideology was imposed on the region, and modernization was forcefully put into a different path. The geopolitical situation completely changed with the emergence of the bipolar political system, and subsequently Eastern Europe was isolated from the rest of world.

The communist takeover in Eastern Europe was a result of both external and internal factors. Schöpflin (1993) gave a detailed analysis of the road to power of the communist parties. Here I will only highlight the major determinants behind this change, following his argument. As the main external factor, the Western countries were not in the position to put pressure on the Soviet Union. Berend (1996) indicates that Churchill and Roosevelt believed that free elections will eventually result in a democratic order in Eastern Europe, and they traded this future influence for having immediate Soviet support against Japan. But this alone probably couldn't ensure the imposition of state socialism on the region.

Internally, first of all, there was a postwar political radicalization in the Eastern European societies, or what Berend (1996:4) has called "*a highly emotional atmosphere of vengeance*". This radicalization, with the general social discontinuity caused by the war, contributed to a political vacuum. The war either destroyed or discredited the old elite, but weakened the westernizing democratic opposition movements as well. The communist parties, on the other hand, were well organized and self-confident, and were able to fill this power vacuum. This was not very difficult, as they were the long time enemies of the old order and known resistors during the war.

In some countries there was a short period after the war, usually between 1945 and 1948, when more democratic politics were practiced. However, because of their initial weakness, democratic movements were not able to gain momentum. These movements misinterpreted the Western positions and possibilities, while the communist parties took advantage of all opportunities, including the presence of the Soviet army. However, the communist takeover, by eliminating all alternatives even in the left, fostered instability for the future. No place remained for flexibility and self-correction if the proposed development agendas began to fail.

Homogenizing the region from Moscow was not an easy task. By the end of the Second World War, Eastern Europe consisted of a group of countries with very different levels of socioeconomic development, different histories and cultures, and of course various degrees of sympathy toward the new rulers and each other. Bohemia and the future East Germany were the most urbanized territories, with significant industrial capacity that had developed in a more or less organic way. The Balkan countries, on the other hand, were still largely agrarian societies. In Hungary and Poland the historical anti-Russian feelings were immediately connected to the rise of communist parties backed by the Soviet Union, while in Czechoslovakia local communists were much less rejected. In Bulgaria, the communist coup actually took

place even before the Soviet troops reached Sofia in 1944. In Yugoslavia and Albania genuine communist movements acquired power, and later did not comply with orders from Moscow.

This heterogeneity made it very difficult for Moscow to impose a socialist development agenda that was largely based on the interwar Russian experiences and considerations. In the early 1920s, Russia was a backward rural periphery of Europe, and after the revolutionary "War Communism", a temporary system that ruthlessly collected any surplus, a different development policy was needed. In 1921, the New Economic Policy (NEP) was introduced, realizing that peasants needed more incentive to produce food. The aim was to allow a limited degree of capitalism for the peasantry and petty bourgeoisie²¹ to ease the food shortages and to make the new system attractive for the peasantry as a mass base, because the Bolshevik movement was successful mainly in the urban areas. But this agenda gave way to the agricultural capitalism, the emergence of the *kulak* class.

The NEP helped the Soviet economic recovery after the First World War, but was eventually considered politically revisionist and even more importantly not rapid enough in capital accumulation. The debates went on until 1927 when the grain crisis convinced Stalin that forced industrialization is Russia's best way for development. He realized that accumulation in agriculture is slow and risky, and ordered the full-scale agricultural collectivization and heavy industrialization (Gregory and Stuart, 1981).²² Heavy industrial development was the base of military strength, and defense considerations had the highest priority.

²¹ The term "petty bourgeoisie" refers to the small business entrepreneurs, which was a floating stratum between the proletariat and the capitalists, and also to that part of the working class, which did not participate directly in the production, but filled administrative occupations.

²² Collectivization was encouraged under the period of NEP also, but in a more graduate way, which turned out to be contraselective since only those joined to collectives who were not able to farm by their own.

This vision of industrial economic development, together with the related political agenda for achieving the desired class structure, became the central point of development considerations. Twenty years later, this agenda had already become a dogma. The victory in the Second World War and the emergence of the Soviet Union as a world power convinced the Soviet leaders that full political control over the society and forced industrialization is a successful way of modernization. Subsequently, state investment in heavy industry was ordered from Moscow for all the new socialist countries. This industrialization was a break from the past in terms of its sectoral emphasis, but as some scholars, like Rothschild and Wingfield (2000) have noted, its statist character was a continuation of practices initiated in the interwar period.

The organization of economic activities during the socialist period was described by János Kornai (1992) in detail. Here, only the most important characteristics are noted. First of all, public ownership became the dominant form of property structure. It was the state's role and responsibility to make decisions about economic development, since the state (at least in theory) was equal to "the people". This led to the exclusion of market relations from the economy. Free market, the essence of capitalism was viewed as the force behind social and economic inequalities, incompatible with the egalitarian ideology of socialism. Excluding the market was also fundamental for ensuring the central role and the full leverage of the state in any development process. In the absence of the market an artificial price-system was maintained with subsidies on almost every commodity. As the market was no longer present, detailed central plans were made to determine how each economic unit should operate. This planning process, however, was not very efficient due to competing sectoral interests and the low technical development of the day to make complex calculations (Germuska, 2002). In theory, full planning ensures flexibility as external effects were minimized, but in practice it was burdened with a huge and subversive

institutional inertia. Soft budget constraints and the preference of volumes in planning units made firms operate with very low cost-effectiveness. A very important component of political and social organization was full employment. Work, provided by the state, was considered to be a basic duty for everybody, and those who did not work were handled as felons. Accordingly, political socialization occurred through the workplace, and welfare transfer was connected to employment.

There was the additional element of isolation, also based on the early Russian experience. Soviet Russia has been isolated from the world economy since the early 1920s. It was partly a deliberate choice of the Soviet leaders, and partly a reaction of the West to the new regime. Due to this isolation, the Great Depression had only a limited impact on the Soviet economy. Looking back to this in the late 1940s, Soviet leaders considered it a victory of the centrally planned economy over the market economy.²³ For them, isolation from the Western market did not only mean the exclusion of exploitation by the stronger capitalist economies and less connection with the Western life per se, but also a conceptual superiority of the rational plans over market inequalities and failures. Isolation, however, implied self-sufficiency, and made the socialist countries dependent on only that technology they were able to produce. While the Soviet Union was basically self-sufficient in natural resources, this was not the case in Eastern Europe, and the new socialist countries were dependent on these resources from Moscow.

Economic plans were also set up at the international level. The main organization for this was the Council for Mutual Economic Assistance (CMEA or COMECON with its popular name), which was founded in 1949 as a response to the Marshall plan, but it did not function until 1954. It was designed to be an international division of labor among the socialist countries, but for various reasons it never really

²³ The mass starvation in the Soviet Union in the early 1930s was not linked to the development ideology and the impact of isolation by Soviet planners.

become the counterpart of the Common Market. Trade within the communist bloc was organized through bilateral agreements with the Soviet Union, and trade activities between the other members were limited. There were also problems with the artificial currency system. A common currency was not introduced, and the national currencies were not fully convertible with each other, let alone with Western currency. The whole system was very bureaucratic and similar to a large centrally planned regional economy.

The central authority of the state was not limited to the economic sphere. The state was almost omnipotent over the society from economy through social structure and politics, to ideology and identity formation. This coercive capacity was closely related to the various layers of isolation imposed on the society. This isolation did not only mean that the borders were closed but also that any connection with the West was prohibited or censored. It also had a conceptual aspect, and as Berend (1996) pointed out, public well-being was not considered to be based on individual freedom, but rather on the centrally organized promotion of egalitarianism. This collectivism, coming from Russian culture, was not completely alien in the Balkans, with their tradition of agrarian village communities. In the northern part of Eastern Europe, however, it was more problematic.

The complete reorganization of society in the 1950s occurred by mixing the original Marxist ideology and the political and economic considerations of that time. The industrial working class was seen as the backbone of the socialist political system and society. Industrialization, however, hardly penetrated Eastern Europe by the late 1940s, with the exception of the East Germany, Bohemia and isolated large cities, like Budapest or Warsaw.²⁴ Consequently, the urban working class was small, while the

²⁴ Being industrialized, however, did not prevent economic restructuring. Czechoslovakia, with a relatively developed Bohemian manufacturing industry, was ordered to raise raw material extraction to correct its "sectoral imbalance". However, the country was very poor in raw materials, causing headaches for the Czech leaders when they had to explain it in Moscow.

proportion of rural residents was high. The political problem with this situation was that the countryside had been traditionally conservative and resistant to socialist ideology (with the notable exception of Bulgaria). People living in low-density areas were also hard to control, whereas urban population concentrations could be reached by propaganda much easier.

The region's urbanization is discussed in Chapter 4 in detail, however, it is important to point out here the impact of socialist urbanization in a historical perspective. It was argued before that the relative weakness of urban structure was a main component of Eastern Europe's socioeconomic backwardness. After the Second World War, urban expansion was one of the most fundamental changes. In the 1930s, about one-third of the Eastern European population was urban dweller. By the 1990s this proportion has doubled. But socialist urbanization was not a coherent development agenda, rather a byproduct of industrialization and particular political considerations.

First of all, Marxist ideology considered urban as modern, while rural as backward, based on a positive vision of urban industrialization in the 19th century. Accordingly, after the communist takeover, investments in Eastern Europe targeted urban areas, both in terms of creating industrial employment and providing services. Since industrial jobs offered higher wages and urban residents had better access to services, a large-scale rural-urban migration started. This migration provided the necessary labor for industrialization, and increased the size of the urban working class. This phenomenon was not simply population redistribution, but also a significant social mobility, when almost a whole generation of young rural workers was uprooted and redirected toward a future of becoming industrial workers. Extensive industrialization dramatically decreased the share of rural population.

Besides this pull factor, an important push factor has also contributed to rural-urban migration. In line with the ideology about public ownership, agriculture was

collectivized in most Eastern European countries, except in Poland and Yugoslavia. This was a long process, taking more than a decade, either because small holdings were traditional (as in Bulgaria) or they were just redistributed a few years earlier (as in Hungary). Besides the economic aspect of collectivization, which is the surplus extraction from agriculture to support accumulation in industry, a political aspect was also important. The peasantry, and especially its more successful landowner part, was considered to be politically unreliable. Based on the Soviet example, the campaign against *kulaks* eventually destroyed this stratum which resisted joining the collectives.

Social transformation was not limited to the elimination of agricultural capitalism and the traditional ruling elite. Marxist theory argued for the existence of two major classes, industrial workers and peasantry with the additional strata of intellectuals. Intellectuals were a residual in this theory and the importance of the traditional middle class was rejected. Its most innovative members have already suffered a great loss, as the Jewish minority sharply declined due to the Holocaust and post-war emigration, while ethnic Germans were expelled from most of the countries. Eventually, the power of the working class did not materialize. State socialism created a new class of bureaucrats, which acted as a ruling class in terms of having special privileges and concentrating political power. This was the *nomenklatura*, the upper class in socialism. Its existence was first described by Milovan Djilas in his famous book, *The New Class* published in 1957, and analyzed in detail by Michael Voslensky (1984) using the Soviet example.

2.2.2.6 Socialism after Stalin: return to heterogeneity

The strongest homogenizing force in Eastern European history was probably the course of Stalinism. After Stalin's death and the subsequent power struggle in Moscow, Eastern Europe went through a de-Stalinization campaign. Stalinist leaders were removed, and cautious steps were taken to condemn past mistakes. From a

developmental perspective this change meant a political relaxation in the society, and a decrease in military expenditures and heavy industrial investment. Yet, the economic paradigm remained import substitution and the regional isolation was not eased.

It is important to note as both Berend (1996) and Schöpflin (1993) argued, that while Stalinization with its brutally forced agendas pushed various Eastern European countries in the same direction, de-Stalinization had a very different effect. It was simply impossible to de-Stalinize in the exact same manner in all countries. In the Soviet Union political reversing did not shock the system, as more than a generation has passed since the communist takeover. In Eastern Europe, however, socialism was a relatively new phenomenon, which seemingly failed after only a couple of years. Thus, de-Stalinization happened in a much more heterogeneous way in the client countries. This was influenced by three factors: the local pre-socialist legacy, the local Stalinist legacy and the external directives coming from Moscow.²⁵

This regained heterogeneity of Eastern Europe would probably have been the outcome even without de-Stalinization. In about two decades, socialist modernization created very complex societies that were significantly different from the ones described by Marx or Lenin. Accordingly, less and less could be explained by the original ideology. However, political rigidity did not allow ideological changes or even debates, and ideology failed to follow the changes in the society.

But not only ideology became outdated by the late 1960s. Extensive industrial development was also over, and accumulation could no longer be supported by transferring rural labor to urban workplaces, or by surplus extraction from the

²⁵ In two countries de-Stalinization did not happen at all. In Albania, Enver Hoxha rejected any change and gradually shifted away from Moscow and closer to China, utilizing the controversies between the two major socialist countries. Albania kept an unchanged Stalinist development agenda until Hoxha's death in 1985. In Romania, Gheorghe Gheorghiu-Dej, who was originally Stalin's appointee, had to follow a more cautious path. After a short flirting with reforms, he created national communism, which was raised to the absolute dictatorship level by his successor, Nicolae Ceausescu. Paradoxically, even these two hardliner Stalinist countries helped to relax the system, providing alternatives that were not suppressed by the Soviet Union (Berend, 1996).

agriculture. The first response was to revive the CMEA, rationalizing a supranational division of labor, but as Peter Wiles wrote: "*Under Stalin the Soviet Union had the power but not the will to impose economic unity; while under Khrushchev it had the will but not the power.*"²⁶

Until the mid-20th century, backwardness meant the lack of industry in both Russia and Eastern Europe. In this respect Eastern Europe made an improvement, and closed the development gap with the West. However, due to their isolation, Eastern European leaders were not aware of the structural economic changes taking place in the West, and their reaction was not only belated but also misleading. Structural modernization leading to postindustrial economies could not take place in Eastern Europe, where the Marxist industrial development model had a huge institutional inertia. Moreover, unlike in the 1930s, isolation did not help to fend off the impact of the world economic crisis in the 1970s.

The 1960s was also a turning point regarding changes in the social structure. With the end of collectivization, intergenerational social mobility, the main characteristic of the first two decades of socialism, significantly declined. By the late 1960s, the social structure had solidified again. After major state interventions such as industrialization in the 1950s and collectivization in the early 1960s ended, only one channel of mobility, namely education, was kept open until the last decade of socialism. However, education was controlled by the newly promoted elite of the 1950s (Schöpflin, 1993). By blocking social mobility, the system not only prevented social circulation, which is vital for innovation and development, but also created serious internal problem within the elite. As Bunce (1999) has noted, the institutional design of socialism made the system unusually elite-sensitive. The interaction of

²⁶ Quoted in Fowkes 2000, p. 55.

social rigidity and institutional inflexibility became a serious problem by the 1980s, when elite succession further destabilized the system.

The prohibition of international migration also blocked social mobility. It was strongly discouraged under socialism, even within the Eastern bloc (with the exception of Yugoslavia). According to the socialist ideology, the society and the centrally planned economy should be able to provide jobs and equal wages for everyone so there was no need to move abroad. Obviously, international migration would have created networks, through which new ideas could threaten the region's isolation and the political control over the population.

The tension over decreasing social mobility in the 1960s turned into crisis because of the generational change (Berend, 1996). The prewar generation, which lived through the hardships of Depression, the Second World War and Stalinization was grateful for even small improvements in everyday life. Their social mobility was related to the urban-industrial transformation of the early socialist period, hence the socialist system itself. The postwar generation, in contrast, had neither their parents' fears, nor their opportunities. Most positions leading to upward mobility were already redistributed by the late 1960s, and members of the postwar generation had great difficulties finding such opportunities.

This generational crisis was by no means a socialist peculiarity. It was present in the West also, and in fact the Western experiences have contributed to the deepening crisis in the East after the cultural and communicational isolation was eased in the 1960s. But while the generational challenge turned into a constructive force in the West, it met with harsh rejection in the East. The most characteristic exception was Hungary, where the second economy offered a different way for social mobility from the 1970s. This initiative was introduced to keep people satisfied and divert their energy from the political sphere. However, it had four significant consequences that destabilized the system (Schöpflin, 1993).

First, people were not really satisfied because having second and third jobs was devastating for their health. Since reinvestment was not allowed in Hungary, the only thing to do with profit earned in the second economy was to turn it into consumption. However, the general satisfaction of the people was undermined because the quality of the consumer goods did not match those of their Western counterparts. Second, it further destabilized the centrally planned economy with unpredictable and hidden incomes and production. Third, it created new inequalities as not everybody had equal access to the second economy. Finally, it had a devastating impact on the "first economy" as those who could participate in the second economy neglected the first and used state infrastructure to produce values for personal consumption.

Cautious reforms throughout the region, and the various self-criticisms had an important common characteristic. They all emerged within the Marxist framework. Until 1968 most intellectuals believed that the system could be reformed from inside. But as Schöpflin noted, by the late 1960s Moscow's understanding of de-Stalinization was that uncontrolled change leads to confusion and unacceptable demands in Eastern Europe. This led to stagnation and decay during the Brezhnev era, when socialist systems were rapidly losing economic and political resources, and were less and less able to address external and internal challenges.

The factors associated with the collapse of socialism were numerous and very complex. They included economic decline and growing indebtedness from the 1970s, an increasing crisis of legitimacy, the division in party leaderships and subsequent succession problems, mass mobilization, and international pressure. These factors interacted with each other and the local social context, assigning slightly different weights to each factor in the different countries.

2.2.2.7 The impact of socialism: one step forward, two steps back

The assessment of the overall impact of state socialism on the development path of Eastern Europe is very difficult. Nevertheless, it needs to be discussed, because among all historical eras, this period has the largest impact on the situation of contemporary Eastern Europe. Referring back to the three aspects of backwardness, economic, social and political, the socialist system's modernization performance is mixed at best.

In terms of economic performance, forced industrialization ended the agricultural character of most Eastern European countries, and until the 1960s, the region was able to close the development gap vis-à-vis the West. This improvement was somewhat misleading, though. When industrialization was at its peak in Eastern Europe, the first signs of the structural crisis were already visible in the West. Apparently the market economy was able to handle this crisis, while the planned economy could not do the same. Supranational economic cooperation proved to be more successful in the West also, planting the seeds of the future European Union, while the CMEA in the East was not able to create a meaningful division of labor. In Eastern Europe the forced industrialization model distorted the organic development of national economies and made them largely dependent on Soviet energy and raw materials, which in fact also contributed to the crisis in the Soviet Union. Although the Soviet path of economic development had some reality in the early Russian context, due to historical and cultural differences it was misplaced in Eastern Europe, in a seemingly similar rural periphery. Völgyes (1995) argued that this one-size-fits-all industrialization had a different impact on the different Eastern European countries. According to him, it pulled the developed Czech manufacture back, accelerated the slow Hungarian and Polish industrialization, and had the biggest impact in Bulgaria and Romania that lacked industrial capacity at that time.

One-sided industrial development and neglecting consumer goods resulted in shortage economy, demonstrating the shortcomings of socialist planning. Also,

economic development issues were continuously mixed with political goals. Defense considerations, efforts for achieving full control of every detail of daily living, dispreference of formerly existing economic capacities due to political "unreliability", the practice of full employment, together with an overbureaucratized institutional system resulted in poor economic performance. Since structural changes were impossible, Eastern Europe was still one economic cycle behind the West by the end of the socialist era, just like after the Second World War.

With regard to social structure, the changes themselves were also profound. The traditional landowner aristocracy and related conservative elite were expelled from power, breaking the historic elite continuation in several countries. But more importantly, the well-known path of elite formation did not change, and the new elite was still strongly connected to the state as its source of power, and retained a distinct administrative character. This resulted in significant intergenerational social mobility in early socialism, but a very rigid social structure by the late 1960s. Socialism eventually failed to catch up in fostering innovative social strata also, as homogenization by major class characteristics was the main conceptual theme in social stratification. Egalitarianism, another social agenda derived from Marxist theory, did not work in practice either. It was first of all income leveling, which helped to destroy the old social hierarchy, but in the long run it also destroyed the recognition of intelligence and the basic incentives to work. Moreover, with a privileged group, the *nomenklatura*, it was obvious that social capital is still based on connections above all.

The socialist modernization of Eastern Europe deliberately reorganized the social structure. Urbanization and the promotion of urban life resulted in significant changes in social norms and collective behavior. Local community agency was rejected, and traditional social cohesion was destroyed, while an egalitarian community concept was promoted with the blocking of individualism. Collective

identity was organized around the socialist ideology, and national traits with historical development patterns were not acknowledged. Also, civil society was completely disorganized and transformed into a group of client organizations, strongly controlled by the communist party.

Socialist modernization did have some positive effects, though. First of all, the extensive social service system, especially healthcare and education were developed. When state socialism had its best performance, from the mid-1960s to the mid-1970s, social services were comparable to Western ones, especially if we approach the question from the viewpoint of accessibility. Education, with all its structural weaknesses was able to create a skilled industrial workforce, and this advantage made Eastern European countries competitive for foreign investment for some time after the post-socialist regime change. Gender equality was a central concept of socialist ideology, mainly in order to utilize the female labor force, although on the other hand generous maternal benefit programs were offered to increase fertility.

The political backwardness of the region, in contrast, was only modified, not diminished. Universal suffrage and secret ballots became the practice, but since other elementary components of democracy were eliminated, it was not an improvement at all. The lack of political competition in elections, the strong connection between the state and the communist party, and the prohibition of basic individual and collective freedoms perpetuated the flawed political culture of interwar Eastern Europe. This political institutional structure was a step back even compared to the fixed elections and open ballot systems of the previous era. Also, the rule of law did not exist in a Western sense, and this has had serious implications for the post-socialist period. During late socialism a whole generation grew up not taking the rules seriously. Non-compliance was considered to be a virtue, and in the 1980s it often became mixed with political opposition, making the post-socialist reintroduction of the rule of law even more difficult.

In general, we can say that the socialist modernization of Eastern Europe was more of a failure than a success. Although it eventually broke the traditional agrarian structure of the economy and society, and eliminated several factors associated with the long-term backwardness of the region, it could not overcome the inherited political culture and the notion that modernization should be conducted from above. The state remained the central point of power; in fact, it was strengthened to an almost omnipotent level. The social fabric of local autonomies and civil freedoms, which made the West successful could not be recreated, and centrally controlled egalitarianism substituting individual achievements proved to be a dead end street with respect to development. Eventually, socialism created new components of backwardness instead of those it eliminated.

2.2.3 Post-socialist challenges

2.2.3.1 Political changes

The social atmosphere probably was never so optimistic in Eastern Europe as between 1989 and 1991. The collapse of socialism brought great optimism, which was articulated in two major themes. The first was democratization by the contemporary Western models, and the second was economic development after re-privatization and reintroducing market conditions. Optimism was echoed throughout the region, and in 1989 Francis Fukuyama proclaimed the end of history.²⁷

Fifteen years after the beginning of the post-socialist transformation we know that Fukuyama was too optimistic. As Schöpflin (1993) pointed out, the dissolution of the bipolar world and the victory of the liberal democracy paradigm ended only one

²⁷ Fukuyama's original article was published in the 1989 Summer issue of *The National Interest*. Three years later it was elaborated into a book: *The End of History and the Last Man* (1992), Free Press, New York.

thing, namely the comfortable way of thinking about Eastern Europe in the West. Almost two generations had passed since Eastern Europe has become part of the Soviet empire, and this bipolar perception was the fundamental perspective for most people in the West. Moreover, in Western Europe, postwar prosperity was strongly connected to the fact that Eastern Europe was isolated from the rest of the continent (Mayhew, 1998).

After 1989, being no longer simply enemies, the Western political thought about Eastern Europe was dominated by the transitologist school, envisioning a global democratization process, in which the post-socialist transformation was the third wave (Huntington, 1991). The transition paradigm assumed that certain similar patterns would unfold in various democratic transitions of Southern Europe, Latin America, Southeast Asia and Eastern Europe. However, by the mid-1990s it became clear that the value of this comparison was limited at best (Bunce, 1995). While it is important to theoretically enrich the notion of democratization, universal transition pathways cannot be constructed and the general optimism about the transition itself also proved to be illusionary. By the new millennium the transition paradigm had lost its power (Carothers, 2002).

After the short period of enthusiasm over the regime change it became clear that neither democratization nor economic development could be achieved easily or quickly. Scholars like Przeworski (1991) or Offe (1991) noted the tension between democratization and market transition, implying that Eastern Europe might end up in the Third World instead of the First. Although this hasn't been decided yet, it is clear that the majority of the population in Eastern Europe has been excluded from any decision making about the socioeconomic transformation. Even if the democratic institutions were set up in most of the countries, their operation was seriously hindered by the lack of democratic political experience and the related insufficient capacity of these societies. The new convenient scapegoat for the region's lagging status after the

Ottomans, Habsburgs and Germans became the Soviet Union and state socialism in general. Blaming socialism for every aspect of backwardness in Eastern Europe resulted in a dangerous conclusion. Many countries and their elites reached back to the interwar period as the immediate antecedent to the socialist era and the perceived last legitimate political structure. Obviously, as we saw, Eastern Europe in the interwar period was by no means a model of democratic political structure, including the largely overrated case of Czechoslovakia.

Although the collapse of state socialism did not result in changes in the national borders, the federal state structures of Czechoslovakia and Yugoslavia were dissolved proving that they were originally unrealistic entities. These "Humpty-Dumpy states" as Schöpflin (2000) has called them, finally fell apart. Nation state in Eastern Europe was still the main framework of modernization, and many countries were still struggling with the task of nation building that began in the 19th century. This ultimately led to the re-emergence of nationalism as the leading political ideology.

The resurrection of nationalism was inevitable in Eastern Europe. Newly regained sovereignty, a continuation of nation building after the dissolution of federal states, along with the previous use of nationalism by both the communists to legitimize their rule and the opposition to mobilize the population created a receptive soil. Nationalism was often used as a cover argument, a reference point by post-socialist elites to divert the attention from other issues, such as their own economic failures or corruption. Its simplicity was attractive for many who felt insecure during the post-socialist transformation. Democracy with its corrupt party politics, economic liberalism with its accompanying recession, and globalization which undermined national sovereignty, repelled many Eastern Europeans.

It seems that the marketplace of ideas, as Snyder (2000) put it, did not work very well in the region. First of all, conservatism, the most important alternative

ideology in Eastern Europe, did not develop at all since 1945. Schöpflin (1993) gives an excellent description on this subject. He argued that in the West conservatism evolved as a result of challenges in the postwar era. By the late 1980s, it reached its clearest expression in Thatcherism, which incorporated both a traditional emphasis on religion and family values, and a modern focus on free market and individual enterprises.

Contrary to this, post-socialist conservatism was not able to evolve from the ideological and political characteristics of the interwar period. Conservatism meant nationalism and anti-communism, but this was pretty much all the argument that the new right-wing parties were able to make. Eastern European conservatism was not able to capture any of the major discourses of the past 40 years, missing the fundamental changes in the social structure that had occurred during this period. In addition, post-socialist conservative ideology had a significant intellectual weakness also. Since the 19th century, conservative intellectuals had problems assessing the situation in rational terms, and making decisions by rational criteria when they were in power. Rather, they saw themselves as representatives of the nation, and they implemented policies that were shaped by personal inspiration and not factual evidences.

As a result, the former communist parties soon became legitimate competitors in post-socialist elections, as Grzymala-Busse (2002) discussed it, and achieved remarkable results in the second electoral rounds in the mid-1990s. In some countries, such as Romania, Albania and Bulgaria the former communist parties faced limited opposition due to the even greater lack of democratic traditions, and had less incentive to transform themselves into more modern socialist or social democratic parties.

Between the conservative and socialist camps, liberalism was not able to gain space in the region. Liberal elites in most places were either isolated from power or

co-opted by other political forces.²⁸ Also, in societies with large ethnic minorities, if liberals argued for ethnic tolerance it was often considered as treason. Ethnicity had a higher preference than ideology, and it was manifested in electoral behavior also (Reilly, 2002).

Yet, the main problem with Eastern European politics is not the presence or absence of particular ideologies, but the prevailing political culture. Rampant corruption, clientism and abuses of power around privatization or any economic activity that involved state regulations were common after the regime change. Eastern Europeans were never socialized for democratic political competition, and the lack of such traditions blocked the normative changes that are necessary for democratic politics.

2.2.3.2 Economic and social transformation

The shortcomings of post-socialist political culture interacted with economic problems during the 1990s. Even the most optimistic predictions forecasted economic decline due to the structural adjustment. Eventually this economic decline became a long recession. Partly this was a result of export-led modernization and the adjustment to the global economy, which replaced the artificial economic isolation, subsidized production and import substitution of the socialist era.

The market transition inevitably led to increasing inequalities in Eastern European societies. This was in sharp contrast with the argument of Victor Nee (1989) and others at the beginning of the transformation. Nee predicted that inequalities would decrease with the reintroduction of the market, as redistributors lose position and human capital will be rewarded more than political loyalty. Although he later

²⁸ A very good example for this is the story of the Hungarian liberal movement. One liberal party (Fidesz) simply turned into conservative/nationalist after the original conservative/nationalist party (MDF) has fallen apart in 1994. The other liberal party (SZDSZ) was co-opted by the socialist (ex-communist) party to be a satellite ally. Both ex-liberal parties purged those members who were against these changes.

revisited his theory and argued that there are stages of market transition (Nee, 1991), inequalities have not seemed to decrease, and the importance of political connections is still a basic feature of economic success as the post-socialist epoch proceeds.

The original vision about the post-socialist economic transformation was that it would be a direct and uniform process, starting at the end of the socialist system and ending in the capitalist system. A complete change in social and economic institutions would have occurred during this process. Real life experiences, however, soon made scholars realize that post-socialism is a complex transformation process, in which institutional legacies play a significant role (Stark, 1992). Yet, very few scholars realized that these legacies include the ones from the pre-socialist era as well.

The discourse on how the market transition should actually take place became a debate between the "gradualists" and the "shock therapists" (Jeffries, 2002). Shock therapy usually consisted of three major measures: price liberalization, privatization and macroeconomic stabilization that interacted with each other. Although many advantages of this perspective were argued by its advocates, such as Jeffrey Sachs who was behind the Polish and Russian shock therapy programs, it seems that the political economic aspect was the most important. Shock therapy was suggested to be introduced during a window of opportunity, right after an electoral victory, when the winner's political capital is still high. Also, shock therapy was considered to be a clear signal to the international financial organizations about the government's reform intentions.

The gradualist school in contrast argued that shock therapy advocates are too optimistic about the length of the adjustment time and the possibilities for developing the social norms needed to manage a market economy. They argued that if all elements of the liberal market were introduced at the same time, the society's institutional capacity would not be able to handle the shock. Also, its social costs would be enormous, and people would associate democracy and the market with

intolerable hardships, a steep decrease in the standard of living, and a decline in the value of savings. This scenario actually happened in Eastern Europe, and Janos (2000) pointed out that public opinion surveys show that the majority of people in the region consider economic wealth as the main characteristic of democracy.

These two seemingly different approaches to post-socialist economic development usually materialized in some mixed form. Both camps had to realize that the local social and political context would eventually determine the particular strategy of market transition. The heterogeneity of market transitions in the region, however, was not applied to the overall direction of the transition (Marangos, 2002). Both "gradualists" and "shock therapists" advocated the dominant neoliberal economic paradigm, in line with the constant pressure from international financial organizations, such as the IMF or the World Bank. However, as Stark and Bruszt (1998) argued, there is no "instant capitalism", indeed, capitalism as an analytical construct should be used in the plural, referring the different experiences and outcomes of the particular post-socialist countries. Nevertheless, the international approach was biased toward the structural adjustment of the economies. As Krastev (2002:52) wrote on the Balkan example: *"International players delegitimize Balkan democracy by punishing elites who break their promises to the International Monetary Fund, while excusing or even encouraging elites who break promises to voters."* Also, as Glenny (1990) pointed out, most debt accumulated in Eastern Europe during the socialist period has been funded by Western governments and not private institutions. Although Eastern European leaders hoped for some cancellation of this debt on political grounds, the harsh reality of capitalism not only eliminated these hopes, but the intermediaries such as the IMF closely connected debt repayment ease to structural adjustment, establishing the "Whip of the West", as Glenny labeled it.

One of the fundamental problems of the market transition, as a peculiarity of Eastern Europe, was the absence of a genuine capitalist class (Eyal et al, 1998; King,

2001).²⁹ This is why privatization had such a huge impact on the new capitalisms in the region. Privatization, however, was problematic because it was not just the basic capitalist economic necessity to end soft budget constraints, privatize state firms and create market conditions, but also there was political pressure for social justice and property restitution of the pre-socialist era. As Jeffrey (2002) pointed out, even if restitution can recreate a strong propertied middle class, its disadvantages are more numerous.

First of all, argued Jeffrey, there was the enormous difficulty of proving ownership claims on properties existed two generations earlier. Many assets were simply destroyed or fundamentally changed during socialism, and compensation could not be achieved in a fair way. In addition, assessing the value of these assets was very difficult. The general uncertainty of ownership and the subsequent delays of restitution can be detrimental to investments and economic activities in general. With a poorly developed property market and the lack of general business experience of the former owners, restitution gives opportunity for various manipulations and does not necessarily help the targeted segment of the society.

I argue that there was also an additional problem and a fundamental Eastern European characteristic of the restitution. At the time of the communist takeover the region was predominantly agrarian. This has meant that the main area of restitution was in agriculture, which created a group of interconnected problems. In the previous four decades, industrialization, urbanization, and modernization in general altered the role of agriculture in the national economy and in the society in general. These countries no longer had a dominant agrarian character, thus the demand for agrarian restitution was entirely political and partly driven by a post-socialist ideological

²⁹ Eyal et al (1998) made the distinction between Eastern Europe and Russia in this respect, arguing that in the latter a powerful economic oligarchy grew out from the transformation period, similar to the "robber barons" of the 19th century US. Thus, the Russian model is the "capitalists without capitalism".

crusade against the agricultural collectives. While forced industrialization was considered to be a serious economic mistake, collectivization was seen more like a crime, committed against the will of the "nation". In this manner, restitution helped to maintain the anachronistic Eastern European conceptual focus on the "land question", as the dominant social and economic issue.³⁰ This is not to say that the future of agriculture and the population connected to it is not important. Rather, the point is that agriculture is often portrayed as a feasible engine of economic growth, in its economically and socially obsolete form based on pre-socialist era experiences.

Privatization proved to be a great opportunity for accumulating wealth and it had a significant impact on elite positioning. Hankiss (1989) noted that the power elite would resign voluntarily and support the transition only if their power could be successfully converted in the new order. This process was similar to what Jadwiga Staniszkis (1991) has called "political capitalism", arguing that the privatization process was best utilized by the former socialist elite which could retain its position in the society, even if expelled from political power. The thesis of political capitalism is the exact opposite of Nee's original argument on elite circulation after market conditions are reintroduced (Nee, 1989).

There is an academic debate on the extent to which the former socialist political elites have been able to keep their power, but it seems that neither Hankiss and Staniszkis, nor Nee was right. Eyal et al (1998) argued that the new "grand bourgeoisie" was not formed from the socialist elite as Hankiss and Staniszkis predicted, but rather from the managerial elite of the late socialism. Similarly, Csire and Kovách (2002a) noted that members of socialist political elite did not become large entrepreneurs. Rather, it was the other way around, and the economic elite

³⁰ The land question was so deeply ingrained in the public mind that later, during the negotiation with the EU, this became a central point and Eastern European governments advocated the restriction on foreign land ownership. The obvious fact that through native middlemen this has already been a practice since the early 1990s was apparently neglected.

regardless of its origin tended to use its political connections to achieve and keep certain positions. It should be noted, however, that during socialism the economic elite's position was contingent on political connections, thus we cannot talk about two separate elite groups.

The elite theory of Erzsébet Szalai (2001), based on the Hungarian example, captures well the elite transformation process interacting with privatization. According to her, the majority of the new economic elite came from the old technocrat socialist elite. Beginning in the early 1980s, economic cadres competed against the old socialist bureaucrats for power within the communist party. This was originally the drive of the new generation of *nomenklatura*, when younger and better-trained members of the party tried to acquire power within the system. The regime change interrupted this process, but technocrats, unlike the compromised bureaucrats could easily convert their existing knowledge and networks into economic benefits at the beginning of the transformation.

We have to note an important concept here with regards to the elites in Eastern Europe. This is the concept of *Bildungsbürgertum*, introduced by the German historical sociologist, Jürgen Kocka (Kocka and Mitchell, 1991³¹). *Bildungsbürgertum*, a peculiarity of German and Habsburg dominated Central Europe, roughly refers to the cultural elite, as opposed to the *Wirtschaftsbürgertum*, which is the business elite.³² The historic task of the *Bildungsbürgertum* was to promote modernization, because of the weak *Wirtschaftsbürgertums* of these societies. The different waves of *Bildungsbürgertum*, and their modernization efforts culminated in the post-socialist "*uneasy alliance of former dissidents and former communist technocrats*" (Eyal et al, 1998:11). Other scholars, such as Hanák (1997), disagree.

³¹ This reference is the English edition of Kocka's thesis, the original book was published in Germany in 1987 [*Bürger und Bürgerlichkeit im 19. Jahrhundert*, Göttingen, Vandenhoeck & Ruprecht].

³² It is difficult to find an appropriate translation for these two terms. Both of them refer to classes and ranks also, describing a wide and successful middle class of entrepreneurs in the case of *Wirtschaftsbürgertum*, whereas a well-educated upper middle class in the case of *Bildungsbürgertum*.

They argue that historically the middle class bourgeoisie in Central Europe was always very heterogeneous and supported a wide range of political ideologies.

My goal is not to decide between these two opinions, but argue the twofold importance of the concept of *Bildungsbürgertum*. First, it makes a clear distinction in the socioeconomic development of the northern and southern part of Eastern Europe, as it was never a characteristic of the Balkans. Second, if modernization is driven by cultural intellectuals alone, it is less likely to follow a rational route and it is more vulnerable to changing political ideologies, because such intellectuals themselves consider the ideological realm more important.

The most important social consequence of the elite transformation is its impact on social mobility. Widespread hopes that the regime change and the reintroduction of market institutions would ease social rigidity and create a more merit-based social structure, only materialized to a limited extent. Examining four Eastern European countries, Róna-Tas and Böröcz (2000) argued that the window of opportunity for a major change that was opened at the beginning of the post-socialist transformation had already been closed a decade later.

This is not to say that the post-socialist transformation has left the social order unchanged. For example, market transition meant the end of income leveling and full employment policies. This, together with the withdrawal of state subsidies on commodities significantly increased socioeconomic inequalities within the society. This came as a shock after the artificial income egalitarianism of socialism. Janos (2000) has noted that the level of inequality in Eastern Europe is still far from that of Latin American, but it has reached the Western European level. The problem, however, is that this inequality in the East is not based on the relative wealth of Western Europe.

In addition, inequality was not only a problem in terms of the increasing poverty. A more fundamental problem from the viewpoint of social stratification was

the significant deterioration in the living standards of the socialist middle class, the employees in state services such as education, healthcare or public administration. A further problem contributing to this situation was that most of the potential middle class groups were unable to convert their skills to meet expectations of the new economy. Their skills were determined by the obsolete economic structure of socialism, and were insufficient when facing the technological development of the late 20th century. Moreover, the educational system recreated all these problems because it was only slightly modernized due to the lack of financial and human resources.

An additional aspect of social changes was the increased international migration. After the borders became crossable again, and the socioeconomic situation did not seem to improve, the volume of international outmigration increased. It did not affect all Eastern Europe the same, but created serious problems in Romania, Yugoslavia and especially Bulgaria, because this migration has been highly selective of the best educated, young members of the society.

This further shows the post-socialist transformation's remarkable heterogeneity within the region. Similar to Völgyes (1995) who noted that the impact of socialism was conditioned by the pre-socialist legacies, we can argue that post-socialist performance was largely a function of socialist legacies, although pre-socialist legacies had an important influence as well. With the disappearance of the homogenizing agenda of state socialism, the traditional heterogeneity of the region reemerged.

This heterogeneity in the level of socioeconomic development, however, has been challenged from another direction. Eastern European backwardness, if portrayed against the West, seems to be homogeneous. Eastern European countries when addressing the real and perceived aspects of their backwardness carry out agendas that correspond with the Western model of development. In the Eastern European case,

this reference point is mainly the European Union, which has a significant leverage for homogenizing the region.

2.2.3.3 EU integration

The latest chapter in the long history of Eastern European backwardness is the region's relation to the European Union. The EU accession process highlights the conceptual aspect of backwardness, and the region's quest to define nation, identity, culture and modernity with relation to Europe in general and the European Union in particular. The concept of "Europe" vis-à-vis Eastern Europe has already been discussed. My purpose here is to focus on the strong attachment of post-socialist development agendas to the expected "European" patterns. This is especially important with regards to spatial development, because the EU promotes particular policies toward the applicant countries. While these policies are not directly imposed as it occurred during socialism, the EU funds available for Eastern European countries are strongly connected to particular expected models of development policy and general political behavior.

It was obvious from the beginning of the post-socialist transformation that due to its geographic proximity and shared history, the European Union would be the reference point for most Eastern European countries. International integration through the EU held big promises for post-socialist societies in political, cultural, social and first of all economic terms. Everybody was convinced that eventually Western Europe would come to the rescue and in a matter of years the region would catch up with the West. But as Schöpflin (2000:177) wrote, *"slowly the myth of the West is being replaced by the reality of the West"*. On the other side of the continent, the enthusiastic political statements given by Western European leaders were soon replaced by the fear of any change that might come with the enlargement (Mayhew, 1998).

The growing contention over the European integration is rooted in a mutual miscalculation of the situation after the regime change. Eastern Europe was convinced that once the communist rule was over, the EU would welcome the region with open arms, and similarly to the Marshall Plan, large-scale reconstruction aid would flow into the post-socialist countries. But as Crawford (1995) has pointed out, unlike after the Second World War, when the emerging Cold War was a strong external factor in providing development aid for Western Europe, no such pressure existed after the collapse of socialism.

The Eastern European perception about the situation around 1990 was that the region is definitely a part of Europe, and providing EU membership for the post-socialist countries is some sort of a reunion, which can be done rapidly after the Soviet rule was over. The Western European perspective, however, was very different. As Mayhew (1998:3) wrote: *"For many in Western Europe in 1989, their experience stretched only over the period when Western Europe enjoyed peace and growing prosperity, and Central and Eastern Europe was locked up behind the 'iron curtain'. This sort of myopia was never shared by the citizens of Central and Eastern Europe, who could not bring themselves to feel that the Yalta division of Europe was a normal condition of the Continent."* For many Western Europeans it was logical that one reason behind Western Europe's prosperity was exactly the isolation of Eastern Europe from the rest of the continent.

The European Union miscalculated the situation in other aspects also. In the early 1990s, when generous promises were made about the accession, virtually nobody had any substantial knowledge on how poor shape the post-socialist countries were. Moreover, the internal political structure of the EU was not capable of handling such a massive enlargement either. As the German unification showed, the process proved to be much more painful and expensive than expected. The EU addressed this issue by

providing various pre-accession programs to help facilitate the necessary institutional changes.

In some cases this facilitation involved strong political pressure. The case of Slovakia is an excellent example of this. Between 1994 and 1998, Prime Minister Vladimir Meciar was constantly using nationalist and anti-EU rhetoric to cover his antidemocratic political practice. The EU did not want surprises in the 1998 elections, and its indirect involvement in the electoral campaign sent a clear message to voters: it's either Meciar or the EU. It is notable that Meciar still got the largest number of votes, though he was unable to form a coalition with any other party and was ousted from power.³³ As a reward, despite all the former criticism exhibited by Brussels, Slovakia was admitted to the EU in 2004. This proved that accession is not based on the applicant country's actual performance, but rather on political considerations in Brussels. In this respect, Mayhew (1998) was right to conclude that since the EU enlargement is primarily a political process, the decisions about it would be also political.

As Bideleux (2001) noted, Europeanization and democratization are not necessarily mutually reinforcing, and the EU integration process is rather liberalization than democratization. EU pressure to enhance state capacity usually trumped other EU pressures, such as widening accountability or strengthening the civil society, and led to increased etatism. Besseney Williams (2001) came to the same conclusion in the Hungarian case, showing that the EU actually exported its democratic deficit to Eastern Europe. However, this democratic deficit, mainly the elite-driven political process of integration as opposed to a wider accountability, was not conspicuous in the region where elites had traditionally dominated political discourse. Also, Eastern

³³ His party, the HzDS got 27% (as opposed to 35% in 1994, which is not a significant decline considering that Meciar has ruined the country's reputation), showing that the Slovak public was still appealed by the nationalist rhetoric, despite (or because of) the EU pressure.

Europe was not able to create a united stand during the accession negotiations and generally had less leverage in the process than those countries that were subjects of previous enlargements.³⁴ Thus, the European Union was able to apply double standards and various types of restrictions on the new member states from Eastern Europe.³⁵

Some scholars argued that it is possible to predict the successful integration to the Western political and economic models by the geographic proximity to Western Europe (Kopstein and Reilly, 2000). They used this finding to demonstrate the diverging paths of various countries from 1990, a similar starting point. Apart from the issue that this similarity is much contested, this finding should not be surprising for anybody, since integration is a multilevel process, which takes place not only at the political level, but also in every part of the society. Countries that were closer to Western Europe had a different historical legacy, reflected in every component of these societies, and accounting for most of the differences in their post-socialist performance.

I tend to agree with scholars who argue that the post-socialist epoch is over (Kováč, 2002). There is a temptation to connect socioeconomic turning points to actual events, such as the EU accession in 2004, but obviously the accession itself did not end post-socialism. Rather, we have reached a point in most Eastern European countries where we can witness a gradual solidification of the political, economic and social orders. Although the legacy of socialism is still very visible in the Eastern European socioeconomic circumstances and political culture, the region's dominant problem is backwardness in a more general sense. This backwardness is a complex

³⁴ The best example is the Czech Republic that was constantly working on detaching itself from the rest of Eastern Europe. The Czech governments made everything to show the Western countries that the country is essentially Western, undermining the possibility of a united stand in Eastern Europe.

³⁵ It was especially noteworthy that the two new, non-Eastern European member states, Malta and Cyprus, were not subject of any restriction. Thus these restrictions were not related to the EU internal capacity or the enlargement *per se*, as Brussels wanted to portray it, but to the particular region that was incorporated.

phenomenon growing out of different historic settings and the various modernization reactions that the region produced during the last millennium.

2.3 Summary: ferryboat countries of the periphery³⁶

After reviewing the long and winding socioeconomic history of Eastern Europe, we can identify some key factors that contributed to its persistent backwardness. These factors have had different importance at different points of time, making modernization efforts more difficult. When one particular aspect of backwardness became obvious, its correction often came late too, and reacted to a situation that had already been changed.

The first factor contributing to Eastern European backwardness³⁶ was the weak urban structure and urban society. A rural based feudal social structure was a characteristic of Eastern Europe until the 19th century. In the northern part of the region, the second serfdom helped to conserve this traditional structure, cementing the landowner aristocracy into power. In the Balkans, the Ottoman conquest replaced the upper classes of those societies with external elite that was less embedded into the local social structure. Thus, albeit for different reasons, the social structure of both parts of Eastern Europe failed to foster the emergence of an urban society.

The region's feudal social structure slowed down economic development, and technological and institutional innovations usually reached Eastern Europe with a considerable delay. Land-based economic and power structures led to scarce capital and perpetuated the economic problems on the long run. By the late 19th century,

³⁶ The term "ferryboat country" (kompország) was the metaphor of Endre Ady, the famous Hungarian poet. He gave this name to Hungary in 1905, comparing the country's historical experience to a ferryboat going constantly back and forth between the West and East.

Eastern European nations could more or less freely operate their respective economies, but by this time they were in a dependent development position, as mainly grain-exporters for Western European markets. Dependency itself did not change after the Second World War, only its direction, because by then Eastern European economies were strongly attached to the Soviet Union (Clark and Bahry, 1983). After the fall of socialism, when Eastern European countries were exposed to the global market, dependency changed its nature again, and most investments in the region are now contingent on foreign capital. However, economic growth induced by transnational corporations during post-socialism is unevenly distributed throughout the region. As Greskovits (2003) showed, it has been limited to particular industries and locations. Moreover, it is unstable and tends to switch places if capital returns are higher elsewhere.

The region's particular social structure and its persistent economic backwardness compared to the West led to another factor that constrained its development. The lack of a strong urban entrepreneur class meant that idea adapters were typically from the political and intellectual elite. From the late 19th century onward this role was played by the bureaucratic and military elite, and after the Second World War, by the *nomenklatura*. During the post-socialist period it seems that although economic positions gained importance, successful economic activities are still connected to political power and connections. This statement does not necessarily apply to transnational investments, but local entrepreneurs often rely on political connections (Kulcsár and Domokos, 2005). Also, while in the West there have been multiple ways for upward mobility, in Eastern Europe only a few channels were open, and this resulted in a strong interconnection between the political and economic elites.

This elite-dominance, together with the relative lack of social mobility, has meant that Eastern European societies reacted slowly to various development

challenges. Only a few channels were open for social mobility, and these channels were almost exclusively connected to politics. Upward mobility through entrepreneurship was rare and usually had to be carried out against a hostile political-administrative elite. Indeed, capitalism itself was introduced by this elite, reflecting its vision about how economic activities and modernization should be organized. This idea-adapted elite traditionally occupied the state, but constantly faced with an unsolvable problem. On the one hand, persistent backwardness urged social and economic reforms. But on the other hand, reform extending over a certain degree would have undermined the elite itself. As a result, state involvement in reforms was always very cautious and conservative, keeping the elite's interests in focus. Moreover, reforms were usually based on misleading assumptions and assessments. And since the interrelationship of the conservative elite and the state was one of the problems in the first place, most reforms were insufficient to close the developmental gap between Eastern Europe and the West. From the 19th century, elite continuation in Eastern Europe was only disrupted by the communist takeover. But even this elite change was incomplete. Although the turnover was significant with regards to individuals, the nature of elite formation, particularly its close connection to the state, did not change. In fact, the dominance of the political elite has reached its high peak during the socialist period when almost all channels of social mobility, except the political one, were closed.

Persistent elite dominance of the Eastern European development trajectory resulted in a strong etatist pattern in all countries in the region. Etatism, the dominance of the state in economic and political development, was the real specter haunting Eastern Europe from the 19th century. The state was not only the most powerful entity in society as all modernization effort was conducted from above, but it also became an omnipotent gatekeeper in social mobility. This etatism caused a huge institutional inertia which was very difficult to overcome, and further slowed down the reaction to

development challenges. Also, this process became a Catch-22 phenomenon, as only the state had enough resources to shape development, so it has always been the ultimate target to capture, blocking any type of alternative development processes.

The final major characteristic of Eastern European development from a historical perspective is the lack of democratic politics, and especially the fundamental disrespect for the rule of law, on which democratic politics are based. Modern democracy is not simply an aggregate of particular institutions that if adapted will ensure democratic political practice. Democracy is a complex set of processes, which have more to do with social values and norms than with the institutional framework. Even if all the institutions are in place, it can take generations to develop the appropriate norms to ensure adherence. During this time these institutions are exposed to the political greed of the elite. And as the fall of the transitologist paradigm has demonstrated, it is not necessarily a single outcome process. But regardless of the flaws of Eastern European democracy, it would be unfair to contrast it with the Western political experience without understanding the social contexts. As history proved it many times, Western European countries enthusiastically supported any authoritarian regimes and dictatorships in Eastern Europe if it was considered to be their own national interest. Nor should we imply that mechanically following the Western road would automatically lead to prosperity. Legacies are very strong in shaping socioeconomic development, and one development model obviously does not fit for all.

At the 2004 EU accession celebrations in Hungary, politicians often cited Ady, and concluded that the Eastern European ferryboat countries had finally reached the Western harbor, and dropped anchor there. For them, EU accession is the ultimate transformation of Eastern Europe into the West. This view corresponds with the persistent shortsighted and narrow-minded vision that Eastern European elites possess about development. As history did not end in 1989, it did not end in 2004 either. This

new epoch undoubtedly gives an opportunity to the region, but fifteen years after the collapse of socialism it's not clear to what extent the region can benefit from this change.

Finally, going back to the developmental distinction of this dissertation, we have to note that the socioeconomic development history of Eastern Europe clearly showed that there is a significant difference in development between the northern (central) and southern parts of the region. It is important to understand this difference without assigning quality statements about superiority and inferiority. Geographic, cultural and geopolitical differences affected the relative levels of economic and social development over time. Even if there were periods when strong homogenizing forces dictated the development of the whole region, significant differences prevailed. Historical legacies and cultural patterns created considerable inertia in the development of social structures and the organization of economic activities. The border between these two distinct subregions of Eastern Europe is blurry, but arguably Hungary and Bulgaria are clear representatives of these two development patterns.

3. Conceptual approaches to population distribution and spatial development

This chapter provides an overview of conceptual approaches to spatial development and population redistribution in the 20th century. It links the various theories of migration, urbanization and spatial inequality to policy considerations. By establishing links between various fields concerned with spatial change, this chapter sets up a conceptual framework which is used in the comparative-historical analysis of Eastern European spatial development in Chapter 4. Following the historical perspective, this chapter examines how spatial development considerations changed over time, and how these changes affected policy measures about migration, urbanization and regional inequalities. While Chapter 2 focused on the legacy processes, this chapter provides a discussion of the policy aspect.

3.1 Migration

3.1.1 Migration as a component of demographic change

Population change occurs as result of interrelated dynamics in fertility, mortality and migration, the three components of demographic change. Every change in the size or structure of a population can be connected to changes in one or more of these components. It also has to be emphasized that these components are closely related to each other. Subsequently, changes in one component not only cause changes in the overall population, but usually affect the other components too.

What makes migration different from fertility and mortality is the fact that migration is more exposed to short-term social changes. Changes in fertility and mortality are usually long cycles or trends, going in one particular direction over a longer period of time. This is not to say that fertility and mortality are not affected by sudden events. Warfare, famine, epidemics or certain policy interventions can cause rapid changes in fertility or mortality. These changes, however, seldom influence long-term trends. They have localized impacts, and after a short period of time, the trend typically reverses back. The reason for this is that changes in fertility or mortality are functions of a large number of economic, cultural and institutional factors both at the micro and macro levels, and these factors usually make their impact on the long run.

Migration, in contrast, is more sensitive to short-term changes in society. Migration behavior is influenced by economic, cultural or institutional change also, but the overall magnitude of changes should not be as large as in the case of fertility change. For example, opening a factory in a town, which is a local event, seldom has a measurable direct effect on fertility, but can have a decisive impact on migration. Over a longer period of time, however, migration can influence other components of demographic change. If migration persists and the structure of population changes, a subsequent impact on fertility or mortality is likely. In other words, migration causes demographic change both directly and indirectly. Its direct impact is when the in- or outmigration changes the size of the population, while its indirect impact is when it changes the population composition. This difference between migration and other demographic phenomena also means that migration is much more difficult to predict than fertility or mortality patterns, but seemingly easier to influence with policy measures.

Migration is not evenly distributed throughout human populations. First, particular populations are more mobile than other populations. Americans, for

example, are more mobile within their native country than Mexicans. However, when it comes to international migration, a larger share of Mexicans move. The domestic migration of both Hungarians and Bulgarians is low, but Bulgarians participate in international migration at a much higher rate. Second, migration behavior is connected to fundamental life-course events, such as the first employment, family formation, dissolution, and retirement. In other words, migration is unevenly distributed throughout the life-course. Those in younger adult ages are more likely to migrate than others. Since in many cases they have young children, they are also more exposed to migration. In some developed countries, retirement migration is also an important population change.³⁷

The age-selectivity of migration has an important implication in the international migration patterns. Countries that have considerably younger age structure are more likely to participate in the global migration flows, and they are almost always on the sending side. This is not a coincidence, as these countries are generally less developed, which relates to high fertility, younger age structure, and economic difficulties that create pressures for seeking economic security elsewhere.³⁸

One additional issue should be mentioned here. The assessment of the impact of migration on demographic processes depends on how researchers conceptualize and measure migration. Appendix 3 gives a detailed description of the most common methods and practices.

³⁷ Research on age-specific migration patterns produced the Rogers-curve, which describes the universalistic pattern of migration throughout the life-course (Rogers and Castro, 1981).

³⁸ While the share of the migrant population of the world's total population has changed little since the Second World War, their absolute number keeps increasing. In 2000, approximately 170 million people lived outside of their native country, which is about a hundred million increase since 1965 (Martin and Widgren, 2002). Although about 20 million of them were displaced refugees, the vast majority of these people migrated to a different country by their own will. In the era of globalization, migration will be more and more important in the demographic development of many countries, especially where the increasing volume of migration occurs parallel with low fertility and mortality, such as in Europe.

3.1.2 Migration theories

The first migration theory was developed by the German-born British geographer E. G. Ravenstein whose classic work about the laws of migration was published in 1889. He was the first to describe the push and pull factors, and pointed out that characteristics of both the origin and the destination affect migration probabilities. He considered the pull factors to be more important, and also claimed that among the various motives, economic reasons come first in migration decision-making. Despite his fundamental observations based on British census data, Ravenstein's work was relatively neglected until the 1940s (Grigg, 1977).³⁹

While Ravenstein's theory was based on a behavioral approach, others, such as Stouffer (1940), Zipf (1946) or Stewart (1948) saw migration as somewhat similar to classical Newtonian laws of physics. They applied a gravity model to migration behavior, arguing that the number of migrants is proportional to the opportunities at the destination, but inversely related to opportunities at a nearer place. In this sense the size of populations at the origin and destination, and also the distance between them were considered as important factors. The gravity model was further elaborated and became more sophisticated with the use of econometrics, discussed in details by Greenwood and Hunt (2003).

An important improvement on Ravenstein's push and pull model was done by Everett Lee (1966). He argued that the volume of migration varies with the diversity of the alternative places, with fluctuations of the economy, and increases over time. Along with this observation, he introduced the concept of intervening obstacles as a

³⁹ Early migration research in the US was focused on international immigration. As Dorothy Swain Thomas (1938) observed, internal migration questions were less interesting, due to the almost unlimited internal expansion possibilities in the US before the First World War. Thomas' own notion of migration differentials elaborated Ravenstein's work on the selectivity of migrants.

new set of factors affecting migration decision-making besides the push and pull factors.

Neoclassical economics has been the major set of analytical tools used to model migration at both the macro and the micro levels. At the macro level, neoclassical economics focuses on labor market and economic development differences (Greenwood, 1981). According to this perspective, employment possibilities and wage differences induce labor migration, largely based on aggregated individual preferences. Due to the self-regulation of the market over time, equilibrium, and an optimal allocation of labor among labor markets should emerge. But since capital is also mobile, and it often flows in the opposite direction, this equilibrium is not likely to be reached.

While macro level neoclassical economic explanations of migration focus on place characteristics and labor market differences, micro level explanations take the individual or the household as the unit of analysis. In this approach, migration decisions are rational choices based on a cost-benefit calculation. These calculations can include immediate returns as well as future expectations (DaVanzo, 1981; Todaro, 1989). With the introduction of these expectations, rather than simply assuming wage differentials as main motives, this approach opened up the possibility of incorporating various other, even non-economic factors. Also, the use of expectations corresponds with the fact that migration decisions are often based on incomplete information about the destination. An important elaboration of the micro-level, neoclassical framework was the new economics of migration theory, observing that households, and not individuals are the units where decisions about migration are made (Stark and Bloom, 1985). In this approach, due to risk diversification as a family strategy, migration can occur even if wage differentials are negligible factors.

In the 1970s, the emphasis shifted to explain international migration. A critical school was a group of neo-Marxist perspectives⁴⁰, while another academic research orientation focused on the theory of migration systems.⁴¹ This was the first time also, when scholars have tried to offer a grand theory of migration. One attempt was Zelinsky's mobility transition model (Zelinsky, 1971). This model connected migration to social change and modernization. It identified five phases of social organization, from traditional society to postindustrial society, and assigned migration patterns to each. However, as critics pointed out, this model has an ahistoric nature, lacks social context and vaguely defines modernity.

Another effort to develop a complex framework of migration decision-making was the value-expectancy model (De Jong and Fawcett, 1981). This model takes into consideration individual, household and societal levels as they affect migration decision-making. Hence, it integrates the macro and micro approaches by identifying linkage processes through which macro factors affect individual decision-making. In this model, migration behavior is not only the sum of individually rated motivational factors, but it is facilitated or constrained by cultural and social factors. It also points out that values and expectations can be very different in various societies.

⁴⁰ The dual labor market theory, based on the work of Piore (1979), argued that in developed countries low-skill/low-wage jobs empty out as natives are less and less willing to take them. Fertility decline and higher female attainment in education also lead to very small strata of eligible native workers for low-skill/low-wage jobs. This creates a dual labor market in which migrants from less developed countries move into these occupations. While the dual labor market theory is a pull-based explanation of migration, the world systems theory, derived from Wallerstein's original work, is a push-based framework. It argues that international migration follows the logic of global capitalism and the structure of world economy. In this sense migration goes in the opposite direction of capital flows, since displaced populations in the developing world try to find a better life in the core, while capital flows to the periphery with its lower production costs.

⁴¹ Migration systems theory tries to explain the self-perpetuation of international migration flows. Network theory and analysis focuses on social networks as key actors in the migration stream (Kritz et al, 1992). These networks are linkages between origin and destination countries that not only help to overcome the intervening obstacles by diminishing risks, but also increase the volume of migration over time. As Massey (1990) observed, these networks provide positive feedbacks for further migrants. Hence, the establishment of such networks or linkages provides a cumulative causation, not only sustaining, but also increasing the migration flow.

The conceptual question remains, whether an integrated theory of migration is possible? Massey et al (1993) believed that it is possible, since the neoclassical economic and the political economy perspectives are not necessarily contradictory. Alejandro Portes (1997) on the other hand contended that a synthesis is not possible, and scholars should work on middle range theories instead, such as the ones about migration origins, directionality and continuity, or the sociocultural adaptation of immigrants.

While Ravenstein developed his theory more than a hundred years ago, his work continues to influence most theories being tested and contested in contemporary migration research. Writing in the early 1990s, Philip Martin concluded that the operation of pull (demand) and push (supply) factors are generally agreed upon, and the networks serve as magnets and shelters (Martin, 1992). Hence, a hundred years of migration research added one fundamental conceptual element, migration networks, to Ravenstein's original thesis. This addition acknowledged that in some cases migration could occur without visible push or pull factors. There are various opinions whether migration networks are a product of globalization and the changing political, economic and social context behind, or they are characteristics of internal migration as well. This brings up the question whether we need to make a conceptual difference between internal and international migration, which is the subject of the next section.

3.1.3 Internal vs. international migration

Both in terms of theories and measurement, the distinction between internal and international migration is quite common. While this distinction may seem obvious, it is useful to examine the extent to which there are real differences.

In terms of theories, most explanations for migration behavior and decision-making can be applied to both internal and international migration. Push and pull

factors are present at both cases, as are intervening obstacles. The differences in most cases are in the degree of difficulties, and not necessarily in the concepts themselves. For example, intervening obstacles are much bigger in the case of international migration. Crossing international borders, dealing with another culture and language, and the usually larger distance itself that separates from the origin are some of the many real obstacles.

Some theories were explicitly developed to explain international migration, such as migration systems theory or network theory. While some elements of these might be used to explain internal migration patterns as well, these theories specifically focus on particular components of migration that are characteristic of international moves. Networks, or such organizations as recruitment offices could also operate in internal migration streams, but their importance is more fully realized within the context of international migration.

The biggest difference between internal and international migration is the nation state's regulatory power, because the nation state has significant leverage over its citizens and its territory. To cross a national border, the migrant needs to meet certain criteria developed by the origin and destination countries. These criteria involve a wide variety of permit combinations depending on the length of stay, the countries involved and the activities a migrant wants to pursue. Even in cases where the free flow of population between independent states is less controlled (like in the case of the European Union), certain regulations remain.

With respect to data collection and measurement, the difference is similar. Nation states have full authority over data collection and classification schemes. To be a migrant, one has to meet various criteria in the respective countries. Also, censuses and residency registrations are relatively good tools to measure internal migration, but it is much more difficult to map out the volume of international migration. The UN has recommendations on measuring international migration that change over time,

nevertheless these still have biases and need continuous improvement (Simmons, 1987; Zlotnik, 1987).

The difficulty here is not only the degree of complexity, but also the unevenness of measurement. What is considered to be an outmigrant in the origin country may not be considered to be an immigrant in the destination country. There are certain legal phases spanning over years for acquiring necessary documents for work or permanent residency during which time migration intentions may change. Also, one can have a permanent residency in the destination country without giving up a similar permanent residency in the origin country.

One important difference between internal and international migration is in public policy considerations. While it has been a general concern of nations to direct internal migration flows with various policy measures, it is international migration that has become the real policy battleground. The concept of the nation, and the considerations about its interests are highly politicized matters. This is why nations now focus so much attention on immigration policies, while virtually neglecting internal population distribution. Moreover, the increasing volume of international migration during the globalization epoch has elevated the awareness on most nations' policy agenda.

An interesting conceptual case for this comparison is the EU's Schengen system. Until the mid-1980s, each nation state in the EU was supposed to regulate immigration questions independently. However, the differences in various member states' admission processes, and the lack of control once the potential migrant is inside an EU country sparked fierce policy debates. In 1985, the Benelux countries, Germany and France decided to create a zone without internal borders. The first meeting was held in Schengen, Luxembourg, hence the name of the system. It went into effect in 1995, and by 1997 all member states except Great Britain and Ireland joined the

system.⁴² The Schengen system created a single border around the EU, which is the external border of the respective member states, and immigration regulations are enforced there according to a set of common rules. After one crosses the Schengen border, there is no further control in the continental EU.⁴³

Geddes (2001) noted the difficulties of common EU policy making in migration due to the unevenness at the national level in being a migration destination. Moreover, these policy considerations should be seen through the lens of globalization, and the EU's effort to enhance its global competitiveness. However, it seems that the recent enlargement pill the EU took will have some unwanted side effects. As the current policy debates in the EU show, the Eastern European enlargement proved to be more difficult than any previous accession waves.

In the Schengen case, internal and international migrations are not that separate issues. While citizenship is still maintained for particular reasons, the old member states lifted most regulations with respect to working and living in another member state. However, certain restrictions with respect to Eastern Europe were put into practice to stop an expected and feared flow of cheap labor into Western Europe. Since EU membership will not diminish the nation states, a person working in another member state can be considered both an internal and an international migrant, depending on what issue is considered (labor, social security, education etc.). This system poses an interesting conceptual development in migration theory in the future.

When thinking about the motives or the dynamics of migration decision-making there are many conceptual similarities between internal and international migration. While there are certain characteristics that are applicable to mostly

⁴² On the other hand, two non-EU members, Norway and Iceland are also using this system.

⁴³ The Eastern European countries that have joined the EU have not implemented the Schengen system yet, partly because it is very expensive and also because there is a lack of trust from Brussels that the eastern borders could be guarded well enough.

international migration, I argue that there is no reason to conceptually separate these two social processes.

3.2 Urbanization

3.2.1 The definition of urbanization

Urbanization is a complex concept partly due to the corresponding contested nature of the term 'urban'. This latter term refers to various characteristics of a place, including its population size and density, political and administrative designation, social and economic functions, occupational structure or institutional system. Hence, urbanization refers not only to population dynamics, as it is conventionally portrayed, but also to organizational and functional changes.

Nevertheless, most researchers build on Hope Tisdale's (1942) original definition of urbanization. Tisdale argued for a strictly population related definition to avoid ambiguity. The static concept of urbanization is the proportion of population living in urban areas at some point of time, while the dynamic concept is the change of urban population over time. In this perspective, urbanization is the increase in the percentage of population living in urban areas, or the rate of urban population change over time, in other words the relative speed of urban versus rural growth.

Other approaches take into consideration not only population, but organizational or functional characteristics. Charles Tilly emphasized the importance of transformation in social organization from a small-scale localized to large-scale complex one (Tilly, 1974). Similarly, György Enyedi, the leading Hungarian scholar in regional science, also defined urbanization as a dual process (Enyedi, 1988). For

him it is both the population changes causing urban growth and the spread of urban functions and characteristics in the settlement system.

The term 'urban' can be approached from the direction of what we consider as a 'city'. Since the city is much more than just a large number of people living in close proximity, urban definitions should acknowledge some sort of functional or organizational criteria. This is a very difficult task however, and due to the simplicity of the population size or density, in many cases these latter are the definitional bases of being urban.

The conventional argument is that the population component of urbanization brings other changes over time. This was undoubtedly true until the mid-20th century, since the change in social organization in modern times originated in the urban population concentrations from the Industrial Revolution. From the 1970s, however, this is not that obvious anymore. Now, we can witness a spread of urban functions and occupational structures that make urban-rural distinction more flexible, which issue will be discussed in detail later in this chapter.

While Tisdale's approach makes it easier to measure urbanization over time, and Tilly's and Enyedi's approaches offer a richer definition of urbanization, one taking the historic perspective should keep in mind the argument of Jan de Vries. De Vries, an agricultural historian, and one of the most recognized scholars of early European urbanization, pointed out the importance of historic context (de Vries, 1984). He argued that the three dimensions of urbanization, demographic, behavioral and structural, should be studied in the context of the particular historic period. "*Thus, every epoch of urbanization can be thought of as having distinct demographic, behavioural and structural dimensions. The problem of the early modern city can be then approached by placing it in the context of the specific features of early modern urbanization, rather than by applying the standards of contemporary urbanization.*" (de Vries, 1984:13).

De Vries' point is related to the fundamental theoretical difference in urban studies between the ecological approach (Burgess, 1925) and its neo-Marxist (Castells, 1977) and neo-Weberian (Harloe, 1977) critics. The ecological model saw urbanization as an evolution along a linear trend, considering the differences as phase differences. Contrary to this, both neo-Marxist and neo-Weberian perspectives emphasize the importance of historical approach, arguing that specific urban development is possible, and urbanization is not necessarily continuous, linear or unidirectional.

Urban growth should be differentiated from urbanization, since the former is simply the growth of the urban population and not its relative concentration. Urban growth is composed of four factors, natural increase of urban population, urban immigration, urban reclassification and annexation. Hence, urbanization does not necessarily happen simply because urban growth is occurring. It is possible that the rural population grows at a same pace or even faster. Along the same line of thought, when a society experiences population decline, urbanization is still possible to occur, if the rural population or its rate of growth declines faster.

Enyedi (1988) considered urbanization as a global process, and tried to outline its main phases. According to him, the first phase of urban growth is absolute concentration. It is originally driven by the industrialization in Europe as an urban pull, however in the contemporary developing world the transformation of agriculture also has a push effect. The second phase is relative deconcentration caused by structural changes in industry, slowing down the growth of the core and speeding up suburbanization. The third phase is absolute deconcentration, which is associated with a shift to postindustrial economy and the experience of population deconcentration. The fourth phase is reurbanization, the urban revival in the city core.

Enyedi's thesis is contested in several ways. First, the assumption of a linear and global process based on the patterns of Western urban development might not be

valid elsewhere. Urbanization in the developing world created megacities that have unique development patterns on their own. Second, his thesis might be too broad generalization even among the developed countries. The phases of urban growth and change are not necessarily occurring parallel across the developed countries, and the experienced lags might negate the definition of a 'phase'. Hall (1988), for example, writing at the same time as Enyedi, pointed out the diverse nature of Western European urban change. And third, the last phase of urban growth, reurbanization, is highly contested and so far little empirical evidence can be found to support it. However, Enyedi's thesis reflects well the idea of long cycles of urban development, resembling the long business cycles identified by the famous Russian economist, Nikolai Kondratiev in the 1920s.⁴⁴

Based on the counterurbanization experience in developed countries, Geyer and Kontuly (1993) developed a model of differential urbanization to explain growth cycles when accounting for different settlement sizes in the urban network. They argued that the concentration phase is followed by the polarization reversal when the trend changes, and the primate city's population begins to decline. The population of small towns increases for some time, but later the polarization reversal turns to counterurbanization. Counterurbanization, however, later reverses back to urbanization, completing the cycle. This final phase is similar to what Enyedi suggested in his reurbanization thesis. The advantage of the Geyer-Kontuly model, however, is the possibility of showing the different structures of urbanization with respect to settlements of different size. Later, when writing about the evolution of urban systems, Geyer (2001) contended that urban evolution follows the same global pattern.

⁴⁴ Kondratiev's work is another infamous example of the fate of the Soviet intelligentsia. While he was a well respected scholar in the early 1920, and the New Economic Policy was partly set up on his ideas, after Stalin took over, his cautious approach to economic development was not welcome any more. He was arrested in 1930, and although he was allowed to work for some time in internal exile, eventually he was executed in 1938. His work is discussed in details at Barnett (1998).

Additional issues in the measurement of urbanization are the twin concepts of primacy and rank-size rule. Primacy was first observed by Mark Jefferson (1939) who pointed out that a nation's largest city is often disproportionately large and important in representing national might. He called this largest city the primate city, and contended that it is usually at least twice as large as the second largest city. Building on Jefferson's observation, George Zipf (1949) developed the rank-size rule.⁴⁵ This rule says that the population of any given city in the rank order should be approximately the population of the largest city divided by the rank of the investigated city. Theoretically this equation can be expressed in a power distribution curve, and real life deviations from this curve are used to indicate unbalanced urbanization patterns. High primacy is usually associated with lower level of development, which is related to a less balanced settlement structure.

As we could see, urbanization is a difficult concept to define and use. Obviously it is much easier to use population data to express urban change than survey all functional, administrative, cultural or organizational characteristics that account for differentiating urban from rural. But the wider range of characteristics we survey, the more striking is the urban diversity. And if there is urban diversity, we can expect rural diversity as well. In fact, in many countries, differences within the urban and rural categories are bigger than differences between these categories. This brings up the question whether we should think about the urban-rural differences as a dichotomy, or rather as a continuum. This is the topic of the next section.

⁴⁵ The rank-size rule is expressed in the following equation: $P_r = P_1 / r$. In this equation, 'P' is the population while 'r' is the rank of a city, and 'P₁' is the population of the primate city or in other words the first city in the rank order.

3.2.2 The urban-rural axis

The most recent projections predict that the world's urban population will exceed the rural population for the first time in 2007 (UN, 2004). This unprecedented event will make the world different from what it has been, but what importance should we assign to this urban-rural distinction? Or are urban-rural differences more usefully conceptualized as a continuum instead of a dichotomy? And why is this relevant at all?

With respect to statistical classification or nomenclature, nations have full autonomy on how to define urban and rural places. In reality, the definition is always about urban places, and rural places are residuals. This reflects a perceived organizational or functional difference that is associated with cities and the notion that urban places have to meet certain criteria. The main problem seems to be that everybody defines urban in a different way (Table 3.1, and also Appendix 2.). This makes international comparisons very difficult, even if the countries would keep the definitions constant over time, which they often don't do.

Table 3.1 Urban definition types used

Definition type	Number of countries using the criteria
Exclusively administrative	97
Exclusively population size and/or density	96
Economic criteria (such as the proportion of labor force in non-agricultural activities)	25
Functional criteria (such as infrastructure or institutions)	15
Entirely urban or rural	6
No indication	22
Total number of countries	228

Source: compiled from Champion, 2004.

Nonetheless, I argue that letting the definitions remain flexible is a good solution. First, it is not appropriate and probably impossible to coerce countries to measure urban in a universalistic way. The UN could make recommendations, but compliance will probably never reach a level high enough to make undisturbed comparisons. Second, a push toward a universal classification scheme is not only futile, but also unwise. While the concept of urban has certain similarities in every society, its spatial and social representation displays considerable differences across various nations. Topography, culture, history, administration and many other factors contribute to perceptions of what is urban, and these factors have different weights in different countries.

For example, if someone wants to define urban by strictly population characteristics, what will the cutoff number be? Why is 2,500 better than 5,000 or 10,000 for defining the population threshold? These numbers mean nothing without the social context, which context varies greatly in both space and time. The same is true for economic organization. Agricultural employment can be a possible indicator, but agriculture can be conceptualized in different ways, not to mention that many people retain their agricultural activities and have industrial jobs as well. Or if administrative classifications are the criteria, it may well be that due to political engineering, places can earn the urban title without having the commonly associated organizational, functional, or even size characteristics.

However biased and incomplete the definitions may be, the point is that the way that urban and rural are conceptualized by national governments is exactly how the settlement morphology is ingrained in the public consciousness. Moreover, this is an interactive process. Government definitions reflect historic traditions, and common perceptions are also influenced by administrative decisions.

The spatial organization of settlements and human activities change over time. Territorial units should follow these changes, otherwise they reflect reality less and

less. A survey of the metropolitan change in the US between 1950 and 1980 for example concluded that although classification changes had their impact, the overall trend was not disturbed or driven by changing definitions (Fuguitt et al, 1988). In other places, such as in China (Zhang and Zhao, 1998), however, reclassification has a much larger impact on the validity of urban-rural measurements. The same is true for Hungary, as it will be discussed in Chapter 5.

In the recently published *New Forms of Urbanization: Beyond the Urban-Rural Dichotomy*, scholars concluded that the conceptual and definitional bases on which settlement development is monitored have become increasingly inadequate to reflect contemporary changes in settlement morphology (Champion and Hugo, 2004). They pointed out that data collection and conceptualization at the lowest possible level enhances the flexibility of aggregation later. Also, classification schemes should allow multiple definitions for the same place, expressing the various competing or complementary approaches in settlement development. They call for a more sophisticated classification in order to catch up with the rapidly evolving settlement system. They also contend that the simple urban-rural dichotomy no longer reflects real settlement development patterns, and may well lead to the misreading of both societal processes by researchers and social needs by policy makers.

One example of a somewhat more complex classification is the US practice of differentiating between urban and metropolitan. Urban places are relatively distinct nodes of human organization, similar to the European concept of urban, and are based solely on population size and density criteria. Metropolitan areas, on the other hand, are more extensive geographical units, containing not only the urban core, but also its interdependent hinterland. This is particularly important in the US, where the spatial organization of settlement structure is fundamentally different from that of in Europe. The extensive suburbanization and the general differentiation of home and workplace, inducing large scale commuting, made it necessary to think differently about urban

places and urbanization in the US much earlier than in Europe. The maturing of the suburbs, for example, was pointed out by Leo Schnore in the 1960s (Schnore, 1963).

The county-based metropolitan system has changed a lot in the US since it was first introduced after the 1950 census, including the most recent new concept of micropolitan areas (Brown et al, 2004). The introduction of the micropolitan category was an important step towards recognizing the nonmetropolitan heterogeneity. This was a new perspective, since one problem with the classification scheme was that while metropolitan definitions have changed to keep up with the development of the settlement system, the nonmetropolitan category was left as an undifferentiated residual throughout the 20th century.

There is a strong emphasis on rurality in Europe as well. However, this conceptual approach is very different from the American model. In Europe, rurality is not seen as a category of statistical nomenclature, but rather as a developmental issue. In this perspective, rurality is strongly connected to agriculture, because of the constant policy concern about agricultural decline and its negative impact on rural areas. Part of the reason for this is the different settlement development patterns, first of all the more modest European suburbanization. While in Europe, one usually knows where the city ends and the countryside begins, in the US the suburban neighborhoods with their low density detached housing and large yards create a slow landscape transition from urban to rural. Hence while in the US rurality is a multidimensional concept (Jacob and Luloff, 1995; Brown and Cromartie, 2004), in Europe it retained a dominant agricultural character, because of the traditional differences in land use patterns.

In the US, rurality is conceptually built up from historical and cultural traditions. While there is substantial discourse over the characteristics of rural places and people, and also rural development, rurality is often viewed as an entity originating in the once existing open American frontier and its corresponding cultural

traits (Howarth, 1996; Logan, 1996). In many cases it is portrayed as opposed to urban modernity and the social changes induced by urbanization. In Europe, since rurality is first of all a development issue, the discourse seems to be moving into a direction where rurality is seen as a socially constructed entity (Richardson, 2000). This perspective, which is particularly characteristic of British scholarship, focuses on how people consider themselves as being rural, hoping to contribute to the understanding of the effects of rural policy. In other European countries, rurality is closely connected to the concept of peasantry (Halfacree, 2004). This is not surprising, since England was the first country to shift from a rural-peasant based society to an industrial one, while in others, peasantry remained in the public consciousness and policy considerations for a much longer period. This can also help to explain why England has a distinct idyllic picture of rurality as well.

The EU does not have a universal definition of rural, as member states have authority to classify their settlements (Boscacci and Arcaini, 1999). In many cases, the two-level OECD definition is used for international comparison. At the local level, it uses population density alone, and classifies places with less than 150 persons per square kilometer as rural. At the regional level, there are degrees of rurality (predominantly rural, significantly rural, predominantly urban), based on the percentage of population living in rural localities.

The Eurostat's three-category scheme approaches classification from an urban perspective, and also builds only on population indicators. Densely populated zones are contiguous municipalities where each has a population density over 500 persons per square kilometer, and at least 50,000 of total population. Intermediate zones have more than 100 persons per square kilometer density, and if the total population does not exceed 50,000, it has to be adjacent to a densely populated zone. Finally, the rural residual is called sparsely populated zones.

We can conclude that there are several conceptual and statistical efforts to elaborate the urban-rural axis from a dichotomy to a continuum, and to monitor spatial changes in settlement systems. Hence, the conceptual and statistical definition toolkit of the urban-rural continuum is increasingly fragmented. But even if this makes international comparisons difficult, it represents the dynamics of demographic and social change more accurately than the obsolete urban-rural dichotomy. The next two sections will discuss two processes that contributed to the changing nature of the settlement system: suburbanization and population deconcentration.

3.2.3 Suburban sprawl

Suburban sprawl is an unprecedented, however not universalistic change in settlement systems. Several scholars pointed out that it is above all an American peculiarity: "*Suburbanization has been most prolific and culturally distinctive in the United States, where it is the most outstanding residential characteristic of everyday life in the twentieth century.*" (Boyle et al, 1998:10). Suburbs appeared as statistical categories first in 1880, when the US Census Bureau used this category in New York. In the US, suburbs have been growing since the 19th century, and from the 1950s their rate of population growth exceeds growth rates of both the urban core and rural places.

Suburbanization is usually associated with quality of life considerations, as better off social groups try to escape problems of the industrial city. Among the attractive components of living in the suburbs are the possibility of private house ownership and low residential density. These preferences, however, are present in almost all developed countries. Why it is then that suburbia is so distinctly a US phenomenon?

Kenneth Jackson in his classic book about suburbia cites a number of reasons (Jackson, 1985). The first important factor is space. Americans, and in fact also

Australians and Canadians, prefer spacious and detached housing and low-density residential areas. Partly due to the British cultural heritage, this preference is connected to house ownership as an important component of personal autonomy. Abundant land and particular construction methods, such as preferring wood to brick, made houses more affordable in the US than in Europe. What is even more important, the US has a strong middle class that generates a demand, and is able to afford such living environment.

Another US characteristic is the separation of workplace and residence. Those who live in the suburbs usually still work in the city. Automobile and gas prices are much lower than in Europe, and commuting takes place mostly by cars. We have to mention the demographic factor also, as the overall population increase in the US, especially the baby boom, was behind the demand for suburban development as well. In contrast, Europe's low fertility and declining population in the late 20th century could not produce the same effect.

Space recreated social relations in the US in a very different way than in Europe. Contrary to many European cities, in the US income tends to increase as we move further from the city core. While in Europe the outskirts of the cities are usually low-income residential areas, suburbs in the US are residential areas for middle class families. The social structure of American suburbia is not a simple consequence of matching lifestyle with economic demand. The middle class move from inner cities was partly influenced by an ethnic factor also. Compared to European ones, American cities are ethnically more diverse, and the middle class wanted to be in an ethnically controlled environment, especially after lifting the school segregation in the 1950s. Hence, this ethnic factor perpetuated the existing suburbanization patterns in a period when the postwar demographic boom was well underway.

Scholars identified both push and pull factors in the move of white middle class to suburbia, as well as suburban supply and demand (Gottdiener, 1994). Most

factors associated with suburbanization are demand-oriented, such as the desire for house ownership and the preference for low-density living environments. However, there is also a supply-oriented theory of suburbanization focusing on the efforts of land developers and bankers to promote suburban housing developments. This can be related to the thesis of urban growth machine (Molotch, 1976, 1999). With respect to ethnic intolerance, scholars pointed out that it was not simply the push effect of the African-American outmigration from the South that induced the "white flight" to the suburbs. In most cases pull effects, such as improved living conditions and house ownership drew the white middle class out of inner city areas (Frey, 1978).⁴⁶

Government policy has also been an important factor behind suburban sprawl. Government intervention to spatial development consisted of three parts, house financing, servicemen readjustment and interstate highway program. The first two did not have any intention to accelerate suburban growth, as they were implemented for other reasons.

The house financing policy originated in the Depression era. Understanding that the principal asset of a bank is home mortgage, and focusing on the financial sector where the trouble began, the federal government, in line with Keynesian interventionism, tried to lower the risk of private loans for banks by insuring the buyer's mortgage. Later the tax subsidy on homeowners' taxes supported this effort from the other direction, creating very favorable conditions for house ownership.

The second policy package was the Servicemen Readjustment Act in 1944. Millions of returning servicemen were eligible for a guaranteed loan program, creating a mass market for new housing developments. It is also important to note that this was

⁴⁶ Living in the suburbs promised the possibility of avoiding inner city social problems for the middle class. However, as Baldassare (1992) pointed out, social problems characterized suburban life as well. These problems include political fragmentation, further suburban growth, or the quality of the community. The family structure of the postwar period, a fundamental component of suburban sprawl also changed.

supported by the boom in mass manufacturing caused by the war, providing the necessary household durables for such living environment as well.

While house financing and servicemen readjustment policies were not implemented to create a suburban boom, the third policy measure was at least to some extent connected to suburban sprawl. In the mid-1950s, the interstate highway program subsidized the construction of highways from gasoline taxes (Muller, 1981). The new highway system opened up the American countryside for suburban development, and together with the mass-produced automobile and the cheap gas, it made mass commuting possible for suburban middle class. At the same time, existing mass transportation was largely abandoned (Whitt, 1982).

While Europe can be characterized with a spatial and social inertia and controlled suburban development, the US is an example of an uncontrolled suburban sprawl. This sprawl brought together government subsidies, land developers and middle class demand in a society which puts a lot of emphasis on mass consumption, the frontier appreciation of independence and home ownership, and a well developed automobile culture. Hence, the contemporary US should be considered as a predominantly *suburban* country. According to the US Census Bureau, 50 percent of the total population lived in suburbs in 2000, which is a 4 percent increase since 1990 (Hobbs and Stoops, 2002). Central cities did not grow substantially since the 1940s, and they account for about one-third of the total population. On the other hand, suburban population in 1940 was only 15 percent, and this gives us an idea about the magnitude of suburban change in the US.

Suburbanization is not only a US phenomenon, but happens in other postindustrial countries as well. Suburbia, however, means a significantly different spatial structure and subsequently a different lifestyle in other countries. Chapter 4 will address the peculiarities of Eastern Europe in this respect. Now, we turn to

population deconcentration, the other fundamental change in the settlement systems in the late 20th century.

3.2.4 Population deconcentration and counterurbanization

While suburbia was rapidly growing, and the baby boom generation was about to leave college in the US, a new and unexpected population trend started to unfold. After decades of undisturbed urban growth, nonmetropolitan population in America grew more than metropolitan population. Calvin Beale (1975) was the first who noted this new pattern, based on US population estimates in the early 1970s. By the end of the decade several developed countries experienced the same pattern (Vining and Kontuly, 1978; Fielding, 1982). It was also pointed out that in many cases this process has gone beyond suburbanization or simply the growth of adjacent rural areas (Champion, 1989).

Shortly after Beale's observation, Brian Berry (1976) coined the term "counterurbanization", assigning a great significance to this new pattern of population distribution. While this phenomenon is very important to understand population dynamics in space, the term counterurbanization is not really accurate. In an edited volume about this phenomenon, Champion (1989:19-33) engaged into a conceptual debate over Berry's definition of counterurbanization. He contested Berry's 'clean break' definition, arguing that counterurbanization did not become a new mainstream trend of urban change.

Two important conclusions emerged from this debate. First, while population deconcentration means a general redistribution of population from larger to smaller places, those smaller places also include new urban destinations, hence it is not necessarily counterurbanization. Urbanization can still be the mainstream population change in the settlement system, but with a change in the preferred destinations. In

other words, population deconcentration and counterurbanization are not the same, and population deconcentration can occur without counterurbanization.

Second, each country has a distinctive settlement pattern, thus population deconcentration corresponds with different statistical and administrative definitions. This makes it very difficult to apply one general conceptual rule let alone measurement practice when describing these patterns. For Champion (1989:240), population deconcentration is a process "*which leads to counterurbanization, which is a particular form of population dispersal*".

The uniform patterns of the 1970s disappeared by the 1980s, and postindustrial societies experienced both different degrees of further population deconcentration in some cases and population concentration in others. Academics and policy makers were troubled by these mixed signs of urban change. What became obvious is that the return to the postwar period of urbanization as the dominant spatial change will not happen.

The patterns of the 1990s were again different from the previous decade. In the US, after the rural turnaround in the 1970s and the turnaround of the turnaround in the 1980s, nonmetropolitan population in the 1990s grew more again, creating a rural rebound (Johnson and Beale, 1994). This rural population growth was fueled by migration rather than natural increase, similar to the 1970s. However, while it was a widespread phenomenon in the 1970s, it was much less universalistic in the 1990s.

In Europe, the picture was even more heterogeneous (Kontuly, 1998). In the 1980s, some countries exhibited strong urbanization patterns, either from previous deconcentration (Austria, Iceland, or the Netherlands) or from previous concentration (Ireland, Finland, or Norway). In other countries (such as Denmark, Greece, Italy or France) counterurbanization continued. The rest of the countries (Belgium, West Germany, Spain, Sweden or Switzerland) did not have any clear trend.

This European diversity in population change reinforces the notion about the different cultural and institutional patterns when examining counterurbanization or population deconcentration trends. Since these country groups are not clustered by geographic regions in this respect, national characteristics, including spatial policy considerations should have a significant explanatory power behind these trends. So besides the question of what are the main causes of population deconcentration, we should also ask how these causes differ across countries and time periods.

One factor that has an impact on population deconcentration is international migration. Generally, it reinforces metropolitan population growth, because new immigrants usually reside in large cities. Hence, if the volume of international migration is large, the volume of urban to rural migration or the natural increase differential between urban and rural areas should be also large for population deconcentration to occur. The exception in this case is when international immigration itself induces metropolitan outmigration as it is proposed by the demographic balkanization thesis. Consequently, a decline in the flow of immigrants has the opposite effect. But this relationship is very complicated and fluctuates over time, thus the impact of international migration on counterurbanization is far from being obvious.

So the question remains: what caused the original rural turnaround in the 1970s? Berry's explanation emphasized the importance of cultural factors, namely the American frontier spirit and individualism (Berry, 1976). But when population deconcentration started to unfold also in Europe, a more general explanation needed. Eventually most scholars agreed that in the 1970s it was largely a function of economic restructuring both in the US and in Europe. The shift to post-Fordist economic organization had profound impact in all industrial countries, corresponding with the universalistic nature of the rural turnaround in the 1970s. Research in the 1980s concluded that in the US there were substantial differences between adjacent

and more remote nonmetropolitan areas (Fuguitt and Brown, 1990). While economic changes were behind the population change in the more remote regions, residential preferences played a stronger role in adjacent nonmetropolitan areas. Academic opinions about Europe pointed out that after the economic restructuring in the 1970s, the causes of rural immigration can be less explained by economic factors, as opposed to quality of life considerations (Champion and Vandermotten, 1997).

Accordingly, population deconcentration is usually explained by two broad groups of causes, residential preferences and economic motives. However, when Kontuly (1998) revised the theoretical explanations behind this phenomenon, he introduced a sixfold classification of motives: economic cyclical factors, economic structural factors, spatial and environmental factors, socio-economic and socio-cultural factors, government policies and technological innovations. He also contended that these factors are simultaneously operating, in combination with each other.

The observed fluctuations in population deconcentration and counterurbanization in the postindustrial countries made scholars assume that these changes are cyclical in nature. Here we can reach back to the model of differential urbanization (Geyer and Kontuly, 1993) or the mobility transition model of migration (Zelinsky, 1971) discussed earlier. But it is also very important to examine the social structure of population deconcentration. As several authors (Frey, 1989; Hugo, 1989) pointed out, it is a selective process to white, better educated, and better-off population groups or to corresponding retirees. Also, as Boyle et al (1998) concluded, counterurbanization is limited to the developed world. Chapter 4 will discuss the Eastern European experience with this respect as well. Now we turn to spatial and regional inequalities, and examine how these were approached as development issues.

3.3 Spatial inequalities

3.3.1 Spatial inequalities as development issues

Spatial inequalities are one of the most visible representations of uneven development patterns. As it was demonstrated in Chapter 2, the historic backwardness of Eastern Europe is also related to uneven development in space. These differences, such as the periphery position within Europe, the unfavorable topography leading to lower population density, and the corresponding settlement structure all contributed to developmental problems, long before the scholarly interest in uneven spatial development emerged.

Space has a fundamental importance in human activities. The spatial distribution of human activities in space is not arbitrary, but interlinked with a long list of factors, including climate, topography, the patterns of economic activities, and social organization. This leads to uneven spatial distribution of economic growth, which in turn results in uneven well being of the population. Spatial inequalities then tend to become political issues, and trigger particular policy interventions.

Spatial inequalities in most cases are related to social or economic inequalities. The direction of causation, however, can run both ways. Geographically isolated places usually lag behind in economic development, because they have difficulties participating in the general circulation of technology, labor, capital and other resources. This situation often creates unfavorable demographic and social structures, such as an aging or less educated population, further perpetuating economic underdevelopment. But the causation works in the other direction as well. The accumulation of certain social problems can also result in spatial inequalities. The reason for this is that place and population are closely connected, and changes in one lead to changes in the other as well.

The main difference between the two causal models is the time aspect. Unfavorable geographic situations, such as a mountainous topography hindering transportation and trade, contribute to slow development from the beginning. In the contemporary capitalist epoch, places that are more isolated from the market-related free flow of resources and commodities have been in a disadvantageous situation from the start. Unlike economic growth, this disadvantage spreads throughout the community, and induces unfavorable changes in the social structure.

In the second case, if the original problem is not the geographic location, spatial inequality needs time to appear. Slow, but fundamental population change can result in such a situation. The permanent outmigration of young and better educated members of a community can lead to aging, the decline of certain services, and over time these accumulating social problems put such places at disadvantage.

When investigating development patterns from a historical perspective, we have to note the changing nature of dominant industries as well. Spatial inequalities can suddenly appear in places where the dominant economic activities lose their significance, or are being fundamentally transformed due to macro-level technological or organizational changes in the society. When manufacturing lost its dominant position in the economy of developed countries in the 1970s, many places that were previously successful industrial areas had to face growing problems associated with restructuring, especially if they were unable to adjust to these changes. In this scenario, neither population nor place characteristics but external forces shape development patterns. This also means that places that are successful in the long run are better able to adjust to external changes.

Most economists agree that economic growth is inherently linked to increasing inequality (Kuznets, 1955; Williamson, 1965). This observation relates to Schumpeter's (1939) idea of the business cycles and the process of creative destruction. This inequality represents itself between places as well. The question, of

course, whether such inequalities would diminish with further growth, as neoclassical economics argues, or are they inherent components of the capitalist system, as the neo-Marxist argument tells us.

Generally, persistent spatial inequalities are considered social and economic problems, and are in the focus of various policy interventions. With respect to intervention, a relatively new concept in development, sustainability, has entered the dialog. Sustainability originated in the 1970s as a set of concerns about overpopulation and the use of natural resources. By now it generally refers to the preference toward public policies that have positive long-term effects, and change place or population characteristics in ways that these effects can be sustained. In other words, intervention and development programs should be endogenous, enhancing local capacity to achieve success on the long run. For example, when heavy industry started to collapse in Eastern Europe around 1990, state resource transfers, a typical exogenous policy aimed at simply maintaining the level of employment was a wrong choice, because it neglected the forces of the structural changes causing the collapse. As soon as the state withdrew its support, the jobs preserved by this external help disappeared. A different approach of state programs providing training for downsized workers was more successful, because its impact could be sustained when many workers were able to find new occupations.

3.3.2 Development perspectives on spatial inequalities over time

3.3.2.1 Early perspectives

The uneven geographic distribution of resources and economic activities is as old as settled society. As a scientific phenomenon, however, it did not gain scholarly attention until the 19th century. The first considerations about spatial inequalities came from economics. Adam Smith, Johann von Thünen and John Stuart Mill were among

the first to acknowledge the existence of spatial inequalities from a social science perspective.

Industrialization in the 19th century came along with rapid urbanization, which made existing spatial inequalities more visible and also created new ones. These inequalities were especially noteworthy in the United States for various reasons. The disappearance of the frontier ended nation building in geographic sense. The large size of the country with its topographic diversity drew the attention to spatial inequalities. Also, rapid industrialization in the late 19th and early 20th centuries resulted in dynamic metropolitan growth. In Western Europe, in contrast, urban development was longer and slower. While in Europe the political instability of the interwar period made subnational spatial inequalities less important for development considerations, in the geopolitically more isolated US with no immediate national threats, scholars were able to engage these issues to a larger extent. The focus here was on the positive and negative affects of metropolitan expansion, as the process of urbanization, which was considered as a desirable change, fundamentally altered the structure of the society.

Many scholars, like Louis Wirth, were convinced that urbanization is the ultimate course of development, and urban social organization is the dominant way of life in modern societies (Wirth, 1938). In this perspective, spatial inequalities simply referred to uneven urban growth. Others, like Lewis Mumford (1938) argued that urban sprawl is responsible for many social problems, and pointed out the importance of urban planning. Mumford was a founder of the Regional Planning Association of America in the 1920s that emphasized the need for a designed and controlled expansion of cities. Scholarly interest was also concerned with the social organization of the city. Ernest Burgess, Robert Park, and also Roderick McKenzie, the founders of the Chicago School of Human Ecology viewed spatial patterns as outcomes of social processes (Park et al, 1925). This was somewhat different from Wirth's position. Wirth, partly building on Simmel's earlier work, contended that space itself, as

manifested in the city, creates certain social behavior patterns. The human ecologists rather saw space and society as mutually interrelated.

Europe was not entirely without the scientific study of space. Some of the most influential theoretical works on spatial development, such as the geographer Walter Christaller's *Die zentralen Orte in Süddeutschland* (The Central Places in Southern Germany), or the economist August Lösch' *Die räumliche Ordnung der Wirtschaft* (The Economics of Location) were written in the 1930s. These works, however, only became part of the academic discourse after the Second World War.

Not only Germans were occupied with the question of the space in Europe at that time. In the 1920s, a new perspective appeared on spatial development as a result of the political consolidation of the Soviet Union. The introduction of central planning and the urge to catch up with the West by forced industrialization required rational spatial planning. This perspective was very different from the capitalist model, as we will see later on.

The Great Depression made many scholars realize that market doesn't always work toward economic growth, or the consequences of market growth can be socially unacceptable. In 1936, John Maynard Keynes published *The General Theory of Employment, Interest and Money* which became the theoretical base of bringing the state back in to development. Based on the experiences of the Depression, Keynes argued that economic stagnation is caused by the inadequate level of investments and demand in general, so the state should have a strong position in organizing economic activities. The Keynesian notion of development became the fundamental development theory and practice until the late 1960s. Seemingly, this promotion of state intervention was similar to the socialist approach, but the economic structure behind was of course very different.

With respect to the impact of migration on development, the classical population concentration pattern, migration to urban centers, was considered to be

behind economic development. People who moved to cities contributed to industrial expansion, which was widely understood as the main component of economic growth. A constant urban-rural migration was the main stream of population redistribution, so a very easy theoretical connection was established between migration and development.

At the international level, the overseas migration from Europe was the most important population movement. Between the early 19th and early 20th century, millions of Europeans left the old continent to find new opportunities overseas. The estimates of emigration between 1820 and 1914 range from 40 million (Seccombe, 1992) to 60 million (Martin and Widgren, 2002). This migration declined substantially when the US, the main destination country, introduced strict immigration regulations in the 1920s.

3.3.2.2 Modernization, development economics and the rise of the international order

The world after the Second World War became very different from what it used to be, causing subsequent changes in thinking about spatial inequalities and development as well. The most important change was the emergence of a new international order. In this order, spatial inequalities were perceived at the world regional level also, especially with respect to the backwardness of the Third World. This new perspective brought demography into the international study of spatial inequalities.

In 1994, while the Second World War was still ravaging, Frank Notestein made a presentation at the Milbank Memorial Fund, warning about population pressure in developing countries. The theoretical basis of his argument was Warren Thompson's work on economic development and population change from the 1920s (Thompson, 1929). Notestein rediscovered this theory, and labeled the process as the 'demographic transition' (Notestein, 1945). The rapid population growth of the

developing countries was soon reconceptualized as rampant population growth, creating international panic with regards to foreign policy considerations. Population was still considered to be the main component of national power as Kingsley Davis wrote: "*a policy of limiting population growth jettisons an important source of national power – namely the military and industrial value of greater population when other things are improved.*" (Davis, 1958:205). The fear from population explosion in less developed countries led to international assistance programs legitimated by humanitarian considerations. When Notestein became the first head of the United Nations Population Division, he advocated that any development assistance given to developing countries should be accompanied by fertility control programs.⁴⁷

The fear of Third World overpopulation paralleled the emergence of development economics, which was looking for answers about regional differences in economic development. While this topic itself was not new, the interest in international differences has greatly increased due to changes in the international order in the postwar era, including the collapse of colonial order. Development economics saw developing world regions such as Africa, Latin America or Asia, as simply early phases of the Western development model. This implied that there are certain stages of development, resulting in a number of theories about the process itself (Rostow, 1960; Gerschenkron, 1962). The linearity of the process was later questioned (Kuznets, 1966), but the general patterns were still assumed to be similar.

Development economics used the approach of neoclassical economics to examine the spatial distribution of growth. This dominant economic paradigm reflected the optimism over the postwar economic boom, and the positive experiences from initiatives such as the Marshall Plan. Neoclassical economists, based on the

⁴⁷ Among the pivotal events influencing these concerns were the increased number of population censuses by 1960 that showed the population boom. The 1963 population projections that indicated a considerable shift in population distribution between more and less developed regions by 2000, and the Second World Population Conference in 1965 brought up the question of relationship between population and development (Sadik, 1990).

mainstream belief in equilibrium, assumed that spatial inequalities would decrease over time, as the positive effects of growth trickle down. Development was measured in per capita income, but the distribution aspect was neglected assuming the spread effects of macro-level growth. Economists argued for government-induced industrialization, "big pushes" that would lead to self-sustaining economic growth (Rodenstein-Rodan, 1943).

As indicated earlier, the perceived role of the government in helping economic growth in lagging countries was based on the Keynesian notion of economic development, which emphasized government interventions and the parallel political and institutional modernization of the state (Peet and Hartwick, 1999). This double goal became known as the modernization paradigm. Government involvement was seen as a critical tool for addressing spatial inequalities. This vision fit very well into the goal of the major international players at that time that wanted controlled capitalist development in the Third World.

This atmosphere was very receptive to the resurrection of the interwar theories about the spatial distribution of economic growth. Walter Christaller's central place theory was also rediscovered at this time. In this theory the central place is a nodal point that provides service functions for its hinterland in a strict hierarchical system of hexagonal arrangements. Christaller was looking for rules that determine the size and distribution of cities, and focused on transportation and administration. In real life this model was quite inapplicable, but nevertheless, it was a big step in spatial development theory's ability to understand the way in which hierarchical settlement systems evolve. Christaller's theory was elaborated by August Lösch in the 1940s, arguing that consumption patterns better explain spatial distribution patterns. Lösch's central places were market centers where the exchange of goods and services happen, albeit in competition with each other. While Christaller defined his hexagons starting from the biggest cities, Lösch built this theoretical model from the bottom.

In the United States, two scholars' contribution to spatial science needs to be mentioned. One is Walter Isard, the founder of the Regional Science Association. He argued that transportation should also be taken into consideration, since development patterns along major roads are different. His work in general had a major influence on regional science and regional policy in the postwar era. The other is the geographer Brian Berry, whose work on urban and regional geography revolutionized his field in the 1960s. Berry (1967) pointed out the relation between the population size and the number of functional units in a central place.

The dominant development policy approach was the growth pole or growth center strategy, selecting growth places for investments hoping that these places will generate economic expansion in their hinterland areas.⁴⁸ Growth pole theory is usually connected to the work of Francois Perroux, although he used it as an abstract economic space. As for its practical application, John Friedmann (1968) noted that various benefits could be derived from this approach during the early phases of economic development. He argued that the initial innovations by independent entrepreneurs need the external economies of large cities. To have a successful growth pole strategy, the nodal cities should be large enough to provide the external economies, but small enough to avoid rapid overcrowding. However, as the proportion of urban population increases in a society, the importance of the growth poles declines. The change in importance is what Richardson (1981) called the polarization reversal. Identifying the onset of this reversal is crucial for policy makers, as the introduction of decentralization policies should correspond with this, and not intervene when the polarization forces are still strong.

Growth pole theory, however, did not work very well. Growth pole policies tended to increase intraregional disparities, while mitigating only some of the

⁴⁸ The growth pole is the European, while the growth center is the US version of the same theory. A good summary on this can be found at Darwent (1969).

interregional inequalities. As a response to unbalanced capital accumulation and the subsequent population distribution, governments tried to correct the situation with various regional development policies (de Mattos, 1998).

By the 1960s, however, optimism regarding the state's role in economic development, and the role of economic growth in mitigating spatial disparities slowly started to wither. The seminal study by Jeffrey Williamson (1965) concluded that although regional disparities are smaller in developed countries, there is the question whether industrialization itself can help eliminate the spatial inequalities in countries with weak socio-political structures.

Other economists, such as Gunnar Myrdal were more pessimistic about the impact of economic growth on spatial inequalities. He pointed out that if spatial disparities exist under market conditions, economic growth simply amplifies these patterns and perpetuates inequalities. Myrdal argued that the polarization effects are stronger than the spread effects, and coined the term "backwash" (Myrdal, 1957). Backwash refers to the flow of capital and especially skilled labor from less developed areas, induced by the further growth of the developed center. His cumulative causation theory acknowledged the influence of non-economic factors also.

Another economist going against the mainstream at that time was Albert Hirschman, who also pointed out the problems of polarization. He introduced the notion of backward and forward linkages that referred to the supply-demand links of particular industries creating interdependence (Hirschman, 1958). Based on Latin American experiences, he showed that economic systems evolve in individual ways, and general linear theories cannot be used to explain developmental inequalities.

The final assault on the neoclassical economic explanation of declining spatial inequalities with economic growth came from Raul Prebisch, at the UN Commission for Latin America. Prebisch (1972) argued that in economic terms, the world could be divided into a developed core and a less developed periphery. In contrast with the

conventional view, he stressed that underdevelopment in the periphery is actually caused by the interdependent trade relations between the core and periphery, in which the periphery provides primary goods in exchange for industrial products coming from the core. This fixed relationship creates dependency, from which the periphery cannot escape. This thesis of dependency, which focused on uneven power relations, was the forerunner of various political economic perspectives.

A very important characteristic of development perspectives in the postwar era was that the discourse about spatial inequalities was concentrated at the international level. Subnational inequalities were reduced to the social problems, first of all poverty, associated with rapid urbanization. The perspectives on urban-rural relations did not change a lot since the time of Wirth and Mumford. Urbanization was still seen as the ultimate way to modernity, and metropolitan areas were the national engines of growth, due to the concentration of economic activities there. Also, in the Fordist economic paradigm, economic growth and population concentration were closely connected. Since most theories put the Western experience as the model to follow, the internal spatial inequalities of Western countries could not easily find their way to the academic discourse on development. Also, postwar economic growth had provided optimism about the future spatial equilibrium between world regions for almost two decades. This economic growth and international order was guarded by the Bretton Woods institutions, such as the IMF, the WTO, or the fixed currencies vis-à-vis the value of the US dollar.

By the late 1960s, however, it became obvious that development economics and the modernization paradigm did not fulfill the promises of growth. Spatial inequalities between and within countries did not decrease, and the spread effects were too weak to induce growth in the less developed regions. Moreover, postwar spatial development considerations generally lacked the notion of locality and sensitivity to different institutional or political environments. Society proved to be too complex for

purely economic developmental experiments, or for external political engineering under the umbrella of modernization. Based on the experiences and failures of such development ideas, new schools of thoughts emerged from the perspectives of political economy.

3.3.2.3 Critics and perspectives from political economy

The late 1960s brought great social tensions around the world. In this atmosphere, most challenges toward existing ideas and practices came from a highly politicized perspective, usually from the political left. The failure of the modernization paradigm offered an opportunity for approaching spatial inequalities from neo-Marxist perspectives such as dependency theory and world systems theory. While both theories were developed to explain international differences, the same logic can be used to understand internal spatial inequalities.

Dependency theory was based on Latin American experiences, and largely composed of the work of radical Latin American scholars. It built on the ideas of the economist Raul Prebisch, discussed earlier, and was elaborated to a more political viewpoint by Teotonio Dos Santos (1970), Andre Gunder Frank (1969), and Samir Amin (1976).

Dependency theorists argued that the perspective of the modernization theory on development is ahistorical because it doesn't distinguish between various developing regions, and also assumes a linear development trajectory that follows the European model. The problem with this perspective was that European development itself altered the economic and social context in which further development took place. Dependency theory made the distinction between undeveloped and underdeveloped, and argued that the latter is a condition in which resources are being used, but in a core-periphery relation, for the benefit of the core. Hence, further growth simply

strengthens this dependency relationship, and will not contribute to structural changes in the periphery.

Although dependency theory is usually seen as a political theory focusing on international inequalities, Andre Frank actually drew his findings from metropolitan-hinterland relationships in Latin America (mainly from the late 1960s Chile). Frank pointed out that local metropolitan areas are embedded into the world context of core-periphery relations. Metropolitan areas in less developed nations act as cores at the national level, but they are peripheries if considered from the international level. Hence, he indirectly argued for universalistic relationships, which was actually his critique against Rostow in the first place.

To address this shortcoming, dependency theory took a new turn when Fernando Cardoso (1982) pointed out the existence of spatial dualism. Spatial dualism meant that within the same country both advanced and backward sectors could be found. Advanced sectors are connected to the international economy, while backward sectors serve as sort of internal colonies. Cardoso also argued that dependency is contingent on historic and social contexts.⁴⁹

Dependency theory was one root of Immanuel Wallerstein's world systems theory (Wallerstein, 1974). Building heavily on a historical perspective, Wallerstein focused on how the modern capitalist world system came to existence, and how the dynamics of this system can be explained. He saw spatial inequalities as exploitative ones, ensuring the flow of surplus from the periphery to the core. Hence, he argued, spatial inequalities are the essence of the system. Although the core can shift in terms of its location, the relationship on which the system is based remains the same.

These political economic approaches on spatial inequalities were rooted in the experience that such inequalities do not decrease over time with economic growth.

⁴⁹ It is worth noting that after Cardoso became the president of Brazil in 1994, he switched to neoliberal stands in development questions.

These perspectives have two important contributions to the study of spatial inequalities. One is that they brought power relations back into the discourse on economic development. Although most of the time neo-Marxist theories focused on why some *nations* are less developed than others, many aspects of this perspective's logic can be used in subnational analysis of uneven spatial development. Power relations and local social context that were largely neglected within the neoclassical economic paradigm of development, found their way to the academic discourse on spatial inequalities.

The other contribution of political economy is altering the dominant discourse itself. With the radical emergence of the Latin American perspectives on development, it became obvious that underdogs also have opinions. Hence, the whole neo-Marxist critique of the modernization paradigm was connected to the notion that the perspective of the core on development issues is only one perspective, and the periphery might have its own approach. Moreover, it was argued that the development course of the Western world cannot be repeated, which had significant implications on policy making as well.

Parallel with these changes, a paradigm shift occurred in urban sociology as well (Walton, 1993; Smith, 1995). Until this point, the major theory in urban sociology was human ecology. Human ecology originated with the interwar work of Park and Burgess in the Chicago School, and was elaborated by Amos Hawley (1950) shortly after the Second World War. This school connected spatial inequalities to the development of human communities in nature, and viewed the economy as embedded into a broader social context (Brown, 1998) However, despite strong attempts to merge spatial processes with social ones, human ecology was less successful in incorporating the social tensions of the late 1960s into spatial processes. Urban political economy proved to be a more powerful approach for integrating the turbulent social changes of the 1960s into the dynamics of spatial inequalities. Examples are the

work of Harvey Molotch (1976) on the urban growth machine and of Manuel Castells (1983) on urban conflict.

Similarly, rural sociology was also changing at this time along the same critical lines focusing on the functionalist nature of the urban-rural continuum (Lobao, 1996). By bringing in the power dimension, rural sociology was able to utilize the core-periphery relations in spatial development as an academic focus. Economic decentralization and population deconcentration also contributed to the revival of rural sociology in the 1970s.

The 1970s meant the end of one-dimensional development considerations, and opened up possibilities for alternative explanations. However, by this time nation states were no longer the most important actors. The economic problems of the 1970s, including the oil crisis, ended the fixed currency system. This latter was not only the consequence of global economic changes, such as the rise of Japan and the rebuilt of Western Europe, but also the détente between the US and the Soviet Union that made the necessity for a standardized Western currency system less important. The increased mobility of capital was very useful for transnational corporations seeking for the highest return of capital around the world. The era of globalization saw the emergence of these transnational corporate forces under the neoliberal development paradigm.

3.3.2.4 Globalization and neoliberalism

While the modernization paradigm was most often criticized from the left because of its international policy practice, its Keynesian economic basis was also attacked by economists who felt that bringing the state in as a strong actor is contradictory with the classical economics' fundamental assumption about the free market. As early as in 1944, before modernization was even in the discourse, Friedrich von Hayek in the *Road to Serfdom*, argued for the return to classical liberal economic principles instead

of state intervention in market relations. The mainstream Keynesian perspective, however, marginalized Hayek within economics, and his work was only rediscovered in the early 1970s.⁵⁰ Hayek's perspective was one theoretical source for the conservative-neoliberal tide building up in the 1970s, which eventually turned the boat upside down in the 1980s.

Another source for the neoliberal shift was the work of Milton Friedman and the Chicago School of Economics (not to be confused with the Chicago School of Urban Sociology). Friedman was also a firm opponent of Keynes, and argued for strict monetary control over financial policy.⁵¹ Strict control in this case meant the protection of laissez-faire economic policy, claiming that government intervention only caused inflation and indebtedness. In the second half of the 1970s, Chile served as a practice ground for this policy. After the takeover by Pinochet, Chile's economy was run by the "Chicago Boys", a group of Chilean economists trained in Chicago under Friedman. This policy, which Alejandro Ruesch (1999) called the "Invisible Hand and Iron Fist" was contested in terms of its success, nevertheless it predicted the future of rising conservative politics.

The wave of conservative politics was the third source of the neoliberal tide (Peet and Hartwick, 1999). Its international importance was especially significant in the influential Western powers, most notably under the Reagan and Thatcher administrations. In the 1980s, these conservative political administrations gave space for neoliberal economic ideas in development considerations, including spatial inequalities.

Neoliberalism is about laissez-faire economics and the free flow of capital. It is similar to neoclassical economics in assuming that free trade between the core and the

⁵⁰ In a strange twist of fate, Hayek received the Nobel prize in 1974, together with Myrdal, one of his main theoretical opponents. Myrdal actually called for the abolition of the Nobel prize when he learned that Hayek was among the awardees. The interest in Hayek's work greatly increased after this event.

⁵¹ In an interesting way, in this respect the biggest opponent of Friedman was not the Keynesian school, but actually Hayek.

periphery is essential for development in the periphery. It argues for eliminating tariffs and other barriers to international trade, which would lead to the decrease of spatial inequalities between countries. However, making the international flow of capital easier should be a concern of nation states only to the extent of getting rid of administrative barriers. Deregulation became the most important concept, applicable to internal spatial inequalities as well. After deregulation, the Invisible Hand will do its work.

In the real world, the Invisible Hand of course needs actors operating on its behalf. Under the neoliberal paradigm, these actors are the transnational corporations (TNCs). However, the mere existence of TNCs, and their power and capital accumulation can work against the Invisible Hand, since they are very powerful actors in the market, largely unaccountable to any government, let alone to communities and people in general.

The rise of TNCs is often associated with globalization. Globalization has many aspects and definitions, and it is out of the scope of this dissertation to go into this discussion in detail (a good summary can be found at Stiglitz, 2003). But note that the term almost always refers to either the increase of international trade and the flow of capital, or the increase of cultural exchange between geographic regions.

What is important for our discussion is the question of whether TNCs are better equipped, and the global division of labor is more suitable to mitigate spatial inequalities than national governments. This of course is not an easy question to answer. As discussed earlier, spatial inequalities occur for complex reasons, and they are strongly related to other type of social and economic inequalities. This issue can also be simplified to the philosophical question of whether governments should intervene to diminish uneven spatial development at all. Previous experience shows that market capitalism does not eliminate spatial inequalities, in fact it tends to maintain old forms of inequalities and create new ones. TNCs, due to their nature of

their operation, do not have an agenda of mitigating spatial inequalities. It is up to other local, national and international actors and institutions to deal with these inequalities. At the beginning of the 21st century, even organizations such as the OECD acknowledge the importance of state and local policies in promoting spatial development (OECD, 2001).

Nevertheless, government ideologies and policies might not be effective tools for addressing these inequalities. Generally speaking, it is impossible to completely eliminate spatial inequalities, and it should not be a particular goal for any policy intervention. The perspective of correcting undesirable outcomes of spatial development might be more useful, acknowledging the complex nature of spatial inequalities, and their strong interrelation with many social and economic factors.

The importance of this discussion for the present study is that Eastern European countries have become fully exposed to this contemporary globalization development paradigm during the post-socialist transformation. Since their economies faced restructuring after the collapse of socialism, the international powerhouses, first of all the IMF, were able to push the neoliberal development agenda as a requirement for monetary support. The EU integration itself also promoted the same development model of market liberalization, however with its own internal contradictions, discussed in Chapter 4.

In an OECD overview of territorial inequalities in developed countries, the authors pointed to new spatial development practices emerging from the past failures (OECD, 2001). Two points are especially important to note. One is that regional development policy should focus on all regions, and not only on disadvantaged ones. This is a step back from the equity position. The second point is that regional development should not rely on granting state subsidies for investors. This is seemingly wise advice, reflecting the perspective of sustainable, endogenous spatial development practice. But it is notable that such subsidies were mainly used by

nations such as the Eastern European countries that had a smaller share of industrial capacity, when they competed for foreign direct investment. Hence, a prescription like this has a strong statement against a particular type of national involvement in spatial development.

By the 1980s, the public perception on the relationship between migration and development has also changed. With the increase of the volume of international migration, especially the migration from the less developed countries to the developed West, opinions started to shift to a more critical stand. While until the mid-1970s, international labor immigration was seen as a contributor to economic growth, after the post-Fordist structural transformation, immigrant labor was pictured in a different way.

With this, the conventional "migration causes development" thesis cannot be longer maintained. The reverse of this logic needs to be addressed also. Development (or more accurately the public perception about development) can be an attractive pull for people in other places, or it can enhance the retention capacity of a place. Relative underdevelopment on the other hand can be a significant push factor. This relationship, however, is strongly mediated by institutional and cultural factors. A country that goes through economic recession as a whole might or might not be an example for large scale emigration. As we will see, the post-socialist transformation resulted in a significant emigration from Bulgaria, while it had an opposite effect for migration in Hungary. This shows that a population can react differently to similar changes, reinforcing the complexity of the relationship between migration and development. Contemporary studies are usually cautious and argue that there isn't a uniform connection between the two, and the available evidence is inconclusive (Nyberg-Sorensen et al, 2002).

As a summary at the end of this historic overview, we can say that there are two main dimensions along which spatial development thinking has been changing in

the last century. One is the role of the state in development. It was neglected until the Depression, and then emphasized until the 1980s, while now the state's preferred role is to provide regulations to assure the global flow of capital and labor. The other dimension is the view of urbanization and population concentration. Until the mid-1970s, economic growth was closely associated with population density, and urban areas were considered as preferred locations of economic activities. However, with the end of the Fordist economic production paradigm, and the structural changes in the economy of developed countries, this clear urban-rural difference cannot be maintained any longer. While rural areas were largely left behind in spatial development considerations until the 1970s, this structural economic change, along with the never before experienced population deconcentration, triggered a new line of thought, and rural development has become a distinct development agenda. The next section will cover this changing discourse.

3.3.3 Spatial inequalities through the lens of urbanization

3.3.3.1 Cities and modernity

The fundamental historical role of cities in the development of social organization, economic activities and political thought is uncontested. The great cities of Rome, Greece, the Middle East or China were important incubators of the development of legal institutions, public administration, a complex division of labor, or sophisticated political rule. Hence, until the 17th century, the control of the cities was imperative for being in power, although most of the medieval royal revenues came from the land itself.

Although originally cities were closely connected to the ruler, there was a slow, but important change in the social fabric of Western European societies during the 14th-17th centuries. Urban communities have become more powerful, and were

able to negotiate legal and administrative autonomies. These urban communities in Western Europe differed from their rural counterparts in having complex social structure, sophisticated political relationships, and more individual freedom at the expense of kinship hierarchy. The medieval German saying "*Stadtluft macht frei*" ("City air makes you free") originally emerged as an offer for legal protection, but at the same time reflected the transformation of social relationships one was about to experience when leaving the countryside. The Occidental city in the late medieval era became the cradle of market capitalism. Capitalism and modernity were interconnected, and cities became the places of complex division of labor and social organization.⁵² This change was in sharp contrast with the conditions in rural areas, fostering a dual picture of the city and the countryside in Europe in the late medieval era (de Vries, 1984). This historical dualism, originated in the European experience, determined the later concepts of urban and rural.

The structural transformation in Western Europe took a long time, during which an interrelated important change has occurred. From the late 18th century Western Europe has experienced a population explosion, in which the cities had their own share. The urban population explosion was mostly made possible by the improvements in sanitation, nutrition and public health. Between the early 19th century and the First World War, the urban population of Europe grew approximately sixfold (Hohenberg and Lees, 1995). Within this absolute growth, the proportion of urban population tripled, while the total population itself doubled. However, as the authors concluded, this European urban expansion was quite uneven, and until the First World War Europe remained predominantly rural.

⁵² Max Weber pointed out that political autonomy and the growing importance of commerce and money economy, with the private property rights were considered to be special characteristics of urban places (Weber, 1966). The unique social relations emerging in these places meant the shift to modernity for a number of classical sociologists besides Weber as well. Ferdinand Tönnies (1887) noted the change from *Gemeinschaft* to *Gesellschaft*, Durkheim (1893) argued for the change from mechanical to organic solidarity, while Simmel (1950) pointed out the relation between modernity and the life in the city.

By the late 19th century, modern urban life was not only cherished, but also critiqued. Friedrich Engels in his classic study of Manchester, *The Condition of the Working Class in England*, investigated social problems that emerged with the breakdown of traditional social organization. He observed residential segregation, uneven development and other unwanted side effects of industrial capitalism and modern city life. This work was one fundamental component of the emerging Marxism. Marxism did not reject the notion of connecting urban life to modernity, especially when pointing out to the idiocy of rural life, but argued against the uneven distribution of benefits.

In the late 19th century, urban growth in the United States was also remarkable. Although the relationship between industrialization and population concentration was the same as in Western Europe, urban development in the US had certain peculiarities (Gottdiener, 1994). In the US, real estate development had a much bigger impact on urban growth, strong individualism limited the role of the state, large-scale immigration created a population boom in gateway cities, and the metropolitan spatial structure was different from Europe's urban morphology.

The technological innovations in the late 19th and early 20th century made it possible for the modern city to rise above the clouds. Improved construction practices, first of all in the steel industry resulted in taller buildings. The spread of electricity allowed the use of elevators and mass transit systems. Automobile enormously extended transportation possibilities. These changes penetrated all Western urban areas, but their impact was the greatest in the US. The urban United States was entirely established in the modern era, while the Western European cities were equipped with a considerable historic inertia, which limited the extent to which city space could be reorganized.

Technological innovations and the new landscape of the city altered urban social environment as well. Until the early 20th century, inner cities or downtown areas

were the most prestigious residential locations. Later, inner cities were transformed into business centers with disturbing congestion, and those who could afford it opted for the suburbs, especially after suburbia has become more accessible.

Urban modernity had its price. Population and resource concentration not only boosted economic production, but created social problems as well. These problems are partly connected to social stratification, as urbanization altered the structure of the society, and partly to subsequent changes in collective behavior. Urban problems, such as increased crime, poverty, homelessness or fiscal hardships in public services are all negative results of this social change. At the same time, luxury housing and upscale stores are also present in the city. This dual nature of urban space reflects spatial and social segregation.

In the interwar period, Louis Wirth (1938) focused on how urban relationships are different from rural ones, contrasting primary and secondary group relations, and how do they lead to negative aspects of city life. Thirty years later Herbert Gans (1968) suggested a different perspective. According to his compositional thesis, the real difference is between the city and the suburbs. While there are obvious differences between the population of urban and rural areas, the differences between the inner city and the suburbs are more based on class, race or occupation, the traditional segregating factors. Note that in these 30 years settlement morphology has changed a lot.

By the late 1960s, the complexity of social organization in the settlement system brought up the need for reconceptualizing the original urban-rural distinction. The suburban sprawl together with the inner city decline changed the vision of the city and urban modernity, especially in the United States. The post-Fordist economic restructuring in the 1970s, with rising poverty in the US and cutbacks in the welfare state in Western Europe, indicated a major paradigm shift in how the spatial

distribution of people and resources is conceptualized vis-à-vis modernity. In this new picture, scholars and policy makers started to see rural areas differently as well.

3.3.3.2 The notion of rural development

Until the 1970s, rural areas⁵³ from a developmental viewpoint were either seen as backward regions hindering the economic growth of the nation, or simply labor reserves providing manpower for the growth of urban areas. In some countries there were sentiments about the traditional rural way of life, and its role in defining national characteristics or culture, but resource redistribution toward rural areas was only seen as charity transfer, and not as a contribution to a feasible and sustainable development alternative. Accordingly, rural development was mainly concerned with alleviating rural poverty compared to urban standard of living.⁵⁴

In the 1970s, as it has already been mentioned, two major changes altered this conventional perspective about rural areas and rural development. The structural transformation of the Western economies into a postindustrial phase, emphasizing the importance of knowledge-based sectors made the location of economic activities a very different issue. The comparative advantage of high-density urban areas has declined, and rural areas were increasingly seen as potential locations for these new industries, or at least rurality was less seen as an ultimate development obstacle. This has been a slow process though, since urban areas generally maintained their advantage in providing a better environment for knowledge-based economies (OECD, 2001).

The second change in the 1970s was the unprecedented population deconcentration. As has been discussed earlier, this was a surprise for most scholars

⁵³ In this section, I put aside the fact that "rural" means different things in different countries and use this term from a general policy standpoint, simply differentiating it from its urban counterpart.

⁵⁴ One example for this can be the Rural Development Act of 1972 in the US.

and policy makers. These two changes put rural areas into the development focus. Rurality was not simply seen as a development problem, but more of a potential in some cases. These changes about the notion of rural development were urged from the other direction as well. With the decline of traditional manufacturing and related industries, there weren't attractive and easy employment opportunities for rural outmigrants any longer. Policy makers had to approach this problem by increasing the retention potential of rural areas.

An inherited problem with rural development is the strong belief which equates rural with agricultural. While it was probably true in the distant past, from the mid-20th century rural economies has become much more diversified, partly due to the long structural decline of agriculture as the major rural employer or contributor to economic output. While this decline was associated with the notion of rural areas as labor reserves, in postindustrial societies further agricultural decline does not occur together with the growth of manufacture in urban areas. Accordingly, the issue is how to retain rural workers if lost agricultural jobs are not replaced by manufacturing.

This view of conflating rural and agricultural was supported by the strong agricultural lobby interests in developed countries. Resources transferred to rural areas are vital to agriculture, and agribusiness representatives constantly point out the dominant role of agriculture in rural areas, albeit mostly without much empirical support. In some cases, such as in Eastern Europe, policy makers also share this vision, building on anachronistic cultural patterns and historical periods before industrialization, or simply exploiting rural-based political movements for electoral support. We note though that Eastern Europe was isolated from this perspective change until the early 1990s, when the EU directives on spatial development required Eastern European policy makers to acknowledge the importance of rurality as well. Also, the approach of international donors to rural development, such as that of the World Bank, is still almost exclusively based on the development of agriculture.

Rural development is a proactive notion, strongly connected to central policies and concerns about rural areas in general. But rural areas are extremely diverse, creating significant difficulties for central development strategies. This makes it very difficult to tailor any type of central rural policy to be appropriate to specific locations. Policy intervention contributing to development in one place can be inefficient or even detrimental in other places.

In the United States by the late 1980s, considerable experience accumulated in rural development, especially when the US went through an unexpected rural decline after the population deconcentration in the 1970s. Scholars, however, noted the lack of rural policy, or its close association with farm policy (Reid and Long, 1988). Instead of systematic rural policy, they observed, the US had a number of programs affecting rural places and people. It was also pointed out that due to the global changes and the macroeconomic restructuring, by the end of the 1980s rural areas and economies were no longer isolated from mainstream economic, political and societal processes (Summers, 1993). This also means that rural development should be more than the conventional notion of simply alleviating rural poverty, and should develop a more comprehensive approach to addressing rural disadvantages. However, experts advised against establishing a generalized rural policy based on the diversity of rural areas (Brown and Deavers, 1988). One additional problem was noted very early on, namely that policy decisions about rural areas are made by persons with an urban perspective, and hence there is a built-in bias in the perspective of policy makers. This is strongly connected to the weakness of the rural constituency (Powers and Moe, 1982).

This weakness refers to a general observation about rural development, namely a traditional condition of institutional neglect (Browne, 2001). This condition, however, does not apply to all aspects of rurality. As it has been noted, agricultural and environmental issues have received political attention due to a cultural mystification in the American public for rural people and communities (Brown and

Swanson, 2003), and heightened interest in environmental issues since the 1960s. But as the authors pointed out, these issues are relatively detached from the everyday social problems and concerns of rural America. Agriculture and environmental issues seem to exist in isolation from rural development, as their stakeholders do not primarily live in rural areas.

Similarly to the early US context, rural development in the European Union was also strongly attached to agricultural policies. In fact, the dominance of the Common Agricultural Policy which supported agricultural production has been hindering the emergence of a more complex vision about rural development for a long time. From the late 1980s, the reform of the CAP has always been on the agenda, but without any success. The 1996 European Conference on Rural Development in Cork was an important milestone which articulated a new vision of rural development, summarized in the Cork Declaration. However, the new rural development policy introduced in the Agenda 2000 document offered little improvement compared to the previous policy driven by agro-industrial interests (Baldock et al, 2002). Although the Agenda 2000 established rural development as a second pillar of the CAP, development practice generally remained the same and EU rural development programs are seldom more than hidden production supports for the agroindustry.

So far, every attempt to break the dominance of agribusiness interests and the CAP in rural development has failed. In 2004, the European Commission accepted a proposal to reform and simplify rural development practice of the EU. This proposal contained three objectives: (a) improving the competitiveness of farming and forestry; (b) environment and land management; and (c) improving quality of life and economic diversification. Among these objectives, only the last one is not agriculture-oriented. Moreover, the proposal clearly states that rural development policy cannot be divorced from its role as the second pillar of the Common Agricultural Policy. Although a new fund has been established, its name, the European Agricultural Fund for Rural

Development (EAFRD), mirrors the prevailing ideological and developmental order. Hence, despite any rhetoric of moving away from agriculture, the rural development practice of the EU is still dominated by large agribusiness interests, backed by countries such as France and Spain whose producers benefit from this the most.

Rural development policy makers in all postindustrial countries struggle with the changing definition of rurality. Parallel with the structural changes, albeit with some delay, the discourse about rurality itself also emerged. By the 1990s, it became obvious that rural areas have been transformed in fundamental ways. It has already been mentioned that agriculture is no longer the dominant employer in rural areas in developed nations. Rural communities became much more diverse, partly due to the diversification of economic activities, and partly because of the appearance of new social and residential groups. This also implies that rural is no longer a synonym for backward. We can find many examples of successful rural communities that are able to exploit various opportunities of tourism, suburban residential development, or particular industrial developments. Experts noted that past policies focusing on rural areas as a single block are no longer useful, and also pointed out to definitional problems (Pezzini, 2000). As rural societies became more heterogeneous, discourses about rurality and rural development became more frequent. But as Csirtes and Kovách (2002b) demonstrated by the European example, this discourse is not recognized by its academic value, but because of the positioning of political interests around resource redistribution.

The theoretical approach and practice in the EU is much more than simply an issue of rural development. It is a systematic approach to spatial inequalities, originating in the 1970s when it became obvious that the European economic integration in itself will not mitigate spatial disparities. This approach is the subject of the next section.

3.3.4 A systematic approach: spatial development in the EU

The European Union has had a spatial development perspective since the 1957 Treaty of Rome, which stated the need for reducing regional differences, and addressing the backwardness of particular regions. However, in the postwar economic growth of the late 1950s and 1960s, these considerations were not seen as particularly urgent. The core members (with the exception of Italy) did not have significant spatial inequalities, and it was assumed that the integration would enhance economic growth and thus eliminate the existing spatial disparities. Due to this relatively low preference, no particular institution was created to administer spatial development.

In the early 1970s, after new members (Great Britain, Ireland and Denmark) joined the EU, regional disparities became more visible. The economic growth of the postwar era was about to end, and the core members were worried that the future monetary union would be endangered by regional inequalities. Reports suggesting resource transfers from the richer to the poorer countries, such as the Thomson-report, however, have met harsh resistance (Kozma, 2003). The structural changes of the Western European economies, related to the oil crisis and the subsequent recession, hindered such supranational actions. Moreover, the large postwar birth cohorts just entered to working age, and national governments had to spend on their employment which also magnified the problems and the visibility of regional inequalities.

Eventually in 1975, two years after the first enlargement, the European Regional Development Fund (ERDF) was created to address the development problems of lagging regions. The two-wave southern enlargement (1981: Greece, 1986: Spain and Portugal) made regional disparities even larger, hence in 1986 the Single European Act laid the basis for the so-called "cohesion policy" to address the problems of new members in the single economic market of Western Europe. The importance of this was that regional or spatial development policy became a part of

supranational law. The notion of cohesion in regional development also meant that regional disparities were considered as an important obstacle for successful political integration.

The end of the 1980s was a turning point for the EU regional development practice in many respects. The internal regional inequalities of the newest members were much larger than the EU average at that time, and these countries were also much less developed in general. The need for regional policy reform resulted in reorganizing the various funds (including the ERDF) that had been created earlier for mitigating regional inequalities. In 1989, these funds became coordinated with the name of Solidarity Funds, now known as Structural Funds.

An additional change was that until 1988, regional development funds were distributed among nation states that used these resources to conduct national development projects. This was a problem for the European Commission which tried to strengthen its position by pushing the regionalization agenda as opposed to national resource redistribution, thus it reached beyond the national governments, and made regions directly compete for resources. The European Commission does not interfere with the structure of national public administration, but through the process of resource redistribution it has a significant leverage over the territorial structure. The impact of this interference is clearly demonstrated by the territorial changes of the Eastern European countries (Kulcsár, 2003).

Part of this agenda was the promotion of a universalistic statistical classification scheme developed by the Eurostat, and making it the basis of regional policy making. The importance of this comes from the reform of the Structural Funds in the late 1980s. Until that point, it was the task of each national government to define regions in an uncoordinated manner; hence these regions followed historic territorial development patterns which made coordinated regional planning and policy-making almost impossible. The new scheme, called the NUTS system, included five

levels of normative and analytical territorial units that are embedded into each other.⁵⁵ Normative regions have public administrative responsibilities derived either from contemporary political will or historic traditions of governance. Analytical (or planning) regions do not have public administrative entity, but are created by governments based on some characteristics that make them homogeneous either from a geographic or a socio-economic viewpoint. Although the trend leads toward more supranational regulation, member states still retained considerable autonomy to define and administer territorial units.

In the early 1990s, the EU spatial development policy was revised again for various reasons. First of all, the 1993 Treaty of Maastricht set the very difficult goal of economic and monetary union. The less developed member states immediately faced hardships to meet the requirements. To address this problem, a new resource, the Cohesion Fund was created, focusing on environmental, communication and transportation programs. The Cohesion Fund was restricted to the EU's four poorest countries at that time (Spain, Portugal, Greece and Ireland).⁵⁶ The third enlargement in 1995 (Austria, Sweden, Finland) also created new issues in regional development. The

⁵⁵ NUTS = Nomenclature des Unites Territorialism Statistique (Nomenclature of Territorial Statistical Units). A NUTS 1 unit includes a number of NUTS 2 units, which includes a number of NUTS 3 units and so on. The NUTS 1 is the country level for smaller nations (such as Hungary, Ireland or Denmark) or the large province, such as the German Länder. The NUTS 2 level can be thought of as macro-region, while the NUTS 3 level is usually the county level. The names are arbitrary because each member state has full authority to create its own units, including both the geographic borders and the political or administrative responsibilities. The only guideline from Eurostat is a population limit: NUTS 1 units are between 3 and 7 million, NUTS 2 units are between 800,000 and 3 million, while NUTS 3 units are between 150,000 and 800,000 in terms of population. There is a wide variety of regions in the various member countries due to the significant size differences and historical administrative traditions. Luxembourg for example appears as a country at all three NUTS levels. Also, countries do not fully comply with this system, as all three NUTS levels contain several outliers in population in both directions. The other two levels that usually referred as NUTS 4 and 5, are in fact local administrative units (LAUs). These units are not subject to NUTS regulation, however they are important parts of the territorial structure of the EU. LAU 2 (formerly known as NUTS 5) is the level of municipalities, while LAU 1 is the micro-region. This latter, however, is not defined in all member states. Appendix 1 shows the EU classification scheme in details for the year 2003.

⁵⁶ While cohesion is an important notion of territorial redistribution, these policies are in fact implemented through national redistribution schemes due to decentralization, another important notion. Weak national capacity in many cases goes against the intended impact of cohesion policies (OECD, 2001).

best known among these was the special problem of low population density regions, and with the successful collective bargaining of the Scandinavian countries this consideration was built into the EU's regional development agenda.

The future course of the EU spatial development was outlined in the European Spatial Development Perspective in 1999. This document focuses on three objectives: (a) economic and social cohesion; (b) conservation of natural resources and cultural heritage; and (c) more balanced competitiveness of the European territory. There is a lot of contradiction in this, just as in most EU documents, because while it puts a lot of emphasis on social and regional cohesion, it also argues that European competitiveness is based on large metropolitan growth poles that represent the EU in the global economic competition.

The constant revisions, reforms and experiments in the EU approach to spatial development are results of three major processes. First is the growing institutional complexity of the EU. With a growing number of countries and national interest within the EU political and economic framework it is more and more difficult to maintain development agendas that were outlined decades earlier. Secondly, the world has changed since the establishment of the EU, and globalization dictated an economic competition between world regions. In this competition the EU is lagging behind the US and Asia, and institutional reforms were implemented to make the EU more competitive, however without much success yet. And third, many of the changes were results of the road to fourth enlargement that incorporated a large part of the Eastern Europe periphery. The special development problems of these countries also made the institutional reforms necessary. The Eastern European experience will be discussed in Chapter 4 in detail.

3.4 Policy approaches to population redistribution and spatial development

3.4.1 The definition and classification of policies

The importance of policy making lies in the continuous efforts of governments and international organizations to direct societies to a future situation that is considered desirable, and react to various socioeconomic problems and opportunities that exist in the present. Although the term 'policy' is used rather vaguely, most scholars argue that it is more than just a simple aggregation of particular programs or projects. Policy has to be a systematic strategy to address major societal concerns in a coherent and comprehensive way in order to influence the organization of social and economic activities.

The line between programs and policies is not always clear, and we have to take into consideration the political economy of policy making as well. Governments and international organizations prefer to use the term policy to imply that they have a coherent vision on a particular phenomenon. It is very difficult to set a standard on where policies end and programs begin. Policy is a comprehensive strategic vision including a course of actions, while programs are rather tactical interventions. I will use the term policy in a broad sense, to refer most governmental intervention even if it is considered as a policy only by the intervention actor and not necessarily by the academic community.

Three major types of social policies can be identified which contribute to spatial development. Population policies deal with demographic issues: "*Population policy may be defined as deliberately constructed or modified institutional arrangements and/or specific programs through which governments influence, directly or indirectly, demographic change.*" (Demeny, 2003:3). Economic or sectoral

policies are designed and implemented when the allocation of resources by the market alone does not meet the state's objectives. These objectives can be either economic or political, and in many cases, political considerations are behind economic policies. Hence, in this case state intervention is only partly associated with reaching an imagined optimum distribution of goods and resources. The third type of policy is the group of territorial or spatial policies that focus on places, and not on people or on economic sectors.

Since population, places and economic activities do not exist in isolation from each other, all these targeted policies have consequences in the other realms also. In most cases there is a correlation between certain place characteristics, population structure and patterns of economic activity. From this viewpoint, it is up to the policy maker to decide which intervention target would serve the proposed goals best. This targeting decision is influenced by the dominant development ideology, the available resources, their toolkit, the degree of possibility of intervention, and many other circumstances existing in real life contrary to laboratory situations.

Demeny's definition of population policies seems to be a useful summary of policy making in general. However, I argue that it does not fully capture the fact that policies are not stationary regulations, rather processes composed of at least six major steps (Figure 3.1). This approach of looking at policy as a process allows us to make comparisons between policies that aim at similar goals, but which build on different social environments and use different measures.

To summarize this process, policy making starts with assessing the future. Policy makers have to have a clear picture of the future without policy intervention, and they need a baseline against which to measure change. This assessment should be as accurate as possible, otherwise even the most careful policies can result in unintended consequences. After this initial assessment, policy makers have to establish goals. These goals are future manifestations of (what is considered to be) the

common good. Establishing goals implies the selection of a time period within which these goals should be reached. The next step is to determine a particular course of actions to accomplish the goals. This is where policy making begins to narrow down. After the actions are chosen, policy makers have to obtain and allocate resources to implement the policies. If the planning phase is interactive, the course of actions is determined along with taking into consideration the available resources. After the resources are allocated, implementation, the crucial operative part of the policy follows. This where the narrow approach ends but one important step, evaluation, remains. Evaluation or monitoring should be a continuous process, allowing corrections, to avoid the unnecessary use of resources, or even making the situation worse. Finally, after the evaluation, the process can start from the beginning.

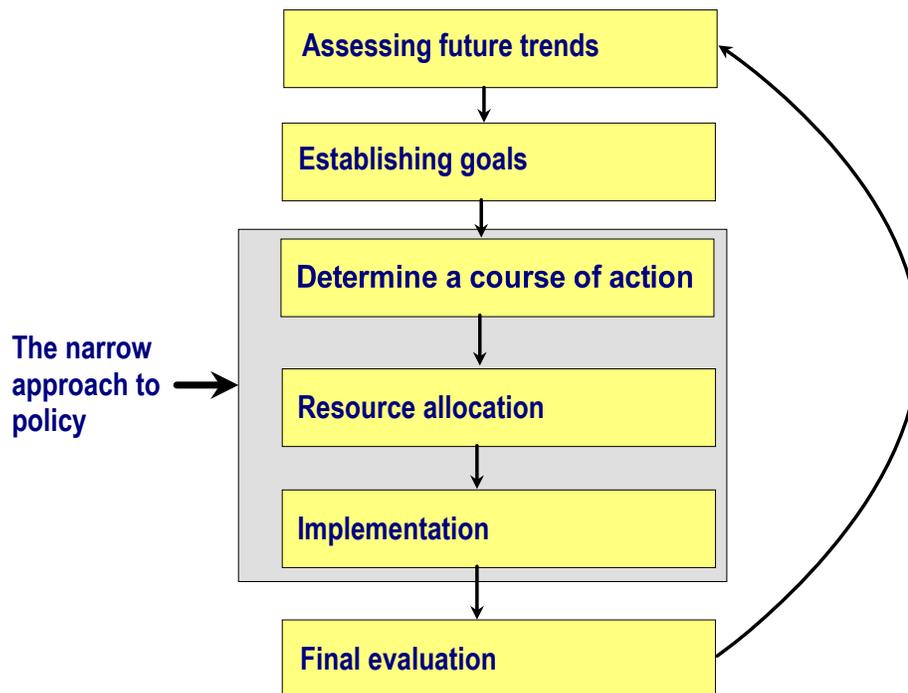


Figure 3.1 The composition of policy making

Writing about population policies in developed countries, Berelson (1974) pointed out another dimension of the question. According to him, a narrow definition of population policies only includes those policies that are explicitly aimed at demographic consequences, while a broader definition can include other policies which are not explicitly demographic, but that *could* have demographic consequences. These can be economic interventions, education, health, housing and other social policies with implicit population impacts. This points to the largest challenge for population policies: if explicit and implicit policies are not consistent, the established goals most likely cannot be reached. This is also true of economic policies, not to mention the fact that various policy domains are strongly interlinked in their goals and impacts.

It is impossible to create a sterile and isolated environment in which the society can be modified according to the policy makers' will. A society is a very complex entity with many components constantly interacting with each other. Intervention targeted to one component will invariably cause changes in other components. However, this complexity is often ignored. Figure 3.2 shows the conceptual field of this problem, illustrated with population policies.

All policies are determined by the dominant development ideology. Policy makers can create explicit and implicit population policies. Explicit population policies have intended and unintended consequences on demographic processes, while implicit population policies can also have unintended consequences. Explicit population policies on the other hand can cause not only demographic, but also economic, cultural or political changes in the society. For example abortion regulation or a system of maternal benefits can change the views on gender issues, or change the economic situation of women.

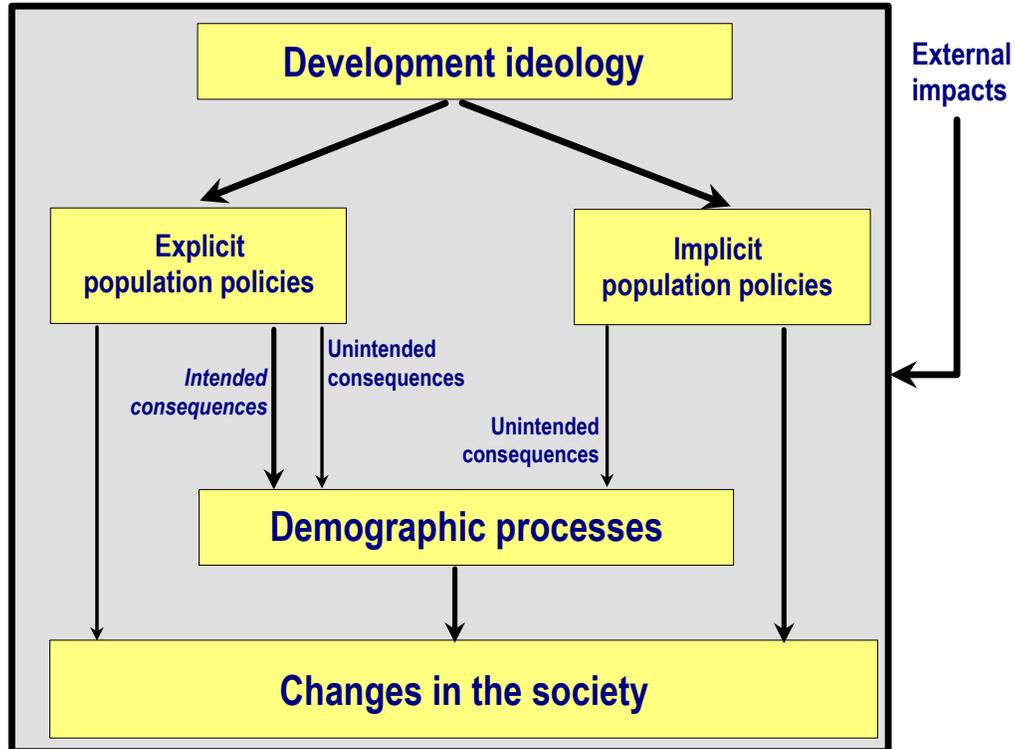


Figure 3.2 The conceptual field of population policies

External processes impact the system at all levels. For example, development ideology can be determined from outside, like the postwar socialist turn, or the post-socialist neoliberal agendas in Eastern Europe. With respect to policies, a particular model of family planning or urban industrialization can be adapted from other countries. Demographic processes themselves can also reflect international changes, such as the diffusion of childbearing or gender norms (Cleland and Wilson, 1987; van de Kaa, 1987).

Policy-making and implementation is a complex process where insufficient information and unintended consequences can hinder reaching the goals. Accordingly, policy makers have to adjust different policies to each other. Unfortunately, different sectoral policies often contradict each other. In a paradoxical way, if state capacity is relatively high for policy intervention then intervention will be frequent and comprehensive. This was the case in Eastern Europe during socialism, when the

possibility of central planning opened up the inventory of state policies, among which many were contradictory or counterproductive.

Also, policy formulation is both an intellectual and political process (Brown, 1998). Since policies allocate resources according to some overarching ideology, certain groups or places benefit differentially from this allocation. In many cases, the intellectual and political parts of policy making are contradictory or even conflicting with each other. This is especially true in countries where intellectuals are more closely connected to state service, and states have significant leverage over them, such as in Eastern Europe.

There are two competing notions about policy intervention. These notions, efficiency and equity, refer to two very different approaches to perceived inequalities, both in theoretical and policy considerations. The difference is especially visible with respect to policies concerned with spatial inequalities. Efficiency approaches focus on areas or sectors that have potential for development on their own, and assume that spread effects will occur in their hinterlands. Also, this perspective is driven by acknowledging the importance of market competitiveness. Equity approaches, on the other hand, target areas that are lagging behind, and transfer resources to them from more developed regions. The philosophy here is that underdevelopment is not these regions' own fault, and there is a collective obligation to support them. In many cases the efficiency-equity relationship is seen as a zero-sum game, assuming a necessary tradeoff between the two. The traditional economic argument is that efficiency is the highest if the market is left alone to operate. Equity necessarily requires some kind of regulatory intervention; hence it has a negative impact on efficiency by definition.

Efficiency positions are criticized for resulting in little change toward the aimed equilibrium. Equity positions are criticized for diminishing the overall level of national growth and creating a "race to the bottom" to be eligible to central resource transfer. Spatial equity programs are often seen as wasting resources and postponing

inevitable changes. In reality, efficiency and equity goals are often mixed together, although seldom intentionally. Various policy interventions might take different approaches at the same time. For example, economic development policies can emphasize efficiency to induce economic growth by various incentives. At the same time, social policies generally operate along equity considerations, and transfer resources to those in worse situation. It is the policy makers' difficult task to find a balance between these two perspectives.

3.4.2 Population and economic policy considerations over time

Population and economic policy considerations started from a very similar ground in the early modern era.⁵⁷ The late 17th and the 18th century in Europe was the period of mercantilism and general optimism about population and economic growth. The mercantilist state saw population growth as the reflection of national power and a major source of public income. Although it was believed that a theoretical limit of growth exists in the future, a systematic investigation of the components of population change was yet to come. Intellectuals were generally optimistic about population growth and its implications for economic growth and increased well-being. Later more concern was articulated, but the population debates between Goldwin, Smith, Malthus, Ricardo, John Stuart Mill, Marx and others lacked detailed policy prescriptions.

Nevertheless, even before the emergence of Keynesianism, the state influenced economic development and population change as well. Public investment policies to build service infrastructure, such as roads, hospitals, and schools are an example for this. The attitudes of governments toward population issues were usually based on the perception of the following two relationships: 1.) population and national power,

⁵⁷ A rich summary of the early theories on population and economic development can be found in *The Determinants and Consequences of Population Trends*. Vol. I. United Nations, New York, 1973.

inherited from the Napoleonic era with the emergence of mass military mobilization; 2.) population and development, with the latter mostly conceptualized as economic well-being. Based on a consideration of these two relationships, policy makers tried to influence population size and composition, guided by the dominant "growth is good" ideology of the time.

Since explicit population policies require a coherent concept about the relationship between population and economic development, we cannot talk about such policies in premodern societies. Besides external events, such as famine, war or epidemics, demographic behavior was guided by the general social norms and not the central government's ideas. But with the birth of the nation states, the concept of public good emerged, and the state gained leverage over the population and developed methods to influence demographic behavior.

From the 19th century on nation states focused on certain policies to affect industrial development, public health, sanitation, education, transportation and other issues that had both direct and indirect demographic consequences. One particular and direct population policy at this time was the immigration policy of the United States. Attracting emigrants from Europe was an important component in the population growth and the industrial development of the US in the early 20th century, and various policies from recruitment to land distribution helped to maintain the flow of immigrants.⁵⁸

Until the Second World War, European population policies were national issues that often addressed the interwar low fertility. These policies were strongly connected to labor supply and military might, corresponding with the general atmosphere of that era. But population policies soon became a subject of international concern, because of a number of interrelated reasons. Among those are the postwar

⁵⁸ Obviously immigration to the US had complex causes, among which policy was only one, but we can consider this policy as one of the first modern policies directing population redistribution.

globalization of economic activities, the global power considerations of the Cold War, the formulation of the theory of demographic transition, the rise of the modernization as the dominant development ideology in the 1950s, and the rapid postwar population growth in the developing countries. At this time rapid population growth was seen as a major obstacle to economic development (Coale and Hoover, 1958). The developing world of course contested this view, and the debate culminated at the World Population Conference in Bucharest in 1974 (Cassen, 1994).

Eventually, population and economic development were de-linked from each other, in terms of assuming a general and linear relationship between the two. Gaburro and Poston (1991:22) wrote: "*The numerous empirical studies examining the relationship between per capita output and population growth lead mainly to one result: the lack of a direct and clear connection or association between population growth and economic growth.*" They argued that it is very likely that rapid population growth merely aggravates the negative symptoms caused by other factors such as failed development policies.⁵⁹

While the developed countries were preoccupied with finding the best contraceptive to curb the Third World population boom, they were less concerned about population decline at home. This phenomenon was not new, being a temporary characteristic of the interwar period also. Hence, misguided by its own interpretation of the negative effects of population growth, the Council of Europe (1978) issued a report describing the advantages of population decline and aging. By the end of the 1970s, however, total fertility rates in Western Europe remained under the replacement level of 2.1 permanently, finally ringing the alarm. Only five years after the publication of the aforementioned report, a statement of the European Parliament

⁵⁹ Also, as McNicoll (2003:13) noted: "*The income-fertility relationship [...] makes clear both that a broad negative relationship exists and that a lot of variance remains to be attributed to other factors. But such factors would necessarily include also the many aspects of development poorly captured by income.*"

noted: "*Population trends in Europe will have a decisive effect on the development of Europe and will determine the significance of the role which Europe will play in the world in future decades.*" (Furedi, 1997:13). This statement should be seen in the light of changing perception of population growth, partly based on the work of Julian Simon (1981) who argued that population is the ultimate resource.

Population aging is a new, unprecedented phenomenon in history. At the present time it is pervasive, and will most likely affect more and more countries. According to the UN prediction, by 2050 the number of elderly persons will exceed the number of young in the first time in history (UN, 2001b). While aging is not as strongly attached to economic development as population growth has been, more and more policies are addressing this issue, recognizing its economic negative implications. Nevertheless, today population policies are considered less effective than they used to be.

Economic policies themselves have gone through significant changes since the Second World War. Until the 1980s, most economic policies were sectoral policies, promoting the development of particular industries. Most of these policies did not have explicit regional aspects, as they were national policies focusing on key industries such as heavy industry, petrochemicals or manufacturing. From the 1980s, many economic policies were crisis interventions, targeted on declining industries. They were results of the institutional inertia and emerging social problems, such as unemployment and poverty that was associated with structural change.

In the last 25 years, it became more and more obvious that national policies are less and less effective in addressing domestic economic relations because of the increasing global economic interdependence. As a result, most developed countries largely abandoned their previous sectoral economic policy approach, and turned to developing macroeconomic policies. Macroeconomic policies regulate the flow of goods and services through various monetary tools. While they are national policies,

in this case the international flow of capital and labor is a main contingency that must be considered and harmonized with.

Both sectoral and macroeconomic policies struggle with the challenge that particular regions benefit more than others from public intervention. In some cases the positive impacts in one region are counterbalanced by the same policy's negative impacts in another region. Obviously, it is very difficult to design national policy to meet the demand from both developed and less developed regions. This brings back the issue of efficiency and equity considerations. Policy makers often argue that macroeconomic policies are driven by both equity and efficiency considerations, hence promoting overall growth and spatial equilibrium. But many contest that such policies increase territorial equilibrium and reduce spatial inequality.

Long before the emergence of deregulative macroeconomic policies, states tried to address the problem of uneven territorial development, population distribution and migration. In the next section, I discuss the theories and conceptual considerations behind population distribution policies.

3.4.3 Theories behind population distribution policies

Population distribution policies are a subgroup of population policies, thus bear the same structural characteristics. Almost all population policies have some spatial effect, because the distribution of population in space is uneven. However, among population policies, the ones that address the spatial distribution of population have been given the lowest priority (Alonso, 1972). Also, population distribution policies are extremely complex issues, because of high spatial heterogeneity and the unpredictability of the response of the different populations to policy tools.

Population distribution policies typically have two dimensions. One is the regional and the other is the hierarchical distribution of population. In many cases

these two dimensions cover the same population flow: people leave underdeveloped rural regions and move to more developed urban areas, making a regional and a hierarchical move at the same time.

Population distribution policies after the Second World War mainly focused on urbanization. In socialist countries there was a short period of urban growth promotion, but from the 1960s, most countries tried to achieve a more balanced spatial structure. But industrialization kept favoring large urban areas, and at the same time high rural fertility made these policies unsuccessful (UN, 1993).

Most researchers and policy makers agree that migration is a response to the uneven spatial distribution of economic activities. In a capitalist system, hence, migration is affected by the free market, which allocates resources among locations. As it was noted in the American example: *"In a market economy such as the United States, the key premise underlying policy development is that solutions to the nation's needs must be found, for the most part, in the private sector. Market processes are relied upon to allocate resources efficiently and to provide new jobs, rising incomes, and improving quality of life."* (Berry and Silverman, 1980:6). The United States however, although being less eager than Western Europe to promote policies that interfere with the market, has its own advocates for some state intervention in the spatial location of economic activities. As Greenwood wrote: *"In certain instances, without public intervention the labor adjustment process would require indefinitely long periods during which socially unacceptable hardships would be borne by the less adaptable (i.e., less mobile) persons in society."* (Greenwood, 1980:150).

Probably the most problematic aspect of population distribution policies is the uncontrolled and unintended spatial impacts of other, non-spatial policies. As Alonso (1972:645) noted: *"Direct policies to modify geographic distribution have been generally ineffective and sometimes counterproductive because they have underestimated or misjudged the connections among elements of the system along*

dimensions other than geographic. Conversely, many policies and public action whose main thrust is not territorial turn out to have strong geographic consequences which are normally not intended." A 1979 UN workshop on population distribution policies reached the pessimistic conclusion that population distribution planning in capitalist countries has serious limitations (Richardson, 1981).

First, as Richardson argued, planners cannot directly control the movement of population, only operate through various incentives. Second, individual decisions that create mass migrations are influenced by many other factors, not just policy incentives. And third, the spatial distribution of economic activities depends on both public and private sector actions, and the state which formulates national level policies has relatively little leverage on the private sector. Finally, he argued that "*a development planning framework that simultaneously allocates economic activities to sectors and region and distributes population spatially probably can be implemented only in a centrally planned economy.*" (Richardson, 1981:18).

By the 1980s, capitalist countries largely abandoned the efforts to direct internal population redistribution, in line with the dominant neoliberal development paradigm. Paradoxically, when Richardson concluded that centrally planned economies are the ones where an efficient planning and distribution framework can be implemented, the socialist countries also started to give up such policies. Their experience will be discussed in the next chapter.

3.5 Summary

This chapter focused on theoretical approaches to spatial change and spatial inequalities over time. These approaches were largely influenced by the dominant development paradigms of their time. The most important issue in this respect has

been the role of the state in development. State intervention became a fundamental component of spatial development by the 1940s, and later was seen as an internationally accepted and emphasized way of addressing historic backwardness under the modernization paradigm. Western scholars and planners used the Western development trajectory as a model for socioeconomic and spatial development in less developed countries, assuming a universalistic and linear development trend. The new computer techniques made complex calculations possible, and planners in the 1950s and 1960s were confident to lay down universalistic laws and models for spatial development. This era was also the heyday of neoclassical economic perspectives. Policy prescriptions operated with economic incentives, and spatial mobility was explained by economic motives.

By the 1970s the failure of the modernization paradigm became obvious. Many scholars realized that explanations based on solely an economic perspective, however elaborated it may be, are insufficient to understand and describe the complexity of societies. These two realizations led to the challenge of the dominant development paradigm from a political economic standpoint. This new perspective brought local, national and international power relations back among the explanatory factors.

Soon another competing challenge appeared, as the modernization paradigm was criticized from a neoliberal standpoint as well. The neoliberal development paradigm became the dominant development ideology by the 1980s, emphasizing the return to free market which neoliberal economists saw as the only institution able to address spatial inequalities to reach a desired spatial equilibrium. The new policy became deregulation, a systematic deconstruction of state intervention in economic development.

The deregulation trend and the past development failures made Western planners and policy makers to largely abandon systematic efforts of directing urbanization and internal population movements in the 1980s. Acknowledging the

structural complexity, the historic, cultural and geographic diversity of internal population redistribution, they focused on international migration instead. This new focus was a result of a number of processes. The volume of international migration rapidly increased since the Second World War, and globalization also induced a growing volume of international labor movement. At the same time, international migration remained a domain where the nation state was able to retain significant power, in terms of regulating labor flows across international borders.

An additional reason behind abandoning the quest for easy explanations and models about urbanization and internal migration was the growing complexity of settlement systems all over the world, especially in developed countries. Suburbanization and population deconcentration, which latter was vaguely labeled as counterurbanization, were new processes in spatial development that altered the conventional perspective on what is urban and rural. This also meant that scholars and policy makers had to reconceptualize the urban-rural dichotomy as a spatial continuum. Moreover, it turned out that this continuum has different characteristics in different national settlement systems, as public administration and statistical classification significantly influence spatial development processes. Parallel with this new theoretical consideration, economic restructuring and residential preferences changed the conceptual picture of rurality.

We needed this discussion of the mainstream Western approach to spatial inequalities to understand the different development trajectory of Eastern Europe. Shortly after the Second World War, the region became isolated from the rest of the world, and was made to be a subject of a large scale social modernization experiment to catch up with the West. The spatial processes and changes discussed in this chapter had very different outcomes in Eastern Europe. These differences will be the focus of the next chapter.

4. The spatial development trajectory of Eastern Europe

This chapter discusses Eastern Europe's spatial development trajectory, building on the historic contextual discussion in Chapter 2 and the theoretical background of Chapter 3. The narrative of this chapter offers a new, cross-disciplinary perspective of spatial development trends, which is placed into the broader context of socioeconomic development through the interaction of legacies and policies. This chapter focuses on the numerous policy efforts to combat the legacies of historical development trends, starting with the state socialist approaches on spatial inequalities. The discussion about population redistribution policies between 1945 and 1990 fills a gap in policy analysis, since such comparative evaluation hasn't been done since the 1970s.

The main emphasis in this chapter is on the state socialist and the contemporary post-socialist periods, examining their continuity from previous historical periods. The discussion about contemporary spatial development trends in Eastern Europe focuses on the impact of globalization and the influence of the European Union. This chapter also addresses the issue whether spatial development in Eastern Europe is a belated Western or a distinct Eastern European model. This discussion will focus on a comparative analysis of European urbanization trends in the second half of the 20th century, offering a different geographic classification from that of the UN standard to account for the historical development differences. Finally, this chapter summarizes the main characteristics of population redistribution and urbanization patterns in Eastern Europe.

4.1 State socialist perspectives on spatial inequalities and development

4.1.1 Ideology and the early Soviet experiences

State socialism was the first system in the modern era which tried to address spatial inequalities in a systematic way. This is not surprising, since it was the first political and economic structure in which, at least in theory, external influences were reduced to a minimum. Also, spatial and social development resources were concentrated in a central actor, the state. The socialist ideology and the corresponding development considerations promised large-scale changes. Theoretically, everything was given for rational planning and policy implementation to mitigate spatial inequalities. Also, by putting together history, philosophy and economy, Marxism⁶⁰ was a new analytical framework used to systematically intervene in social processes.

As a theory, Marxism was well aware of the uneven distribution of goods and resources in space. However, it was really the uneven distribution in the social realm, or among classes that Marxism saw as a problem, and assumed that once the political or class inequalities are eliminated, spatial inequalities would also disappear. The reason to believe so was rather practical. Marx assumed that socialism would emerge in England, and England experienced rapid economic growth at that time. For him, the problem was in the distributional aspect of this growth. But eventually, socialism in its applied form in Russia and Eastern Europe has become more of a developmental experiment, an attempt of lagging countries to catch up with the more developed capitalist societies. This catching up was the main cause of deviations from the

⁶⁰ Marxism is used here as a simplified label. In its theoretical form it should be called Marxism-Engelsism since Engels was the one who supported and sometimes guided Marx through his theory, urging him to find empirical evidences instead of simply relying on abstract Hegelian arguments.

original theory. Because socialism occurred in the relatively backward Russian periphery, Marxist theory was immediately reinterpreted with a strong emphasis on industrial development for survival (Vigor, 1966). This focus on industrial development had dramatic spatial implications.

There was an internal contradiction in state socialism from the very beginning, related to the efficiency vs. equity considerations. At the national level, efficiency was imperative, since Russia was way behind the West in production and had to face internal and external challenges. But on the other hand, the main promise of socialism was equity, which was frequently used in rhetoric to legitimize the system. State socialism could not resolve these two contradictory perspectives. Moreover, early 20th century Russia had tremendous spatial inequalities, much larger than England had during the Industrial Revolution. Also, Russia had to rely entirely on domestic resources to fuel its economic growth, due to its economic and political isolation.

From the perspective of Soviet leaders and planners, spatial inequalities were strongly related to the nature of capitalist economic development. It was an easy connection to assume that if the distributional aspect of growth changed, spatial inequalities would decrease. If inequalities within the class structure could be eliminated, nothing would remain to further increase spatial inequalities, and over time central planning and redistribution would take care of the remaining spatial disparities. This was a tempting insight, because they thought it would be much easier to create a new social order than address spatial inequalities while society tends to recreate them over and over again. In other words, equity seemed to be easier to achieve if the goal was formulated within the social rather than the spatial structure. People compare their situation to others living in the same place, and if an egalitarian social leveling could be achieved, the system would be seen as successful. In theory this was compelling, but in reality social and spatial inequalities are strongly connected, and changes in the

social structure cannot be isolated from subsequent and often unintended changes in the spatial structure.

It is difficult to evaluate the impact of spatial considerations on development planning in the early Soviet context. In the 1920s, during the industrialization debate, emphasis was placed on rapid macroeconomic growth, and eventually Preobrazhenskii's views on primitive socialist accumulation were adopted as a guide to planning (MacKenzie and Curran, 1982).⁶¹ It is difficult to gather reliable statistics from this era, especially in comparison with the pre-Soviet period (Davies, 1991), but by the 1930s targeted industrialization began to have profound spatial impacts. These spatial consequences were the outcomes of macroeconomic development considerations, and the Second World War eventually convinced the Soviet leaders that historic backwardness could be eliminated this way.

4.1.2 Postwar spatial development perspectives in Eastern Europe

After the Second World War, socialist countries faced the challenge of the predominantly rural structure. With the exception of the more developed Czech lands and the new German Democratic Republic, the proportion of urban population in Eastern European countries was between 25 and 35 percent. This was clearly too low to conduct the large-scale industrialization program and it also weakened the leading class, the industrial workers. Western Europe and the United States with their high urban populations were seen as the desired models of population distribution. As Enyedi (1996:114) wrote: "*having a high proportion of rural population became the symbol of the backward past*".

⁶¹ Evgenii Preobrazhenskii was one of the leading Soviet economic experts at that time. A Bolshevik from Lenin's generation, is often regarded as the intellectual source of Soviet industrialization. This is true to some extent, but we also have to note that in the 1930s he opposed one-sided industrial development. He was expelled from the party twice, and eventually executed in 1937.

In the 1950s, spatial problems, such as high level of rural population or lagging regions were simply seen as indicators of economic backwardness. Hence, policy measures were implemented as national level economic policies, and not as territorial policies. Development ideology and policy-making were both seen through the lens of Marxist economics. In the Soviet Union, even demography was a sub-branch of economics in until the 1970s (Besemeres, 1980). Economic production was the main indicator of development, and social problems emerging from this one-sided agenda were either neglected, or simply assumed to disappear over time. In this sense, socialist development considerations were very similar to those of in the West, especially in the 1950s and 1960s, during the heyday of structural functionalism and modernization, as we could see in Chapter 3.

Accordingly, the main spatial planning strategy was the growth pole theory in Eastern Europe as well. As Mihailovic (1972) noted when writing about the regional development practice of socialist countries, the general idea was that labor intensive industries, first of all manufacturing, play the key role in growth. However, as he showed through the example of Albania, the polarization of economic activities that happened under socialism was very similar to the early capitalist experience. Since Albania had virtually no capitalist development experience when the communist takeover occurred, it was assumed that socialist planning and development would create an optimal spatial distribution of economic activities. But the lack of capitalist legacy did not solve the practical problems of socialist planners, hence Mihailovic came to the conclusion that socialist spatial development in itself does not alter the general spatial patterns of economic growth.

The emphasis on economic growth brought the dominance of sectoral planning as opposed to territorial planning. In Eastern Europe, sectoral growth considerations shaped regional growth because it was relatively easier to plan within industrial sectors, and the complexity of spatial inequalities was not acknowledged. But sectoral

planning has an inherent weakness; it is difficult to coordinate. One might think that central planning produced a rational distribution of resources. In reality, however, it was a bureaucratized process, in which various sectoral interest groups lobbied for resources, providing false information for policy makers to increase their share from the central redistribution. The main territorial impact occurred when decisions were made about the geographic location of various industrial developments.

A significant difference, compared to the Western model, was the socialist targeting practice. The perception in capitalist countries was that policies should address only those situations where market conditions cause undesirable disequilibria. It was assumed that when the market functions properly no public intervention is needed. Hence, regional development in Western countries concentrated on the lagging regions. In contrast, for socialist countries the object of spatial development was the entire country, with a continuous intervention even in those places that were considered as more developed, following the internal logic of centrally planned economy. With respect to resource redistribution, the full leverage of the state seemed appealing, but since no other (private) resources could be used, it was the state's responsibility to provide resources for those places also that would have been self-sufficient under market conditions.

Moreover, since the state did not have resources for everything (the notable sign of this was the shortage economy), but nonetheless it was the only source of money, the competition for resources remained political in character. With this, the legacy component of how development decisions are made, and what is the way to success, remained unchanged even during a fundamental societal transformation. Hence, despite the political, ideological, economic and social changes, the development conceptualization of state socialism was a clear continuation of the earlier Eastern European pattern, which is not surprising as applied socialism itself grew out of this political and social environment.

Regional differences played out in a strange manner in the socialist camp. International trade within the CMEA, for example, did not foster the development of border regions, because borders served as social and economic isolation devices even within Eastern Europe. International borders among socialist countries were as heavily guarded as Western borders, and there was a general caution about locating industries in border areas. The Danube for example, which is a natural axis of trade and development, was not utilized at all because it serves also as a natural international border (Mihailovic, 1972).⁶² In every socialist country, border regions were among the least developed ones.

The socialist spatial development perspective in Eastern Europe was not entirely uniform between 1950 and 1990. After the death of Stalin, the extreme and highly unbalanced vision on spatial development was abandoned. In the 1960s, the full industrialization agenda was eased, and the need for more sophisticated approaches to spatial inequalities also emerged. Gradually, more attention was given to the social aspect of spatial inequalities, and industrial deconcentration policies led to resource redistribution to those places that were neglected before. The basic features, however, did not change. Industry, and especially manufacturing, was still considered as the main engine of national economic growth. Rural areas were still left behind, and the general considerations about the roots and remedies of spatial inequalities remained unchanged.

By the time the socialist systems were open enough to absorb some of the new international scholarship on spatial inequalities, the states had only limited capacity to intervene. Spatial inequalities were recognized, but the main concern was the sectoral economic crisis starting in the early 1980s. Soon, however, the rapid collapse of

⁶² This is partly the reason why there is only one bridge on the Danube along the Romanian-Bulgarian border, or why it was impossible to rebuild the Párkány bridge between Hungary and Slovakia between 1944 and 2001 (!).

particular sectors accumulated certain social problems in space. Since industrial development was long concentrated in particular regions, the collapse also had its regional aspect, creating depressed areas for the post-socialist period.

A number of general characteristics of the state socialist perspective on spatial inequalities can be identified. First, it was highly functionalist, due to the "plan fetishism", and the general belief that anything can be arranged after the external impact of the market is eliminated. Second, it was relatively stable as an ideology because the international isolation and the internal political structure did not allow challenges to emerge. Third, it was mainly preoccupied with the urban-rural differences, and relatively less attention was given to regional inequalities. Fourth, and probably most importantly, spatial inequalities were only indirectly taken into consideration, especially in the early period of socialism. Inequalities were seen as an economic backwardness or social stratification problem, hence the proposed solutions reflected to them as such. By the time of the emergence of territorial policies, state capacity declined.

The intended equalization of Eastern European countries, both at the national and the subnational level were successful only to a very limited extent. While the forced industrial modernization of these countries during socialism eliminated certain spatial disparities, it has also created new ones, and kept the political economy of resource competition unchanged. Four decades of strong central control over economic and social processes was not enough to break the legacy of uneven development in space. With some exceptions, Eastern European regions and places that are more successful now were more successful at the beginning of socialism as well. At the same time, both traditional agricultural regions and the places of socialist heavy industry are now lagging, due to their historical and new legacies.

4.1.3 An example: changes in the *tanya* system in Szentes

This section discusses the example of remote rural places, such as the Hungarian *tanyas* that were the first casualties of pro-urban policies. *Tanyas* emerged in the 16th century as detached farms of the semi-nomadic animal husbandry in the Hungarian Great Plain as a result of the Ottoman conquest. Due to the military activities and frequent raids, many smaller villages were destroyed or abandoned, and by the end of the Ottoman occupation the population was concentrated in larger villages and rural towns throughout the Great Plains. While these extensive territories were not repopulated after the Ottomans left, farms were built as summer locations for those who were engaged into agriculture, especially animal husbandry. Over time, these farms became permanent residences but without any public administration autonomy. The *tanya* system gradually declined by the Second World War, but received a new growth impetus when following the 1945 land redistribution, many rural residents moved out to these farms to cultivate their new land.

Hence, in 1949 still about 20 percent of Hungary's rural population lived in these farms, partly due to the post-war land redistribution. This dispersed population was unacceptable for socialist planners. It was very difficult to develop infrastructure in these places, to reach these people with propaganda, and to effectively control them. Also, as agricultural activities were planned to take place within the framework of collectives, there was no place for such way of life. To overcome this uncontrollable, highly deconcentrated population living among very poor conditions, 150 new center locations were determined to form new villages. The Hungarian *tanya* population decreased from 1.1 million in 1949 to 770 thousand by 1960 (Beluszky, 1999). The decrease was caused not only by the relocation of these people to the new village centers, but out-migration also. However, since the new village centers were still at the bottom of the settlement hierarchy many *tanya* dwellers decided to move to urban

areas instead. By 1990 the *tanya* population in Hungary decreased to approximately 200,000 people.

One of my case study sites, Szentes, demonstrates this change over time. The *tanya* population around Szentes was 30 % in 1949. As a result of a persistent campaign and policy discrimination against this system, this proportion decreased to 20 % by 1960, 13 % by 1970, and 8 % by 1980. In the 1980s the discriminatory policies ended, and the contemporary *tanya* population seems to have stabilized at this 8-9 percent level.

The distribution of this dispersed population has been uneven in space. In the Szentes region there are settlements with *tanya* population ranging from 5 to 49 percent. Table 4.1 shows the current distribution of *tanya* population by municipalities in the Szentes region. This also means that when regional spatial development plans are formulated according to the EU expectations, policy makers have to balance development goals among very different needs from different villages.

Table 4.1 Distribution of population in the Szentes region, 2002

Settlements	<i>Core population</i>		<i>Tanya population</i>	
	<i>N</i>	%	<i>N</i>	%
Árpádhalom	579	91,61	53	8,39
Derekegyház	1 470	78,61	400	21,39
Eperjes	377	51,43	356	48,57
Fábiánsebestyén	2 216	91,49	206	8,51
Nagymágocs	3 097	86,61	479	13,39
Nagytőke	340	69,53	149	30,47
Szegvár	4 796	94,73	267	5,27
City of Szentes	30 679	93,25	2 219	6,75
REGION	43 554	91,34	4 129	8,66

Source: Szentes Rural Development Plan, 2003

The *tanya* system currently goes through a renaissance. Former *tanyas* are seldom converted back to agricultural production units, but some of them are

revitalized for rural tourism, especially for horseback riding. However, although the public perception has changed about *tanyas*, it is still very expensive to develop infrastructure in these places or to provide basic social services such as education or healthcare. In countries where domestic resources are limited, these places will remain in a very difficult situation for a long time, especially regarding severe ageing and its social consequences among this dispersed population.

4.2 Population distribution policies during socialism in a comparative perspective

4.2.1 Theoretical considerations

Similarly to Western nations, socialist countries also acknowledged the underlying economic motives in population distribution. They also preferred the concept of inward oriented growth, just like the Keynesian approach, but in isolation from the West and of course with the exclusion of the market from the economy. Related to ideological differences, socialist population policies were proactive, while Western policies were more adjustment-oriented. Moreover, while capitalist states usually used positive incentives to achieve a desired situation, socialist states were able to deploy a wide range of negative incentives also.

National politics considerably penetrated spatial planning in socialist societies. This can be shown through the example of national defense considerations that determined industrial development, thus influencing spatial development policies. The development of heavy industry in the 1950s served military purposes above all, preparing the Eastern European countries for the Third World War. From the 1960s, industrial development was conducted in a more deconcentrated fashion, because the

mobile labor reserves were depleted, but military considerations were still in the picture. Holubnychy (1975) noted that the Soviet industrial deconcentration under Khrushchev was influenced by the new nuclear military doctrine. It emphasized the importance of a decisive first strike, thus industrial deconcentration seemed a crucial aspect of reserving military potential.

This illustrates that in socialism a strong hierarchy of development agendas existed, with spatial development (and population redistribution policies) somewhere at the lower levels, yet clearly affected by higher-level political considerations. The top level agendas were so overpoliticized that a sudden change in high politics had a trickle down effect on development policies that constantly needed to be re-adjusted.

The question of labor supply was the central focus of most population policies in the socialist countries. While capitalist countries relied largely on market forces to create equilibrium in the spatial distribution of the labor force, socialist governments used a wide range of policies to ensure the optimal size and distribution of labor. However, socialist countries closed an important channel with respect to population distribution. International migration was strongly discouraged, except in Yugoslavia and some small-scale bilateral agreements. The ideology was that if the state provides full employment, there is no need for any international labor movement (Macura, 1974). This means that socialist population distribution planning used the nation as a closed unit.

Population distribution planning corresponded with the economic agendas of both capitalist and socialist countries. In capitalist countries, population distribution policies were considered mainly as adjustment measures if market conditions caused spatial disequilibria. In socialist countries, population distribution policies were designed to achieve a certain distribution of economic activities consistent with national security objectives. Thus, in both cases the institutions and measures should

be understood in the context of the perceived responsibility of the respective states to organize or control economic activities.

Measures associated with distribution policies can be classified in various ways. Table 4.2 shows a classification involving micro vs. macro and positive vs. negative distinctions. Micro level measures target individuals or households, while macro level measures target regions, institutions or organizations. The positive vs. negative dimension refers to whether particular measures were encouraging or discouraging.

Table 4.2 Classification of population distribution measures

Capitalist countries	Positive (encouraging)	Negative (discouraging)
Micro	<ul style="list-style-type: none"> • subsidized relocation • public employment • training and human resource development • wage and benefit policy • public housing policy 	<ul style="list-style-type: none"> • cost policy of public utilities • wage and benefit policy
Macro	<ul style="list-style-type: none"> • investments in public infrastructure • subsidies to firms • tax incentives, cuts and rebates • credit/loan policy 	<ul style="list-style-type: none"> • permits and administrative controls on industrial or land development • zoning restrictions • relocation of state organizations
Socialist countries	Positive (encouraging)	Negative (discouraging)
Micro	<ul style="list-style-type: none"> • public housing provisions • training and human resource development • wage differential policy • rent differentials • labor recruitment • public campaigns 	<ul style="list-style-type: none"> • administrative control of migration • residence registration as a prerequisite to social services • wage differential policy • rent differentials
Macro	<ul style="list-style-type: none"> • investments in social infrastructure • industrial development • expansion of state employment • investment in public transportation 	<ul style="list-style-type: none"> • restrictions in industrial development • relocation of public services • relocation of state organizations

Capitalist countries usually used various incentives to promote a desired population distribution pattern. Although we can find a number of micro level measures, the most common policy was to intervene at the macro level. This is in line with the perception of the market economy and the relation between the state and its citizens: governments are not supposed to tell what people should do, rather create circumstances that influence people to decide to move or stay. It is also important to note that capitalist countries use only a very limited number of negative incentives.

In capitalist countries, various capital expansion schemes were quite common. Policies seldom focused on the mobility of labor which was mainly considered as a positive consequence of capital-related policies. The objectives could be either to subsidize capital expansion in regions where unwanted disequilibria emerged, or to induce local capital to stay there, instead of moving to regions where rates of return would be higher under pure market conditions (Hansen, 1974). These methods were criticized by Fuchs and Demko (1979a), who argued that capital-intensive development in many cases could not retain people in the region and investments should focus on labor-intensive developments. However, labor-intensive policies resulted in another type of disequilibria, as the corresponding industrial developments were usually looking for only low-skilled labor. In these cases, even if the level of unemployment and the volume of outmigration decrease, the unintended result can be an unwanted change in the local social structure.⁶³

A different classification of spatial policies was introduced by Brown (1998). In this classification, developmental, transitional and capacity building policies were distinguished. Transitional policies have efficiency goals to reduce the costs of resource reallocation. Developmental policies stimulate growth in declining areas,

⁶³ This is exactly what happened in Székesfehérvár, one of my case study sites in the 1990s. The new investors created employment for low-skill workers who came to the city in larger numbers, but neglected the related R+D layer, thus high-skill labor has a hard time to find employment there – not to mention that not much development occurred in human services. The city now has a hard time to retain trained intellectuals.

hence work in the opposite direction and enhance retention capacity. Capacity building policies can be connected to both approaches as they strengthen local public sector institutions to contribute to either resource reallocation or retention.

Socialist countries operated under very different economic and ideological circumstances, and used different measures to achieve the optimal distribution of population. Socialist countries used more micro level measures since the ideology was compatible with strong state control over migration, and influence over individual and household level decision-making was seen as appropriate. Negative measures were not just more frequent, but also stricter, especially at the macro level. Industrial development, for example, was not simply discouraged in certain areas, but banned, and existing firms or services in such places were simply relocated.

Another significant difference could be found in resource management connected to the available policy tools. Capitalist countries were able to operate with tax incentives at both macro and micro levels. In socialism, there was no such taxation. Any surplus made by the firms was transferred to the state. However, under soft budget constraints, the actual economic surplus was very limited. Because of the exclusion of market relations, no private capital or loan constructions could be used at investments. At the micro level, the socialist state's leverage materialized most clearly in housing policy. Private house ownership was not eliminated, but in a shortage economy it was almost impossible to build a house, especially without a supporting mortgage system. The growth of housing stock was mostly a function of an increase of state-built and -owned houses. Private resources from household savings could not be relied upon either because of the extremely low fixed dividends, which reflected an ideological problem with any individual capital accumulation.

Some common measures were used in both capitalist and socialist countries, for example investments in public infrastructure or promoting new industrial developments. Particularly interesting is the use of wage policy to influence migration.

Building on the assumptions of neoclassical economics, wage differentials seemed to be the most important factor in migration decision making. Since in capitalist countries, determining the wages was the firm's responsibility, capitalist governments used wage subsidies, so that employers could offer higher wages.⁶⁴ Socialist governments in contrast, were able to regulate wages directly. In countries where regional disparities were a large problem, like in the Soviet Union, wage differentials were among the most important measures to direct internal migration. Grandstaff (1980) describes this method, in which regional coefficients and premiums were introduced in centrally defined wages to promote migration to remote areas. Besides these coefficients, the system allowed an additional flexibility. Workers could be upgraded to a better wage category by the local management to help retention. This was necessary, because as Ball and Demko (1978) noted, wage differentials were not that successful in retaining new immigrants. Since infrastructural developments such as housing lagged behind jobs, shortly after new employees saw the difficulties, they tended to move out. Moreover, in many cases interregional migration tended to be urban-urban, so urban population growth could mean urban loss elsewhere.

In those socialist countries where regional disparities did not pose such a big problem, wage differentials were used to achieve a desired social stratification. Artificial wage categories classified occupations corresponding with the socialist ideology. Blue-collar workers had high appreciation, the wages of intellectuals were leveled down, and wages in the agriculture were way behind any other category.⁶⁵ Since particular occupations have spatial concentration, most notably agricultural

⁶⁴ See for example the chapter on the wage subsidies in development zones for employers in England, described by John Simons in Berelson's volume (1974).

⁶⁵ The example of agricultural wages is very interesting. According to the Marxist-Leninist ideology, society has two main classes: the industrial working class and the peasantry, plus an additional strata of intellectuals. By taking only ideological reasons into consideration, peasants should have similar wages to workers. However, economic considerations required keeping the agricultural wages low to transfer resources from agriculture to industry, thus overriding the ideological argument.

activities, wage regulation could result in concentrated social and increased spatial inequality.

4.2.2 Operational comparison

As mentioned earlier, socialist planners saw urbanization as a preferred and ultimate way to modernity. The urbanization model was imported from the Soviet Union, which went through this process before the Second World War. Between 1917 and 1937 the Russian urban population doubled to 33 percent, and grew to 45 percent by 1951 (Pivovarov, 2003). This urbanization was a by-product of industrialization, and planners in Moscow and the respective Eastern European capitals believed that it would have the same result in the other countries as well. Location selection for industrial development was driven by the proximity of raw materials and the potential use of existing industrial structures (Barta, 2002). The designated settlements for industrial development became the "new socialist cities", attracting a huge number of migrants.⁶⁶ Due to the full-scale promotion of these cities (in many cases former villages) in the 1950s, they received most of the redistributed resources, which resulted in large population booms.

Among the many examples of this industrial development policy, three will be described. The largest population boom in Hungary happened in Dunaújváros.⁶⁷ Its population was only 4,000 in 1949, but its geographical location (about 50 miles south of Budapest, by the Danube, the necessary water base and transportation) was perfect

⁶⁶ Promoting new cities was not a specialty of socialism. John Simons discussed the "new town program" in England, when in order to achieve a better distribution of population and employment, the government used public estate developers especially around London, to systematically develop new towns (Berelson, 1974).

⁶⁷ Dunaújváros is the contemporary name of the settlement. Before it was designated for industrial development, it was called Dunapentele. At the beginning of the development process it was renamed to Sztálinváros (Stalin's City) to ensure its success. After Stalin's death and de-Stalinization, the name became a problem, but simply going back to the historical name was not an acceptable solution. Accordingly, the city became Dunaújváros, which literally means "New City by the Danube".

for industrial development. Its incredible population boom (40,000 by the mid-1960s) did not stop at the end of the extensive period of socialist industrialization, as the 1960 population has almost doubled by 1970, and the population decrease started only with the recession in the 1980s.

Another good example of this ideology was the former Lenin Steel Works in Nowa Huta in Poland (Stenning, 2000). This place was originally a suburb of Krakow, but its population increased from 19,000 to 223,000 between 1950 and 1985, accounting for about 60 percent of Krakow's population increase. In the 1970s, the steel mills employed 43,000 workers, most of them rural migrants attracted by the high wages and the easily obtainable flats, the two major positive incentives of population redistribution policies at that time.

A much less successful story was the Kremikovtsi Iron and Steel Works near Sofia in Bulgaria (Lampe, 1986). This development was based on a false Soviet geological survey claiming iron ore nearby. In 1962-63, this unit consumed 20 percent of total Bulgarian industrial investment, despite the fact that 80 percent of its equipment had to be shipped from the Soviet Union. What was even worse, by the time they found out that there is no iron ore nearby, the plant was almost operational, becoming a very expensive prestige investment. About 75 percent of iron ore and coal for the complex's operation had to come directly from the Soviet Union. Even transportation was a problem, since Soviet shipments arrived to Black Sea seaports in Bulgaria, and they had to be further transported to the Sofia region on land. High wages for factory employees also had to be provided which used up all the profit.

As mentioned before, defense considerations also played an important role in socialist development, including population distribution policies. Among these considerations, the most important was to avoid industrial development close to national borders, especially the borders with perceived enemies. The fortune of Dunaújváros in Hungary, for example, started when socialist planners were looking

for an alternative site for the national steel mill, after its original location by the Yugoslavian border had to be changed as the relations with Yugoslavia became hostile. Similarly, Grandstaff (1980) has noted the Soviet policy of avoiding any development on the Chinese border.

As Mihailovic (1972) noted, the high priority assigned to heavy industry meant that large state enterprises would lead to the geographic concentration of population and resources. In Poland, for example, between 1946 and 1960 the population of highly industrialized counties increased by 48 percent, while in the unindustrialized counties it was only two percent. Huge industrial agglomerations emerged, especially in Poland and East Germany, though according to Berentsen (1987) the centralized urban landscape of the GDR was also a continuum with the similarly centralized German-Prussian model.

By the 1960s, the socialist forced industrialization agenda was abandoned. The reason was economic above all, but the observed uneven population distribution probably contributed to this decision. Eventually, the "side-effect" urbanization was more successful than the industrial development itself. The combined push and pull policies led to large-scale rural-urban migration that could not be absorbed by the urban industrial capacity.⁶⁸ It was somewhat similar to the Western European experience in the early 20th century when national economies were unable to absorb all rural migrants (UN, 1973).

Urban industrial development in both capitalist and socialist countries resulted in unbalanced settlement structures, especially the problem of primacy and the persistent outmigration from less developed regions. Primacy was a big problem in Italy, Spain, France, the Netherlands, Ireland and Sweden, and also in Hungary and

⁶⁸ At the same time regular labor shortages were experienced in agriculture. The collectivization did not lead immediately to the modernization of agriculture, as the resources for technological development in agriculture were very limited. The labor shortage was so severe that it became a common practice to use students or military units for harvest.

Poland. Regional problems were more significant in England, Italy, Sweden, and also in Czechoslovakia, Yugoslavia and the Soviet Union (Hansen, 1974; Fuchs and Demko, 1979a).

The chosen policy measures to address these spatial inequalities were different in different countries. In the Netherlands, for example, policies focused on targeted industrial investments and government service relocation to reduce population growth of the three big cities (Amsterdam, Rotterdam, The Hague), pushing them into decline in the 1960s.⁶⁹ In Ireland, to address the problem of a rapidly growing Dublin, the government promoted a small-scale business development to provide employment opportunities within commuting distance. Nonrepayable cash grants of up to 60 percent of the project establishment costs were deployed, but the Dublin area was excluded from this program. However, the historical spatial mobility patterns mitigated this effort, as the second choice of the Irish migrants was rather international migration to England or the US.⁷⁰

Socialist countries arrived at the same problem from a different trajectory. After promoted urbanization, they had difficulties reversing the process. Two interrelated problems caused this difficulty. First, because of the system's inertia, big cities and industrial agglomerations still used up most of the resources, thus remained attractive migration destinations. The internal logic of socialist development could not abandon state transfer to these locations. Second, as the period of the late 1950s and early 1960s was the peak of the agricultural collectivization, rural outmigration remained at a high level – at the exact same time when the policy for industrial deconcentration should have had a supporting agricultural policy. Instead, a typical policy was to speed up outmigration from backward rural areas as one way to equalize the development level of the country (Enyedi, 1984).

⁶⁹ See the chapter on the Netherlands by Philip van Praag and Louis Lohle-Tart in Berelson, 1974.

⁷⁰ See the chapter on Ireland by Brendan M. Walsh in Berelson, 1974.

Although industrial deconcentration was meant to both serve equity and efficiency goals on the long run, policy making was dominated by short-term considerations about scale economic efficiency (Berend, 1974). As Fuchs and Demko (1979b:314) argued: "*The so-called 'objective laws of socialist location', more properly termed principles, which are used to guide planning industrial and other investment location decision in the Soviet Union and Eastern Europe, are in fact a mix of contradictory tenets, some of which support efficiency through concentration and others of which favor equity through dispersion.*"

In socialist countries, as soon as industrial deconcentration became the preferred development model, planners had to think about spatial development in a more complex way. It was no longer simply a matter of bringing industry to natural resources, and a more coherent vision of spatial development was needed. Fortunately, with the *détente* in the 1960s, capitalist and socialist development planning could connect at the academic level. There were numerous conferences held and scholars could study the practice on the other side that helped the diffusion of ideas.⁷¹

Capitalist countries at that time attempted to apply the growth pole theory in spatial development practice. However, the outcome was a number of unsuccessful cases, like those in Spain where the introduction of development zones in the 1960s resulted in concentrated economy and population, creating new spatial problems (Berelson, 1974). By the late 1960s, planners, based on Christaller's earlier work, started to use settlement systems as analytical units (Fuchs, 1987). In a very typical way, due to improvements in statistical science, the spread of computers and the general optimistic atmosphere of the 1960s, planners were confident about the positive applicability of Christaller's theory to existing settlement systems. A large debate

⁷¹ One indicator of this *détente* in science is the suddenly growing volume of literature on socialist or comparative spatial development. As can be observed here, the late 1960s and the early 1970s was the peak of publishing books and studies in comparative development planning.

started on the "laws" of city-size distribution and the optimal city size from a functionalist perspective.⁷² But while in capitalist countries the less coercive policy measures were insufficient to achieve such a theoretical settlement distribution, in socialist countries the state had full authority to try creating such a system. The most sophisticated of these attempts was the Hungarian National Settlement Development Plan (OTK with the Hungarian abbreviation) introduced in 1971. However, this effort could not turn back the urban preferences in spatial development, and investments were still concentrated in larger urban areas. Similarly unsuccessful policy measures focusing on the development of middle-size cities were implemented in Poland in the 1960s (Regulska, 1987). By the late 1970s, policy makers and planners finally abandoned the quest for the optimal city size. I agree with Richardson (1981) who noted that city size only has a very limited meaning out of the context of the particular settlement structure, and it doesn't make much sense to look for the ultimate optimal size any more.

Regional differences existed in all socialist countries, despite all the equity arguments of party leaders. The most significant ones were in the Soviet Union, as it has already been mentioned. Soviet policies focused on organized resettlement of the areas beyond the Ural Mountains, including strong coercive measures from deportation, through mandatory work assignments after graduation to political and moral pressure and agitation (Grandstaff, 1980). But it was not only Siberia that had problems. The agricultural development in the semiarid area of Kazakhstan posed similar challenges that were addressed in public campaigns such as the "Virgin Lands Campaign".

Regional problems in many cases correspond with the situation of unevenly distributed economic activities, especially in agriculture. Since agricultural investment

⁷² A good discussion of this early debate can be found in UN 1973, pp. 214-217.

in socialism was limited, no wonder that agricultural regions were always at the bottom of the development list in statistical reports, prolonging this backwardness into the post-socialist period. During socialism, the pro-urban ideology and the corresponding economic policies did not leave space to address the depopulation of rural areas. Moreover, higher birth rates muted the effects of outmigration for some time.

Regional underdevelopment in capitalist countries has been addressed through various central and federal initiatives. However, as Hansen (1981) noted, it is very difficult, if not impossible to determine the effect of these policies. For example, in the United States the Appalachian Regional Development Act in 1965 was designed among other goals to promote medium size city growth, but its effect was not clear because its impact could not be isolated from the 1970s rural population turnaround. Nevertheless, government policies, including indirect measures like the improvements in health and education services in rural areas were also important factors in population deconcentration in some countries (typically Scandinavia, West Germany, Ireland and possibly in Appalachia). Regional development in Sweden showed similar confusion, in which case the structural changes in the overall economy seemed to be responsible for the growth of medium size cities, not the policy.

While the spatial manifestation of ethnic problems, such as the urban underclass in US city cores or the ethnic neighborhoods in Western European cities, was not in the public consciousness in Eastern Europe, socialist countries also had their share of ethnic problems. Mihailovic (1972) pointed out that in multinational countries like Yugoslavia or Czechoslovakia the nationality question made regional development more sensitive. Similar problems could be found in the Soviet Union, the largest ethnofederal country. Moving ethnic Russians as an ethnic colonization scheme into Central Asian republics was a common policy to counterbalance the high Muslim birthrates of those states. Similarly, encouraging Russian immigration to the Baltic

republics was meant to control a potential nationalist revival there. Where sizeable ethnic minorities existed, the majority government tried everything to assimilate them, just as during the interwar period. In Slovakia and Romania directed ethnic majority migration was a common policy tool to break up the geographically isolated Hungarian minorities. In Bulgaria, strong policies existed to promote ethnic Bulgarian immigration to southern parts of the country that had a sizeable Turkish minority. To show that these policies were continuations of former practices, I cite Szentes, one of my case study sites by the southern border of Hungary, where at the end of the 19th century a government colonization scheme was introduced to counterbalance the higher ethnic Romanian birth rates. Within this scheme, about 700 ethnic Hungarians were given former state land near the town.

4.2.3 Evaluation of policy performances

It seems that neither capitalist nor socialist population distribution policies were very effective addressing spatial problems. One important reason for this was the lack of coordination among various sectoral policies in both cases. Johnson and Salt (1981) described housing policy failures in Great Britain due to counterbalancing government policy schemes. In Italy, the central government used various development policies and subsidies to encourage industrial concentration and dispersion at the same time (Hansen, 1974). Grandstaff (1980) pointed out the inconsistency in the Soviet Union, when one policy tried to redirect labor to labor-deficient regions, while another policy located industry in labor-rich regions to maintain the promise of full employment.

Even with similar types of mistakes, one would expect socialist and capitalist population distribution policies to perform differently. The two ideologies, social and economic systems were so different that they should have had an influence on these policies. Just to mention the two most important similarities again: the role of the

market and the coercive capacity of the state played out in very different ways in the two cases.

The market economy automatically results in a limited capacity of the state to influence spatial processes. The flow of capital and labor follows particular rules and although the state can intervene at certain points, too much intervention threatens the system itself. In socialist countries, in contrast the market was seemingly excluded from the economic and social sphere, but without unlimited state resources, certain market mechanisms, like the supply-demand dimension or the internal competition for redistributive resources, were still in place. Except for a few years in the 1950s, when states were almost omnipotent, the socialist story was about reacting to changes in the spatial structure that were both results of both earlier development policy measures and unintended consequences of macro level societal change. Moreover, as Fuchs and Demko (1979b:318) noted: "*...decision makers under state socialism appear to hold values of growth, productivity, efficiency and rewards similar to those of capitalists, leading to similar problems of spatial inequality.*"

The situation with regard to the coercive capacity was the same. In capitalism, the system itself limits the state's coercive capacity both over individual and organizational decisions. Enforcing particular policies is the only way to display coercive power. In socialist countries, the state's coercive capacity is present in all aspects of everyday life including residential location. In theory, pressures could be coordinated, ensuring successful policy implementation. In practice, however, the uncoordinated sectoral policies were burdened with internal struggles over resources, and the state's coercive capacity was applied in contrasting policies at the same time, leading to unsuccessful implementations. Moreover, the coercive capacity did not correlate with realistic goals. In the Stalinist period, when coercive capacity was the largest, the goals were the most unrealistic, and by the time the softening system

allowed the formulation of more realistic goals, both the coercive capacity and the resources became limited.

The perceived spatial problems in capitalist and socialist countries were quite similar. In the settlement hierarchy dimension, both ideologies were looking for an optimal distribution of settlements and population. One difference was in the concept of the rural end of the continuum. While in capitalist countries they were largely left alone to deal with market conditions, in socialist countries they were deliberately underdeveloped. However, in both cases, there was an effort to cut back the growth of large metropolitan areas and strengthen middle size towns.

The goals reflected the old problem of efficiency vs. equity in both capitalist and socialist countries, which neither of them was able to resolve. In capitalist societies, the policy preference was given to efficiency, reflecting the ideological considerations and letting the market environment shape settlement morphology and population distribution, assuming that in time it will lead to spatial equilibrium and equity. Only later, from the 1970s, did spatial equity become an important development consideration. In the egalitarian development atmosphere of the socialist countries, equity was the main ideological goal. However, economic reality and the perceived geopolitical situation increased the importance of efficiency, leading to a situation where socialist countries attempted to have both at the same time. The problem was that while population distribution measures were usually directed towards equity, economic policies tried to maximize efficiency. In a paradoxical way, ideology and practice were never in harmony. In the 1950s, the rhetoric in socialist countries was about equity, but working hard on efficiency, while from the mid-1960s the argument was more about efficiency, but the practice shifted towards equity.

4.3 Post-socialist spatial change

4.3.1 The impact of globalization

4.3.1.1 The new global order

Globalization and the integration of the world's economic system is often associated with the decline of the nation state's influence on capital and labor flow. The roots of globalization are in the shift from the Keynesian, inward-oriented model of economic development to the neoliberal, export-oriented model, including structural adjustments in the economy (de Mattos, 1998). This was especially true in developing countries. The more export-oriented they became, the greater became the influence of global forces on spatial distribution of production and population. In developing countries this led to the rise of megacities, cities with more than 10 million population.⁷³

While the problem of megacities is not directly relevant to Eastern Europe where settlement development trends play out differently, some of the policy problems are very similar. In the 1990s, Eastern European countries face two parallel challenges. The first is the internal complexity of the shift from socialism to capitalism which has meant dramatic changes in the composition of economic activities, as it was discussed in Chapter 2. In this change, national administrations had a hard time even to understand market signals as the new factors in spatial development, let alone

⁷³ Megacities and rapid population concentration in general are good examples of uneven economic development, and of the failure of national policies to curb population concentration and dramatic spatial inequalities. These problems were addressed in three forms of policy: (a) the transformation of rural economies to increase retention potential; (b) controlling in-migration to large cities; and (c) redirecting migration from large to medium cities. The main reasons for failure of these policies are familiar. The first is economic inconsistency, as productivity is concentrated in urban areas, thus international investment was also focused here. Second, political issues, like competing sectoral policies and weak commitment from the central government hinder long term strategic planning. Also, with the bulk of the population in urban areas, policies are more likely to address urban service problems to appeal to voters. The rise of megacities seems unstoppable, their number by 2015 is predicted to be 34 (there were 19 in 2000), all in the less developed regions, posing significant challenges to policy makers.

influence them. The second challenge was that the new post-socialist capitalism was not born into a Keynesian, protectionist economic order, but was immediately exposed to the forces of globalization. The principal international actors, like the IMF or the World Bank, exhibited strong influence on how the economy should be organized, extensively using carrots and sticks, especially when it was about new loans for economic recovery.

A profound change in spatial processes during globalization is the increasing volume of international migration. International migration occurred in a basically positive atmosphere until the mid-1970s, when the oil crisis created a decline in labor migration to industrial countries (Appleyard, 2001). The various national concerns about international migration such as low fertility, ageing, unemployment, brain drain, remittances, xenophobia, or national security lead to the reexamination of immigration policies in developed countries. Between 1976, when the monitoring of government policies started, and 2001, the proportion of countries adapting policies to lower international migration increased from 6 to 40 percent (UN, 2002). But despite the restrictive policies, the volume of international migration constantly increased.

Eastern European countries participate in international migration to a very different extent. Some countries, such as Ukraine, Moldova, and especially Bulgaria have large-scale emigration. Others, such as Hungary, Poland or Romania have negligible emigration, and international migration plays a small role in population trends. Eastern European emigration, however, is a debated issue, partly because of measurement questions and partly due to the fear in Western Europe that after the EU integration, Eastern European labor will override the former member states. Despite numerous studies, there is no empirical evidence for such intention among Eastern Europeans. A detailed discussion about the intraregional variation and the motives of international migration in Eastern Europe is out of the scope of this dissertation, but summaries of recent trends can be found at Laczko (2002) or Kaczmarczyk and

Okolski (2005). For national population distribution policies, the significance of international migration lies in the questions of internal distribution of international immigrants, and the possibility of international migration becoming a viable alternative to internal migration, as it happened in Bulgaria. Also, with the integration of the economies and the increase of international migration, a policy shift can be observed. Nation states today put more emphasis on immigration policies than on internal population distribution policies. Also, immigration regulation is one last policy field in which the state has significant leverage.

Not counting immigration, Eastern European states suddenly found themselves with very limited leverage in organizing economic activities. This also means that after decades of direct and proactive state control over spatial processes, policies are now only able to react to changes. An additional important consequence was that with the integration to the global economy, settlement systems were elevated to a different level, and formerly primate cities found themselves in strong competition to maintain their regional roles. A typical example of this is the competition between Prague, Vienna and Budapest for the center position in Central Europe. This competition was a new phenomenon for most policy makers as the Eastern European settlement system was slowly reintegrated into a broader European network.

Approaching this latter issue from a political economic perspective, I argue that this new competition elevated internal spatial inequalities to the national level in an interesting way. The international picture of a country is often derived from its primate city, thus most governments had a reason to concentrate resources to the capitals. The complete renewal of downtown Prague is a good example for this. But one can see this in Bucharest as well, as the city roads were fully resurfaced between

the airport and the downtown. This of course creates large internal inequalities and political tension around the resource redistribution.⁷⁴

Spatial inequalities weren't new phenomena in the post-socialist period. As Brown et al (2005b) pointed out on the case of Hungary, spatial inequalities were dominant characteristics of socialist spatial systems throughout the socialist period, even after decades of targeted and controlled development initiatives. This finding is consistent with what other scholars found decades earlier with respect to a wide range of Eastern European countries (Mihailovic, 1972; Kosinszki, 1975).

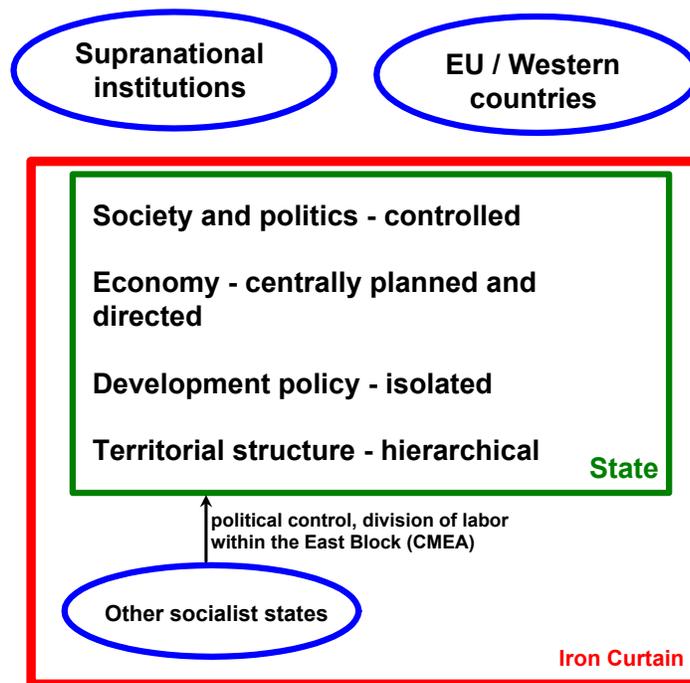


Figure 4.1 Forces in development during state socialism

Figure 4.1 and 4.2 compare forces in spatial development during state socialism and global integration, showing the increasing global and regional pressure over Eastern European countries. As it can be seen in Figure 4.1, state socialism was a

⁷⁴ My own amazement as I traveled to Bulgaria through the Romanian capital was the incredible development difference between downtown Bucharest and the rural hinterland south to the Bulgarian border.

relatively closed system with very few challenges and impacts from external forces other than the Soviet Union and the CMEA. Society, politics, economy and development policies were more or less controlled by the state.

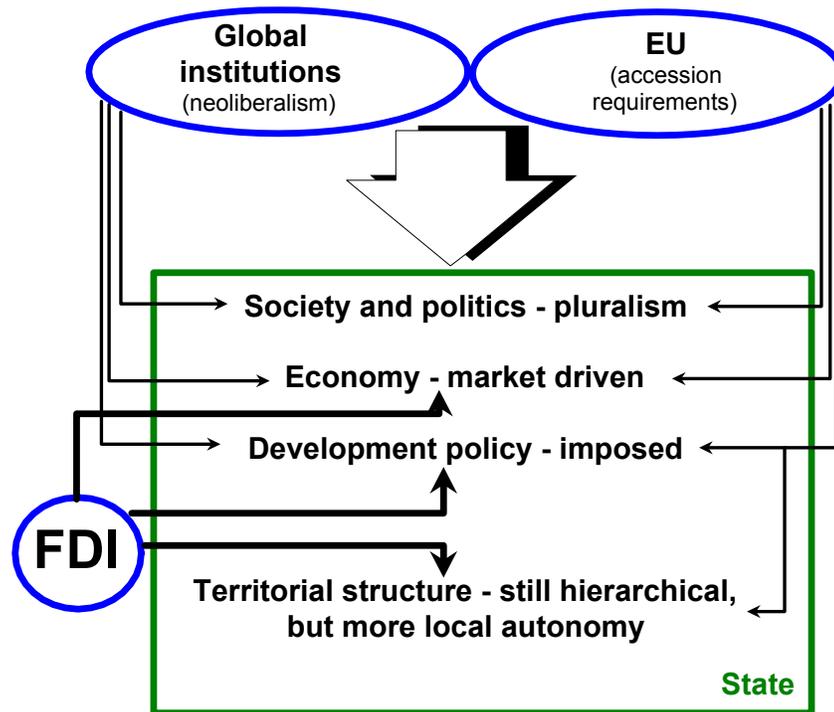


Figure 4.2 Forces in development after state socialism

When the Iron Curtain as a protecting shield from global reality fell, new external and internal pressures appeared (Figure 4.2). Eastern European nation states had to re-define the state's position in territorial development, and they had to do this while experiencing eroding sovereignty due to the penetration of external forces. Supranational organizations imposed macroeconomic stabilization programs forcing the neoliberal agenda. At the same time, as we will see later, the EU exhibited strong pressure on Eastern European applicant countries. The important point here is that the pressure from supranational financial organizations does not really differ from the pressure exhibited by the EU. Accession requirements are in line with the neoliberal

development paradigm, along which Eastern European countries were eventually incorporated into the global order. It is important to note also that territorial structure is only indirectly influenced, hence it retains a significant level of inertia, or we can say historic legacy.

A new factor in this changing picture is foreign direct investment. The penetration of FDI varies over Eastern Europe, nevertheless it is vital for post-socialist countries that lack domestic capital. It is important to note though that a high level of FDI is not necessarily a recipe for success. Leading sector hypothesis pointed out the importance of particular sectors as targets of foreign direct investment on a nation's development trajectory. Also, while investing in a leading sector might mitigate national backwardness, it does not necessarily decrease regional inequalities within a country. FDI tends to avoid lagging regions rendering spatial inequalities a development problem of the state (Brown et al, 2005b).

The contemporary neoliberal development paradigm builds strongly on the development assumptions of neoclassical economics about efficiency. Under this paradigm, places that do better will continue to do so. Lagging regions and places have little hope to catch up by their own, and this is the reason why FDI is seen as the ultimate solution in many places. The next section will discuss the example of Székesfehérvár, which city was considered for long as a model of attracting foreign investors and building economic growth on FDI.

4.3.1.2 Székesfehérvár and the winding road of FDI-induced growth

The story of Székesfehérvár and the post-socialist FDI experience originate in previous periods demonstrating the importance of the legacy component in spatial and socioeconomic development. It started with an ammunition and cartridge factory established in the interwar period. This provided a certain industrial base for future developments, but socialist industrialization had ambiguous results. Using the skilled

worker population of the former ammunition factory, three major industrial units were established. Videoton manufactured electronic and communication equipments including defense electronics, Ikarus built buses, and the Könnyűfémű (KÖFÉM – Light Metal Works) manufactured light machinery. This shows well the nature of industrial development during socialism. While it followed the division of labor within the socialist countries (this is why the Ikarus could only build buses and not cars or trucks), it also used the already existing industrial infrastructure to avoid infrastructural development. Establishing firms focusing on electronics and light machinery manufacturing was a clear continuation of the manufacturing traditions in the city.

This industrial setup, however, has not always meant a favorable position for Székesfehérvár. In the 1950s and early 1960s, development resources went to places with heavy industry units. This was unfortunate for Székesfehérvár at that time, because another large city in the same county, Dunaújváros, had this designated role. As I mentioned before, Dunaújváros (or Sztálinváros – Stalin's City) was the location of the huge heavy industrial complex originally planned in the Yugoslav border area. Until the late 1960s, most central resources redistributed by the county were given to Dunaújváros, and Székesfehérvár was less able to benefit from those. But after the new industrial development agenda distributed resources more evenly among urban places in the late 1960s, Székesfehérvár started to develop more rapidly.⁷⁵

The above-mentioned three companies in Székesfehérvár were 'firms of national importance'. This designation meant that these companies were managed directly from Budapest, and their directors were not local individuals, but ministry officials who had the necessary political connections and power to ensure the

⁷⁵ In the late 1960s, approximately six thousand commuters came to the city from its rural hinterland of about 60 places. This commuting was organized at the community level, and commuters from the same village went to the same factory. This pattern of communal commuting is yet to be analyzed for social science.

preference of these firms during resource redistribution planning. Although significant destruction was done in the historic residential areas to turn them into modern socialist urban environments, Székesfehérvár was among the best performers during the socialist period. The city was a popular place halfway between Budapest and the Lake Balaton, and its soccer team, sponsored by and named after Videoton, had considerable international successes as well.

The post-socialist transformation resulted in significant changes in Székesfehérvár. The most shocking of these was the large-scale industrial downsizing, which actually started even before the regime change. This downsizing affected the big employers in different ways. KÖFÉM and Ikarus were able to stay in competition, although for different reasons. KÖFÉM was bought by the Alcoa group in 1993, which became the second largest American investor in Hungary, investing 370 million dollars in the country. Ikarus could adjust its bus production to the new demand, and was able to keep many of its Eastern markets, especially the Russian one for some time. However, the 1998 financial crisis in Russia buried the Ikarus as well after its Russian partners were not able or willing to pay their debts.

The situation of Videoton was more complicated. Between 1988 and 1990, it lost 14,000 out of its 20,000 workers. Since Videoton was closely connected to the CMEA as its demand base, the products were much less competitive in the new economic environment. There were tries to cooperate with ITT and Philips, but eventually the firm was reorganized by local managers following various privatization schemes. Currently Videoton shifted from being a subcontractor to being a contract manufacturer. This means that after radical downsizing, local research and development ended, and the company focused on serving needs of transnational companies in labor-intensive manufacturing sectors such as electronics. This was a typical way of surviving in the new global economic order.

Székesfehérvár's industrial recession peaked in 1992 when the number of registered unemployed was close to 11,000 in the city, not counting those additional thousands who commuted to Székesfehérvár on a daily basis before and became unemployed in their own location. The estimated unemployment rate was around 35-40 percent at this time. But this seemingly dire situation was different from those of in other industrial places. Due to the manufacturing traditions of the city, the reliable ethnic German worker population in its hinterland, and the favorable logistic and transportation location, foreign investors soon showed up in Székesfehérvár.

The biggest among these investors was IBM, which came to the city in 1996. When working at full capacity, IBM provided work for about 6,000 people, most of them labor contracted out from Videoton. At this time, unemployment dramatically decreased in and around the city, and to meet the labor needs, even ethnic Hungarians from southern Slovakia were employed in Székesfehérvár.

IBM and other foreign investors such as Philips, Alcoa, Denzo or Vodaphone made Székesfehérvár more successful in the mid-1990s than any other Hungarian urban locations. The city was considered to be a marvel of post-socialist transformation and local leaders were convinced that they followed the right path of economic restructuring. This period had a significant impact on other aspects of life in the city. Following the increasing consumer demand, new malls were opened, schools were not closed in contrast to other cities, and Székesfehérvár became again a preferred destination of migrants, similarly to the 1960s. This development, however, was one-sided. As one of my informants noted, demand for cultural activities did not rise due to the city's "lower class population structure". Another interviewed person noted that in contrast to other cities, "traffic jams are around 5 am when the morning shift begins in the factories, while the streets are almost empty around 8.30 am". Intellectuals are facing difficulties to find work and leave the town, perpetuating an ambiguous change in the social structure of the population.

In 2002, the unexpected happened, as IBM announced the closing of its Székesfehérvár operations. This was shocking news for the local elite, and its impact on the employment situation was overdramatized by the Hungarian media. Behind the IBM decision was a simple reorganization in global business. Earlier Hitachi bought the IBM hard disk division, causing a factory closing in Germany. The Hungarian IBM factory produced equipment for this German unit, hence the demand for its operation ended. This is a good example of how global decisions made in corporate headquarters affect localities.

The IBM case had large media exposure, because this business was the symbol of Székesfehérvár's fortune. However, other TNCs remained, and as one interviewed person noted, people no longer react to these changes by moving. They became accustomed to the fluctuation of TNCs, and in most cases decide to wait for the next opportunity in the same place. The current unemployment is between 4 and 5 percent in Székesfehérvár, which is not considered to be the main problem of the city, rather a regular characteristic of a capitalist economic system.

Since the labor reserve of Székesfehérvár and its rural hinterland has already been utilized, local experts do not expect more TNCs to come to the city to employ contract manufacturers, or "biorobots" as one of my informants called them. Some local experts are aware of the shifting labor trends, and argue that one possibility for the city is to step into the role of a logistic center when low skill production will leave for the East. This step would restore the balance in the social structure of the population as well, improving human infrastructure. But as one local expert noted, while in the past there were 10-15 years for such structural changes, now localities have to find new ways of development in a much shorter period, otherwise they will lag behind others.

4.3.2 The influence of the European Union

The Eastern European countries indicated right after the collapse of socialism that they would seek membership in the EU. In the early 1990s, relatively little attention was given to this in Brussels besides the usual political rhetoric about a unified Europe. However, after the third enlargement (Austria, Sweden, Finland) in 1995, more and more complaints were heard from Eastern Europe about not setting an exact date or giving clear signals about the accession requirements. The EU at this time was undecided about the eastern enlargement. Global competition with the US and Asia required increased monetary discipline, which was very hard to comply with even for some of the old member states. Also, the eastern enlargement was about to incorporate a periphery region into the EU, after which the internal spatial inequalities would necessarily increase. This would lead to resource transfer from core to periphery countries, which in turn would decrease competitiveness of the EU in the global arena. Virtually nobody in the EU had reliable knowledge about the economic and social conditions in Eastern Europe, and many assumed it to be a similar periphery to Southern Europe. This was a serious miscalculation, although at that time only the three most successful post-socialist countries, Poland, Hungary and the Czech Republic was considered to be first-wave applicants.

The EU enlargement, however, is a clearly political agenda, and the incorporation of Eastern Europe was an inevitable event. In 1993, the Copenhagen Council determined the criteria that the new applicants should meet to fulfill the requirements for membership. For our discussion here, the important issue is the unique set of initiatives, which Brussels used to try to make various Eastern European development characteristics (including regional development practices) similar to those of in the EU.

These initiatives are called pre-accession programs. The first was the PHARE program, originally created in 1989 to assist Hungary and Poland, later extended to all applicant countries.⁷⁶ Other initiatives were the Instrument for Structural Policies for Pre-accession (ISPA) and the Special Accession Programme for Agriculture and Rural Development (SAPARD). According to the EU rhetoric, the PHARE⁷⁷ and the SAPARD programs are designed to help the candidate countries prepare to access the Structural Funds after accession. The ISPA has the same role with respect to the Cohesion Fund.⁷⁸

The experiences of the 1990s resulted in a wide-scale reform of the EU institutional system, outlined in the document "Agenda 2000". The Agenda 2000 document was issued in 1997 by the European Commission, but accepted only two years later by the European Council. With respect to regional policy, the objectives of the Structural Funds were changed, and after a deliberate concentration of resources three Objectives and four Initiatives remained.

Objective 1 focuses on lagging NUTS 2 regions (where the GDP per capita is less than 75% of the EU average). This is where most of the resources are concentrated (approximately 70% of the Structural Funds). Objective 2 deals with NUTS 3 regions that do not fit into Objective 1, but are experiencing problems such as industrial recession, structural difficulties, or urban poverty. Objective 3 focuses on human resource development, and labor force issues. Community Initiatives in general

⁷⁶ For the Western Balkans it is the CARDS (Community Assistance for Reconstruction, Development and Stabilisation) program created in 2000 that plays the same role as the PHARE.

⁷⁷ It is important to note that the PHARE program originally had a very diverse set of objectives and tools, targeted generally on the institutional capacity and structure of the candidate countries.

⁷⁸ Nemes (2003) strongly contests this view based on research about the Hungarian realization of SAPARD. Hungary will indeed belong to the Objective 1 in the Structural Funds, with respect to resource gravity, but the SAPARD leans more toward preparing for the CAP in practice. The CAP is really for the benefit of some core members, new member states have less chance to benefit from it.

have fewer resources, as only about 5 percent of the Structural Funds was allocated here between 2000 and 2006 (EC, 2000).⁷⁹

From this short survey of EU initiatives, we can see that the EU approach to regional development is very complex, extending beyond narrow economic considerations, but keeping economic restructuring and labor force issues in the focus. Complexity, which is the very characteristic of the institutional structure of the European Union as well, however, offers the possibility of various lobby interests to emerge and influence the distribution of resources. This is exactly what happened with respect to the CAP reform when the agricultural lobby was able to fend off most of the reform initiatives (Baldock et al, 2002).

Moreover, the EU's regional development policy reflects fundamental contradictions. First of all, there is a strong tension between economic competitiveness and social cohesion. While common policy rhetoric emphasizes the importance of cohesion, it is also imperative for Brussels to enhance the EU's global competitiveness through market liberalization and deregulation. Although the Treaty of Amsterdam in 1997 introduced the concept of sustainability as a new objective, it did not translate into support for the cohesion argument, rather just increased the tension within the system.

The second contradiction is between the pace of geopolitical expansion and the possibility of reducing internal spatial inequalities. As the EU engulfs new peripheries, the new member states are more and more lagging than the previous ones, increasing internal regional disparities. The geopolitical urge to expand the EU in the era of globalization is stronger than the capacity to address these new spatial inequalities. This is further perpetuated by the fact that there is less and less time between the new

⁷⁹ The four Community Initiatives include: (a) "Interreg III" which focuses on transborder cooperation; (b) "Leader+" which concerns rural development; (c) "EQUAL" focusing on employment inequalities and (d) "Urban II" on the economic and social revitalization of cities.

enlargement waves, as the EU falls behind in competitiveness, which in fact is partly caused by the rapid enlargements in the first place.

The challenge of policy-making among these competing pressures becomes harder by the latest and future enlargement waves. These new members are not solidified market economies with long term democratic political traditions. Hence, their integration is a longer, more expensive and more difficult process compared with earlier EU expansion at the periphery. This was understood, and resulted in the pre-accession programs that were tailored to fit Eastern Europe. These policies were portrayed as accession requirements, and they created a significant political leverage of the EU over Eastern Europe. For instance, regional development resources are contingent on the creation of particular institutional systems recommended by Brussels. Accordingly, while nation states have autonomy over their territorial structure, those that need the resource transfer the most are in a dependent position.

One unforeseen and unintended side effect of these policies was the enhanced capacity of the state in these countries, but without a corresponding capacity building in the civil sector to counterbalance it. The EU had to make sure that common policies are carried out in the new member states. Hence, the EU efforts to increase institutional capacity to absorb EU resources undermined any civil effort to change the etatist character of the Eastern European nation states. While a strong state might be seen as a good shield against the negative impacts of globalization, these nation states are expected to intensify economic liberalization in order to contribute to the competitiveness of the EU as a whole. Also, they are expected to eliminate protectionist practices that kept them competitive for foreign direct investment while they were outside of the EU. Social cohesion is a secondary priority in this case.

The central control of the EU over spatial development and regional cohesion is ensured by the practice that the EU does not redistribute resources by simply acknowledging a lagging position. Every actor has to apply for these resources, and

statistical indicators are only used to determine eligibility. This structure is also used to implement various principles of EU spatial development, such as resource concentration, subsidiarity or partnership. For Eastern Europe the most important among these is subsidiarity, which is connected to decentralization. While it is one of the most used terms in regional development rhetoric, experience shows that both Brussels and the national governments retained significant leverage over resource distribution (Nemes, 2003). Also, as Mayhew (1998) pointed out, the Structural Funds work well only under certain macroeconomic conditions, and this further strengthens the influence of the mainstream neoliberal paradigm in Eastern Europe's development course.

A very important implication of this perspective is emphasizing decentralization and regionalization. Decentralization is most supported by the developed regions that do not rely on state resource transfer. In Eastern Europe, however, there were at least two major problems. First, there is little tradition of regionalization. This means that regions are created by nation states largely for the sole purpose of complying with EU spatial development requirements to be eligible for EU support. But if regions are created by the state, then decentralization is also driven by state interests, instead of being an organic territorial process. Second, measured by EU standards, most Eastern European regions are lagging. These regions still need old-style state resource transfer, without which they cannot compete with other European regions. This further strengthens the role of the state as opposed to the role of the regions.

The constant emphasis on regionalization has two main reasons. One is that the EU continuously tries to counterbalance nation states in order to enhance its global competitiveness. Pushing regions as the most important units of territorial planning and development is a clear sign of this. The other reason is a political and ideological quest for offering a different type of spatial development model. As Lovering

(1999:391) pointed out, this perspective is in the habit of portraying itself as a middle road between "*anachronistic Keynesianism and the harsh and unrealistic neoclassical faith in the free market*". However, New Regionalism, as Lovering called it, is not a third way as Brussels tends to portray it, but merely a different take on the mainstream neoliberal paradigm. Deregulation and the desire to enhance competitiveness are good indicators of this.

The spatial development agenda and practice of the EU is constantly changing. We can say that with respect to regional development the challenge of the current enlargement is much larger than at previous enlargements. Compared to the EU average, new member states have larger spatial inequalities on a smaller economic base. But this should not be a surprise. When Spain or Greece joined the EU, this statement was also true, and it remains true for future enlargements as well.

It seems that the EU tries to pursue the same general idea of state socialism that is combining efficiency with equity in spatial development. But just like in the case of state socialism, this is first of all a political agenda. In the global division of labor, the EU has to speed up its economic development to remain competitive with North America and Asia as world regions. This resulted in a contradictory practice of constant geopolitical expansion on the one hand, and the quest for regional cohesion on the other. This experiment is not over yet, but the tension within the system is clearly visible and unlikely to disappear.

4.3.3 Rural development in Eastern Europe

The term rural development in its postindustrial meaning was unknown in Eastern Europe before 1990. During socialism, rural places were underdeveloped in order to speed up urban population concentration, as urbanization was considered to be the fundamental process toward modernity. The structural changes of the 1970s, described

earlier through the US and Western European example, did not reach beyond the Iron Curtain. This is not to say that rural development was not on the agenda, but there were large differences in how rural development is conceptualized. In Eastern Europe, the agenda was to change rurality in its historic and contemporary form. One measure to achieve this was extending industrialization to rural areas. But as Barta (1986) wrote on the Hungarian example, this rural industrialization was not a deliberate spatial development policy. Due to the peculiarities of shortage economy, urban industries started to reach out to rural areas. Hence, rural factories were not independent units, but only instable local branches of national companies, and were managed from urban headquarters (the former Szentes apparel factory was a good example for this). Also, their spatial distribution was uneven, since they concentrated in more developed regions, in the rural hinterlands of urban centers and not in remote rural areas.

The post-socialist transformation resulted in increasing spatial inequalities. In this situation, rural areas and places were less able to adjust to the changing situation. This was partly a legacy of decades of systematic underdevelopment, and partly the lack of that conceptual shift which made rural places more attractive in the 1970s in the West.

From the mid-1990s, as the EU rhetoric about rural development gained space in Eastern Europe, policy makers had to familiarize themselves with new concepts of rurality. Unfortunately in most cases the EU consultants coming from Western Europe lacked necessary knowledge about the local context, and especially about the rural mystification in national culture. This rural mystification was similar to that in the US, but for different reasons. Eastern European elites hit by the global reality reached back to historical periods when traditional national values were represented by the "pure" and "unspoiled" rural population, in contrast with the urban decadency. Hence, rural development found its ground relatively easily, but with a significant political

baggage. With such emotional and political connotations, it is very difficult to engage into any academic discourse over rurality and rural development in Eastern Europe.

It is also important to note that rural development in Eastern Europe is strongly influenced by EU strategies. Among the EU pre-accession programs, PHARE was the first to address rural development in Eastern Europe, although in an indirect way. PHARE programs were originally introduced to facilitate broader institutional changes in Eastern Europe. The most important result of the PHARE initiative was its impact on the territorial administrative structure, especially in loosening the strict hierarchy of local public administration. Compared to Eastern European standards, sizeable resources were directed toward local cooperation among municipalities. Municipalities could establish local cooperation without any administrative responsibilities, hence without any permission from the national government. These cooperation opportunities were utilized also by rural municipalities that lacked sufficient resources for development. This occurred during the time of the Cork Declaration, and for a couple of years, between 1996 and 1999 it seemed that the CAP would be reformed to represent a more general notion of rural development.

In 1999, parallel with Agenda 2000, Eastern European countries were notified by Brussels that the new rural development initiative, SAPARD, would be established. It was a general step back compared to the rural development ideas of the Cork Declaration, and it soon created two major problems for Eastern European countries. First, the genie has already been out of the bottle with the PHARE program, and local communities had a hard time swallowing the more structured and centrally controlled mechanism of SAPARD. Also, during the implementation, as an experimental program, SAPARD changed from a rural development initiative to a program supporting the competitiveness of the agricultural sector (Kulcsár et al, 2000). The second problem was that SAPARD generated fierce competition for resources among various governmental agencies. The SAPARD program brought much larger resources

to Eastern Europe than the previous initiatives, and there were many volunteers to spend this money from the central bureaucracy to agribusiness representatives.

I was able to see how SAPARD works in reality when I visited the town of Ispirih in northeast Bulgaria, and talked to two very different agricultural entrepreneurs. The first one currently employs 160 people in the region, and last year he spent 3 million Euros on equipments and other business development, including a \$100,000 milling machine. He has been able to fully utilize the SAPARD program, because he has enough capital resources to present the applicant's own contribution for grants like the SAPARD. This entrepreneur seemed really practical, as beside the expensive German tractors and harvesters he also used the old Soviet equipment. He manages 6,000 hectares in the region from three administrative headquarters. However, this land is very fragmented, and he has plots in 18 different settlements. He complained a lot about the Bulgarian land restitution policy, mentioning that he is unable to buy 10 hectares to connect his land from an individual, because this land is this person's family heritage, and he won't accept even 15 hectares in some place else.

After this visit, I was invited to another agricultural entrepreneur. His situation was much worse, although he ran a business more than simply subsistence farming. His biggest problem is the lack of capital and the fact that the loan system in rural Bulgaria does not favor producers. The banks require real estate as collateral, however, this cannot be the agricultural land. In most cases the collateral is the producer's house, but only if either the house is in the central town of the municipality, or if its structure is acceptable (which means that the walls are from stone and the house has a tiled roof – and not many rural houses meet these criteria). After a question about SAPARD, this producer showed me his former unsuccessful applications that now he uses for starting a fire in the kitchen.

This example showed the real nature of pre-accession EU funds. These resources usually go to large producers that might not need this as much as middle-

level producers. These middle-level producers are constantly balancing between becoming successful agricultural entrepreneurs and going back to subsistence farming. It is obvious the country's own resources are insufficient to help this group, and the EU support is not very well targeted either.

It is very likely that rural development in Eastern Europe will remain strongly attached to the corresponding EU policies. Eastern European countries will not have the resources in the near future to conduct independent rural development policies by themselves, and will have to continue relying on what comes from the EU. It is an empirical question though to what extent are rural development policies based on Western European experiences able to handle rural problems in Eastern Europe.

Among the rural issues there is the future of agriculture, or more specifically the dominant development trajectory of particular localities built on agriculture. The example of Szentes demonstrates how agriculture remains the dominant economic activity over a long period of time and across significant socioeconomic changes. During the interwar period, agriculture in Szentes was profitable enough to provide jobs for the local population, but the fragmented land structure did not allow capital accumulation for industrial development. The various food processing plants actually reinforced the agrarian character of the town, and did not induce large-scale population concentration. This agrarian character was reflected in the townscape as well. While the central square has decent buildings and roads, a few blocks away "one could stuck in the mud after some rain" as one of my respondents noted.

The dominance of agriculture in Szentes did not change with the political changes after the Second World War. Hence, no industrial development took place until the late 1960s, as Szentes was obviously unable to compete for resources in the socialist redistributive system, especially after losing the county seat title to Szeged. The most important firm during socialism was a textile apparel company, which was a very typical example of second-tire rural industrialization from the late 1960s in

Hungary. The Szentes unit was a branch of the Szeged Textile Factory, and employed commuters from nearby settlements as well.

Obviously, Szentes could not avoid the collectivization agenda. However, this was less destructive here than in other places in the country. In the 1970s, when the 13 original small collectives were consolidated into four large ones, agriculture was a preferred alternative to working in the textile factory. Since there is high quality land around Szentes, labor-intensive cultures such as vegetables meant good profit for those who engaged into such activities.⁸⁰ Paradoxically, at that time the standard of living in some villages around Szentes was higher than in the city. Between 1949 and 1980, the proportion of population living from agriculture declined from 45 to 23 percent. While this is a significant decrease, the corresponding figures for Hungary are 52 and 20 percent, respectively. Hence, agriculture offered a reasonable way of living in the Szentes area during the socialist period.

The changes during the post-socialist transformation were not fully similar to those of in other parts of the country. The textile apparel company was closed, however some of its former workers are still able to commute to Szeged to work for the mother company. Only scattered small industrial companies remained, and 90 percent of them employ less than 10 people. Foreign direct investment is very low, only a French company manufactures electric plugs and other small equipment, but its headquarter is in Budapest. This example also shows the limitations of FDI in rural areas. Szentes can be considered an isolated region, however its distance from Budapest is only about 120 miles, and the town is 20 miles from the nearest multilane highway.

Thus, the largest employers are still connected to agriculture. The Hungerit food (poultry) processing plant employs 1,300 workers. This plant was founded in the

⁸⁰ In a strange way, vegetable planting started in the late 19th century with the immigration of Bulgarian planters and gardeners who were famous in this occupation by then.

1920s, and survived the socialist period as well. Other agricultural employers are two reorganized collectives that were able to maintain their operations. These former collectives were among the best during socialism as well. This also means that the agricultural privatization had less importance in the Szentes area. The land structure is fragmented and the new owners generally have insufficient capital to turn these small plots into profitable enterprises from subsistence agriculture. However, we have to note that the small average area of these plots (8 hectares) is partly a consequence of the vegetable culture that does not require large plots. As a result of family agriculture, a possible survival strategy, unemployment is only around 5 percent in Szentes.

The Szentes local government assumes that agriculture will remain the dominant sector in the region. Although the town has an industrial park based on a former military installment where the aforementioned companies are located, future development plans are based on agriculture. It is important to note that despite Szentes being an urban place, the Szentes micro-region is classified as predominantly rural, due to its extensive rural hinterland. The rural development plan of the micro-region from 2003, follows the general rhetoric of such plans made for the EU, but pessimistic about the development possibilities based exclusively on agriculture, and calls for the diversification of economy. However, it is hard to see where this diversification would come from.

But the post-socialist rural epoch is not exclusively a course of failures. Eastern Europe became open to the idea that rurality is an intrinsic value in and of itself, and not simply an anachronistic political reference point. During the 1990s, a generation of native experts started to work in local communities, and they carry the real opportunity for change in rural Eastern Europe, however there is still a long way to go.

4.4 Eastern Europe: lagging behind or going on a separate way?

4.4.1 The academic debate

State socialism undoubtedly transformed Eastern Europe from a predominantly rural to a predominantly urban region. The question remains, however, whether this process was similar to the Western experience, or it was a fundamentally different pattern of urbanization. In a strange way, this debate is the most elaborated between two leading and internationally recognized Hungarian scholars, György Enyedi and Iván Szelenyi.

Enyedi (1988, 1996) argues in his global urbanization thesis that Eastern European urbanization is part of a global process. The region is only lagging, but not different from Western Europe with respect to urban development. He claims that even if there were socialist peculiarities, such as the socialist cities, induced rural depopulation, housing shortages and unique patterns of suburban development, these did not alter the fundamental process. He argues that in the southern periphery of Europe, rural population has been similar to that in Hungary both in the 1950s and now. Hence, despite two different development trajectories in those two regions, the level of urbanization is the same. The reason for this, he argues, is that urban development is produced by slowly changing components that ensure similar development patterns everywhere. These components are the geographic environment, slow infrastructural change and local cultures. Regulska (1987) after investigating Polish development patterns, came to the same conclusion, namely that socialism had only a very limited impact on spatial transformation and development patterns.

Szelenyi (1996) on the other hand claims that socialist urbanization is a distinctly different phenomenon. Based on his observation about underurbanization, he contended that Eastern European countries have a different trajectory. He argued that

urban population grew at a lower rate than the urban industrial workforce, thus socialist industrialization occurred on a much smaller urban base than in the West. This resulted in less spatial concentration, less diversity in the social structure of the cities and more development control by the state. He also argued that the ecological structure of Eastern European cities was different from those of in Western Europe. Due to political changes, the old middle class residing in inner cities lost prestige and power, while the new socialist housing estates became the residential areas of the new socialist middle class. His overall conclusion is that by breaking the correlation between industrialization and urban population growth with the elimination of private properties, socialism created a distinctively new urban structure.

In the next section I analyze European urbanization trends after the Second World War. The goal is to put this debate in a different perspective, offering a historical approach on urban change, and to investigate the extent to which Eastern European urbanization differs from that experienced in Western Europe.

4.4.2 European urbanization trends in the late 20th century

To investigate urbanization trends in the second half of the 20th century, I used the 2003 Revision of World Urbanization Prospects (UN, 2004). The UN definitions of European regions, solely based on geographic location were not satisfactory for an analysis of historical development patterns. Hence, I created my own regional classification. I divided both Eastern and Western Europe into two parts: Southeastern vs. Central Europe, and Southern vs. Western and Northern Europe, respectively.⁸¹

⁸¹ The groups are the following: Southeastern Europe (Albania, Bulgaria, Croatia, Macedonia, Romania, Slovenia and Serbia and Montenegro); Central Europe (Czech Republic, Hungary, Poland, Slovakia), Southern Europe (Spain, Portugal, Italy, Greece), Western and Northern Europe (Austria, Belgium, Denmark, Finland, France, Germany, Iceland, Ireland, Luxembourg, Netherlands, Norway, Sweden, Switzerland, United Kingdom). The analysis did not include the small Western European states, such as the Vatican, Andorra, San Marino, Lichtenstein and Monaco. Also, I will use the names

But before applying these categories, it is necessary to examine the overall comparison between Western and Eastern Europe.

Data clearly show that Eastern Europe has been lagging behind Western Europe in the degree of urbanization (Figure 4.3). However, the size of this gap has changed over time, and by the 1980s, Eastern Europe cut the urbanization gap in half. Clearly, the population deconcentration trend of the 1970s stopped at the Iron Curtain. In fact since the early 1980s, when the socialist states ran out of resources to promote their urban development agendas, a difference of approximately 18 percent has persisted.

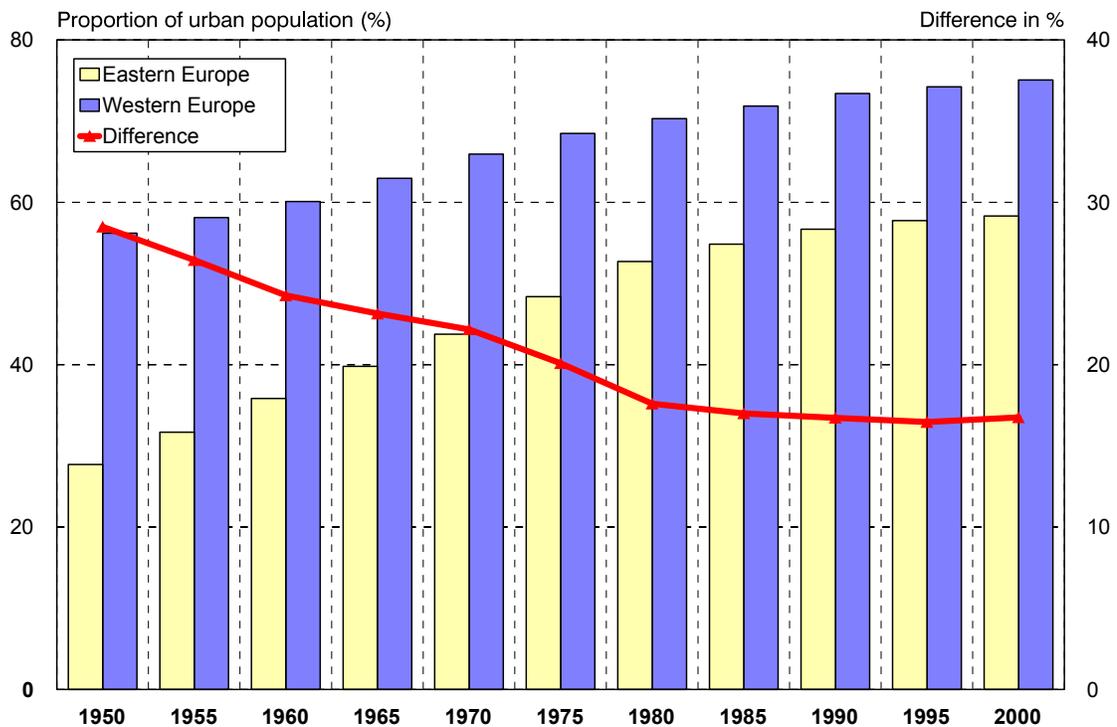


Figure 4.3 Urbanization in Western and Eastern Europe, 1950-2000

of contemporary Eastern European nation states even if they were part of ethnofederal countries during the socialist period.

The flattening trend of Eastern European urbanization since 1980 shows that while the European periphery has experienced population deconcentration, it started at a lower level of urbanization compared to Western Europe. Hence, while urbanization stabilized in Eastern Europe at about 60 percent, the corresponding figure for the West is over 75 percent.

Behind this trend are different patterns of urban and rural population change. Figure 4.4 shows the average annual rates of urban population change for Western and Eastern Europe. Data from Western Europe indicate a declining pace of urban growth since the 1960s, with a current growth somewhat less than one percent a year. In contrast, the Eastern European numbers tell us that the pace of urban population growth was faster than in the West during the socialist period, but much slower now. This is not surprising, since Eastern European countries both started from a smaller base and used various policy measures that speeded up urbanization. As the proportion of urban population grew in Eastern Europe, the pace of further urban growth slowed down. However, in the 1970s several socialist countries implemented various settlement development plans favoring urban places, and with these they were able to maintain the pace of urban population growth for about a decade. But this was a short-lived success, and from the 1980s urban population growth slowed down significantly. During the post-socialist transformation, Eastern European urban growth became slower than in the West. This change and the related plateau of urbanization in Eastern Europe shown in Figure 4.3 imply that Eastern Europe will not reach the Western European proportion of urban population in the foreseeable future.

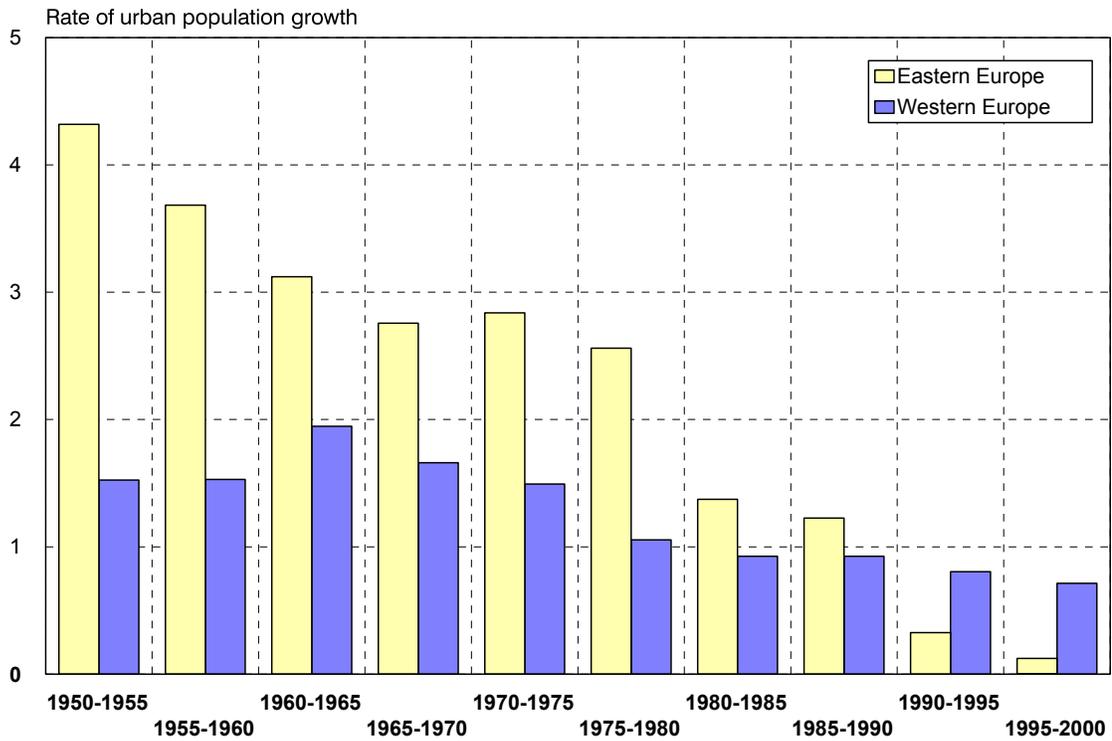


Figure 4.4 Rates of urban population change, 1950-2000

Rural population growth has been negative since the 1950s in both Western and Eastern Europe (Figure 4.5). The only exception was during 1950-1955 in Eastern Europe, especially in Slovakia and Albania.⁸² Throughout the state socialist period, Eastern Europe retained a higher percentage of its population in rural areas, indicated by the lower rate of rural population decline compared to Western Europe. This, however, was a result of higher rural birth rates, and not positive rural net migration. Rural population decline has diminished since the 1980s in both Eastern and Western Europe. In Western Europe, this reflected the unfolding population deconcentration trend, while in Eastern Europe it corresponded with the state's declining capacity to implement further urban development policies. By the 1990s, the rate of rural

⁸² Albania is an outlier in this respect, as the country had a rural population growth until the 1990s.

population decline was low in both Western and Eastern Europe, which indicates a stabilization of these regimes' rural population. This stabilization is a result of very low rates of population change in both urban and rural locations.

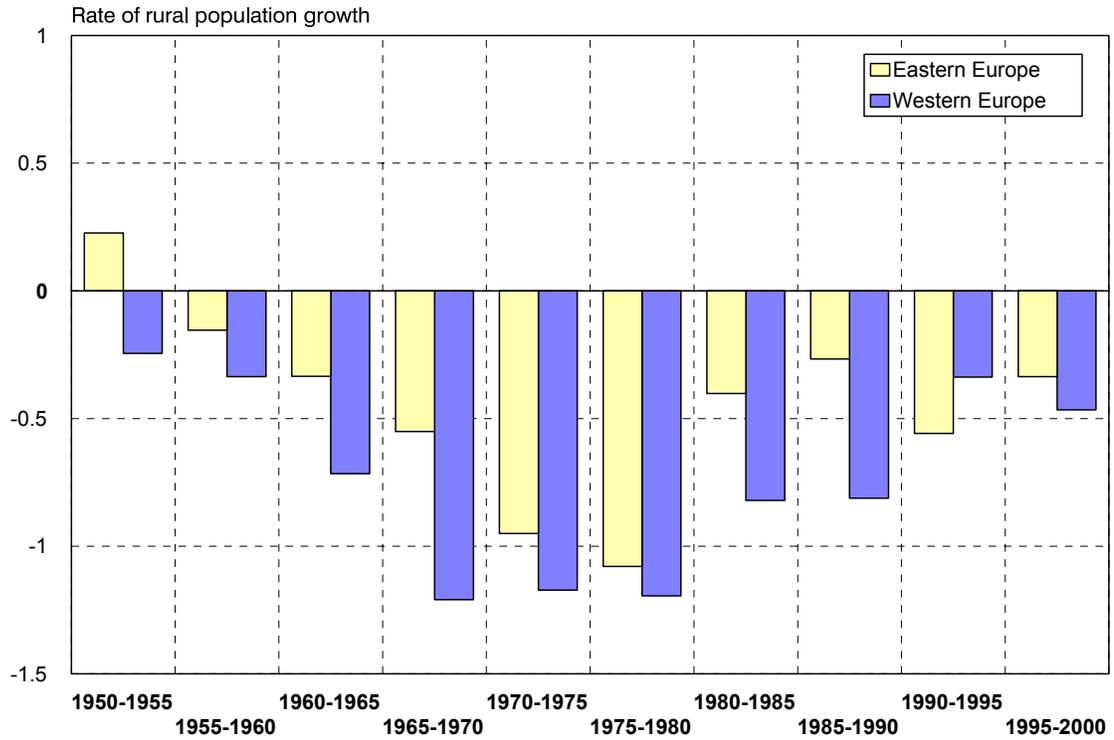


Figure 4.5 Rates of rural population change, 1950-2000

Data in Figure 4.6 show both urban and rural population change rates in Western and Eastern Europe to compare these rates' changing magnitude over time. With respect to Western Europe, a decline can be observed since the mid-1970s, as both urban and rural rates of change converge close to zero. Changes in Eastern Europe have been even more profound, especially compared to the rapid urbanization experienced here before the 1970s. By the mid-1990s, both urban and rural rates of

population change in Eastern Europe decreased dramatically, and at the recent time they are lower compared to their Western European counterparts.

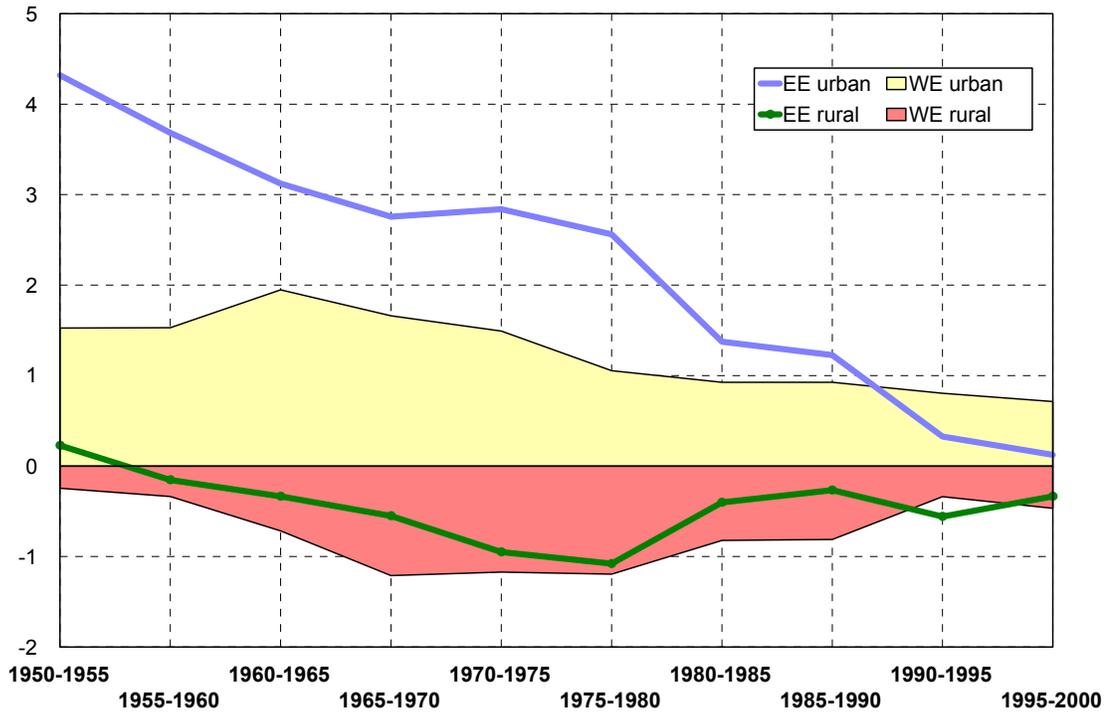


Figure 4.6 Urban and rural population change rates in Europe, 1950-2000

If we display the proportion of urban population in 1950 and 2000 in a scatterplot, we can see that the Western Europe category hides significant intraregional differences (Figure 4.7). The two outliers in Western Europe are Belgium which already had a high proportion of urban population in 1950, and Portugal which lags even behind most of Eastern Europe. The main outlier in Eastern Europe is Albania, having a low urbanization level in both 1950 and 2000.

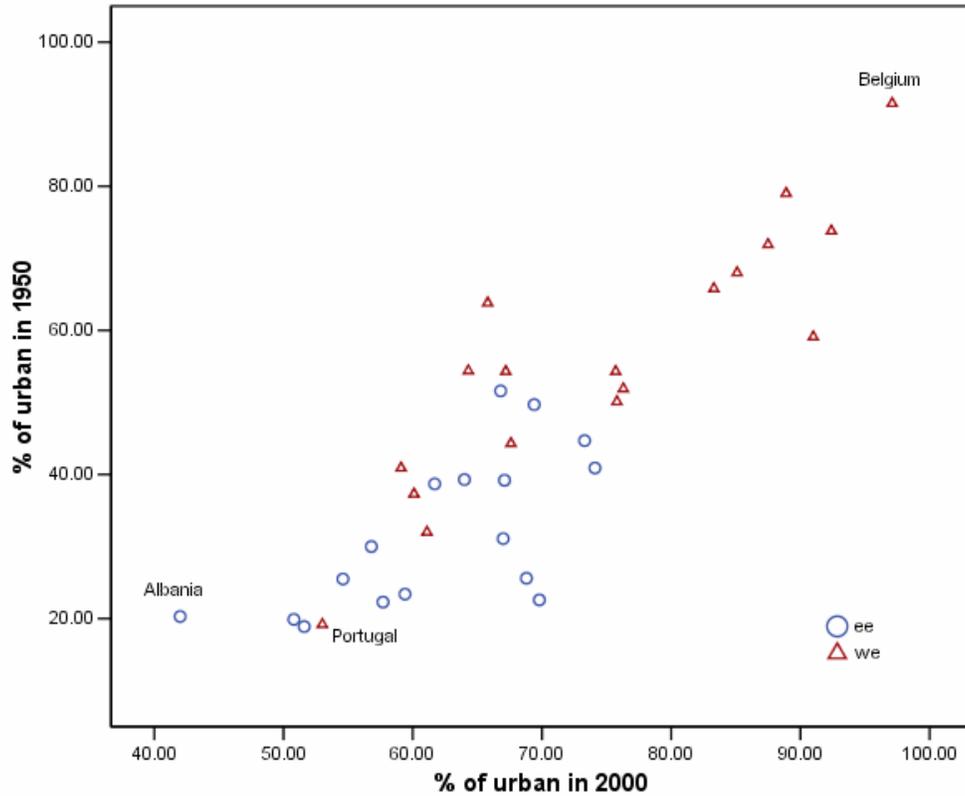


Figure 4.7 Change of urban population in Europe between 1950 and 2000

The next step in my analysis was to investigate intraregional differences by applying the fourfold classification I developed. Intraregional differences in urbanization can be clearly seen in Figure 4.8. The proportion of urban population of Western and Northern Europe was about 20 percent higher in 1950 than those of in Southern Europe, and this difference only decreased slightly in 50 years. A similar difference can be observed between Central Europe and Southeast Europe as well, although the convergence is larger in this case. But even more importantly, urbanization trends in Central Europe and Southern Europe have been very similar during the entire 50 years. These countries were in the closest proximity to the Western European core for centuries, thus their long-term patterns appear to be

strongly influenced by this. This finding is consistent with Enyedi's (1996) global urbanization thesis.

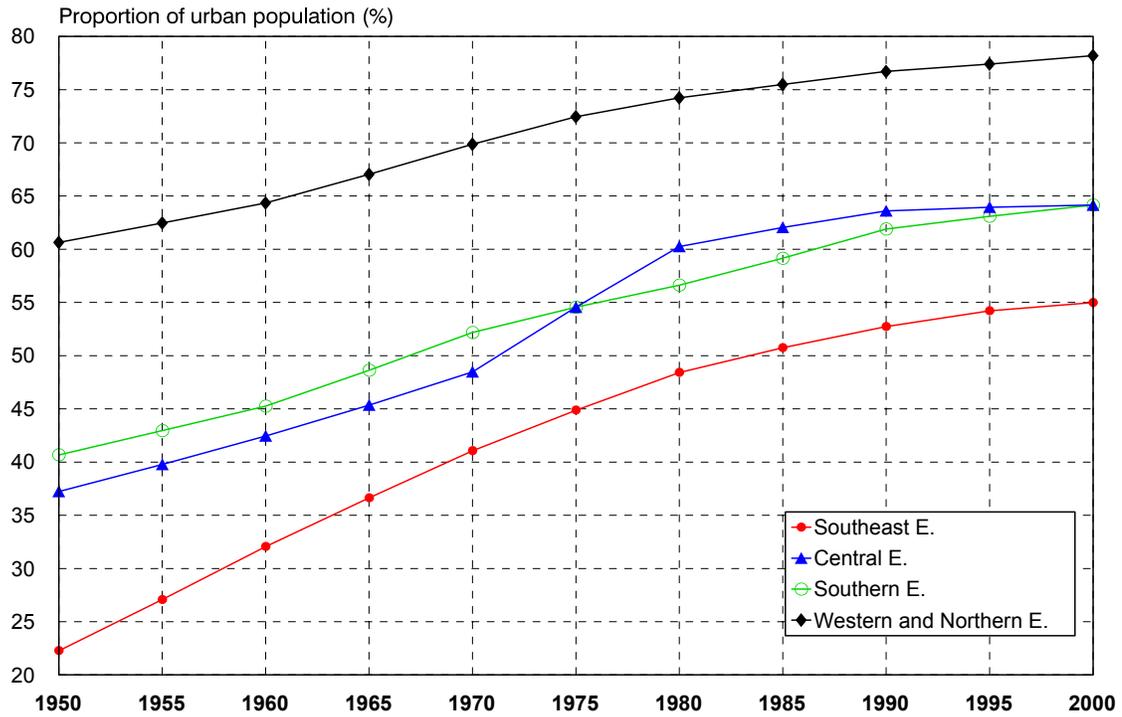


Figure 4.8 Urban growth in European regions, 1950-2000

In terms of urban population growth in the four subregions, a converging trend can be observed (Figure 4.9). The two Western European regions show a stabilized low growth since the 1990s. But while Western and Northern Europe arrived to this level in the mid-1970s, Southern Europe has been experiencing this only since the late 1980s.

In the eastern part of the continent, Southeast Europe experienced a dramatic decline from a high rate of urban population growth in the 1950s, which occurred on a low base of urbanization at the beginning of the period. Central Europe also had a

declining trend which was interrupted by an increase in urban growth rates in the 1970s. While this increase was the characteristic of all four Central European countries, it had the largest magnitude in the Czech lands.

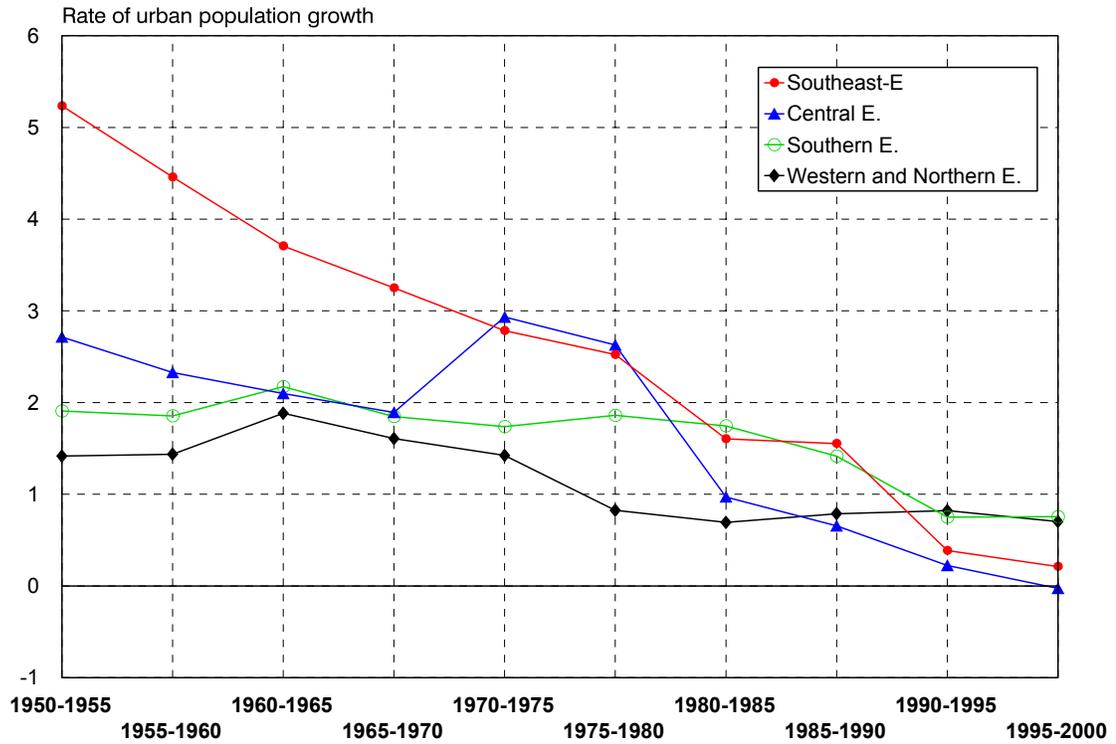


Figure 4.9 Rates of urban population change in European regions, 1950-2000

With respect to rural population change, similar patterns of decline characterized all four subregions until the mid-1960s (Figure 4.10). Then both capitalist Southern Europe and socialist Southeast Europe exhibited a lower rate of rural population decline until the 1980s. In Southern Europe, this change was especially noteworthy in Greece and Portugal. On the other hand, Southeast Europe had an unchanging trend due to its constant higher rural natural increase. At the same time, rural depopulation increased in both Western and Northern, and Central Europe,

but for different reasons. In Western and Northern Europe, it was a simple continuation of a trend starting in the 1950s, while in Central Europe it reflected urban development policies what resulted in rural outmigration and which caused increasing rural population decline. These interregional differences disappeared by the end of the 1990s when all four subregions experienced a similar rate of rural decline.

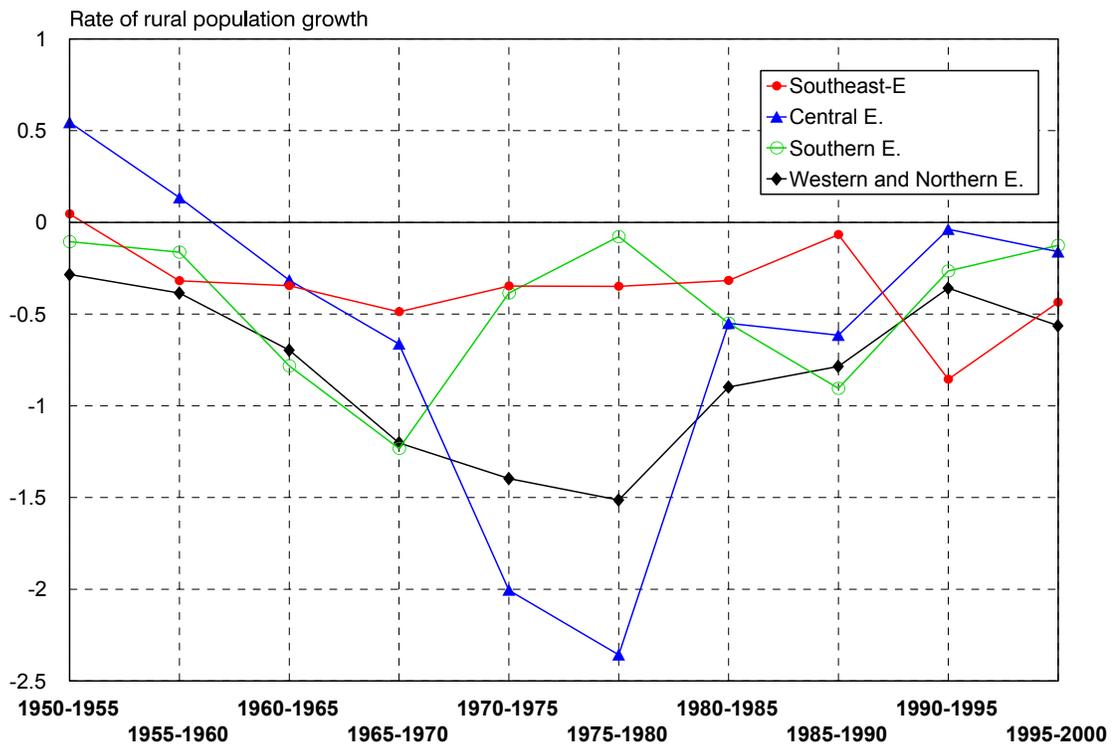


Figure 4.10 Rates of rural population change in European regions, 1950-2000

The scatterplot in Figure 4.11 is similar to Figure 4.7, but this time with the fourfold regional classification. The difference between Southeast and Central Europe is clearly visible, but only in 1950. At that time Southeast European countries had a similarly low proportion of urban population. By 2000, they were much more heterogeneous, with a core of countries where the urban population was between 50

and 60 percent, the lagger of Albania (42 %) and the forerunner of Bulgaria (68 %). Central European countries started on a higher base in 1950 (between 30 and 40 %), and also became more heterogeneous by 2000. On the other hand, there is a core of Western and Northern European nations that differ from others in the same group. Further disaggregation of this group into a Western core and a Northern tier did not make the picture clearer, as this highly urbanized core consisted of countries from both. The countries in this group are Belgium, Denmark, Germany, Iceland, Luxemburg, Sweden and the UK. This also implies that geography alone has less explanatory power to describe intraregional differences in Western Europe than in Eastern Europe.

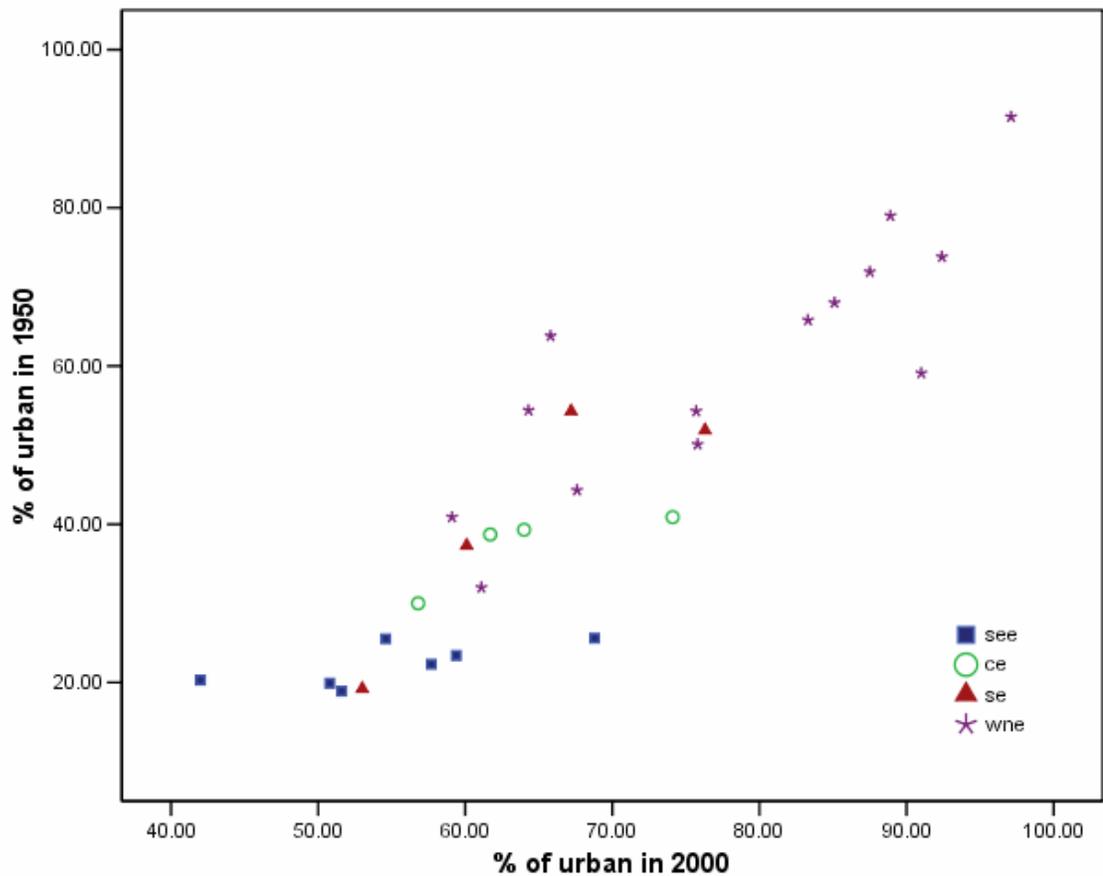


Figure 4.11 Change of urban population in European regions between 1950 and 2000

Finally, a series of cluster analyses was conducted to classify the investigated European countries by their urbanization experience after the Second World War. The purpose of the cluster analysis was to examine whether statistical methods using urbanization data would recreate the historical and political distinction of Europe, and if so in what regional setup. Table 4.3 shows a cluster classification by the three variables of urban change (proportion of urban population, rate of urban population change and rate of rural population change) first using the simple distinction of Western and Eastern Europe.

With respect to the proportion of urban population, the analysis placed all Eastern European nations in the same group, but it put a number of Western European countries there too. Almost all of these countries are second tier Western nations with respect to urban change, except the Netherlands. This means that the changing proportion of urban population more reflects a historical core-periphery difference in Europe than the political division from the Cold War.

Table 4.3 Urbanization cluster definitions of Western and Eastern Europe

	Being Western but classified as Eastern	Being Eastern but classified as Western
Proportion of urban population	Finland, Greece, Ireland, Netherlands, Portugal, Switzerland	-
Rate of urban population change	-	Czech Republic, Hungary
Rate of rural population change	Austria, France, Greece, Ireland, Italy, Netherlands, Portugal, Switzerland	Bulgaria, Croatia, Czech Republic, Hungary

When dividing the sample by the rate of urban population change, the analysis came very close to both the historic and political division. All Western European nations are in the same group, and only two Eastern European countries, the Czech

Republic and Hungary were placed into the same cluster. Urban population change in these two countries was very similar to those of in Western Europe due to their similar urbanization level in 1950 to the western part of the continent. However, when it came to classifying countries by the rate of rural population change, the twofold distinction was very confusing, and both Western and Eastern Europe were split. Eight out of 18 Western European countries were merged to the Eastern European core, while five out of 11 Eastern European countries were placed in the Western European group.

When the program was set up to create four clusters instead of two to examine whether the statistical analysis could support the historic classification of nations, the main outlier, Belgium was placed into a separate group alone. After this, Belgium was removed from this analysis, and the next model resulted in a more balanced distribution of the remaining 28 countries (Table 4.4).

Table 4.4 Fourfold cluster model of European urbanization

	Cluster 1	Cluster 2	Cluster 3	Cluster 4
N	6	7	6	9
% urban in 1950	21.02	52.81	69.60	34.61
% urban in 2000	51.62	71.31	88.03	62.07
Urban growth rate 1950-55	4.63	1.37	1.38	3.18
Urban growth rate 1995-2000	.45	.53	.73	.35
Rural growth rate 1950-55	.16	.07	-.54	.07
Rural growth rate 1995-2000	-.56	-.30	-.77	.00
Countries in the cluster	Albania Croatia Portugal Romania Serbia & M. Slovenia	Austria Czech Rep. France Italy Netherlands Norway Spain	Denmark Germany Iceland Luxemburg Sweden UK	Bulgaria Finland Greece Hungary Ireland Macedonia Poland Slovakia Switzerland

The four groups mixed together Western and Eastern European countries to a considerable extent. The clearest group is Cluster 3, where the forerunner urban countries can be found. These are the same countries that were shown as a separate group on Figure 4.11 also (except Belgium of course). These countries already had a high rate of urban population in 1950, hence a low rate of urban population growth. Nevertheless, they were able to maintain this urban growth, and in 2000 their urban population growth rate was the highest. Their rural population was already in decline in 1950, and declined most rapidly in 2000.

Another somewhat compact group is Cluster 1, which consists of low and late urbanizers such as the Southeast European nations, with the exception of Bulgaria and Macedonia, but with the addition of Portugal, the lagger of Western Europe. These countries had the lowest rate of urban population in both 1950 and 2000. Accordingly, their high rate of urban growth in the 1950-55 period declined considerably by 2000. The same can be told about their rate of rural population growth, which means that these countries had significant reserves in natural increase at least for some time in the investigated period. More detailed data showed that they could maintain the high rate of urban growth until the mid-1980s, however their rural growth rate declined rapidly in the early 1960s. This also indicates a high level of rural-urban migration.

The other two clusters are more heterogeneous. Cluster 2 contains intermediate Western European countries with respect to their levels of urbanization, and also the Czech Republic. This is historically reasonable, as Bohemia had a very similar development trajectory as Western Europe until the Second World War, and became more urbanized by then than other Eastern European countries. One surprising member of this group is the Netherlands, a traditional forerunner of capitalist development, but with a somewhat different settlement structure compared with other Western European nations. Countries in this cluster had a high level of urban

population in 1950 and a moderate, but steady increase until 2000. What really differentiates this group from other clusters is the rate of rural population change. It was slightly positive until the mid-1960s, but in the 1970s this rate turned to negative very rapidly. In the early 1990s, the trend reversed again, and then this group was the only one where the rate of rural population change was positive. In the last period, between 1995 and 2000, we could witness rural depopulation again.

The most complicated group is Cluster 4. Switzerland seems to be misplaced here, but its cluster classification may be a function of an urban-rural definition peculiarity, based on the country's topography. These countries experienced a moderate increase in the proportion of urban population, which was rapid in the beginning of the period, but flattened out by the mid-1990s, and currently is the lowest among the four groups. Rural population decline in this group started only in the late 1960s, but was persistent until the current period. It is unclear whether the most recent data about zero change indicates a reverse in rural population decline or is it simply a statistical noise.

The cluster analysis indicated that there are significant differences with respect to urbanization between Western and Eastern Europe. However, it also proved that these differences are less functions of the political division of the Cold War than the long-term historical settlement development patterns. This can be seen even when using data from the Cold War period. It is also noteworthy that differences between Central and Southeast Europe were as remarkable as differences between Western and Eastern Europe. The fourfold regional classification of European countries by their urbanization experience was supported by this analysis as well.

4.4.3 Conclusion of the analysis

This analysis offered a new perspective on European urbanization, accounting for an additional factor, historical development differences, to enhance our understanding of urban and rural change in Europe after the Second World War. But before drawing the conclusion, limitations need to be noted. The most notable limitation of this analysis is the quality of data. As I indicated in Chapter 3, the simple urban-rural dichotomy no longer expresses the complexity of settlement systems in Europe. Nevertheless, data are collected and managed in this way, and one has to use this simple classification to conduct time series analysis of urbanization. Also, even if there were more detailed or better data for all countries throughout the whole period, the classification system would represent diverse national peculiarities and their changes over time to such an extent that comparative statistical analysis would be rather crude. For my purpose here, these data were satisfactory, however further analysis of this topic might gain additional insights about the comparability of national settlement systems, including their cultural and historic development and public administration classifications.

Data indicate that Eastern European countries have reached an urban plateau, and will not catch up with Western Europe in the proportion of urban population. Population deconcentration in Eastern Europe followed the Western pattern with some delay. This delay was long enough for deconcentration to occur on a different settlement system, but too short for Eastern Europe to close the urban gap. Data also show that the magnitude of urban and rural population change declined in both Western and Eastern Europe, thus we cannot expect significant changes in the foreseeable future.

The most important conclusion of this analysis is that classifications based solely on geographic location cannot account for many important differences in the process of urbanization. Unfortunately, the UN classification system with respect to

Europe is highly built on this geographic factor. Incorporating historical and political development factors uncovers additional differences in urbanization. The fact that cluster analysis classified countries such as the Czech Republic or Hungary into groups including Western European nations shows the existence of similar historical development patterns. On the other hand, laggards in Western Europe such as Portugal, show more resemblance in urbanization trends with Eastern Europe than with their Western European counterparts.

At the same time, cluster analysis grouped countries together that are not located in geographic blocks in Europe. The forerunners of urbanization are all over from Scandinavia, the British Island and the continental core. This shows that the diffusion of urban development is influenced and mediated by local cultures, histories and public administration structures, and it is not simply a process of spatial correlation. The importance of public administration systems is supported by the finding that classification schemes based on rural population change are very heterogeneous, and by themselves they do not offer a satisfactory understanding of the variations of change in settlement systems. Rural places are very diverse residuals in any administrative classification system, and the interpretation of rural change must be done with great caution. The lack of spatial correlation between countries is another example why classification schemes based solely on geography might miss important information.

While aggregated geographic divisions hide particular similarities and differences, disaggregation can reveal some important information with respect to the development of settlement systems. The similar urbanization trajectory of Southern and Central Europe is an example for this. When geography was combined with political differences, this historical European periphery, divided by the Iron Curtain later, exhibited similar urbanization trends.

Going back to the academic debate between Enyedi and Szelenyi, we can conclude that Enyedi is right when noting that the cyclic nature of concentration and deconcentration applies to Eastern Europe, and the region displayed a similar urbanization trajectory to Southern Europe. However, Szelenyi is also right when listing all the peculiarities of socialist urbanization. Nevertheless, these two arguments are not necessarily contradictory. While concentration and deconcentration patterns shift back and forth similarly around the globe, the social structure and consequences of these patterns are very different. Motives behind the same population redistribution trends can be similar in some cases and different in others. Just as David Stark wrote about "capitalisms" as plural, we might conceptualize urbanization in the same way. The basic findings are similar, but there are plenty of peculiar characteristics making each case a little bit different. Also, as Pickvance (2002) noted on the same topic, theories based on Eastern European urbanization experiences broadened the conceptual horizon of academics, and showed the limitations of interpretations based solely on Western patterns.

4.5 The characteristics of population redistribution and urbanization legacies

With respect to the general settlement structure, Eastern Europe followed the Western European urbanization patterns with a considerable lag until the Second World War. Eastern European urban structure has been traditionally much weaker and more unbalanced than the Western European for reasons discussed in Chapter 2. This urban structure, including both settlement morphology and urban social relations, was an important delaying component in the modernization of Eastern Europe. While the main reasons why people moved to cities were not significantly different from those of

in Western Europe, the resulting urban structure has become different. Due to the slow industrialization and the dependent agricultural periphery position in Europe, only a few Eastern European cities were able to attract immigrants in large numbers. This resulted in a settlement structure where larger cities dominated the urban hierarchy, and the smaller towns were only marginally different from big villages.

Another historic difference can be found in the functional characteristic of the cities. Eastern European cities were first of all administrative centers, and their development was determined by political and administrative designations. This also means that the urban upper class mainly consisted of public administrators and political appointees and not entrepreneurs, creating a closed stratum. This factor also made the development of urban places largely contingent on political decisions.

A very important causal difference between Western and Eastern Europe was in the relationship between industrialization and urbanization. In Western Europe, industrialization was preceded by centuries of urban development. Even if rapid urban population growth was closely interlinked with industrialization, the social fabric of Western European cities, as traditional business centers, was an appropriate environment to accommodate the social and economic impact of industrialization. In Eastern Europe, this relation was different, and industrialization was the central force preceding and inducing modern urbanization. Until the 1950s, Eastern European industrialization was not only delayed, but had a different structure as well. It was based largely on food processing, which did not require urban population concentration and contributed only marginally to urban development.

Migration patterns in Eastern Europe before the Second World War were influenced by two historical characteristics. First, due to the underdevelopment of urban industry, rural surplus population opted for emigration, instead of moving to domestic cities. After the First World War, however, when the US introduced a more restrictive immigration policy this possibility diminished.

The other historic characteristic of Eastern European migration trends in the first half of the 20th century was the large-scale population displacement following every border change. After acquiring new territories, every national government tried to encourage the ethnic minorities to leave, and replace them with ethnic majority population. This forced displacement aimed to change the ethnic structure in new territories to undermine any future territorial claims on ethnic basis.

After the Second World War, the state socialist systems speeded up urbanization in Eastern Europe. As has already been mentioned, this urbanization was a side effect of industrial development which resulted in large-scale rural-urban migration. To some extent this pattern was similar to the 19th century Western population concentration. This is not a surprise, since planners and policy-makers had that particular experience in mind as they desperately tried to catch up with the West. Labor-intensive industrial development, fueled by rural surplus population and rural displacement policies, had the expected population concentration outcome. But this urbanization was too closely connected to industrialization, and became a direct function of industrial development policies. This determined the social structure of urban society, from which the entrepreneur middle class was largely missing.

Urbanization occurred mainly in quantitative terms. The concept of underurbanization refers to the lagged investments in services, and the housing shortages in particular, after industrial jobs were created in large numbers (Konrád and Szelényi, 1974).⁸³ Pivovarov (2003:57) called the infamous socialist housing estate developments "*cheap settlements attached to big enterprises*" referring not only to their secondary importance and low quality, but to the fact that such housing developments were closely connected to industrial expansion. He noted that while in quantitative parameters, such as the number of units built, Russia did not lag behind,

⁸³ This term was created as a twin concept of 'overurbanization', used to describe the Third World pattern of rapid urbanization with slow industrialization (Szelényi, 1996: 294-295).

in qualitative parameters it was way behind Western Europe. Part of the problem was that short term pragmatic matters usually trumped systematic planning (French, 1987). Resources were never sufficient to conduct a large-scale urbanization program. Even in the new socialist cities, built as industrial nodes, the infrastructure was considered as a secondary problem.

An additional issue regarding urbanization patterns in socialist Eastern Europe is the functional and cultural characteristics of urban places. Since the socialist urban system can be characterized with strict administrative hierarchy and a corresponding institutional structure, rapid urban population growth resulted in different urban culture and social structure. Mihailovic (1972:80) wrote about the "*ruralization of the towns*", as young immigrants from rural areas brought very different cultural and value systems with them to cities. Pivovarov (2003) called this process 'peasantification' as the previous urban strata were replaced with peasants. This process occurred in Western Europe as well. But there urban places expanded slowly, over centuries of more or less organic development. In Eastern Europe, this change occurred within a generation.

There were other important differences as well. Since residence registration became mandatory, data on internal migration improved, creating a reliable database for most socialist countries, with the exception of Albania and Yugoslavia (Kosinszki, 1975). However, registration was based on a wide variety of territorial units, corresponding with the differences in public administration. For example, the municipality became the unit of analysis only in Hungary, while in other countries various regional units were used. This created difficulties when making international comparisons.

The structure of migration during socialism also had certain characteristics. Keeping de Vries's (1984) argument about the importance of historic contexts in mind, migration issues have to be approached within the context of the socialist system.

Migration in socialist Eastern Europe was a response to direct state policies, and not to market changes. Wage differentials did not play a large role in labor mobility, as wages were centrally determined. Housing policy had a much larger influence because of the constant problem of underurbanization and housing shortages. A study in the Soviet Union showed that a 1 percent wage increase resulted in 1.38 percent increase in immigration, while 1 percent increase in housing resulted in 7.8 percent increase (Fuchs and Demko, 1979a).

Also, retirement migration was non-existent. Pensions were provided by the state and did not correspond with occupations let alone with personal savings (which were discouraged anyway). Moreover, Eastern European elders traditionally had very low geographic mobility. This is related to a different cultural perception of what does it mean to be old, and what roles are associated with this status in the society.

Since international migration was strongly discouraged, migration networks had a different role in Eastern Europe until the 1990s. The only exception was Yugoslavia, which was the only socialist country accessible to Western European labor recruiters.⁸⁴ There is a possibility that certain networks operated with respect to emigration to the West, but this topic still waits to be researched. Push and pull factors obviously existed, and so did intervening obstacles. The role of the latter was especially important, as the strong central control over residency changes was a major obstacle someone had to deal with.

The continuous labor needs until the 1980s on the one hand, and the difficulties to migrate on the other led to the rapid increase of commuting in Eastern Europe. In Czechoslovakia, for example, over 40 percent of the active workforce was commuting in the early 1960s (Mihailovic, 1972). This commuting was very different from its

⁸⁴ The 1960s and early 1970s was the guest worker era in Western Europe. Originally recruiters went to Southern Europe, especially to Italy, but when the Italian economy recovered, recruiters switched to Morocco, Turkey and Yugoslavia (Martin and Widgren, 2002).

Western counterpart. Most commuters were long-distance workers who spent the whole week at their workplace and traveled back to their families at the weekend. Also, commuting took place almost exclusively by public transportation. The socialist ideology did not have the intention, while the shortage economy did not have the resources to produce automobiles for personal ownership on a large scale. This in itself hindered migration, making the transportation of personal belongings very difficult. Although public transportation was heavily subsidized, the large volume of commuters put a huge pressure on the system. Commuters had to pay the price of underurbanization too, by their time spent in transit and their missed urban amenities (Fuchs and Demko, 1979b).

An additional result of underurbanization and commuting peculiarities is the different pattern of suburban development. In Eastern Europe, compared to the US and Western Europe, suburbs originally emerged not because of residential preferences, but because of housing shortages in city cores. Due to underurbanization, and the subsequent restrictive policies with respect to immigration to large cities, people ended up in the surrounding villages as a base for commuting to urban jobs. Thus, the Eastern European suburban social structure was very different from the American one, and consisted of mostly a blue-collar workforce, mixed with the original although shrinking agricultural population of these villages.⁸⁵ Such living arrangements were not only more accessible for first-generation industrial workers, but also offered the possibility of a rural-style living and corresponding additional agrarian economic activities (Enyedi, 1996).

⁸⁵ In Budapest, the largest city of Eastern Europe this process had an additional peculiarity. Shortly after the Second World War, purely for political reason, Budapest was merged with its close hinterland. In 1949, Budapest annexed 7 cities and 18 villages, its whole agglomeration area. From that point, its hinterland became a new group of settlements that were not in the capital's close proximity before, and were traditional agricultural places. These villages became the places of suburban growth in the socialist period. The slow structural development can be seen in the fact that many of these villages, and indeed some of those places that were annexed in 1949, still retain their rural character.

Part of the reason behind these differences was the importance of public administration, as the main tool for carrying out state policies. Public administration was organized in a strict hierarchy that could not incorporate blurry definitions. Hence, the urban-rural distinction was not only a result of ideological and development considerations, but also a necessary administrative simplification of complex social and spatial structures. This role of public administration not only reinforced the traditional etatist character of Eastern European countries, but also created a huge inertia in conceptualizing settlement patterns in the urban-rural continuum.

In this way, I argue that Eastern Europe not only lagged behind the West in settlement development (going on a somewhat different trajectory), but also in the academic and policy perception of these issues. For example, although the social and economic connection between central cities and their suburban rural hinterland was sometimes acknowledged conceptually, no effort was made to consider developing them as one complex and integrated spatial unit. Suburban villages were first of all rural, and thus given a low preference in resource redistribution.

Counterurbanization experiences in Eastern Europe were also different from those of in the West. Population deconcentration started in the early 1990s, as the systematic concentration policies were abandoned in these countries, and they were opened up to globalization. Accordingly, residential preferences of upper middle class population to leave the large cities appeared. This was suburbanization in its traditional sense, but due to the different classification systems, it was shown in statistics as population deconcentration. Also, industrial restructuring had an impact on counterurbanization, as many urban workers were downsized, but there were two important differences. First, downsizing started with the long-distance commuters, because their transportation had to be paid by the employer. This change does not appear as migration in official statistics. Second, as research in Hungary showed, these

workers did not necessarily contribute to a diminishing of human capital of the rural areas to which they moved (Brown et al, 2005a).

Migration plays an increasing role in population change in Eastern Europe also as the region converges to the general European trends of declining fertility and mortality. While migration has occurred in an isolated environment during socialism with its peculiar ideological, economic and development considerations, since the start of the post-socialist transformation we can expect to witness similar motives and forces behind migration decision making as in other parts of the world. But are these motives and forces really similar to those of in the West?

There are some similarities, such as the importance of employment reasons as causes of migration. Scholars pointed out that the relationship between migration and unemployment was strong in countries that had shock therapy, such as Poland and Estonia, but was much weaker in others, for example the Czech Republic or Romania (Illés, 2003). In countries that began to participate in international labor migration, such as Poland or Bulgaria, migration streams developed. However, the regime change itself did not cause large-scale internal migration. Migration has a certain associated risk, and the response of the majority of the people for the regime change was to stay where they were. Those who took the risk of migration in the early 1990s in many countries tended to aim for the West which gave a better return for their efforts.

This low level of spatial mobility of Eastern Europeans can be approached from a cultural standpoint also. I argue that there is a peculiar migration culture in Eastern Europe, influenced by historical and cultural patterns of spatial mobility in the region. This is what Western European policy makers seldom understand, and apply their domestic migration experiences to Eastern Europe. Their mechanically applied assumptions are part of the reason behind their own fears of Eastern European labor migration. Despite the large-scale emigration from Eastern Europe in the early 20th century, Eastern Europeans tend to have a low level of spatial mobility. Without the

presence of strong policy forces such as population displacement or forced sectoral modernization, Eastern Europeans are less inclined to take chances elsewhere. There are many factors associated with this. House ownership has a high cultural value in Eastern Europe, but it is very difficult to realize. Once an independent household is established in a privately owned house, the probability of further migration declines, and only strong push or pull factors can make people move. Related to this, there are the costs and difficulties of transportation as an intervening obstacle.

These issues bring up an important characteristic of Eastern European social organization with respect to migration behavior. When it comes to accomplishing something, Eastern Europeans rely on informal networks and reciprocal relations to a large extent. The traditional insecurity about personal properties makes many people rely on actors they know well. House ownership, for example, is accomplished by building one's own house. The mortgage system is underdeveloped, and people trust less in financial institutions than in Western Europe. Hence, most people mobilize kinship and friend networks to help. The reciprocal nature of these relationships creates a local social network, which would be disrupted if one would hit the road. While this system of local organization is not very different from what has been observed in other countries and cultures such as in Mexico and Southeast Asia, but and its impact on migration is the opposite compared to those peripheries where migration is a systematic risk aversion household strategy.

This culture of migration in Eastern Europe partly originates in the traditional social organization of the region. The role of culture and social norms is not a new finding in population theory Caldwell (1982). Also, John Hajnal's (1965, 1982) major studies on marriage patterns and household formation are good examples of how social norms affect demographic behavior. Although Hajnal's definition of "European" and "non-European" patterns of household formation has been strongly contested, it seems that kinship relations survived longer in Eastern European social organization

and community structure. These relations have an impact on the population dynamics of the region, including migration patterns, especially in rural areas that were more resistant to Western-style modernity.

4.6 Summary

The contemporary settlement structure of Eastern Europe is a product of long historic development. Since the region was lagging behind the West in economic development, Eastern European industrialization in the 19th century has already started late and had a different sectoral structure. Closely interlinked with this delayed industrialization, urban places in the region had less capacity to absorb rural population surplus. Moreover, Eastern European cities were mainly characterized as administrative centers and generally were not able to foster an innovative entrepreneurial middle class. The large scale emigration from Eastern Europe in the early 20th century was partly a consequence of underdeveloped urban structure.

Shortly after the Second World War, the communist takeover brought a very different development paradigm to Eastern Europe. Etatism was an important traditional characteristic of development in the periphery, but this time it was reinforced to an almost unimaginable extent. Eastern Europe was isolated from the rest of the world, which isolation was considered to be a fundamental requirement for the successful modernization of the region.

While this isolation was meant to protect the region from the negative affects of the emerging international capitalist system, it had unforeseen consequences. Among these is the relative inflexibility of the socialist development paradigm. The Iron Curtain not only kept Western observers outside, but also allowed only a limited outlook from the inside. Socialism eventually failed to modernize Eastern Europe and

close the persistent development gap between the region and the West. In a paradoxical way, however, the dominant development paradigm was not that different in Eastern Europe until the 1970s. It was an essentially structural functionalist approach, albeit from different ideological origins. But while the Western part of the continent was able to shift gears in the 1970s, Eastern Europe was stuck with the same rigid development framework that allowed only very limited space for improvement.

Conceptualizing this development gap in terms of spatial processes, there are a number of conclusions to be drawn. The level of urbanization in Eastern Europe seems to settle down. While in the past it would have been considered as a definite indicator of underdevelopment, now we cannot make such statement. The level of urbanization in itself is no longer directly associated with socioeconomic development. The rapidly urbanizing developing countries are good examples for this. But to come closer to our study area, Finland, Switzerland or the Netherlands also has similar proportion of urban populations than the Eastern European countries.

The statistical analysis in this chapter offered a more comprehensive picture of European urbanization. It showed that classifications based on geographic location alone are insufficient to capture the elasticity of urbanization. Spatial change in Eastern Europe does not necessarily imply a distinct post-socialist pattern of urbanization, but it does prove the existence of significant heterogeneity in urban development.

As Brown et al (2005b) concluded on the Hungarian example, if one takes the long view on development trajectories, persistence seems to be the dominant pattern despite significant changes in the political and economic system. Every single political system has to build on legacies from earlier periods. This is often cited as a main origin of contemporary problems in Eastern Europe blaming the socialist development ideology and practice. However, observers seldom realize that the socialist system also utilized existing spatial patterns. Hence, legacies played a much stronger role in

shaping spatial development in Eastern Europe, than most observers would think. Legacies have been extremely difficult to overcome, despite the coercive policy measures and forced modernization during state socialism, or the contemporary integration into the European economic sphere.

The next chapter will investigate the spatial development trajectory of two Eastern European countries, Hungary and Bulgaria that are different in many respects. Throughout their experiences over time, we will be able to ground the conceptual peculiarities of Eastern European spatial development, and see how these trends influenced the development perspectives of urban and rural localities. At the same time we will see two different stories, reinforcing the notion of intraregional heterogeneity in Eastern Europe.

5. Socioeconomic development in Hungary and Bulgaria

This chapter offers a comparative analysis of the interrelated socioeconomic and spatial development trends in Hungary and Bulgaria. It starts with an overview of the two countries' political history over time to identify particular local characteristics that affected social and spatial development. This overview is followed by an analysis of national population dynamics and existing urban-rural differences in those. The subsequent sections discuss migration and urbanization trends after the Second World War, comparing the experiences of the two countries. A unique Hungarian urbanization process and policy measure, namely the large-scale administrative reclassification of rural places to urban category, is also discussed.

5.1 History and politics in Hungary and Bulgaria

5.1.1 Early histories – diverging paths

The early history of the two countries was basically a geopolitical positioning between the Byzantine Empire and the Holy Roman Empire. Bulgarians formed their country in the 9th century, and this state became a dominant power in the Balkans under Boris I and later Simeon the Great. In the 10th century Bulgaria converted to Orthodox Christianity, and the two brothers Cyril and Methodius developed the Glagolitic alphabet for the Slavs. After Simeon's death, Bulgaria gradually became subjugated by Byzantium in the early 11th century.

The Hungarian Kingdom was formed around the same time, and its population was converted to Roman Christianity. The first ruler, Stephan I, a descendent of the legendary tribal leader Árpád, had a choice when asking for a crown⁸⁶, and chose Rome over Byzantium positioning Hungary in the western Christian realm. Janos (1982) noted that although this decision was dictated by momentary political considerations, it had far-reaching consequences. Hungary was on the border of both the Holy Roman and Byzantine empires, and waged successful wars against both of them. This success was caused partly by its favorable location of being relatively far from both power centers.

Bulgaria became independent again in the late 12th century, and under Ivan II it emerged once more as a regional power. However, by this time its geographic expansion was largely blocked by the Hungarian Kingdom to the north and the Serbian Kingdom to the west. By the late 14th century, central power in Bulgaria declined, and due to internal political struggles and continuous warfare with the Serbs, the Second Bulgarian Empire could not resist the Ottoman pressure.

In 1301, Andrew III, the last representative of the Hungarian Árpád dynasty, died. Subsequent Hungarian kings came from the great dynasties of Europe: Anjous, Luxemburgians, and Jagellonians. Although native historians often see this as a deterioration of the Hungarian bloodline, from a geopolitical viewpoint this shift opened Hungary up to the West. One of the greatest periods of Hungarian history was the 14th century under the Anjous, and later in the early 15th century the Hungarian king, Sigismund of Luxemburg was also the Holy Roman Emperor.

The histories of the two countries had a strange encounter in 1444 at the city of Varna on the Bulgarian Black Sea coast. The last Western crusade to liberate Constantinople, led by the young Hungarian king, Ulászló I, suffered a decisive defeat

⁸⁶ Asking for a crown was an important political step for the new Christian kingdoms. This step indicated their geopolitical and cultural orientation, as well as their acceptance by the dominant powers.

by the Ottomans, and the king also died on the battlefield. For Bulgaria, all hope driving the Ottomans back to Asia Minor was lost. Hungary now faced growing Ottoman pressure as well.

After the decisive defeat at the battle of Mohács in 1526, and the fall of the capital Buda in 1541, Hungary was largely conquered by the Ottomans. The country was divided into three parts. The middle part was under direct Ottoman control; Transylvania in the east became a semi-autonomous territory; while the northwestern part of the country fell under direct Habsburg rule. The Ottoman period in Hungary lasted for 150 years.

While both Hungary and Bulgaria were under the Ottoman rule during this time, there were significant differences in this rule. As demonstrated by several unsuccessful sieges of Vienna, Hungary was the Ottoman military's geographic frontier. This was due to the military logistics of the late medieval age, and the fact that the Ottoman military performed poorly during the winter. Also, after summoning all troops from various parts of the empire, including those of in Asia Minor, the Ottomans had only limited time for actual warfare. Moreover, unlike the declining Byzantium or the divided Balkans, the emerging Habsburg Empire proved to be a strong opponent.⁸⁷

The Hungarian aristocracy fled the Ottoman dominated territory. While they avoided physical elimination and kept formal title to their lands, they were eventually forced to accept Habsburg rule as a legal royal authority in return for regaining internal control. From a historical perspective, the Western rim of Hungary, which

⁸⁷ The Habsburg family territories were split in 1521, when Charles V, keeping the Spanish part of the empire, gave the Austrian territories to his brother Ferdinand I. From that point (shortly before the battle of Mohács), the Austrian Habsburgs worked to create a Central European empire, including Hungary. The Habsburgs mobilized Western resources to eventually defeat the Ottomans, but a long struggle was needed to impose their power on the designated territories of the empire, especially on Bohemia and Hungary.

remained under Habsburg rule during the Ottoman era, became the most developed part of the country.

The biggest difference between Bulgaria and Hungary at this time was in the degree of penetration of the Ottoman institutional system. In the Bulgarian territories (called the Danubian *vilayet*), the Ottoman institutional structure, including the land tenure system, was undisturbed for more than 400 years. Hungarian territories, on the other hand, as the Ottoman Empire's periphery experienced continuous warfare, which resulted in weaker Ottoman institutional legacy. Due to this warfare, Ottoman land tenure was not implemented to the same degree as in the Balkans. Obviously, the wars displaced a large population, but the Ottoman presence was limited to larger urban garrisons. On several occasions during the Ottoman period, the Hungarian aristocracy was even able to collect taxes from their former estates.

In economic terms, Austria was the only Western market for the Hungarian nobility. This resulted in a paradoxical situation in cattle export, the main economic activity of the era. The prosperous cattle trade in the 16th century could have been an impetus for the establishment of an entrepreneurial middle class, however, the relative isolation of Hungary resulted in an unchanged social structure. The situation did not change in the 18th century when grain overtook cattle as the main export commodity.

Gradually, a significant economic difference developed between Hungary and Bulgaria. As Chirot (1989) has noted, the Habsburg economy slowly turned Hungary into a profitable agrarian region after the Ottomans left. From the mid-18th century, the Habsburg tariff system reinforced Hungary's agricultural characteristic as a supplier of Austrian and Bohemian industrialization. The declining Ottoman Empire did not have the same affect on the Bulgarian lands, even during the *Tanzimat*⁸⁸ reform period for

⁸⁸ The *Tanzimat* reform period was between 1839 and 1876. It was initiated to reorganize the empire according to modern European standards, including universal conscription and educational reforms. Later, when the reform tried to limit the Sultan's authority, it was abandoned.

which the Bulgarian territory, the Danubian Vilayet, served as a model. Although Palariet (1997) is probably right in saying that the Ottoman internal market contributed to the development of local economies, this development was isolated from the Western innovations. Hence, both Hungary and Bulgaria was part of a larger empire and participated in its internal trade. But these empires' geopolitical orientation and international trade relations made a difference in the impact on the economic growth of their subordinated territories.

When the Ottomans left Hungary in the early 18th century, the Hungarian aristocracy found itself under firm Habsburg rule. For the next 150 years various uprisings of the nobility attempted to overthrow the emerging absolutist Habsburg center. However, since the nobles were unable or unwilling to mobilize the peasantry, these uprisings lacked mass support and were eventually suppressed. The fundamental problem with these efforts was the inability of the Hungarian nobility to overcome its feudal characteristics. As Janos (1982:65) pointed out, they were "*desperately searching for alternatives to economic entrepreneurship*" to achieve and maintain power in the society. Even though Hungary had a long experience with national self-determination, the term "nation" referred only to the nobility, and not the commons.

There were two possible sources of political contention in Bulgaria in the 19th century. The first was the Orthodox Church, which along with the spread of nationalist ideas started to demand a separate status within the Ottoman Empire. Eventually it was granted, and in 1866 the Bulgarian Church was detached from the Greek millet. The second potential source was the class of Orthodox Christian provincial traders or administrators, the *chorbadjis*. Köksal (2000) has argued that their role in Bulgarian national revival was fundamental, while Stokes (1989) claimed that a group of liberal intelligentsia was behind the process.

By the late 19th century the political development of both countries took significant turns. The Compromise of 1867 in Hungary created the Austrian-

Hungarian dual monarchy, reflecting the political realities in both sides. The Habsburgs were defeated by Prussia and lost the possibility of being the leader of German unification. The Hungarian nobility was still exhausted after the suppressed 1848-49 revolution. With the Compromise of 1867, Hungary regained its formal autonomy over internal issues. From a historical perspective this also meant that the Hungarian nobility was able to remain in power. The economic consequence of the Compromise was rapid growth, albeit from a small base. Nevertheless, by the end of the 19th century Hungary was well ahead of the Balkans (Cameron and Neal, 2003).

Political developments in Bulgaria during this period were also profound. In 1877, Russia declared war on the declining Ottoman Empire to increase its influence in the Balkans. By the next year, Russia occupied most Bulgarian territories, and in the Treaty of San Stefano they created a large Bulgarian client state. While this step was welcome in Bulgaria, it was not seen as positive in the West. In the Treaty of Berlin in the same year, Bulgaria was significantly scaled back due to Western pressure. The new Bulgaria proper did not include the southern part of contemporary Bulgaria, which remained an Ottoman province under the name of Eastern Rumelia, and Macedonia was also lost. Although seven years later Eastern Rumelia revolted and joined Bulgaria, the issue of Macedonia became a source of future contention. Also, Bulgarian independence was *de facto* and not *de jure* until 1908. The new Bulgarian rulers came from Germany, "*German princelings whose megalomania was in reverse proportion to their significance at home*" as Maria Todorova (1997:72) observed.

The different trajectories of political history were trumped by the conditions of general backwardness in Hungary and Bulgaria. This led to very similar political practices in the two countries from the late 19th century until the First World War. Hungarian politics were dominated by Kálmán Tisza's aristocratic political machine, with fixed elections, administrative corruption and brutal campaigns in rural areas to ensure the government's continuity. In Bulgaria, Stefan Stambolov, a commoner hero

of the Eastern Rumelia unification, became the dominant personality. He believed that the end justifies the means, and did not hesitate to use force when he felt it was necessary. He was eventually murdered, and King Ferdinand took over the centralized apparatus, later driving Bulgaria to the Balkan Wars and the First World War.

Differences in political radicalism reflected the two countries' different social structures. In Bulgaria, due to the absence of a dominant landowner class, the political elite came from the peasant society, but soon became disconnected from it. This created the possibility of agrarian radicalization and mobilization.⁸⁹ In Hungary, in contrast, the conservative aristocracy remained the political center. Here, the radical left was weaker than in Bulgaria, besides, Hungarian right-wing radicalism had a distinct anti-Semitic character. An additional underlying factor in the different radicalisms in these two countries was the difference of public opinion toward Russia, which became especially important after the communist takeover in 1917. In Bulgaria, Russia was generally considered as a liberator, thus the conceptual soil was better for left-wing radicalism. In Hungary, Russians were historically considered as oppressors, and left-wing radicalism had much more limited space to operate.

Both countries, similar to the general Eastern European pattern, were agrarian producers. Although in Hungary the land was concentrated in large estates, while in Bulgaria small family plots dominated, both countries were largely unsuccessful in competing in the world market after the cheap overseas grain appeared. For Hungary, the internal market of the Habsburg Monarchy helped to absorb the crisis of the 1870s, but Bulgaria had no such protection. The fragmented land system made the export of Bulgarian commodities even more difficult (Lampe, 1986).

The First World War found both countries on the same losing side. After the defeat, Hungarian politics became dominated with territorial revision issues that

⁸⁹ The product of this mobilization was the Bulgarian Agrarian National Union (BANU), with its charismatic leader, Alexander Stamboliski.

resulted from the Treaty of Trianon. In a way, this was similar to the course of Bulgarian politics after the Treaty of Berlin. However, in the Hungarian case this revisionism was much stronger, because the lost territories had been parts of Hungary proper for over 900 years. Political obsession about territorial revision was the focus of interwar political agendas in both countries, making an easy connection to the German geopolitical alliance later.⁹⁰

Shortly after the First World War, radicals seized the power in both countries. In Hungary, the short rule of communists in 1919 was followed by extreme right-wing terror. By the mid-1920s, however, the conservative center once again solidified its political power. This included fending off a coup by the last Hungarian king and his monarchist followers. Since the aristocracy did not want a king any more, Hungary became a "kingdom without a king". Theoretically, all legal power was derived from the Holy Crown of Stephen I, but in practice it was the governor, Miklós Horthy, who served as the head of state.

In Bulgaria the BANU and Stamboliski came to power. This lasted until 1923 when Stamboliski signed an agreement with Yugoslavia acknowledging the borders, thus letting Macedonia go. As a result, he was murdered by the Internal Macedonian Revolutionary Organization (IMRO)⁹¹, with the silent support of the conservative elite. After that, Bulgaria sank into a political anarchy, which lasted until Boris III declared royal dictatorship in 1934. As a result, the party system was dissolved until 1944.

⁹⁰ In Hungary's case, this revisionism was a direct result of territorial losses in the First World War, while in Bulgaria the losses came from the Balkan Wars, but reached back to the annulled Treaty of San Stefano.

⁹¹ The IMRO was a militant organization originally founded against the Ottomans, but it later became an agent of Bulgarian revisionist politics with regards to Macedonia. Numerous violent actions can be attributed to this organization, including the 1934 Marseille assassination of King Alexander of Yugoslavia and the French Foreign Minister, Louis Barthou. As the IMRO became loose cannon, the Bulgarian military finally broke its power in the 1930s.

It is important to note that from a socio-political viewpoint neither country went through any significant transformation after the First World War. It was especially important in Hungary where the nobility not only retained its power after the dissolution of the Habsburg monarchy, but increased it with the full independence of the country. By the mid-1920s, the same prewar political machine was in control. As an example for its operation, its leader, István Bethlen, defended the open ballot system in rural areas arguing that the open character of the Hungarian people is irreconcilable with the secret ballot (Berend, 1998).⁹²

While economic growth during the 1920s benefited both countries only slightly, the Great Depression devastated both of them because their economic agendas were based on agriculture. As discussed earlier, structural economic change avoided Eastern European countries, and neither Hungary nor Bulgaria was an exception. As a result, the state's role in economic development became even stronger, and economic agendas became closely connected to political issues. Slowly, both countries shifted into the German economic and political sphere for two main reasons. First, commodities offered for export by Eastern European countries had a persistent market in Germany because of its rearming and subsequent economic growth. Second, both Hungary and Bulgaria were promised territorial compensation by Germany, which was a major issue in political discourse, and helped to silence any opposition to this one-sided alliance.

In both Hungary and Bulgaria revisionism manifested in the alliance of the conservative political center and the right-wing radicals after the Great Depression. Two significant differences in the political situation should be noted though. The first

⁹² As Janos (1982) pointed out, it was a very sophisticated political machine. The open ballot in rural areas measured the efficiency of the machine and provided the necessary majority for the government, while the secret ballot in urban areas served like a political barometer and made sure that the opposition is in the Parliament at all times, providing a façade institutional structure of pluralism. The difference in votes was indeed large, the open ballot provided 60-70 % for the government, while the support in secret ballot system was usually fewer than 20 % (Berend, 1998).

is that however flawed the Hungarian political system was at that time, some degree of political pluralism operated there. In contrast, the royal dictatorship in Bulgaria allowed Boris to govern without formal opposition. Second, in Hungary, anti-Semitism was a persistent aspect of radical right-wing politics due to the significant proportion of Jewish population. Moreover, Jews were overrepresented among big industrial entrepreneurs and intellectuals, while the traditional political elite was still connected to the land and agriculture. In Bulgaria, not only the size of Jewish population was smaller, but they weren't in successful occupations that could be a target of right-wing radicalism either.

By the eve of the Second World War, both countries were strongly tied to the new German geopolitical order. However, this alliance with Germany played out very differently in the two countries (Janos, 2000). In Hungary, the conservative political center had to face a difficult situation. Not only the country was located on the major German offensive route to the Soviet Union, but also the traditional sympathy for Germany resulted in a strong, radical right-wing opposition, often used as a representative of German political interests. In Bulgaria, there was no such right-wing opposition, and Boris was able to balance the German alliance off against the traditional sympathy for Russia. Accordingly, the Bulgarian contribution to the German war effort was minimal, and Bulgarian troops did not participate in the Soviet invasion. Hungary, on the other hand, was deeply involved in the German war effort.

As a summary, we can conclude that the two countries' development trajectories over time have differed in ways that affect current differences in development and spatial structures. Both countries were in the periphery of Europe but they had different exposure to those socioeconomic and political changes that occurred in the West. The difference between the Habsburg and Ottoman rule in Hungary and Bulgaria respectively was especially important in the 18th and 19th centuries when Eastern Europe started to lag behind Western Europe. By the 20th century, when

Hungary and Bulgaria faced the new state socialist development agenda, the socioeconomic conditions influenced by their historic legacies were considerably different.

5.1.2 Convergence during state socialism

The two countries' routes to socialism were very different. In Hungary, where political parties existed throughout the interwar era, a short but important period of democratization lasted until 1948. Land was redistributed, which created a clear break from the historic land tenure system. Accordingly, in Hungary it took almost four years for the communist party to acquire power. In Bulgaria, in contrast, this task was much easier. Since the party system was dissolved in 1934, and Boris himself died in 1943 leaving a conservative regency behind, the only opponent of the communist-led Fatherland Front was the re-emerging BANU. However, the BANU was rapidly dismantled after its leader, Nikolay Petkov, was executed following a showcase trial.

During the Stalinist period, both Hungary and Bulgaria followed the Soviet development agenda closely. However, as another important difference between the two countries, agricultural collectivization started earlier in Bulgaria and proceeded at the fastest pace in Eastern Europe. The reason behind this was that it took less time for the communist party to acquire power, and there was no significant change in the land structure after the Second World War. In Hungary, in contrast, it was impossible to force collectivization only 2-3 years after the largest land redistribution in Hungarian history. So in Hungary, various incentives were used to create an urban industrial pull effect, while in Bulgaria the policy was rather to push rural labor out with collectivization. Both approaches had their negative side. In Bulgaria, the result was urban unemployment, as industrial jobs were not yet present. In Hungary, the urban industrial employment was present, but urban services lagged far behind.

In political terms there were more similarities between the two countries in the socialist period. In the late 1950s, local Stalinist leaders, Vulko Chervenkov and Mátyás Rákosi were ousted⁹³, and two characters that were somewhat similar to each other, Todor Zhivkov and János Kádár, became the new leaders. From that point on, there was no major political challenge in either country for about 30 years. Hungary had its revolt against the Soviet system in 1956, but it happened early enough for the party to be able to correct its development agendas.⁹⁴ The 1956 uprising had a long-term consequence in identity formation among the later opposition movements, partly because there was a short interim period between Rákosi and Kádár, with the leadership of Imre Nagy, who was executed after 1956. Thus, the new Hungarian regime had significant problems with legitimacy, and this influenced development considerations later on. The emphasis on the increase of the standard of living for the system to legitimize itself can be traced to the aftermath of the 1956 revolt. In Bulgaria, there was no such revolt against the communist rule. Changes in leadership were a matter of high party politics, isolated from the public.

The undisturbed political situation from the early 1960s in both countries allows us to compare the socialist development patterns. This also makes the legacy-related differences quite visible, even in a homogenizing socialist political and economic framework. Janos (2000) divided the Eastern European socialist countries into two groups, based on individual freedom and economic rigidity. According to this, Hungary was among the liberals, and Bulgaria was among the conservatives. This

⁹³ Both Rákosi and Chervenkov were hardline Stalinists (Chervenkov was called "little Stalin"), but their fall was somewhat different. Schöpflin (1993) noted that according to the different political culture of the two countries, Rákosi was ousted after mass mobilization in Hungary, while Chervenkov's fall was a result of an internal struggle within the elite because nobody wanted to bring the fight out of the circle of high party officials.

⁹⁴ There is an interesting trend if someone compares the 1956 events with the 1968 Czech and 1980 Polish events. Although the Soviet reaction was the most brutal in 1956 (there was basically no fighting in 1968 and no intervention at all in 1980), the timing of the revolt made a longer, relaxed period possible afterwards. After the 1968 events, the Czech reaction was increased oppression, while after the 1980 events, the Polish consequence was a breakdown of the system.

distinction reflected the public image about the Balkan countries in general. Another related difference was in the structure of higher education. Compared to other socialist countries, Bulgarian higher education leaned more toward engineering than humanities (Glenny, 1990). The relative lack of an educated but unemployed pool of professionals with an interest in the humanities contributed to different traditions of political opposition later in the 1980s.

In terms of politics, Bulgaria was a close follower, or almost an exact copy of the Soviet system. The Zhivkov regime rejected any reform and followed all Soviet orders without questions.⁹⁵ This political stand had some positive consequences though, because the Soviet Union supported Bulgaria more and longer than other Eastern European countries. Hungary, on the other hand, was far from the Soviet model of development, and beginning in the 1960s, Hungarian leaders constantly experimented with market reforms. In contrast, Bulgaria's cautious reforms in the 1964-68 period were abandoned shortly before the Czechoslovak upheaval.

Also, Hungary and Bulgaria reacted very differently to the economic problems of the early 1970s. In Hungary, the response was economic decentralization, albeit keeping the urban preferences in new investments. Here the second economy offered additional flexibility for economic activities. The Bulgarian reaction was the exact opposite. There, economic reforms meant further concentration for better efficiency, especially in agriculture. Huge agro-industrial complexes (APKs) were formed, averaging 24 thousand hectares and 6,500 members (Lampe, 1986).

These different development agendas also led to different reactions when the regime's legitimacy started to decline in the late 1970s. In Hungary, the emphasis was still on personal consumption and standard of living, connected to opportunities in the second economy. Partly this policy led to the debt crisis in the 1980s, since economic

⁹⁵ As the political joke of the era said: "If someone sneezes in Moscow, people get cold in Sofia."

growth was based on Western loans. In addition, some improvements in political freedoms were also made, including an open electoral system. In 1985, multiple candidates were allowed to run for local offices.⁹⁶ In Bulgaria, although the country's economic performance was no worse than the region's average, nationalism was emphasized, which led to a large-scale assimilation campaign against the Turkish minority. However, the exploitation of nationalism in public discourse did not reach the Romanian level.

When comparing the two countries during the socialist period, we have to note the importance of their different historic legacies together with the cultural characteristics of Russian communism that was imposed on the region. Russian communism was significantly different from the original Marxist ideas. The way it emerged and was implemented basically reflected the historic legacy of Russia, including its Orthodox culture. Obviously these ideas were better received in countries like Bulgaria with similar cultural legacies. Countries with different cultural and historic legacies, such as Hungary, were more resistant to the Soviet order. This difference did not simply mean that anti-Soviet uprisings happened only in the latter group, but also that those countries were constantly working on changing the system and testing its limits.

Summarizing the socialist experience of Hungary and Bulgaria, we can say that the similar development agendas borrowed from Moscow were conditioned and mediated by local political, institutional and cultural legacies in both countries. These legacies resulted in significant differences in both conceptual reactions and policy making when development challenges emerged. Besides the aforementioned cultural differences, we can find interconnected small pieces of historical development

⁹⁶ Besides the candidates of the communist party, people could vote for candidates of the National People's Front (Hazafias Népfront). This organization, although it was created by the communist party, was a less controlled entity and allowed opportunity for reformist thoughts. This latter characteristic made a basic difference, as parties existed in various socialist countries, but all of them were strongly under the control of the respective communist parties, serving only as a façade institutional structure.

legacies that made a difference in adapting policies that were developed in the Soviet Union. These legacies sometimes played out in a very strange manner. For example, should the criticized Hungarian land tenure system based on large estates in the pre-communist era not exist, no land redistribution would have followed after 1945, postponing socialist agricultural collectivization. Or the uprising in 1956, built on the traditions of Hungarian resistance, resulted in the legitimacy crisis of the Kádár regime, which pushed Hungary more toward market reform in the 1960s, which produced the base for liberalization in the 1970s as a reaction to the economic crisis.

5.1.3 Post-socialist transformation

The way socialism collapsed in both countries was similar in one aspect. There was no mass mobilization in either country and changes were induced by reform-communist elites. However, the rest of the story was very different. In Hungary, six parties (including the communist successor party) were able to make it into the parliament at the first free elections, and a pact between the major conservative Hungarian Democratic Forum (HDF) and the largest liberal opposition party (Alliance of Free Democrats, AFD) set up the institutional system of post-socialism. A political rotation of the conservative and the socialist/liberal side has followed, and neither side has been able to remain in power for two consecutive elections since 1990. By 2004, the two major political centers became the former communist party (Hungarian Socialist Party, HSP), and the conservative Fidesz-MPP (which started as a liberal party in 1990). It is symbolic that the two major parties of the early transformation were reduced to the role of minor satellite allies.

In Bulgaria, due to the lack of opposition traditions, the former communist party was able to win the 1990 election.⁹⁷ This success was short, as the party did not show any sign of change, except its name (Bulgarian Socialist Party, BSP). After the collapse of the government in 1991, the Union of Democratic Forces (UDF), the umbrella organization of opposition movements which was strongly supported by the US, won a narrow victory. The UDF made a coalition with the Turkish ethnic party, the Movement for Rights and Freedoms (MRF) in order to form a government, but this coalition proved to be very fragile. The government collapsed in 1992, and again in 1994. The 1994 election was won by the BSP, similar to the Hungarian socialist success. But unlike in Hungary, where certain measures were taken to address the economic recession by the mid-1990s, in Bulgaria virtually no change happened, although some argue that the economic situation was favorable for the country after the lift of the Yugoslavian embargo (Minassian, 1998). In short, Hungarian socialists were determined to go through the structural adjustment program imposed by the IMF, while Bulgarian socialists rejected to introduce any significant change until 1996, when the economy eventually collapsed.

These "four false starts", as Barany (2002) has called them, were devastating for Bulgaria. While most new elites in Eastern European countries, including Hungary, were occupied with implementing political and economic reforms, the Bulgarian elite focused only on political contention, even when the growing economic problems buried government after government. Yet, post-socialist democracy did not come under serious threat, as it did in the former Yugoslavia or in Romania. The UDF returned to power in 1997 and reforms started to take place in the next four years. However, the appreciation of political stability from the West and the IMF could not

⁹⁷ As Glenny (1990) noted, even though the environmental movement, Ekoglasnost, gained momentum on the Rousse pollution issue in 1989, it was unable to mobilize the population. As he pointed out, the only organization capable of ending the Zhivkov dictatorship was the communist party itself, which in fact happened.

be converted into domestic political support. This support rapidly declined due to the decrease in the standard of living after the economic reforms. In 2001, Simeon, the exiled son of Tsar Boris, made a surprising comeback, leading the Simeon II National Movement (NDSV). He won the election by exploiting the growing popular contention over reforms, but was not able to utilize his one-time popularity. In 2005, his party lost the election, and the BSP came back to power again. After weeks of negotiations, a coalition was formed, in which the BSP is the leading power, but the MRF and the NDSV are also included.

The two countries' different post-socialist development paths are partly a function of their historic legacies, and also an important determinant of their current socioeconomic status, including their position in European integration. The lagging reforms in Bulgaria not only meant that they lost seven years compared to Hungary. During that period the economy further deteriorated, and the recovery had to start from a much weaker position than if reforms had been launched in 1990. An example for a different approach to a similarly important question was the land reprivatization (Meurs, 2001). In Hungary, the state used compensation coupons based on the value of the collectivized property. This allowed either a relatively flexible transition or giving up agriculture, as these coupons could be traded for other commodities. In Bulgaria, in contrast, land was restituted to previous owners. This resulted in high transaction costs due to extensive negotiations about the nationalized assets that in many cases were fundamentally changed since the 1950s. It made impossible to form reasonable plots for cultivation, and also resurrected the pre-socialist fragmented land structure. And all these problems emerged solely because Bulgarian politicians conceptualized and implemented restitution in its purest form regardless of its costs and consequences. Not surprisingly, between 1991 and 1996 only 18 percent of the land had been returned to private ownership.

The delayed start of reforms in Bulgaria also meant that the country was not among the forerunners of EU accession. While Hungary was able to use EU pre-accession resources for institutional and structural reforms from the mid-1990s, this possibility opened up for Bulgaria only years later. Nevertheless, the development trajectories of the two countries are converging, as Hungary joined the EU in 2004, and Bulgaria will most likely become a member in 2007. However, time will tell if these two countries were able to utilize this opportunity to the same extent.

In general, we can say that historic legacies have been the actual environment in which decisions about development were made. Each period of history had its socioeconomic impact on the next period. This impact interacted with external pressures and regional cultures to influence the development policy making process. These legacy and policy pieces have accumulated throughout history, and have set different development courses for Hungary and Bulgaria, even in periods when the homogenizing pressures were the largest.

These legacy and policy components are reflected in the two countries' respective demographic development as well. The next sections will discuss this issue, focusing on general population dynamics, migration and urbanization.

5.2 An overview of population dynamics

5.2.1 General population trends

5.2.1.1 National comparison

The purpose of this section is to give a short overview of population dynamics in Hungary and Bulgaria. In the socialist period, international migration did not play a major role in population change in the region, thus population change in these two

countries was mostly a function of fertility and mortality dynamics. The importance of this section is to examine the general demographic environment in which population redistribution took place, and to point out how differences in migration behavior affected general demographic processes.

Both Hungary and Bulgaria experienced steady population growth from the early 20th century until the 1980s (Figure 5.1). Although there were disrupting events, such as the world wars, the 1956 uprising in Hungary, and the Turkish emigration from Bulgaria in the early 1950s, population growth seemed to be a default trend for a long time.

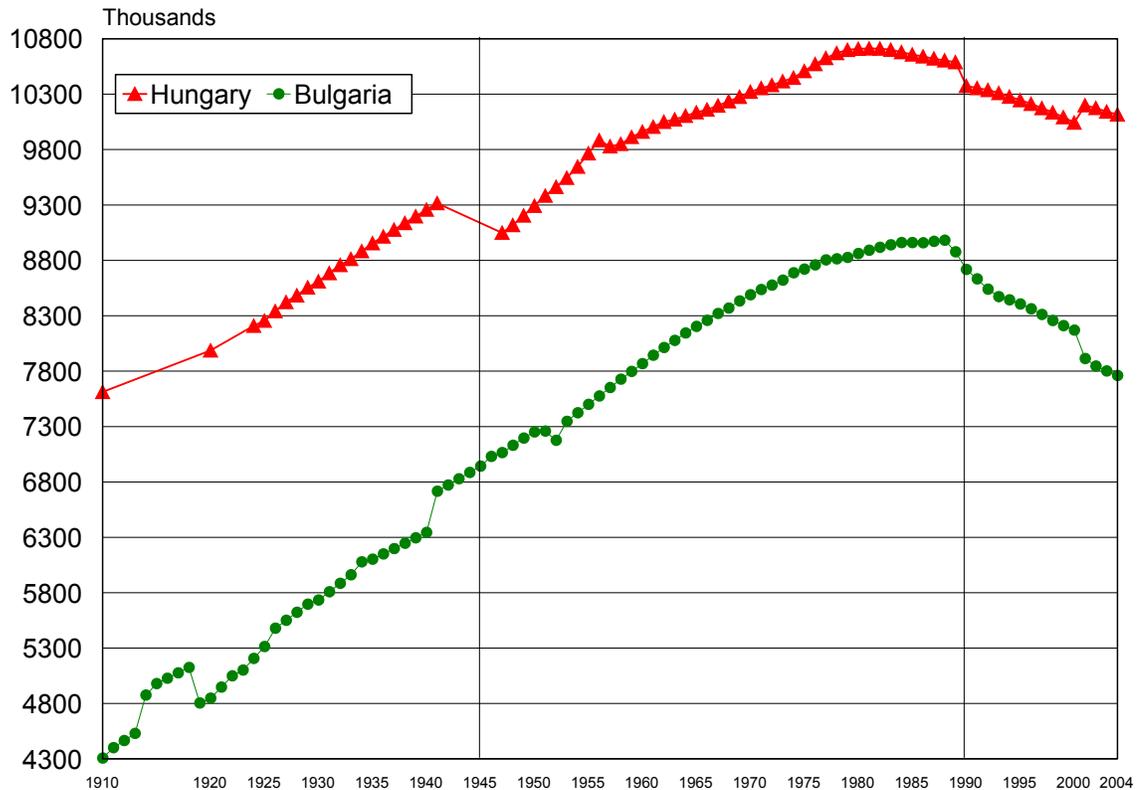


Figure 5.1 Population change in Hungary and Bulgaria, 1910-2004

In the late 1970s, the rate of population growth flattened out in both Hungary and Bulgaria. Birth rates started to decline in both countries, while mortality increased. In Hungary, due to the higher mortality level, natural increase turned into natural decrease earlier, and the country's population has been declining since 1981. In Bulgaria, natural increase ended only in 1990, but Bulgaria lost a significant number of ethnic Turks through emigration at the end of the 1980s, as a result of a nationalist campaign, hence this also contributed to its population decline which started in 1988.⁹⁸

There is a fundamental difference between the two countries with respect to contemporary trends of population change. During post-socialism, international migration has been a negligible factor in Hungary, while it plays a major role in Bulgaria. Population decline has been taking place in Hungary for 23 years, and during this time the country has only lost 5.6 percent of its population, about 0.24 percent loss in each year. The Bulgarian population decline has only been going on for 17 years, but during this time Bulgaria lost 13.6 percent of its population. This latter is a 0.8 percent annual decline, which is three times as much as in Hungary. Contemporary fertility and mortality are not that different in these two countries, thus this difference in population decline is a result of large-scale emigration from Bulgaria in the 1990s.⁹⁹

The contemporary demographic situation is characterized by unfavorable trends in both Hungary and Bulgaria. Mortality exceeds fertility, and although the fertility decline and mortality increase appears to have slowed down, one cannot expect a reversal of population decline in the near future. Both contemporary Hungary

⁹⁸ It is important to note that the emigrants of the late 1980s were only accounted for in the 1992 census (Philipov, 2000). The demographic impact of emigration, however, was already visible in 1990, the crossover from natural increase to natural decrease, partly due to the emigration of Turkish population which traditionally had higher fertility.

⁹⁹ According to Philipov (2000) the Turkish emigration in 1989 and 1990 was about 300,000 people, of which 100,000 returned to Bulgaria later. There is no official Bulgarian data on international emigration in the 1990, but estimates show that it is between 30,000 and 40,000 people per year.

and Bulgaria are experiencing natural decrease which contributes to population loss and population aging (Figure 5.2).

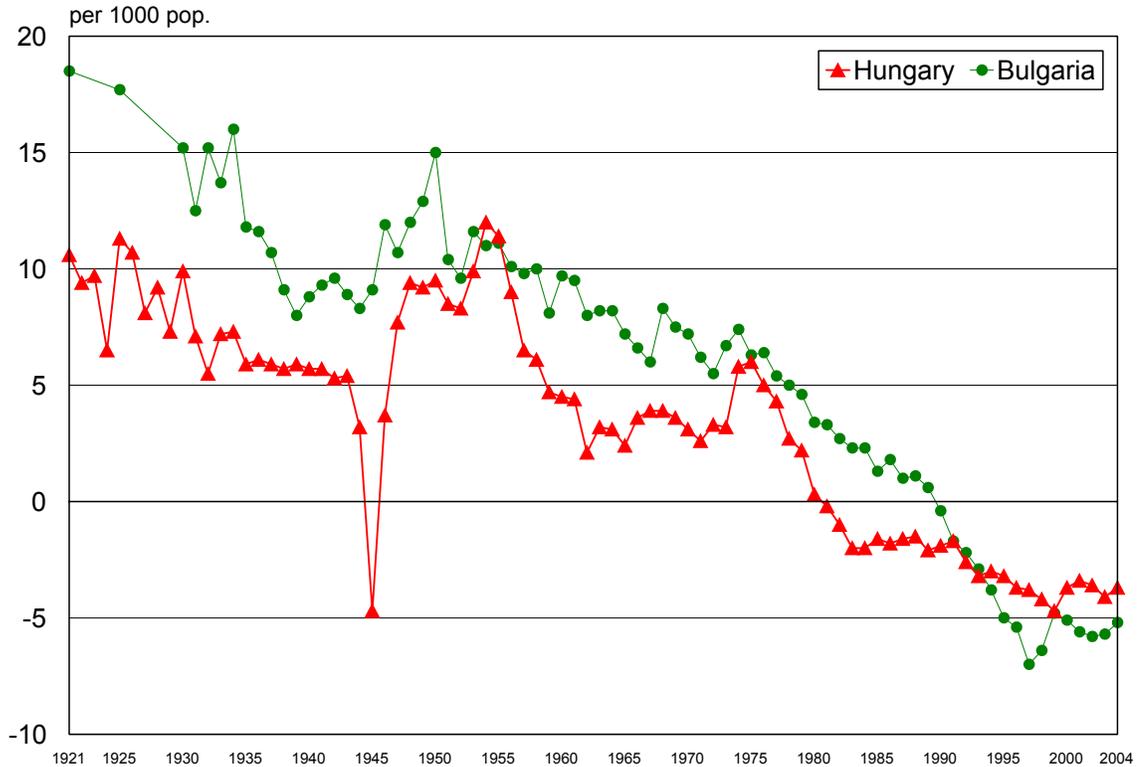


Figure 5.2 Natural increase in Hungary and Bulgaria, 1921-2004

In the interwar period, natural increase declined in both countries, but Bulgaria had larger population reserves. Hungary had a considerable loss of life in 1945 as a result of the Second World War, but Bulgaria avoided this situation. In the mid-1950s, the rate of natural increase was very similar in both countries. This similarity is misleading though. Bulgaria arrived to this point after a decline from a postwar peak, while in Hungary this level was an exceptional peak after a strict prohibition of induced abortion.

The natural increase patterns of Hungary and Bulgaria during the socialist period show both similarities and differences. The main similarity is the turn from

natural increase to natural decrease during this period. The general decline of natural increase occurred in different ways in the two countries. The 1952 abortion regulations in Hungary created a wave of population growth.¹⁰⁰ This wave was followed by a demographic bust in the 1960s, and an echo of growth in the mid-1970s. Because of this, the Hungarian trend resembles cycles of change, contrary to the steady decline of natural increase in Bulgaria. Bulgarian natural increase was higher, because of both higher fertility and lower mortality in this period. Hence, the two countries' natural increase was only at a similar level when the Hungarian demographic waves reached the generally higher Bulgarian level of natural increase.

The theory of demographic transition describes changing population dynamics from a high and uncontrolled fertility and mortality regime to low and controlled fertility and mortality. The interim period when mortality is declining but fertility is still high usually causes rapid population growth. The actual occurrence of this phenomenon is different across countries. Figure 5.3 shows the transition in Hungary and Bulgaria. In Hungary, the mortality decline was underway in the 1870s, but it took only about a decade for fertility to start to decline as well. Hence, population growth was only moderate. Until the 1940s, both fertility and mortality displayed a clear declining trend, including a large fertility gap during the First World War.

¹⁰⁰ Those who were born at that time are called the "Ratko-kids" named after Anna Ratko, the Minister of Health of that time. This abortion regulation was so unpopular that during the 1956 uprising an attempt was made on Ratko's life, although she left her position years before. Bulgaria also had strict abortion regulations in 1967, but its impact was much smaller than the abortion ban in Hungary.

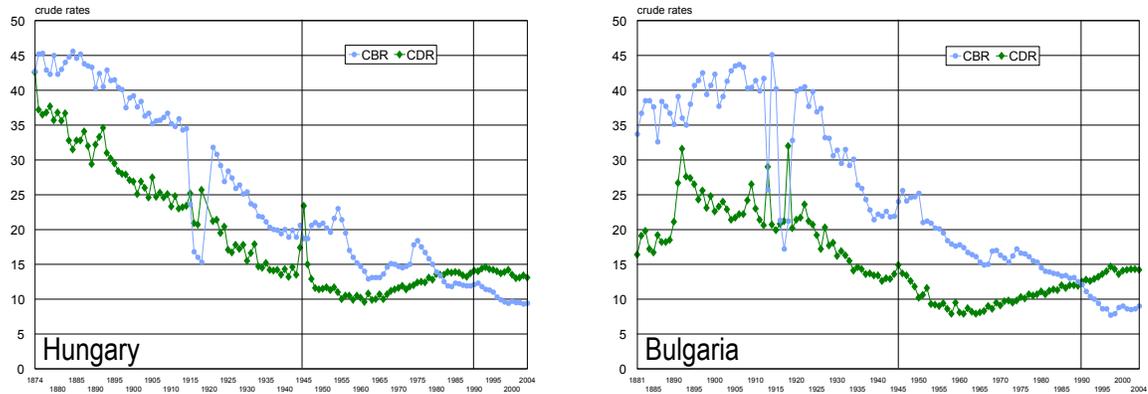


Figure 5.3 The demographic transition in Hungary and Bulgaria

In Bulgaria, mortality decline started later, only around the beginning of the 20th century. Moreover, this decline was rather fluctuating until 1920, even if we do not take the Balkan Wars, the First World War and the flu epidemic of 1918 into consideration. Moreover, fertility decline did not start until the 1920s, thus the classic bulge of population growth associated with the demographic transition is more recognizable in Bulgaria.

Fertility decline was addressed by pro-natalist policies in the early 1950s in both countries. Although these measures created bulges in the trend lines, they had only localized impacts. By the 1960s, crude birth rates in both countries declined below the First World War level, their lowest point in history.¹⁰¹ Hungary was more successful in utilizing the population momentum of the 1950s large birth cohort with additional pro-natalist policies, especially with the introduction of maternal benefits. Nevertheless, by the time of the regime change in 1990, birth rates were around 12 per thousand in both countries.

Fertility decline was a general trend in most Eastern European countries during the socialist period (Table 5.1). Total fertility rates were between 2.5 and 3.0 in 1950,

¹⁰¹ In both 1962 and 1965 Hungary held the negative world record in natural increase (Berent, 1970).

but by 2000 they declined to the 1.1 – 1.5 level. Despite any strong pro-natalist policy measures during the socialist period or political changes during post-socialism, fertility trends converged to the general European level.¹⁰² Hence, declining fertility in Hungary and Bulgaria is not a peculiarity of post-socialist transformation.

Table 5.1 Total fertility rates in Eastern Europe, 1950-2000

Period	Hungary	Slovakia	Bulgaria	Romania	Czech Rep.	Poland	Slovenia	Croatia
1950-55	2.73	3.52	2.48	2.87	2.69	3.62	2.80	2.76
1955-60	2.21	3.27	2.27	2.62	2.35	3.29	2.39	2.42
1960-65	1.82	2.89	2.18	2.04	2.21	2.65	2.32	2.27
1965-70	1.98	2.50	2.15	2.96	1.94	2.27	2.32	2.09
1970-75	2.09	2.51	2.17	2.62	2.21	2.25	2.19	1.96
1975-80	2.12	2.47	2.17	2.53	2.32	2.26	2.20	2.02
1980-85	1.81	2.28	2.01	2.25	1.99	2.33	2.00	1.96
1985-90	1.82	2.15	1.92	2.28	1.92	2.15	1.66	1.84
1990-95	1.73	1.87	1.48	1.50	1.64	1.89	1.36	1.52
1995-00	1.37	1.40	1.14	1.32	1.18	1.46	1.24	1.68

Source: World Population Prospects: The 2000 Revision

The largely unsuccessful efforts to increase fertility during the socialist era were not the only problem with respect to population growth. As a surprise for many policy-makers, mortality started to increase again in the 1960s (Table 5.2). As Compton (1985) showed, this increase was partly caused by aging and partly by a real increase in mortality. This latter was what Compton classified as a particular Eastern European pattern of mortality, which had two basic characteristics. Female mortality fluctuated from the 1960s to the late 1990s, while male mortality increased continuously, especially in the age group 35-60. In 1985, Hungary had the infamous first place in male and the second in female mortality in the ages 35-64 in Europe.

¹⁰² By 1990 only Poland, Romania and Slovakia had fertility rates that exceeded replacement. In Poland and Slovakia relatively high fertility was the result of strong Catholic traditions, whereas in Romania it originated in the strict anti-abortion policy of the late 1960s, which created a population momentum. At the end of the examined period, the Romanian demographic wave disappeared, and neither Poland nor Slovakia was able to maintain their higher fertility levels.

Table 5.2 Crude death rates in Eastern Europe, 1950-2000

Period	Hungary	Slovakia	Bulgaria	Romania	Czech Rep.	Poland	Slovenia	Croatia
1950-55	11.4	10.7	10.2	12.0	11.8	10.9	10.6	14.0
1955-60	10.3	8.7	8.9	9.7	10.6	8.8	9.6	11.3
1960-65	10.1	8.0	8.2	8.6	10.9	7.6	9.5	10.3
1965-70	10.9	8.5	8.8	9.2	11.9	7.8	10.1	10.1
1970-75	11.8	10.6	9.7	9.4	13.4	8.4	10.2	10.5
1975-80	12.8	10.4	10.6	9.7	13.2	9.2	10.4	10.8
1980-85	13.7	11.0	11.3	10.3	13.5	9.7	10.7	11.6
1985-90	13.8	10.5	12.0	10.8	12.9	10.1	10.8	11.4
1990-95	14.3	10.0	12.8	11.4	11.7	10.3	9.7	11.1
1995-00	14.0	9.9	14.3	12.0	10.9	9.9	9.9	10.9

Source: World Population Prospects: The 2000 Revision

Figure 5.4 shows the crude birth and death rates for both Hungary and Bulgaria on the same chart.¹⁰³ Mortality declined in both countries until the 1960s. However, there is a striking difference with respect to the impact of the Second World War. Mortality increased as expected, but to a different extent in the two countries. Bulgaria was not affected by major military activities, partly because the country's geographic location, and partly because Bulgaria left the German side early enough to avoid major military confrontations. Hungary, in contrast, suffered from major battles and bombings.¹⁰⁴

Until the late 1980s, Bulgaria had higher fertility and lower mortality than Hungary. This changed in the early 1990s. Bulgarian fertility went under the Hungarian level in 1990, while mortality exceeded the Hungarian level in the mid-

¹⁰³ This chart shows the rates from 1921. There are data for previous periods in both countries, but the high, war-related fluctuation in the 1910s would not allow a clear picture after 1945 due to scaling issues, hence the pre-1920 period is not included here.

¹⁰⁴ Cultural differences can also be associated with different war casualties. While Russians were considered historic friends in Bulgaria at least to some extent, it was not the case in Hungary. There the population was more sympathetic towards Germany, which probably contributed to the harsher nature of Soviet military operations in Hungary.

1990s. Again, this is partly an impact of selective outmigration of working age population from Bulgaria, which caused more rapid aging.

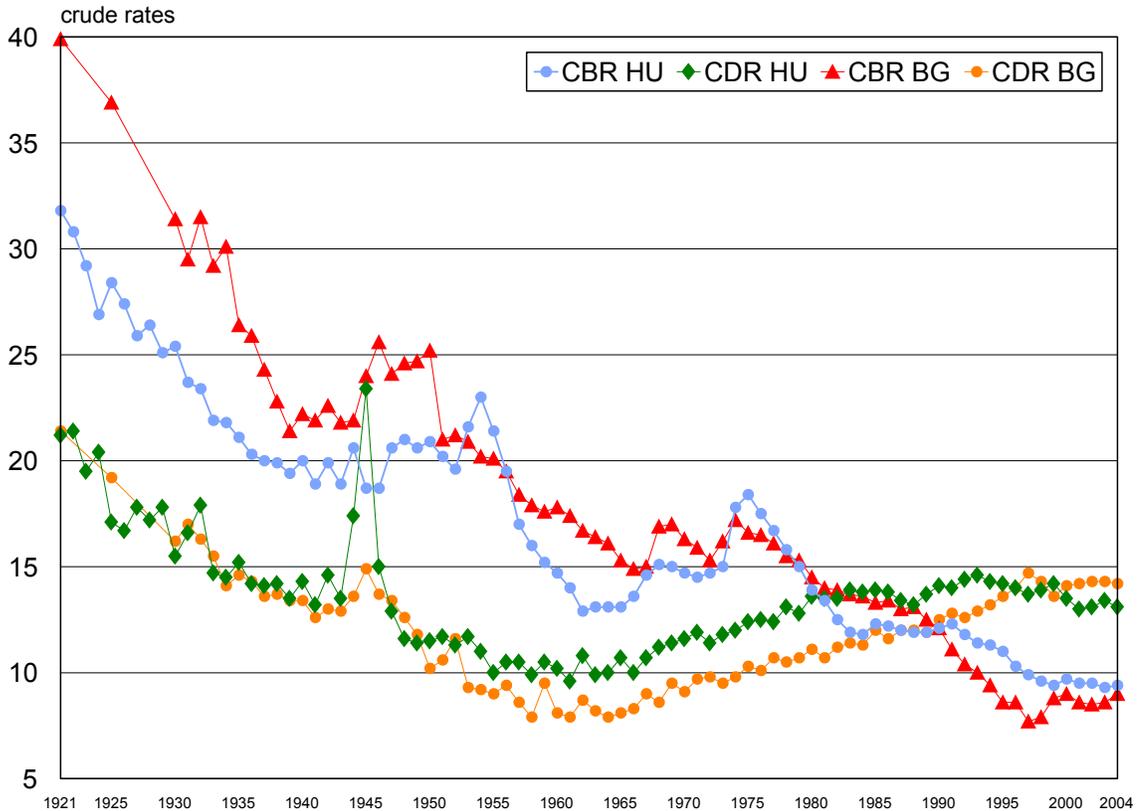


Figure 5.4 Crude birth and death rates in Hungary and Bulgaria, 1921-2004

Figure 5.5 shows the proportion of two selected age groups in both Hungary and Bulgaria. Although data are available for more points in time in Hungary, this comparison shows the slightly different patterns of the overall aging trends. In the 1920s, both countries had about six percent population over 65 years. At the same time, Bulgaria had a significantly larger proportion of young population. The share of the population age 14 and younger increased in both countries in the 1930s, however without any significant fertility increase at the same time as it can be seen in Figure 5.4. The reason for this change is that the small WWI cohorts entered the middle age

category (15-64), hence this increase in the youngest age category is only a mechanical result.

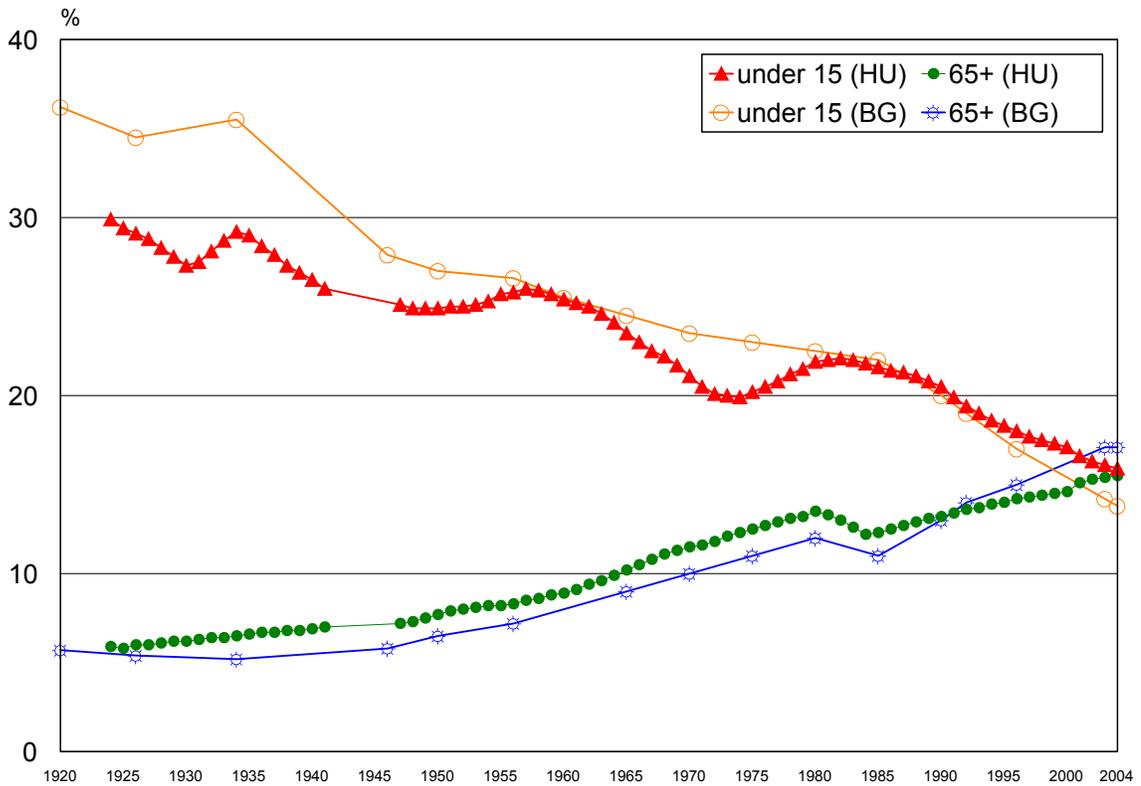


Figure 5.5 Age distributions in Hungary and Bulgaria, 1920-2004

From the late 1940s the share of elderly population started to increase in both countries, as life expectancy increased, and the Eastern European excess mortality among middle-age men appeared in the 1960s. Until 1990, the proportion of elderly population was somewhat larger in Hungary than in Bulgaria. With respect to the population under 15, while Bulgaria had a gradual decrease, Hungarian experience was dominated by the demographic waves discussed earlier. However, by the end of the socialist period, both countries had the same age structure: about 20 percent of population under 15 and about 13 percent over 65 years of age. The trend line is clear

and smooth since the mid-1980s in both Hungary and Bulgaria. The pace of aging is larger in Bulgaria, and somewhere around 1998 the population of 65 and above exceeded the population of 15 and below. In Hungary this occurred about six years later in 2004.

Population aging is especially dramatic in Bulgaria, and this could be seen in my case study sites as well. Figure 5.6 shows the population pyramid for Rousse in 2001. Although the age category of 65 years and above is not disaggregated, the shrinking base of the pyramid clearly indicates the rapid aging which started not long before the regime change. Given the low volume of migration, this puts city planners and officials in a very difficult situation to address this change with population or development policies.

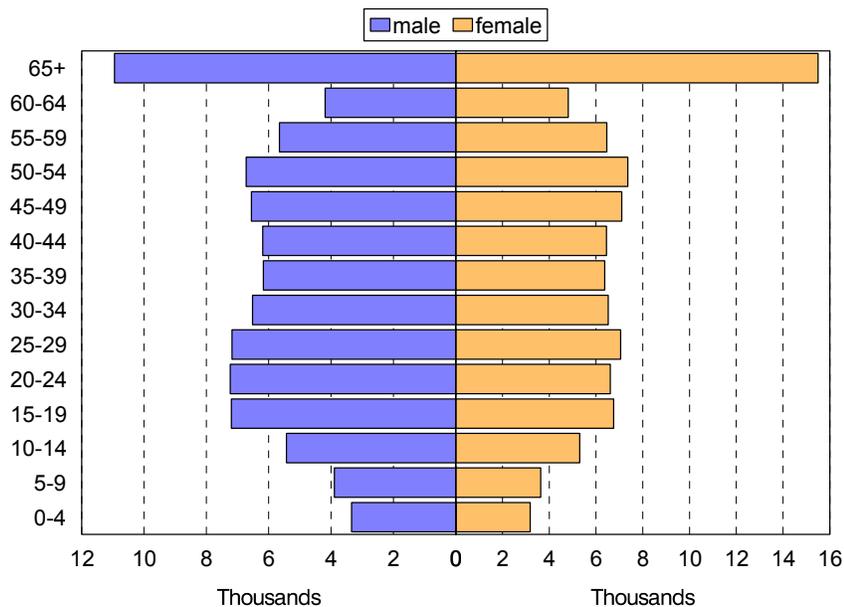


Figure 5.6 Population pyramid for Rousse, 2001

Hence, the major trend in both Hungary and Bulgaria is population decline and aging, corresponding with the general European demographic trajectory. However,

while in Western Europe fertility decline was the main factor behind population aging, in Eastern Europe it was the increasing mortality from the 1960s that counterbalanced the higher level of fertility. Hence, while general demographic development goes in the same direction, its internal structure is different in Western and Eastern Europe.

The demographic transition started to unfold in Bulgaria later than in Hungary. Despite this lag and any pro-natalist policy measures during the socialist period, the contemporary Bulgarian demographic situation poses more problems for policy-makers than in Hungary. This is mainly the result of a selective outmigration from Bulgaria since the late 1980s. This factor makes the largest difference between the two countries that otherwise have experienced similar demographic change. The selective outmigration from Bulgaria perpetuates and magnifies these processes, making the policy makers' task even more difficult when designing social policies.

5.2.1.2 Local comparison: population dynamics in Székesfehérvár and Szentes

Historical population data are available for both Székesfehérvár and Szentes, the two Hungarian case study sites. Comparing these two towns reveals important differences in development legacies that contributed to different population dynamics. It is important to note that despite the current differences in population size, the two towns had about the same population in the 1880s.

The population of Székesfehérvár went through three distinct phases of change (Figure 5.7). First, a steady increase can be observed from the mid-19th century until the Second World War. While population growth rates fluctuated, the city's population tripled between 1850 and 1941, however later the Second World War caused significant population loss, besides the material destruction. After 1949 the city entered the second phase of population change. Due to rapid industrialization, its population significantly increased during the 1950s and 1960s. In the first half of the 1960s alone the population increase was 12,000 people, mainly due to immigration. In

the second half of the 1970s, the city's population exceeded 100,000. Shortly after that, however, population growth rates started to decline, and the city entered the third phase of its population change. While the population momentum resulted in population growth until the 1990s, the growth rate soon declined below zero, and the city has also been experiencing negative net migration in the 1990s.

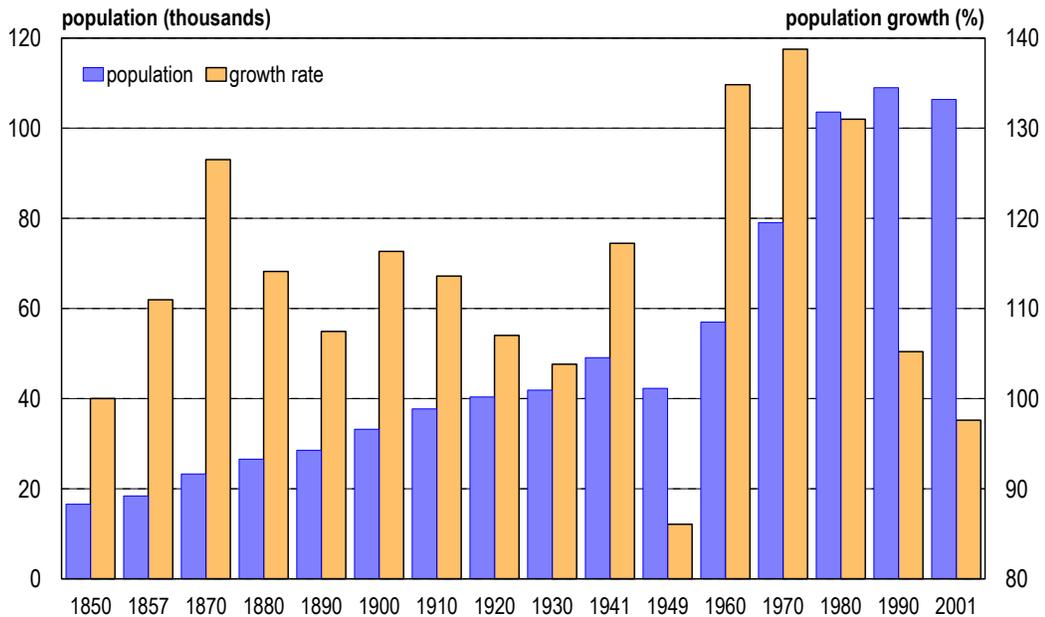


Figure 5.7 Population change in Székesfehérvár, 1850-2001

Contrary to this, the population size of Szentes hardly changed since the late 19th century (Figure 5.8). Since large scale industrialization did not reach Szentes and agriculture has always been the main economic activity for the local population, between 1880 and 1980 a gradual population increase occurred, unaffected by either world wars or the political and economic transformation of socialism. After a hundred years of steady increase, Szentes reached its population peak in 1984 with 35,778 people. But the population decline during the post-socialist transformation was a much more sudden shift, and it eliminated almost a hundred years of population increase.

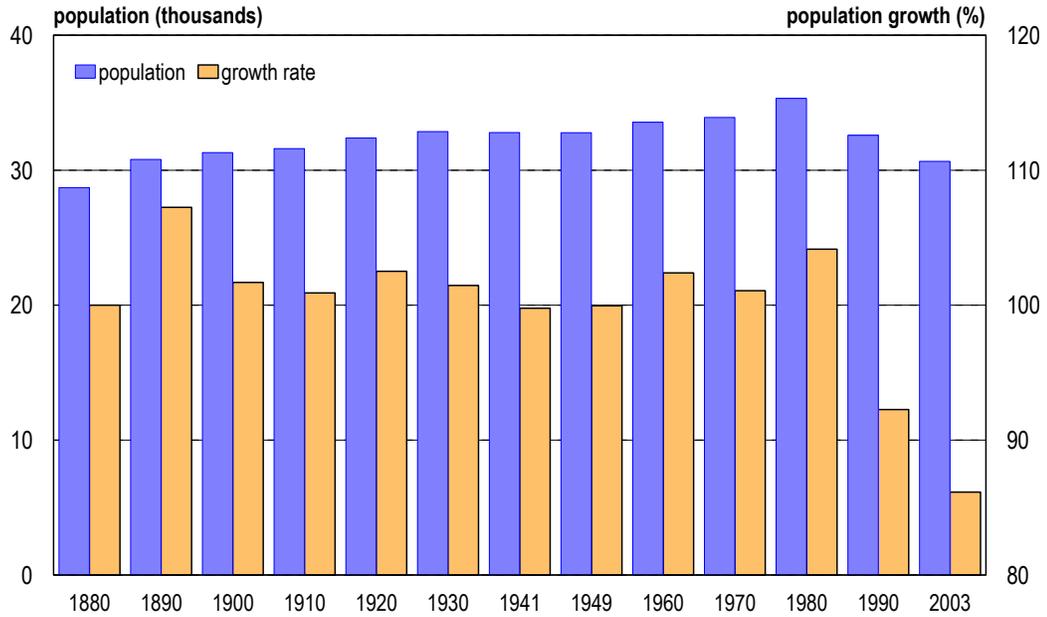


Figure 5.8 Population change in Szentes, 1880-2003

Since in the 1990s both cities experienced rapid population decline, it is important to examine the detailed nature of the post-socialist population dynamics. Figures 5.9 and 5.10 show the crude birth and death rates and the net migration rates for Székesfehérvár and Szentes, respectively.

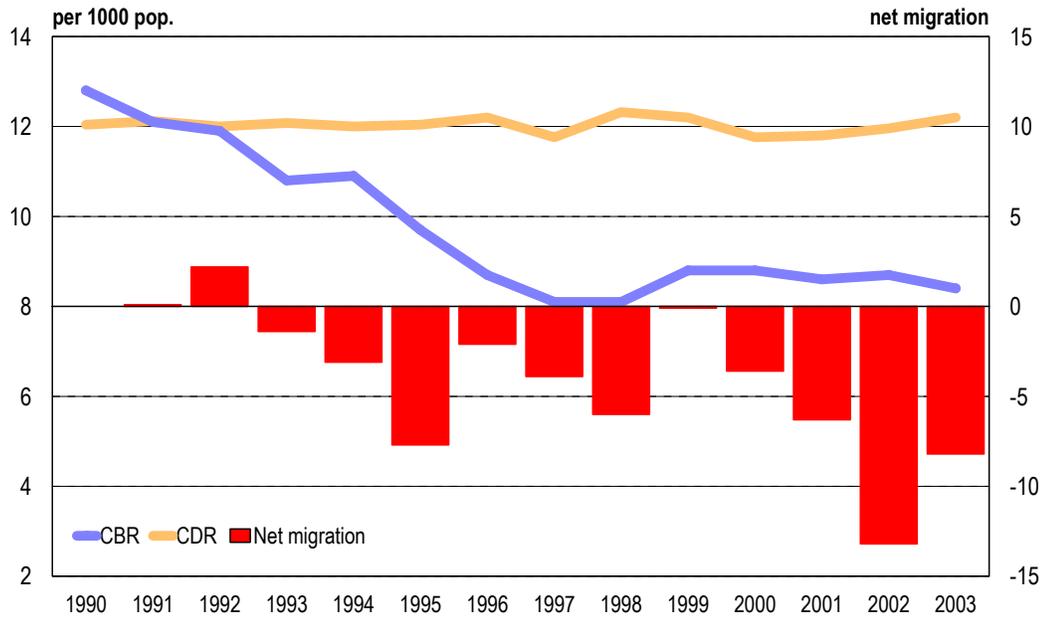


Figure 5.9 Components of demographic change in Székesfehérvár, 1990-2003

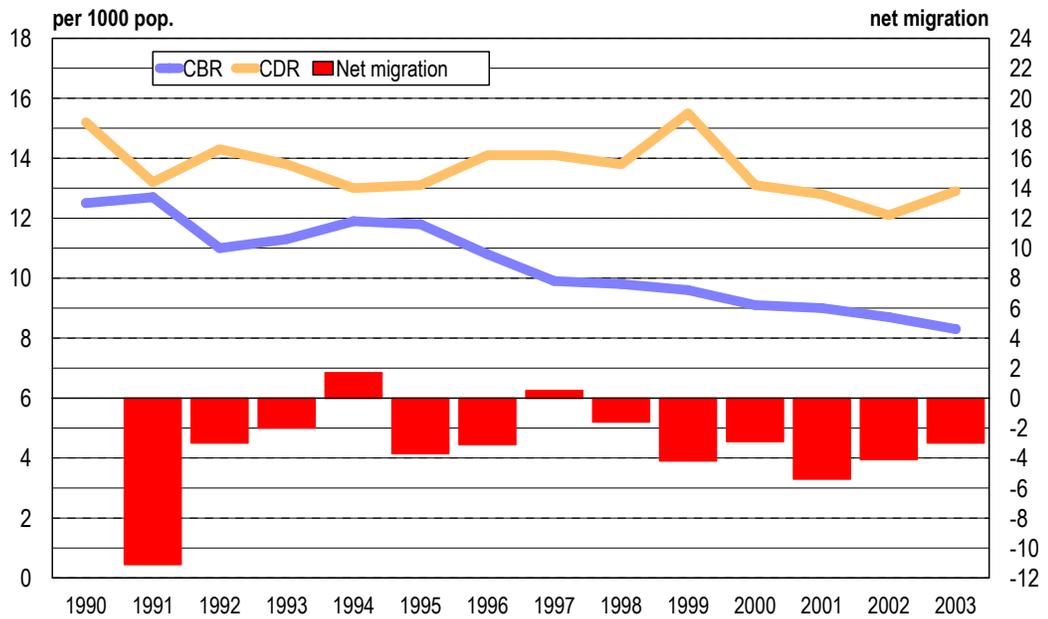
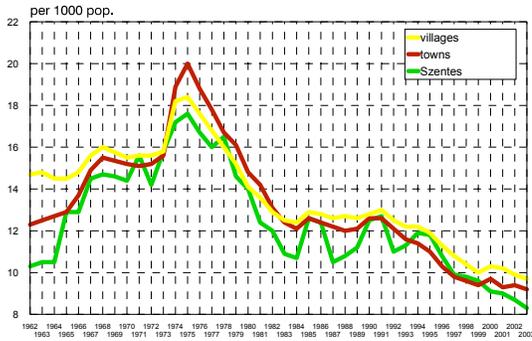


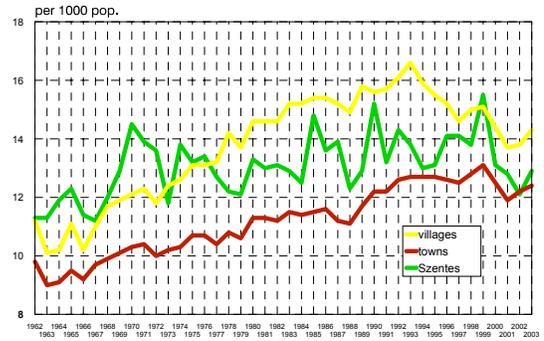
Figure 5.10 Components of demographic change in Szentes, 1990-2003

Both cities experience negative natural increase since the beginning of the post-socialist transformation. While mortality rates did not change a lot and remained relatively high, fertility rates declined from around 12 to 8 per thousand in both places. The pace of decline, however, was different. While in Szentes it was gradual throughout the period, in Székesfehérvár a steeper decline occurred in the first half of the 1990s, and the crude birth rate did not change a lot since 1997. Similarly to the urban trend in Hungary, outmigration was generally larger than immigration in both places. The migration fluctuation in Székesfehérvár corresponds with the fluctuation of FDI, and the negative peak in 2002 was a direct impact of the IBM closure in the city.

Data found in the Szentes library from an unpublished analysis make it possible to compare long term changes in birth and death rates in the town. Figure 5.11 shows the crude birth and death rates for Szentes in a national comparison between 1962 and 2003. Budapest is omitted from these charts, thus Szentes can be compared to rural and to smaller urban places. With respect to birth rates, the fertility bust of the mid-1960s had a larger impact on Szentes than the national average. Later when the demographic wave arrived in the mid-1970s, Szentes was unable to benefit from that as much as other places. Between the mid-1980s and the mid-1990s, fertility was lower than the national average, although with considerable fluctuations, and after some improvement, this is the situation today as well.



Crude birth rates



Crude death rates

Figure 5.11 Comparative crude birth and death rates in Szentes, 1962-2003

Throughout the whole period, mortality in Szentes was higher than the Hungarian urban average. There are fluctuations caused by the small size of population, but a clear mortality increase is visible. Until the mid-1970s, mortality in Szentes was even higher than the rural average in Hungary. In the past decade, however, some improvement can be seen, and crude death rates in Szentes resemble more to the urban average. Hence, the demographic change in Szentes was more severe than in other Hungarian urban places. This is partly a function of the dispersed aging population of the *tanyas* discussed in Chapter 4. Very low fertility and the lack of retention power for younger population can drive the town into a dire demographic situation in the near future.

5.2.2 Urban-rural differences in population dynamics

The national level demographic processes described in the previous section mask significant urban-rural differences in both Hungary and Bulgaria.¹⁰⁵ When comparing the Bulgarian crude birth and death rates since 1960, we can see that while urban fertility increased until the mid-1970s, rural fertility was declining throughout the whole period (Figures 5.12 and 5.13). We can speculate on a number of policy related factors behind this difference. In the late 1960s, new Bulgarian abortion regulations were introduced, making induced abortions more difficult. Shortly afterwards, maternal benefits and other pro-natalist policy measures were also implemented. It is possible that urban populations were able to better utilize these benefits than people in rural areas. In the late 1970s, however, this urban bulge in fertility disappeared. Crude birth rates in urban areas declined rapidly until the late 1990s.

Rural birth rates in Bulgaria declined continuously from the beginning of the period. They started from a higher base than in urban areas, and declined steadily until the mid-1970s. Then, rural birth rates leveled out until the late 1980s, and later declined sharply until the mid-1990s similar to urban rates. During the post-socialist transformation, urban birth rates were somewhat higher, but the difference was not very large.

¹⁰⁵ When working with Bulgarian data by the urban-rural distinction, we have to note an important peculiarity of the Bulgarian public administration system. Municipalities in Bulgaria consist of several settlements. With respect to urban municipalities, these settlement groups can have a number of villages as well. Since the urban-rural classification is determined by the municipality center, urban rates actually refer to their rural hinterlands as well. Data are collected at the settlement level, but are published only at the municipality level.

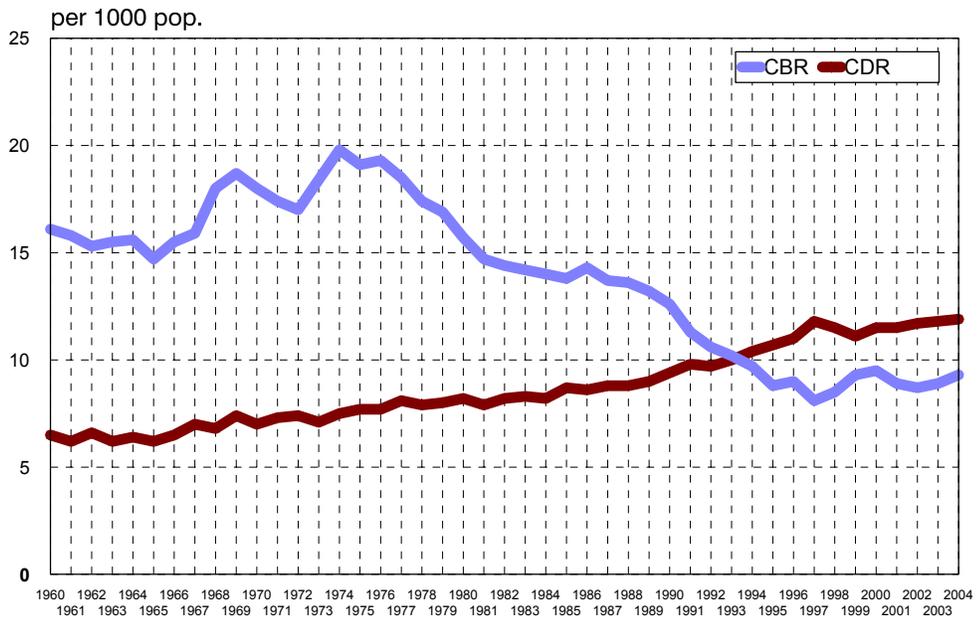


Figure 5.12 Crude urban birth and death rates in Bulgaria, 1960-2004

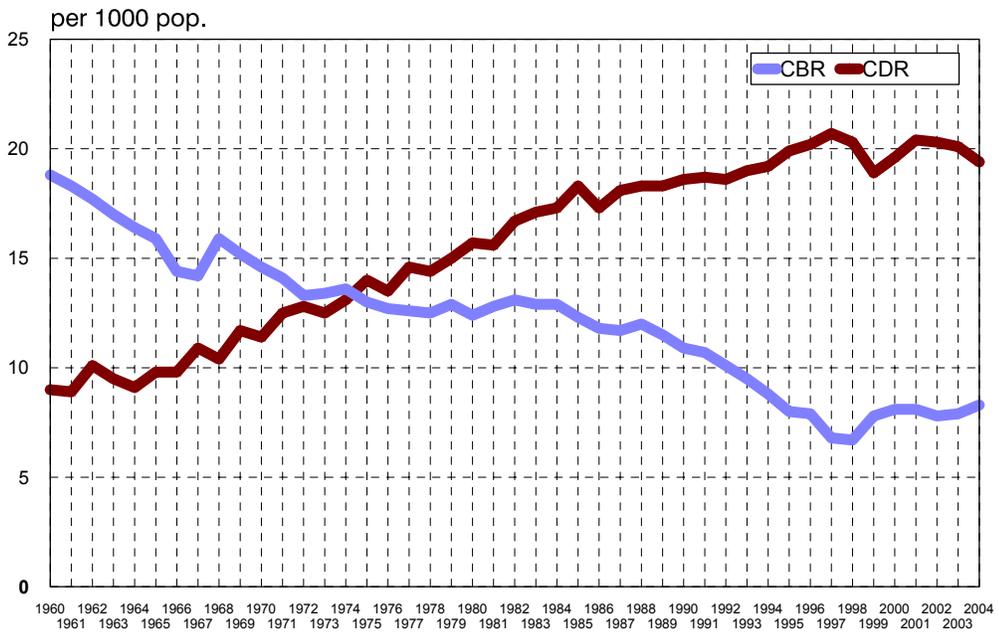


Figure 5.13 Crude rural birth and death rates in Bulgaria, 1960-2004

A much larger difference between urban and rural places can be observed in mortality rates. Rural mortality rates were not only higher throughout the whole period, but also increased at a faster pace from the mid-1960s. Between 1960 and 1995, rural mortality rates doubled. Urban mortality rates also doubled, but due to their lower base level this increase was smaller. There are two explanations for this change. The first is aging, which was a more rapid process in rural areas because rural-urban migration changed rural age structure, especially after the collectivization wave in the 1960s. While urban areas also experienced aging, the selective immigration of young persons from rural areas was able to mitigate this process. The second explanation is the Eastern European pattern of steadily increasing mortality since the 1960s. This mortality change, however, was more severe in rural than in urban areas.

As a result of these different levels of births and deaths, there has been a difference between urban and rural natural increase trends in Bulgaria (Figure 5.14). The higher fertility and lower mortality rates resulted in natural population growth in urban places, in addition to rural-urban migration. Hence, urban places were able to increase their population size by their own in the early 1970s. Urban natural increase started to decline at the end of the decade, and turned into natural decrease in 1993. This decline ended in 1997, and while there is a constant urban natural decrease since then, its pace is not increasing.

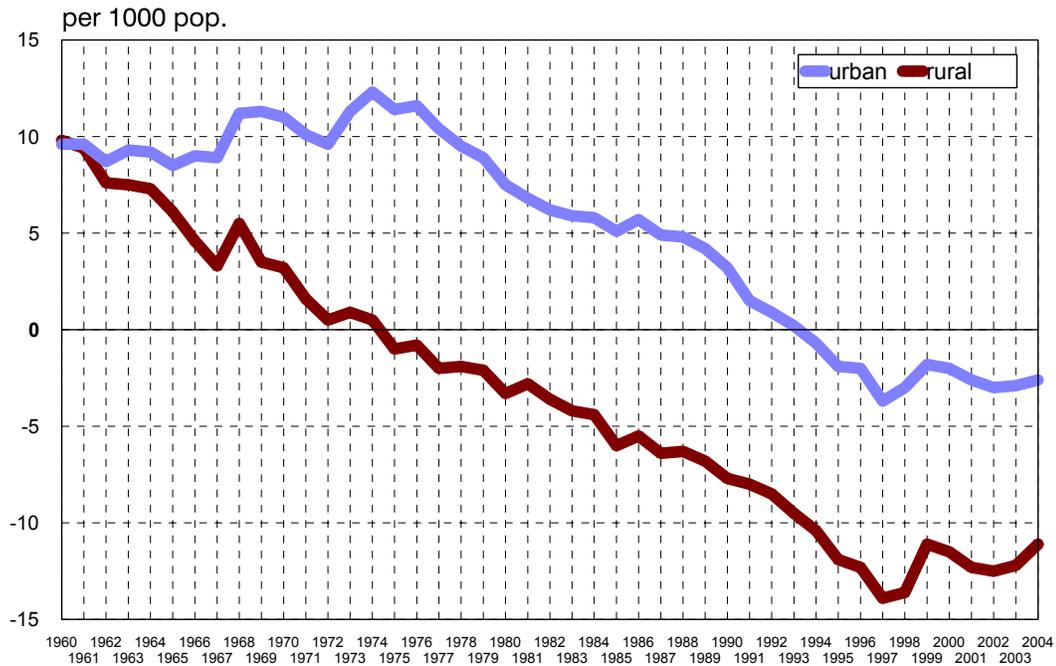


Figure 5.14 Urban and rural natural increase in Bulgaria, 1960-2004

Rural places, in contrast, due to their rapidly declining birth rates and their steady mortality increase have had natural decrease since the early 1970s. Except for a small peak in 1968 caused by the abortion regulations, rural natural increase declined between 1960 and 1997. It turned into natural decrease more than 20 years before the same crossover in urban places. Since the late 1990s, further decline has stopped, but rural natural decrease stabilized at a much lower level than its urban counterpart.

In summary, we can say that in Bulgaria population decline in rural places have been much more severe than in urban places. Compared with urban areas, rural areas experienced higher mortality, more rapidly declining fertility and negative net migration.

Urban-rural differences in population dynamics were significant in Hungary as well. However, a comparison is more complicated, as due to the special position of

Budapest in the Hungarian settlement system data are published separately for the Hungarian capital. As we will see, this separation is justified, given the considerable differences between Budapest's demographic trends and those of other urban areas.

Figure 5.15 shows crude birth and death rates for Budapest.

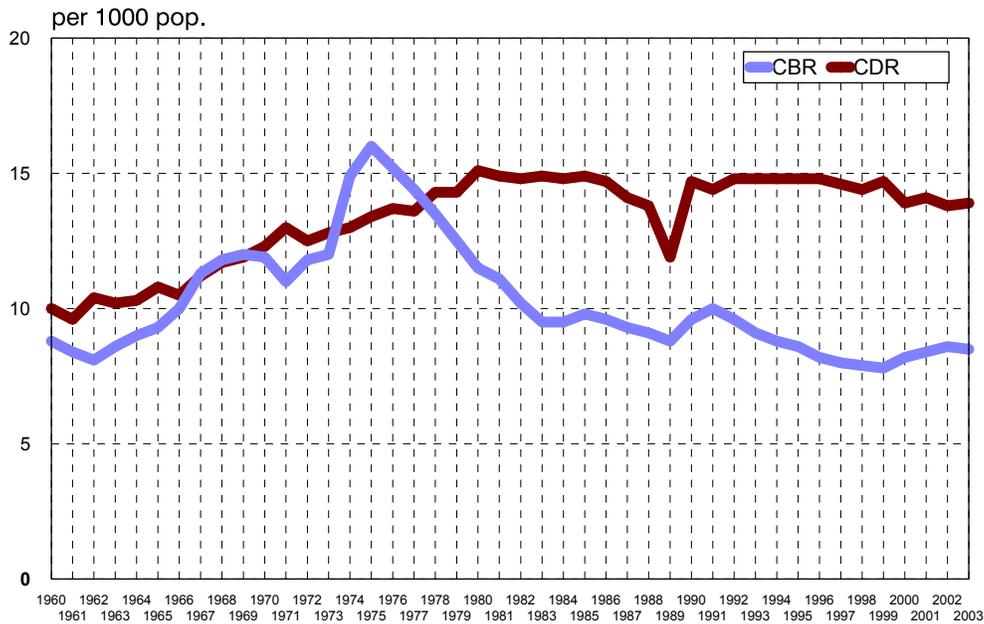


Figure 5.15 Crude birth and death rates in Budapest, 1960-2003

As can be seen, both birth and death rates increased from the early 1960s in Budapest. The fertility peak in the mid-1970s was caused by the demographic wave, as those who were born in the mid-1950 entered childbearing age. Increased fertility during this demographic wave was supported by pro-natalist policies as well. While the crude birth rates of the Budapest population increased due to this process, fertility started to decline soon afterwards, and by the early 1980s the wave has dissipated. At the same time, mortality increased, reaching a level of 15 per 1000 before stabilizing

in the 1980s. From the late 1990s, a very slow increase can be observed (the 1989 change was most likely a statistical measurement issue).

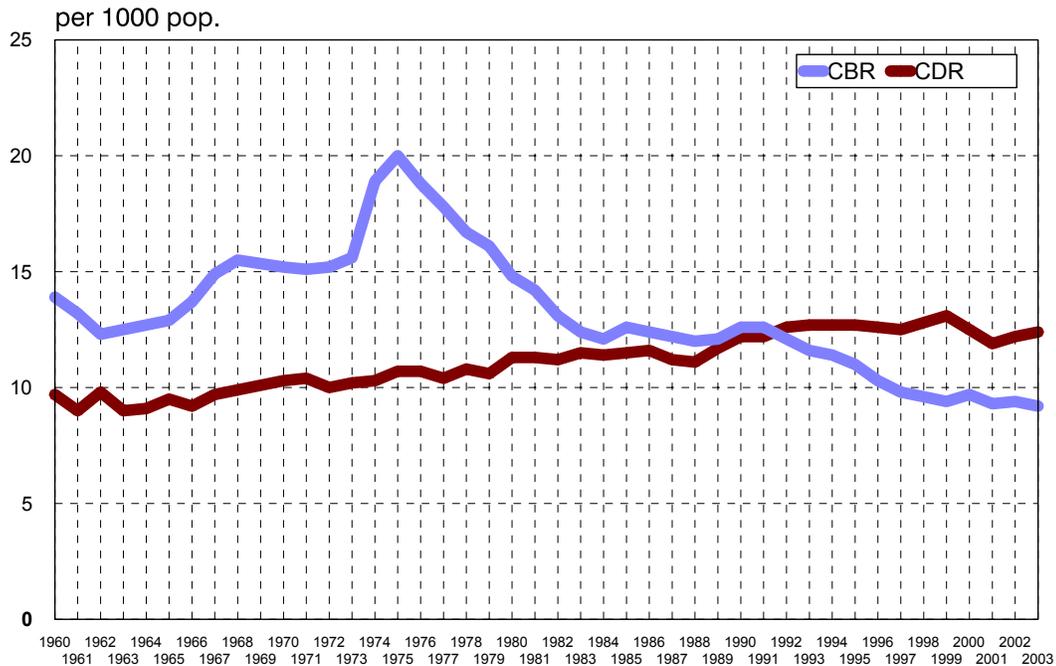


Figure 5.16 Crude birth and death rates in Hungarian towns, 1960-2003

Other Hungarian towns had a somewhat different experience than Budapest (Figure 5.16). The mortality increase was both slower and smaller. At the same time, the fertility boom of the mid-1970s also occurred, and it started from a higher level. This resulted in higher population growth in the Hungarian towns compared to both the national average and to Budapest. Hungarian rural places experienced very different patterns (Figure 5.17). Their mortality rates increased significantly from 1960, and they were less able to utilize the demographic wave of the mid-1970s.

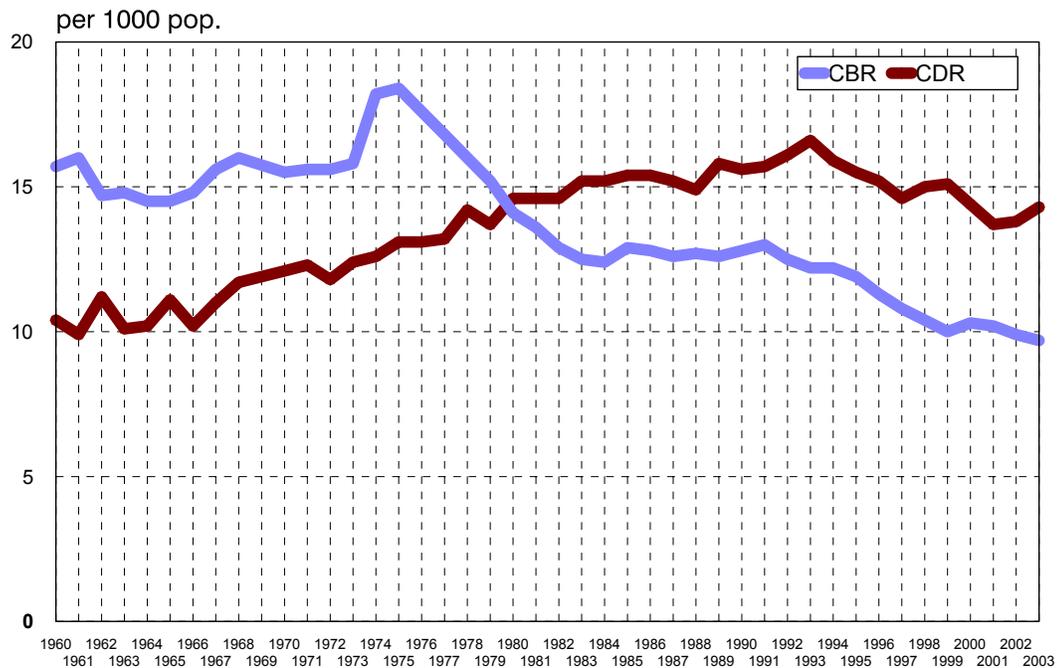


Figure 5.17 Crude birth and death rates in Hungarian villages, 1960-2003

Figure 5.18 shows the crude birth rates for all three categories in the same chart. While all categories follow the same general trend, birth rates in Budapest were persistently lower than those of either towns or villages. The other important finding is that since the late 1960s there hasn't been much difference between the urban and rural areas if Budapest is excluded from the picture. This is in sharp contrast with the Bulgarian situation where significant urban-rural fertility differences existed.¹⁰⁶ It is also important to note the general convergence of fertility in Hungary. While there were significant spatial differences even in the early 1970s, by the end of the 20th century crude birth rates look very similar in all three categories. This convergence is true for Bulgaria as well, which tells us that with respect to fertility, urban-rural differences account for less and less variance in demographic change.

¹⁰⁶ We have to note that Bulgarian urban places contain Sofia as well.

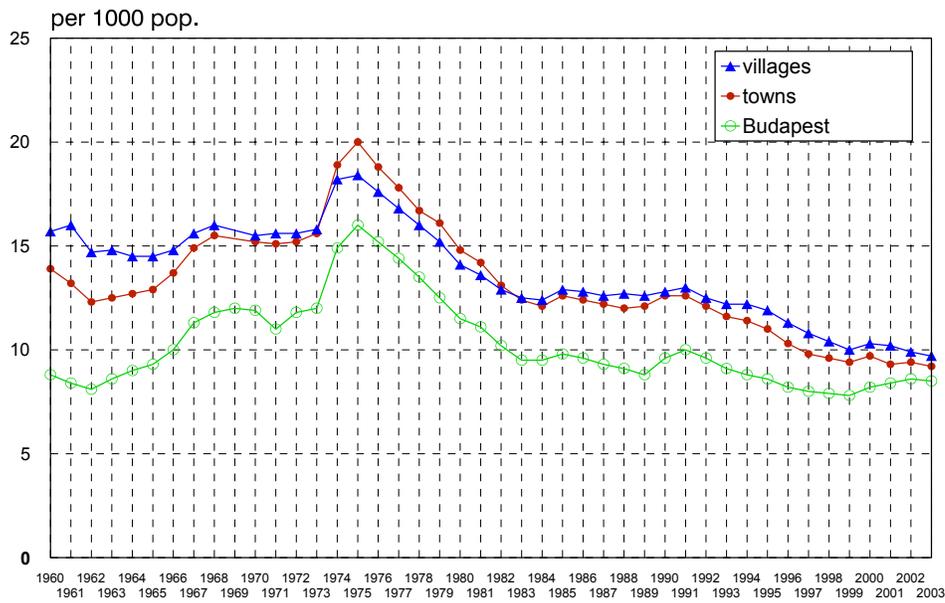


Figure 5.18 Crude birth rates by urban-rural classification in Hungary, 1960-2003

The mortality situation shows less convergence than fertility (Figure 5.19). All three categories started with crude death rates around 10 per 1000 in 1960. Mortality increase, however, was less severe in Hungarian towns. Death rates not only increased more in villages and in Budapest, but also increased in a very similar way. This similarity, however, covers two different causes. Rural mortality increase probably occurred more as a function of aging induced by rural outmigration of young population, while the same trend in Budapest could be a result of a real increase in mortality due to causes associated with the negative aspects of city life such as environmental problems. Mortality started to decline in the villages in the early 1990s, which is most likely the effect of changing age structure, as urban-rural migration trends reversed. The current mortality level is higher in rural areas and Budapest than in other towns.

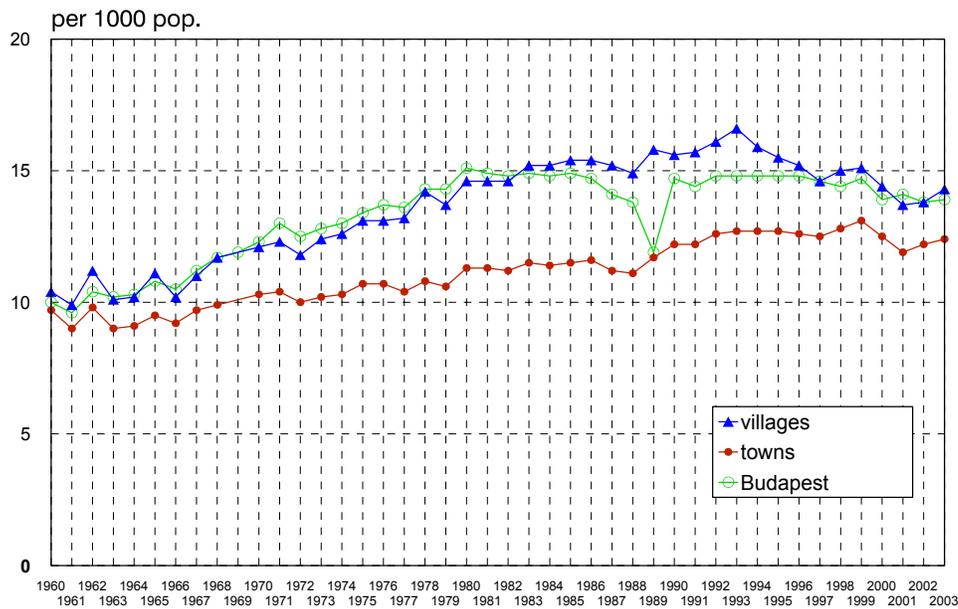


Figure 5.19 Crude death rates by urban-rural classification in Hungary, 1960-2003

Figure 5.20 shows the change in natural increase for the three Hungarian categories. Budapest had natural increase only when the demographic wave of the mid-1970s occurred. Natural decrease stabilized in the early 1980s at around -5 per 1000 level for a decade, but further declined during the 1990s. Other urban places exhibited similar demographic trends, although in a delayed fashion, thus their natural increase turned into natural decrease only in 1991, ten years after the national change. Rural areas started with the highest rate of natural increase, which fluctuated but did not increase or decrease until the mid-1970s. Natural decrease in Hungarian rural places started in 1980.

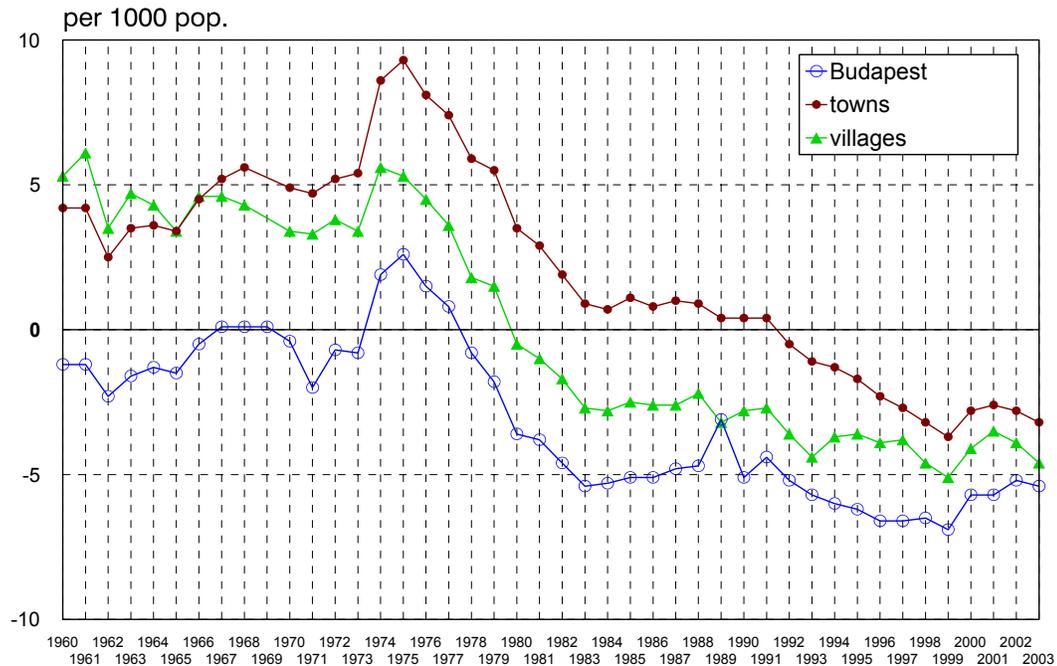


Figure 5.20 Natural increase by urban-rural classification in Hungary, 1960-2003

This overview of urban and rural population dynamics in Hungary and Bulgaria produced two important findings. First, while there have been significant differences in fertility and mortality between urban and rural places, a general convergence can be observed. Differences in birth and death rates are not nearly as large now as they were even a generation ago. Since this convergence is occurring in fertility above all, this implies a support for the ideational thesis of fertility change. The diffusion of the European pattern of low fertility is visible in Eastern Europe as well.

The second finding is that there are significant intraregional differences within Eastern Europe in this respect too. These differences are not only at the national level, but also in the changing trends once one differentiates between urban and rural places and compares them accordingly across nations. Rural demographic change for

example, did not play out in the same manner in Hungary and Bulgaria. In particular, Bulgarian rural areas experience severe population decrease and aging compared to either Bulgarian urban places or any of the three Hungarian settlement types. While administrative classification schemes have an impact on these comparative measurements, the different socioeconomic development legacies of urban and rural places still have considerable effect in shaping demographic change in Eastern Europe.

5.3 Spatial development trajectories

5.3.1 Migration patterns

Internal migration statistics for Hungary and Bulgaria are available from shortly after the Second World War when the mandatory residence registration was implemented.¹⁰⁷ Gross migration rates in Hungary have not changed a lot since the mid-1970s (Figure 5.21). This was the time when collectivization and heavy industrialization ended, and no further development policy induced large-scale population shifts. The chart also shows that gross migration during the socialist period was largely a function of rural population movements, as the number of migrants in both Budapest and the towns has been relatively constant. The gross migration rate

¹⁰⁷ There is a significant difference in this respect between the two countries. The Hungarian Central Statistical Office publishes detailed migration data in the previously used threefold classification system. The National Statistical Institute in Bulgaria publishes data on total urban and rural population, as well as fertility and mortality indicators by urban-rural classification. Hence, migration in Bulgaria had to be computed as a residual. Because of this computing method, gross migration rates for Bulgaria are not available, as the residual method cannot account for migration between same types of settlements. This difference in data quality means that this section will cover a deeper analysis for Hungary.

increased after 1990, but we cannot witness large-scale population movements during the post-socialist transformation.

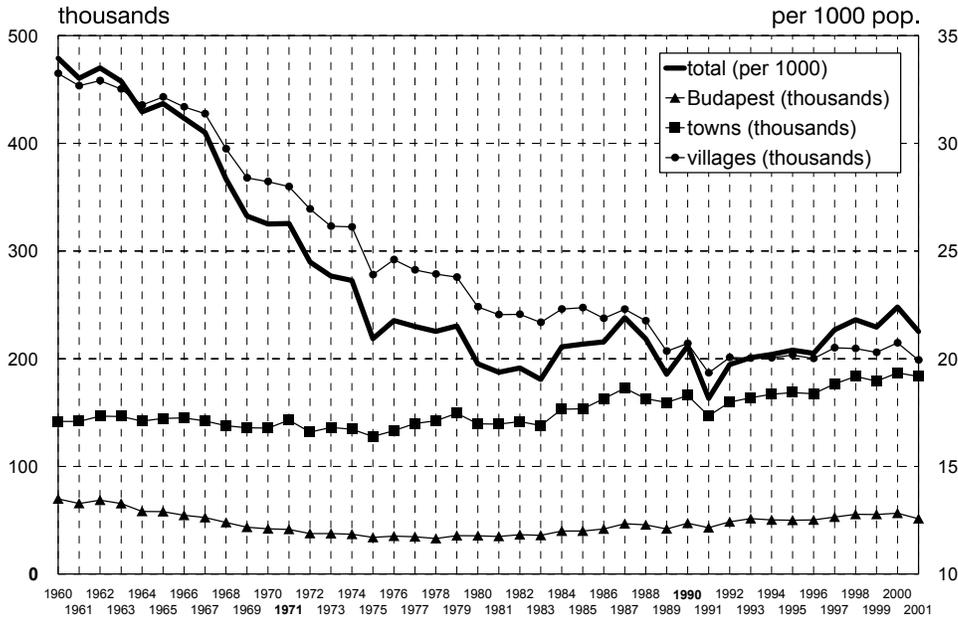


Figure 5.21 Gross migration in Hungary, 1960-2003

Net migration is particularly interesting to examine in Eastern Europe, due to the closed nature of migration systems during the socialist period. International migration was minimized, thus urban and rural net migration data are almost mirror images of each other. The only exceptions are certain political events such as the 1956 uprising in Hungary, or the 1950-51 Turkish displacement campaign in Bulgaria that were followed by considerable emigration.

Figure 5.22 shows net migration data for Bulgaria by urban and rural distinction after 1945. The first thing to note is the impact of the Turkish displacement campaign in 1950-51. Discussed by Bishku (2003), this campaign focused on collectivization in the rich agricultural lands of Southern Dobrudja in the northeastern part of Bulgaria which traditionally had a sizeable Turkish population. In a short

period of time about 155 thousand Turks left the country, almost all of them from rural places. Many of them, however, must have returned a year later, based on the positive net migration for rural areas without the corresponding migration change in urban areas.¹⁰⁸ Until the beginning of the 1960s, a slowly increasing rural to urban migration was the characteristic of population movements in Bulgaria.

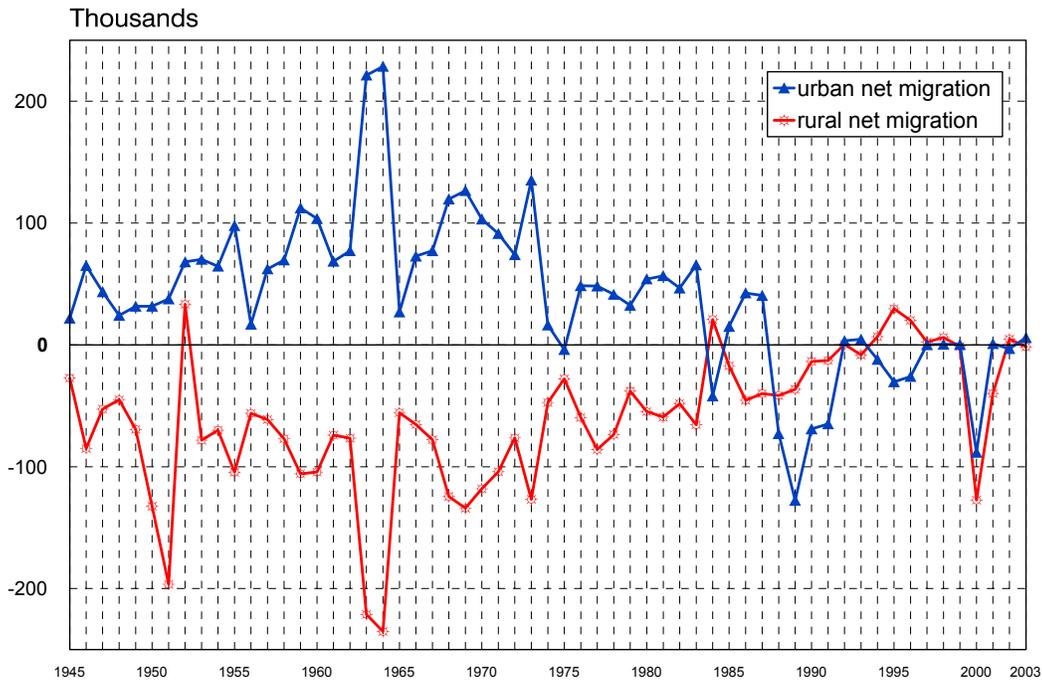


Figure 5.22 Net migration in Bulgaria, 1945-2003

In 1963-64 a large increase can be observed in rural to urban migration. This was partly a consequence of a rapid farm consolidation program during the third Five Year Plan. The number of collectives decreased from 3,450 to 932, and it pushed many rural workers to find employment in the cities. Poor harvests in the early 1960s causing social unrest in 1962 also contributed to this change. It seems, however, that

¹⁰⁸ I did not find reference to this return migration though. Hence, it is also possible that the 1952 number is a specific measurement issue.

the Bulgarian industry was unprepared to absorb so many rural migrants, as the volume of rural outmigration returned to the previous level by 1965. Although with significant fluctuation, rural population loss through outmigration decreased from the early 1970s.

From the late 1980s, Bulgarian urban and rural net migration data ceased to be mirror images of each other. Starting in 1985, a new assimilation campaign against the Turks resulted in large-scale emigration when the borders were open in 1988.¹⁰⁹ However, in contrast to the ethnic emigration of 1951, this time it was the urban population that left. The ethnic Bulgarian emigration of the early 1990s also concentrated in the urban population. During the post-socialist transformation, Bulgarian urban and rural places did not exchange many people. The number for 2000 is most likely a result of the 2001 census adjustment. It is interesting to note that the 1996 financial crisis in Bulgaria did not result in increased spatial mobility, including emigration.

Net internal migration data are shown for Hungary since 1957 (Figure 5.23). Immigration to urban places, especially to Budapest, was significant until the early 1960s. In 1961, immigration to Budapest was restricted by administrative methods to curb further population growth in the Hungarian capital. From the mid-1960s until the late 1980s, a constant low level of net immigration characterized Budapest.

¹⁰⁹ One interesting difference in this Turkish emigration compared to the early 1950s is that this time many Turks left for Germany instead of Turkey, relying on the growing number of Turkish communities established in Germany.

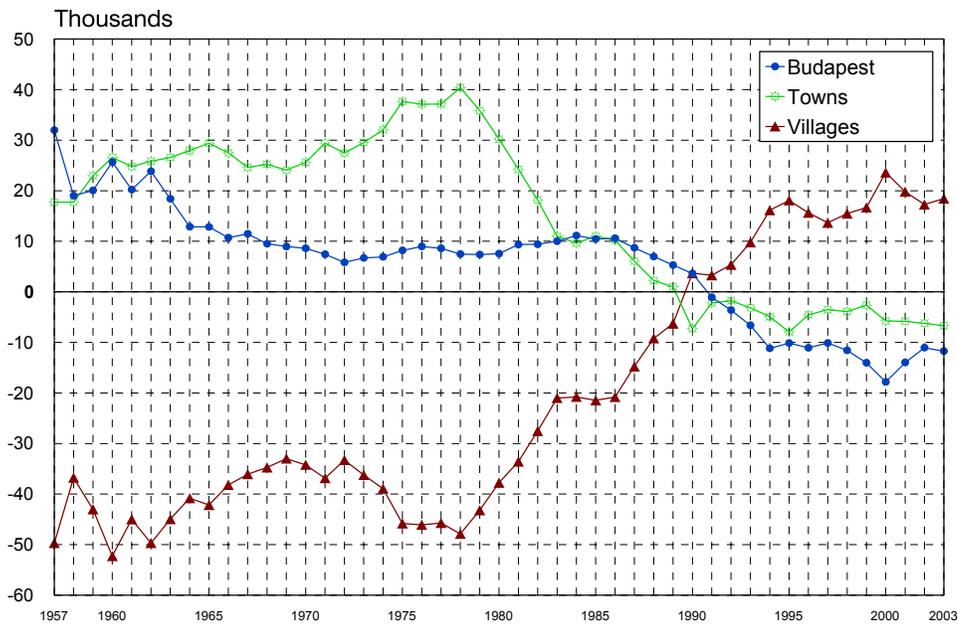


Figure 5.23 Net migration in Hungary, 1957-2003

Other towns and the villages had very different migration trajectories. In the 1960s, the volume of rural outmigration decreased, as more decentralized industrial policies were implemented. At this time, rural outmigration resulted in population growth in towns but not in Budapest. In the early 1970s, however, this trend changed as rural outmigration increased again. Urban places, with the exception of Budapest, gained many new residents as a result. The reason for this change was the National Settlement Development Plan (OTK) that was introduced in 1971.

This plan mixed together Christaller's central place theory and growth pole theory, looking for the optimal distribution of urban functions (Laczkó, 1994). With this policy change, urban development was no longer limited to the largest cities, and more priority was given to urban infrastructure, first of all housing and communal services. Although the OTK was meant to decrease spatial inequalities, improvements in urban infrastructure basically followed the sequence of industrial development of the previous decades.

The OTK was clearly an urban-based development agenda. Ninety percent of the investments targeted urban areas (Beluszky, 1983). Most villages were left behind again, especially those that were not given any urban function or regional role in the settlement network. Altogether this accounted for 67 percent of the settlements in Hungary. Under the cover of functionalism, communal services were consolidated which meant the loss of schools, health facilities, and community buildings in many places. The social response was an increase in rural outmigration. The OTK was able to derail the decrease in rural population loss, and it took an entire decade plus the economic recession of the late 1970s to restore the trend.¹¹⁰

Since 1990, Hungary has been experiencing population deconcentration. It would be a mistake, however, to associate this new trend with the regime change. As Figure 5.25 shows, this change is a clear continuation of a trend started in the late 1970s. The fact that the crossover from population concentration to population deconcentration occurred in 1990 is a mere coincidence, and has little to do with the political changes in Hungary at that time.

The migration experience of Budapest describes well the changing social and economic environment in which migration takes place. Until the early 1970s, immigrants in Budapest mostly came from rural areas, however the volume of this migration decreased significantly in the 1960s (Figure 5.24). The reason behind this decrease is the more dispersed industrial development of the 1960s which made other urban areas more attractive destinations than they were before. Eventually, rural immigration to Budapest stabilized at around 15,000 people per year. Immigration to Budapest from other urban areas also started to increase from the mid-1970s. This

¹¹⁰ The case of the OTK is also a good example for the delay of response of migration patterns to a policy measure. The OTK was introduced in 1971, but the increased rural out-migration was not seen until 1973, as the new resource redistribution had to start and people also had to look for a place to go.

increase, however, was not very large, and especially from the 1990s it is most likely a function of urban reclassification which will be discussed later in this chapter.

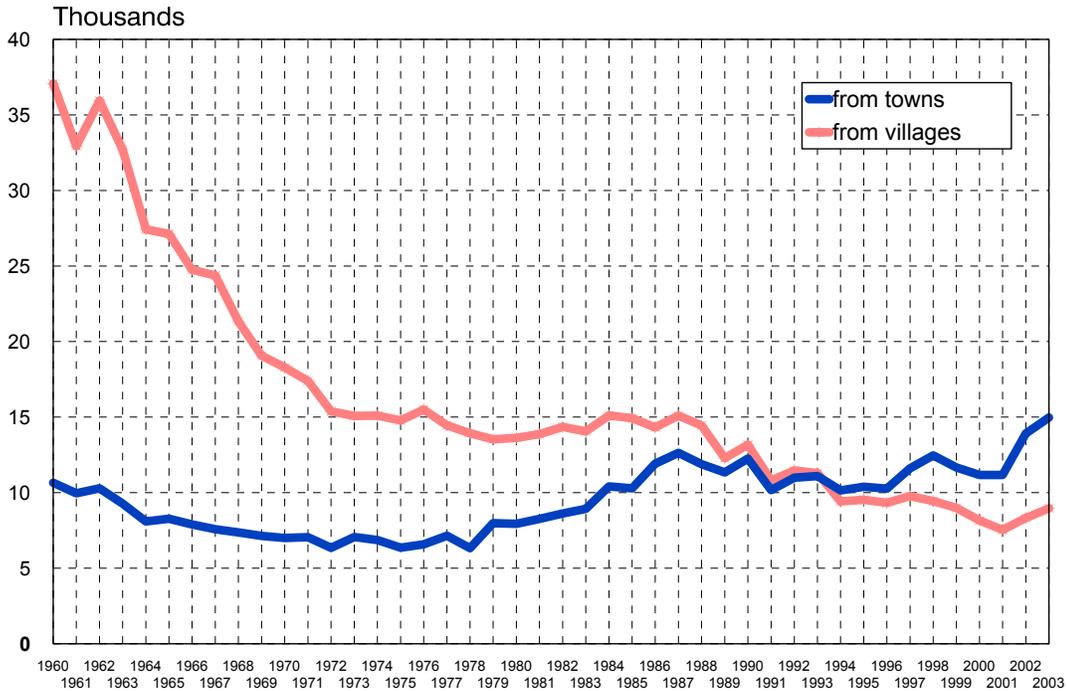


Figure 5.24 Immigration to Budapest by origin, 1960-2003

Outmigration from Budapest targeted rural areas to a larger extent than urban places (Figure 5.25). It is very likely that these outmigrants were previously rural immigrants, who either did not find their fortune in the capital and went back to their village, or moved out to the surrounding villages to have access to agricultural production. From the mid-1980s, Budapest started to lose migrants, and outmigration to both urban and rural destinations increased significantly.

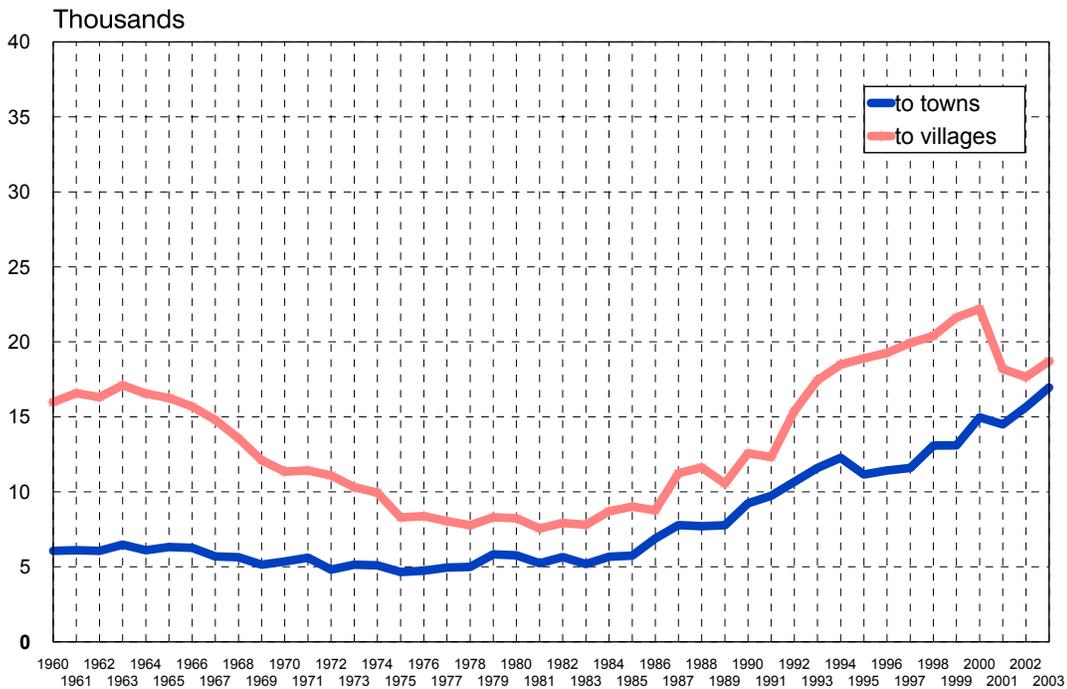


Figure 5.25 Outmigration from Budapest by destination, 1960-2003

Between 1950 and 1970, settlements located in the Budapest suburban area experienced spectacular population increase compared to the rest of the country (Table 5.3). This growth was clearly caused by in-migration (the proportion of active workforce in the suburban *villages* was higher than in any *urban* category except Budapest) and exceeded the population growth of Budapest itself, even before the migration restriction was applied to the capital. The reason why many of these migrants moved to the surrounding villages instead of the capital was the aforementioned insufficient housing infrastructure of Budapest and the possibility of agricultural activities. This population boom in the suburbs, however, did not coincide with an increase in local jobs. Commuting was a way of life in the Budapest suburban region. While in 1970, the national proportion of commuters was 19.6 percent, in the suburban area it was 66.3 percent. Among Budapest's 44 suburban settlements, only in

seven had a commuting rate of fewer than 50 percent, while in six cases it was over 80 percent.

Table 5.3 Comparative population data for the Budapest suburban area

	1949	1960	1970	1949	1960	1970	% of active workforce in 1970
	in thousands			in percent (1949=100%)			
Hungary	9205	9961	10322	100	108.2	112.1	48.3
Towns*	1941	2343	2722	100	120.7	140.2	49.5
Villages	5673	5814	5655	100	102.5	99.7	45.4
Budapest	1591	1804	1945	100	113.3	122.3	56.4
Budapest Suburbs	206	260	334	100	125.9	162.0	53.8

* Without Budapest.

Source: KSH, 1974

While calculations in the 1970s focused on Budapest, agglomeration areas appeared around other large cities as well as the Hungarian settlement system became more complex. One of my case study sites, Székesfehérvár, is a good example for this. Originally 16 settlements were classified as the agglomeration area of the city, but their number decreased to 12 after a revision in 2003. Most of these settlements are small villages, and only one of them has a population over 4,000. Published data are available by this classification since 1990, and Table 5.4 shows the main demographic indicators.

The metropolitan area, including the city of Székesfehérvár, lost 2 percent of its population between 1990 and 2003. This change, however, was quite uneven. While Székesfehérvár's population decreased by 5.8 percent, its agglomeration gained 19.1 percent in this period. Most of this gain occurred in those agglomeration villages that are closer than 10 kilometers to the city. Comparing the population dynamics of the agglomeration villages to the county average, we can conclude that while the general trend of natural increase is similar, the agglomeration villages had better

fertility and mortality indicators than their counterparts in the county. This includes that these villages could maintain a natural increase until 1995, while the county experiences natural decrease since 1993 (Hungary has the same trend since 1981). The agglomeration area also has a younger age structure than the city.

Table 5.4 Comparative population data for Székesfehérvár and its agglomeration

	Székesfehérvár metro area	Székesfehérvár city	Székesfehérvár agglomeration area
Population, 2002	125,928	102,670	23,258
Pop. density, 2002 (per km ²)	232.0	600.8	62.5
Percent under 15 yrs., 2002	15.3	14.8	17.8
Percent over 65 yrs, 2002	13.4	13.6	12.5
1990 (per 1000 pop)			
CBR	13.0	12.8	14.4
CDR	10.7	10.1	14.5
Natural increase	2.3	2.7	-0.1
Net migration	1.4	-1.4	16.9
2002 (per 1000 pop)			
CBR	8.8	8.7	9.2
CDR	10.1	9.9	10.9
Natural increase	-1.4	-1.3	-1.7
Net migration	-7.5	-13.2	18.4
Commuting, 2001			
Employed locally (N)	45,550	43,334	2,216
Commuter (N)	12,085	5,159	6,926
% commuter	20.9	10.6	75.8
% commuter to Szf.	-	-	79.1

Source: KSH, 2003

Also, 79 percent of the employed population in the agglomeration villages commutes to Székesfehérvár on a daily basis. This is much higher than the county's average commuting ratio of 39 percent. There is a 10 percent commuter group in the city as well, which probably reflects commuting to those greenfield industrial sites that are in another settlement's territory.

The population growth of the agglomeration area around Székesfehérvár is exclusively a result of immigration. Part of this migration comes from the city, as a classical suburbanization pattern, but also many people move out from Székesfehérvár

due to the rapidly increasing housing costs and real estate prices. At the same time, the agglomeration area receives migrants from other parts of the country as well. These people come mainly from eastern Hungary to hope for employment at some of the TNC subcontractor firms. These hopes of course not always come true. But as one of my respondents noted: "It's still better to be unemployed in Székesfehérvár than in Miskolc."

To summarize this section, urban population growth flattened out after the abandonment of exclusive urban development policies, and spatial mobility decreased in both Hungary and Bulgaria after the end of direct state intervention in spatial processes. While spatial and economic development policies had a significant impact on migration during most of the socialist period, since the mid-1980s spatial processes were more of consequences of earlier direct state intervention, or in other words they were driven by new legacies.

5.3.2 The ethnic dimension of population change: the case of Ispérh

Ispérh, one of my case study sites, is a medium size rural municipality of a central town and 22 villages. Of the total municipal population of 25,455 in 2001, about 40 percent lives in the central town. Only five of the 22 villages have population that exceeds 1,000 people and nine of them have less than 500 inhabitants.

As it was mentioned before, in Ispérh ethnic Turks are the majority of the population. The ethnic distribution of the population, however, is highly uneven within the municipality. While the majority of the Turkish population lives in the rural hinterland, ethnic Bulgarians are a majority in the central town (Figure 5.26).

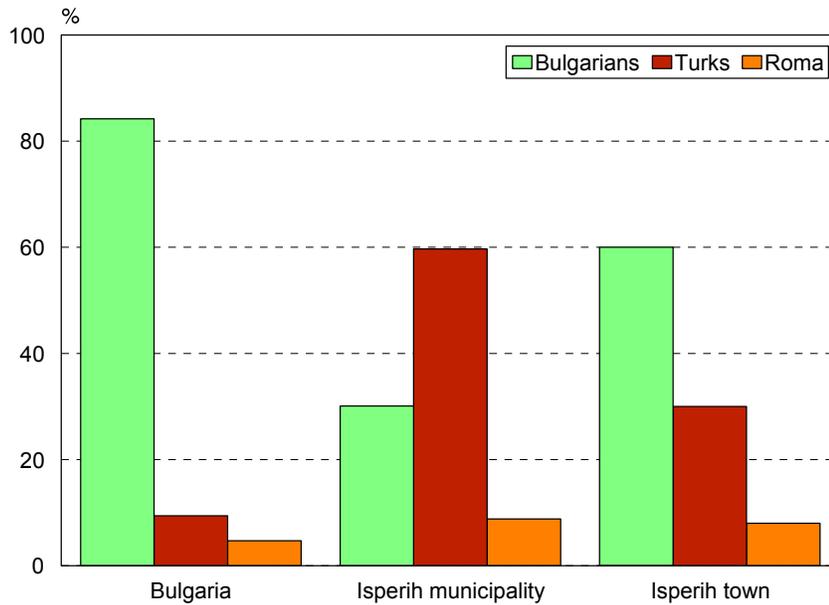


Figure 5.26 Ethnic composition of Ispirih, 2001

In the past decades, Ispirih experienced profound demographic changes. Although until the mid-1990s, birth rates were significantly higher than the Bulgarian rural average, recently a convergence can be observed. While in 1992, the crude birth rate was 15.9 (at this time Bulgarian rural average was 10.1), by 2000 it declined to 10.0. This level was still larger than in other rural places with the average of 8.1, but based on this trend we can expect the remaining difference disappear in the future.

Between 1985 and 2000, the municipality lost about 25 percent of its population. Since natural decrease did not start before 1992, and it is less severe than in other places, this population loss can be associated with the Turkish emigration.¹¹¹ But as one of the respondents noted, it is difficult to assess the local volume of this emigration, because population movement is calculated by residential registration, and many of the emigrants did not give up their Bulgarian residences. However, it is

¹¹¹ Local Bulgarians refer to this assimilation campaign and emigration as "the name change" because it all started with a government pressure to change Turkish names to Bulgarian ones.

estimated that in some of the villages as much as 80 percent of the Turkish population left for Turkey. Two additional circumstances support the argument about the impact of the Turkish emigration on population change. One is that mostly the villages lost population and not the central town where the majority population is ethnic Bulgarian. The second is that this population loss became more moderate after 1992 when the Turkish emigration was over.

One of the local officials noted that by the time the Turkish population started to return, ethnic Bulgarians started to leave. This has little to do with a push effect of the return migrants, rather it is a coincidental intersection of processes. In the early 1990s, many young rural Bulgarians felt that their home place has little to offer in terms of making a living. While most registered companies in Isperih operate in the trade sector and the share of agricultural companies in the company structure is only 8 percent, over 50 percent of the local population is working in agriculture (to a large extent in tobacco cultivation). The unemployment rate is much higher than the national average. In 2001, it was 36.1 percent, compared to the national 17.5 percent.

The demographic indicators of the municipality are closely connected to the ethnic structure of the place. Ethnic Turks had traditionally higher fertility than ethnic Bulgarians, and this is the main reason behind Isperih's less severe population decline and aging. In 2001, 14.6 percent of the population of Isperih municipality was 65 years or older, while the national average was close to 17 percent at that time. Although natural decrease characterizes both Bulgarian and Turkish populations, its pace is slower among the Turks.

Isperih is also a good example for the complex relationship between demographic situation and human development. Although the demographic change in the municipality seems less severe than in Bulgaria in general, in terms of human development Isperih is among the lagging municipalities in the country. The level of education is significantly lower than the national average shown by the educational

attainment of the population (Figure 5.27). This lower level of education also contributes to the problems of unemployment, as about the 75 percent of the registered unemployed persons do not have either finished secondary education or qualification, which is about 12-14 percent higher than the national average.

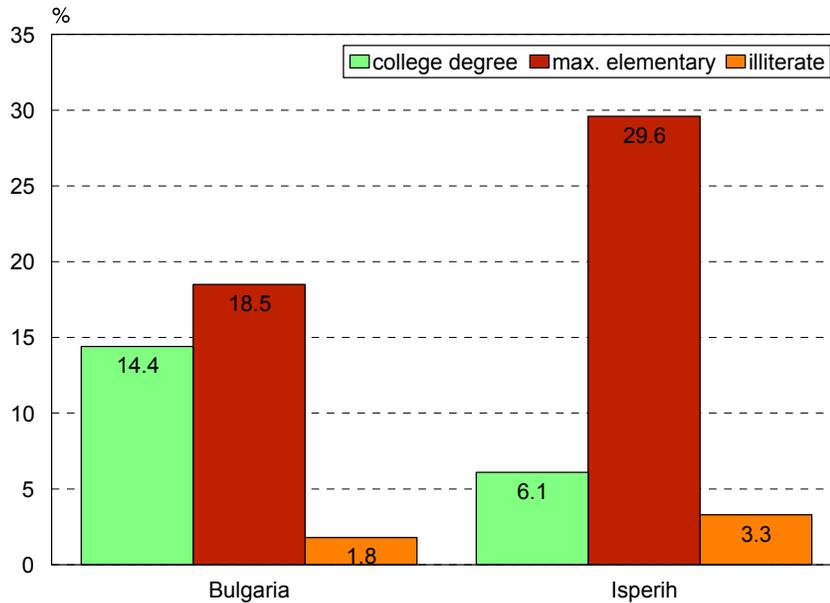


Figure 5.27 Educational attainment in Isperih compared to the national average, 2001

This situation is even worse in the small villages of the municipality. In those places, agriculture is the only economic activity available, but this seldom goes beyond subsistence farming. One of these small villages reflects all the major issues in Isperih. Of the 1,600 inhabitants, approximately 200 live in Turkey. Another 600 are Roma without any real perspective to improve their situation. The different demographics of the ethnic groups are shown in the kindergarten and elementary school where there are no Bulgarians, but only Roma children and some Turkish kids.

The Turkish emigration had fundamental implications on the local economic activities. Not only a sizeable part of the working age population left, but because of

their concentration in particular locations, their flight left many employers without workers within a very short time. In the late 1980s, when news started to spread about the coming emigration, the socialist companies' production was relocated by the state. During the post-socialist recession, this relocated production could not come back. Hence, several ethnic Bulgarian local respondents shared the opinion that the Turkish emigration was a disaster for the municipality.

5.3.3 Urbanization

Both Hungary and Bulgaria were characterized with low level of urbanization before the 1930s (Figure 5.28). Bulgarian urban population was around 20 percent, while Hungarian urban population was only a little over 30 percent. In the Hungarian case, this number refers to the contemporary territory of the country, and if we include the pre-Trianon territories as well, the urban population goes back to about 25 percent. In a strange way, the Hungarian territorial changes after the First World War made the country more developed by a number of statistical indicators.

After 1930, a slow increase started in the proportion of urban population in both countries. While this increase had a constant pace until the 1970s in Hungary, it accelerated more rapidly in Bulgaria after the communist takeover. By the mid-1960s, the proportion of urban population in Bulgaria exceeded that of in Hungary. In Bulgaria, socialist development policies clearly had a bigger impact on urbanization, while in Hungary this concentration was more gradual. During the post-socialist transformation, urban population growth flattened out in both countries even though they were able to maintain a small growth in the proportion of urban population.

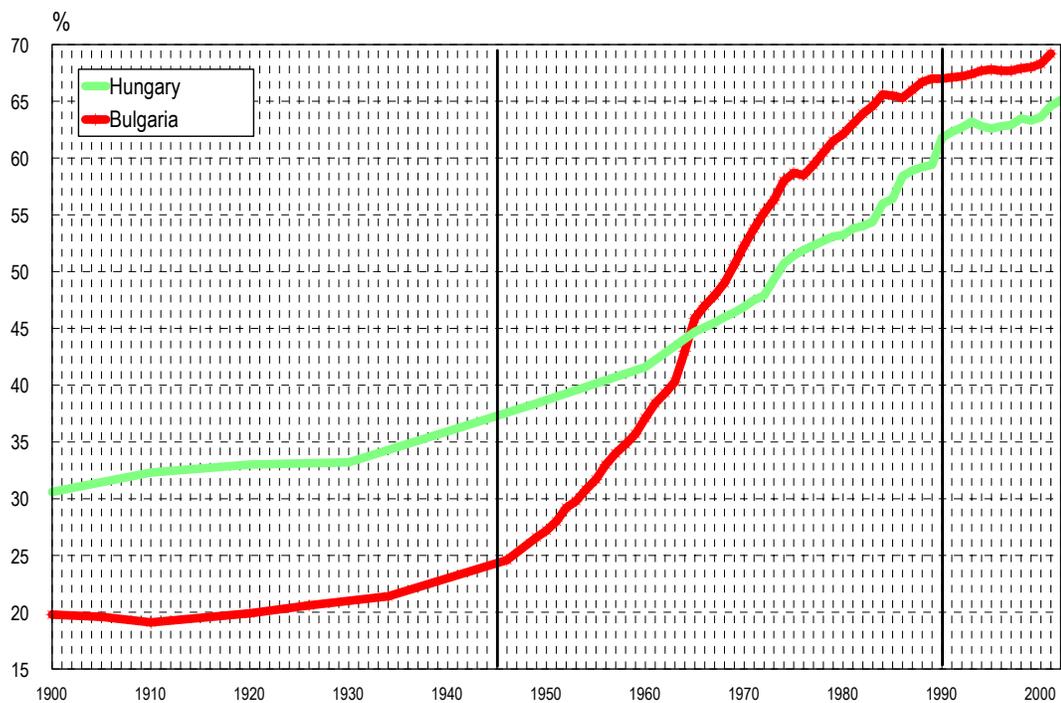


Figure 5.28 Urban population in Hungary and Bulgaria, 1900-2002

Displaying the change in national and urban population on the same chart allows us to gain more insights about urbanization trends. Figures 5.29 and 5.30 display these trends for Hungary and Bulgaria, respectively. In Hungary, despite the general population decline since the 1980s and the rural net migration gain since the 1990s, urban population continues to grow. The reason behind this process is the administrative reclassification of rural places to urban category, which will be discussed later in detail.

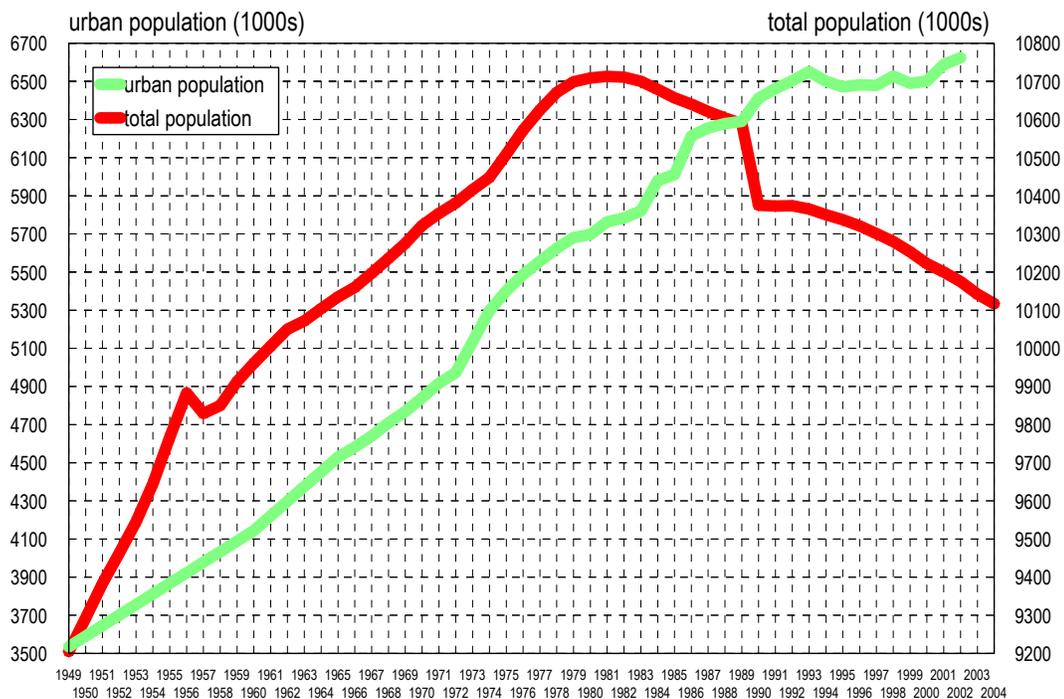


Figure 5.29 Population change in Hungary, 1949-2004

In Bulgaria, administrative reclassification was a less used policy, thus urban population started to decline shortly after the general population decline (Figure 5.32). During the post-socialist transformation, Bulgarian urban population fell back to the 1980 level. The corresponding general population change indicates a return to the 1960 level. Hence, the post-socialist transformation eliminated ten years of urban population growth and 30 years, an entire generation, of general population growth in Bulgaria within a short decade.

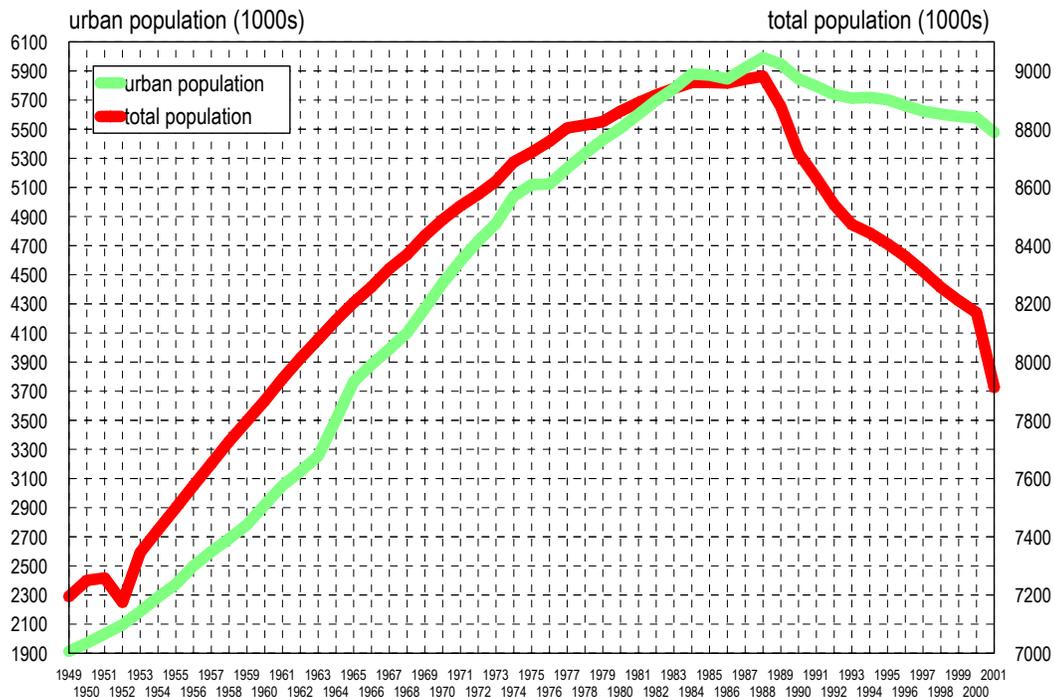


Figure 5.30 Population change in Bulgaria, 1949-2001

Figure 5.31 shows the same changes after accounting for the different size of Hungarian and Bulgarian populations, and expressing these changes in percentages, taking 1949 as a hundred percent. These data indicate a faster pace of urbanization in Bulgaria, and also a faster pace of population growth, especially after the post-1956 emigration in Hungary created a small break in population growth pace. However, while Bulgarian population growth was larger, so was population decline after 1990 compared to the 1949 base. At the same time, due to differences in the base at the beginning of the period, Bulgarian urban population growth exceeded Hungary's in the entire socialist period.

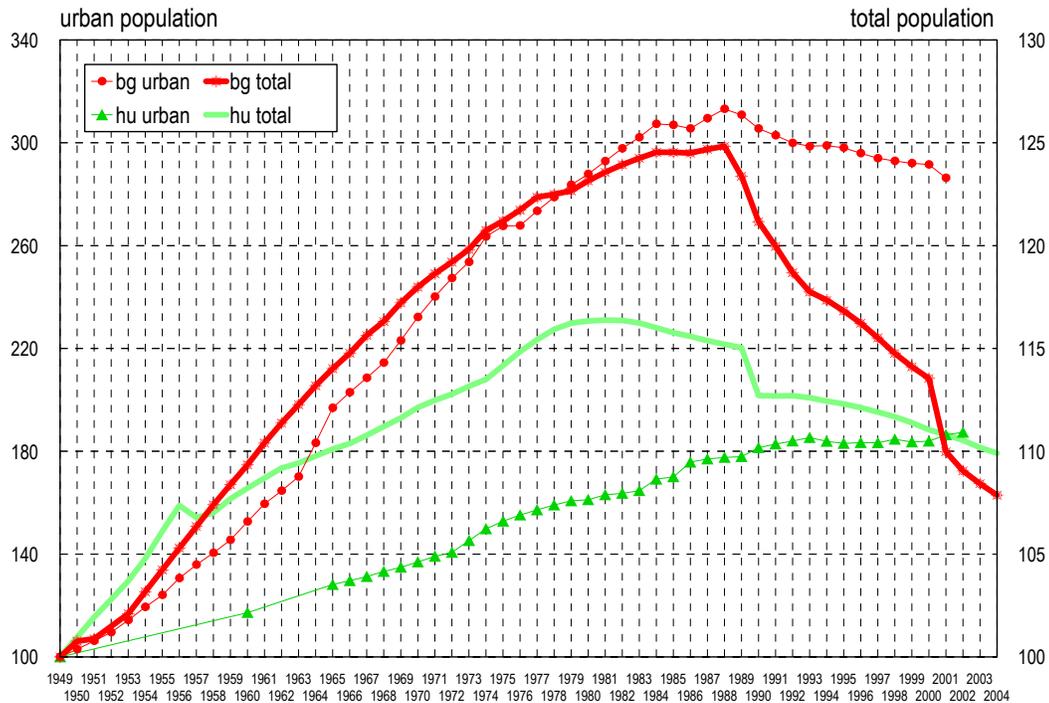


Figure 5.31 Population change in Hungary and Bulgaria compared to 1949

The rate of urban and rural population change was significantly different in both countries. In Bulgaria, the rural growth rate has been persistently negative, although it did not change much between 1950 and 2000 (Figure 5.32). The urban growth rate was much higher than its rural counterpart, but declined continuously during the socialist period. By the late 1980s, urban growth also turned to negative, but seems to have stabilized at a higher level than its rural counterpart.

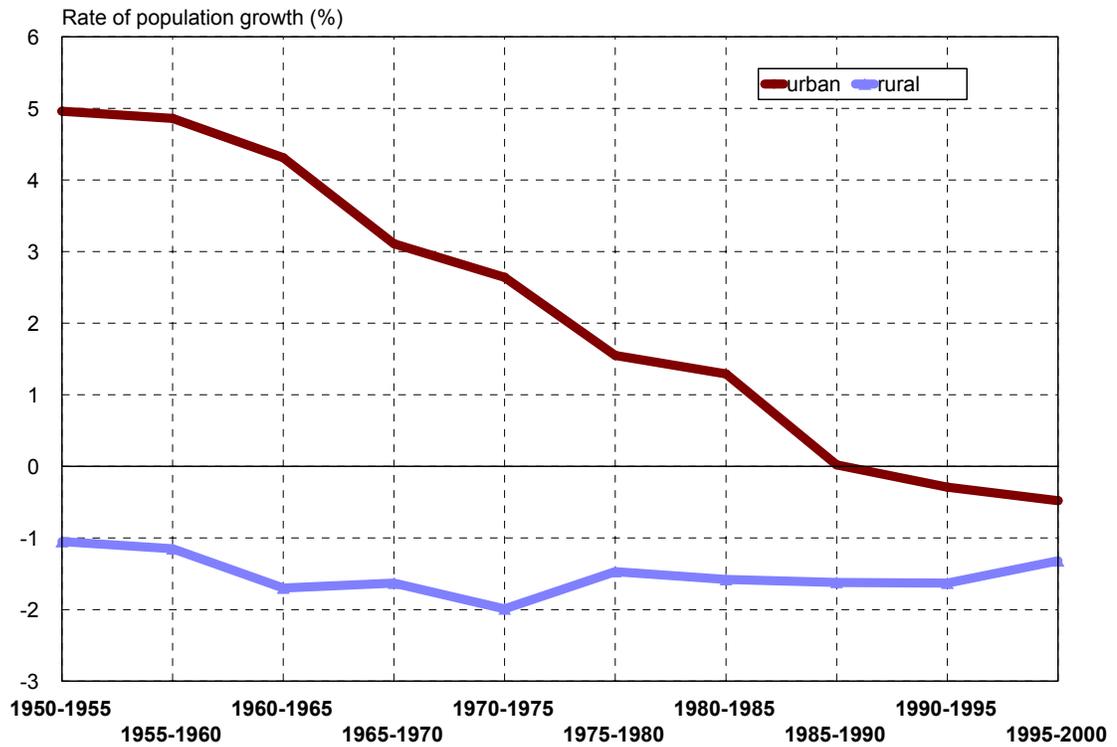


Figure 5.32 Urban and rural population growth rates in Bulgaria, 1950-2000

In Hungary, urban growth rates increased between the late 1950s and mid-1970s (Figure 5.33). Because of this increase, urban places were able to maintain positive growth until the mid-1990s. At the same time, rural growth rates declined during the socialist era. When the population deconcentration trend reached Hungary in the 1990s, rural population decline was mitigated but the trend remained the same.

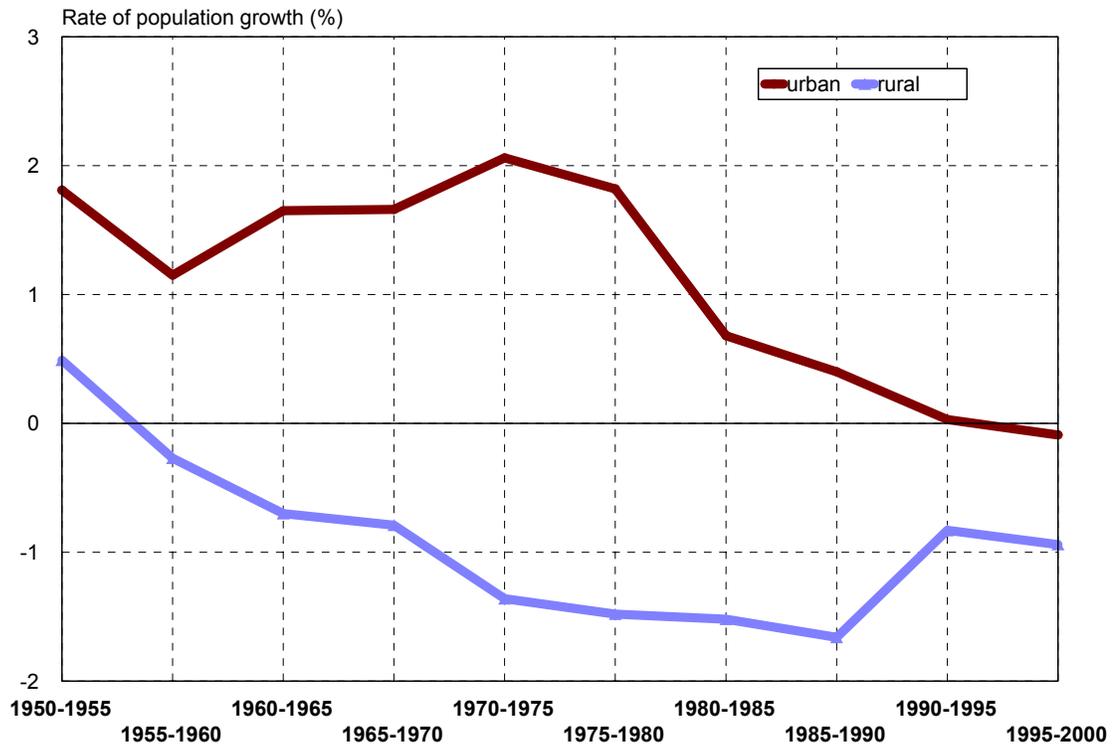


Figure 5.33 Urban and rural population growth rates in Hungary, 1950-2000

If the results are displayed by the urban-rural distinction showing the two countries together, the different national fortunes of urban and rural places are more visible (Figures 5.34 and 5.35). Urban places in Hungary and Bulgaria had a very different trajectory until the mid-1970s. Urban population growth rates declined in Bulgaria, while they increased slightly in Hungary. Part of the reason behind this difference is the different base, in other words the legacy effect. But policy also has some explanatory power. In Hungary, economic development policies were better tailored to the spatial structure of the country, especially during the decentralization in the 1960s. Since the mid-1970s, however, when the economic crisis hit both countries, and direct spatial development policies were largely abandoned, both countries display a very similar trend of declining rates of urban population growth.

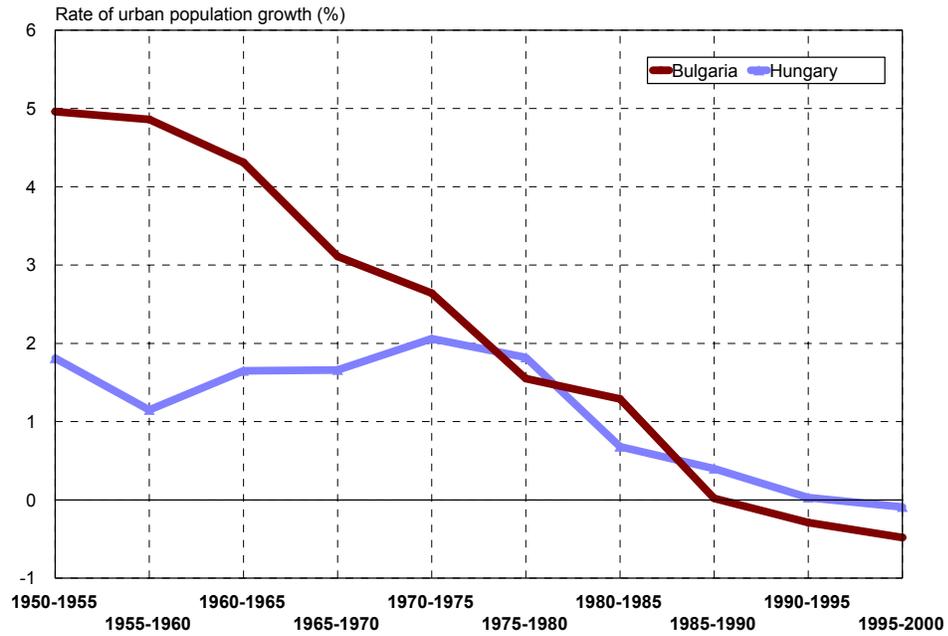


Figure 5.34 Urban population growth rates in Hungary and Bulgaria, 1950-2000

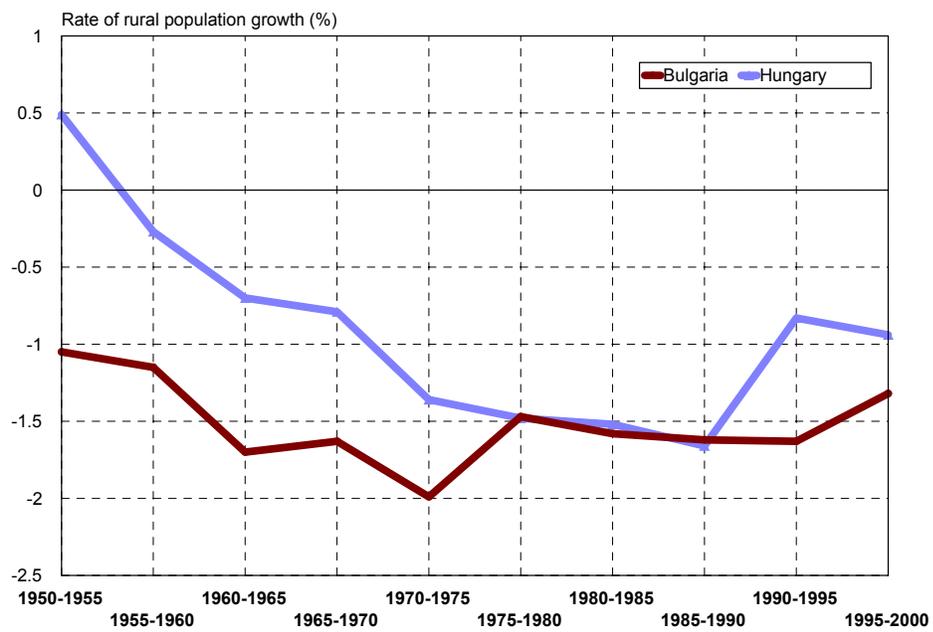


Figure 5.35 Rural population growth rates in Hungary and Bulgaria, 1950-2000

Rural population growth rates declined continuously in both countries between 1950 and 1975. This decline was twice as rapid in Hungary as in Bulgaria. By the late 1970s, however, rural population growth rates converged, and were almost identical until the regime change. Then, Hungarian rural places gained population due to their positive net migration in the 1990s. While a similar change is indicated in Bulgaria for the period 1995-2000, it cannot be concluded whether it signals a new trend or not.

Capital cities in both countries contributed significantly to urban population increase. Budapest with its population of 1,618 thousand was already three times larger than Sofia in 1950. Taking 1950 as a hundred percent, we can see that while the Sofia population is characterized with a constant increase until the mid-1980s, the population of Budapest increased only at a modest pace (Figure 5.36). Population increase in Sofia stopped in 1986, when immigration to the city was restricted, just as in Budapest 25 years before. Also, while the population decrease in Budapest started in the early 1980s, at the same time as the national population decrease in Hungary, Sofia was able to avoid a similar decrease until the mid-1990s. Data indicate that while the population of Budapest increased about 10 percent during the socialist period, the corresponding figure for Sofia was almost 110 percent.

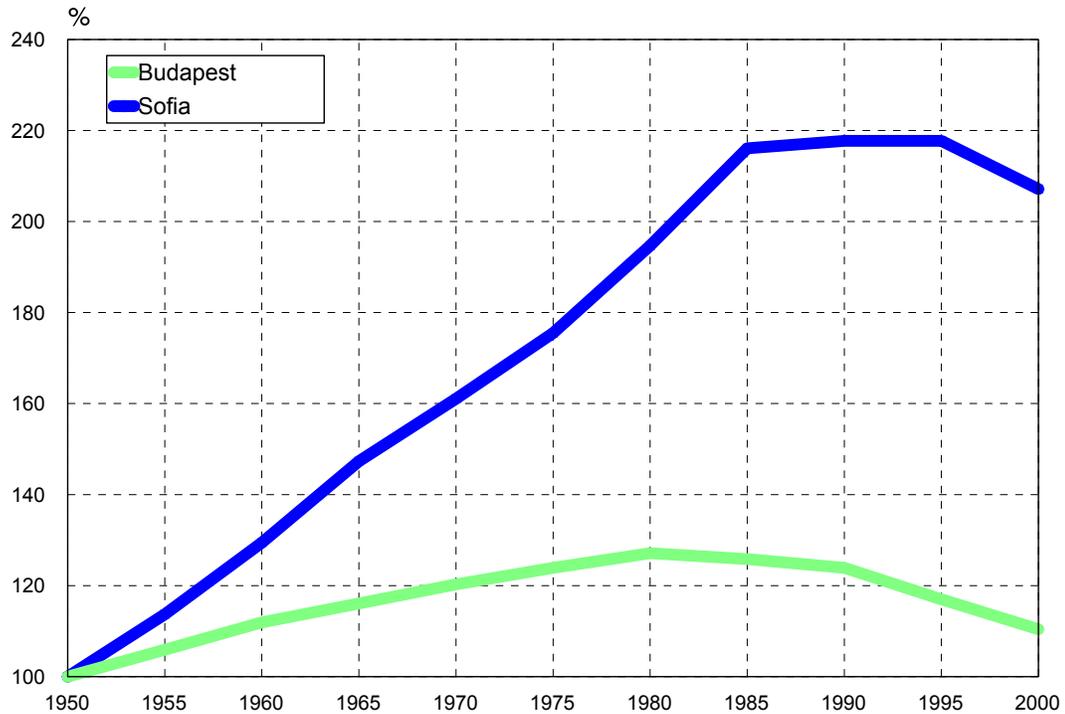


Figure 5.36 Population change in capital cities, 1950-2000

As discussed in Chapter 3, an important indicator of settlement systems is the primacy index, the size relation between the largest and second largest city of a nation. Figure 5.37 shows changes in primacy indices for both Budapest and Sofia between 1950 and 2000. Budapest's primacy index has been much higher in the entire period than Sofia's. Sofia maintained a constant primacy index, which means that the second largest Bulgarian city, Plovdiv grew at about the same pace between 1950 and 2000. The primacy index for Budapest has been decreasing during the entire period. This indicates that planners were able to curb the population growth of the Hungarian capital, especially before the 1980s. However, we need to note that the second largest city in Hungary, Miskolc, was also a preferred development location for concentrated heavy industry during socialism. This heavy industry was not a sustainable economic structure though, and parallel with its structural recession starting in the 1980s,

Miskolc had to give its second place ranking to Debrecen. The improving primacy relations in the 1990s, however, are more a function of the population decline in Budapest than a population growth in Debrecen.

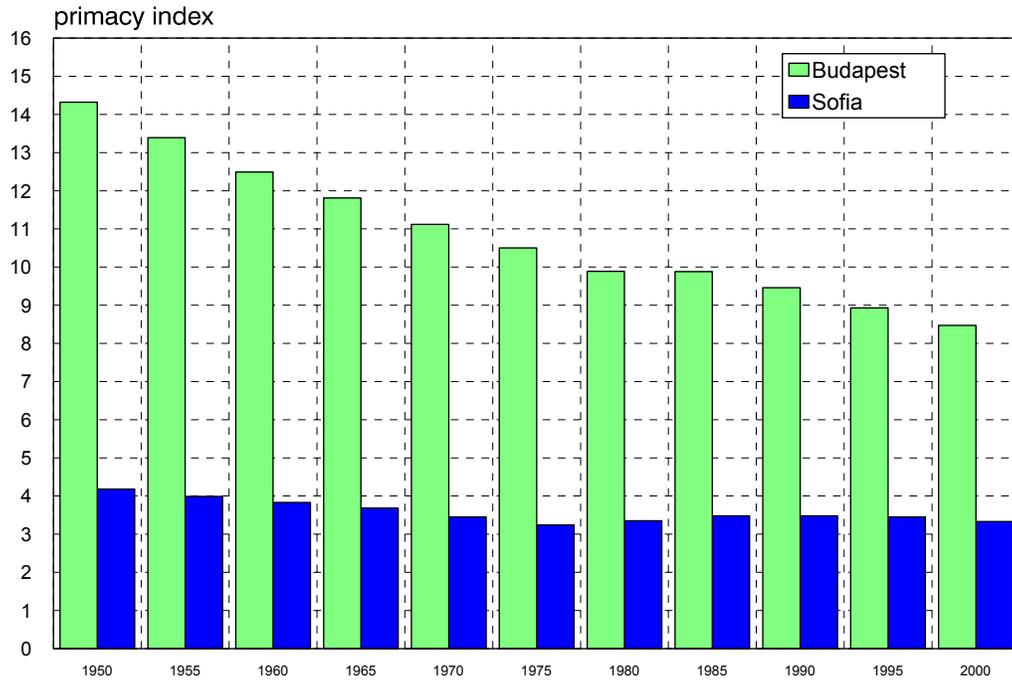


Figure 5.37 Primacy indices for Budapest and Sofia, 1950-2000

Population deconcentration seems to be the new settlement development trend in Eastern Europe, just as in Western Europe. However, if we examine the changing proportion of population living in large cities and small villages in the two countries, a sharp contrast is clearly visible (Figure 5.38). First of all, while places under 5,000 were able to maintain their population share in Hungary, they experienced significant population loss in Bulgaria during the post-socialist transformation. Also, the population share of large urban centers declined in Hungary, but remained at the same level in Bulgaria.

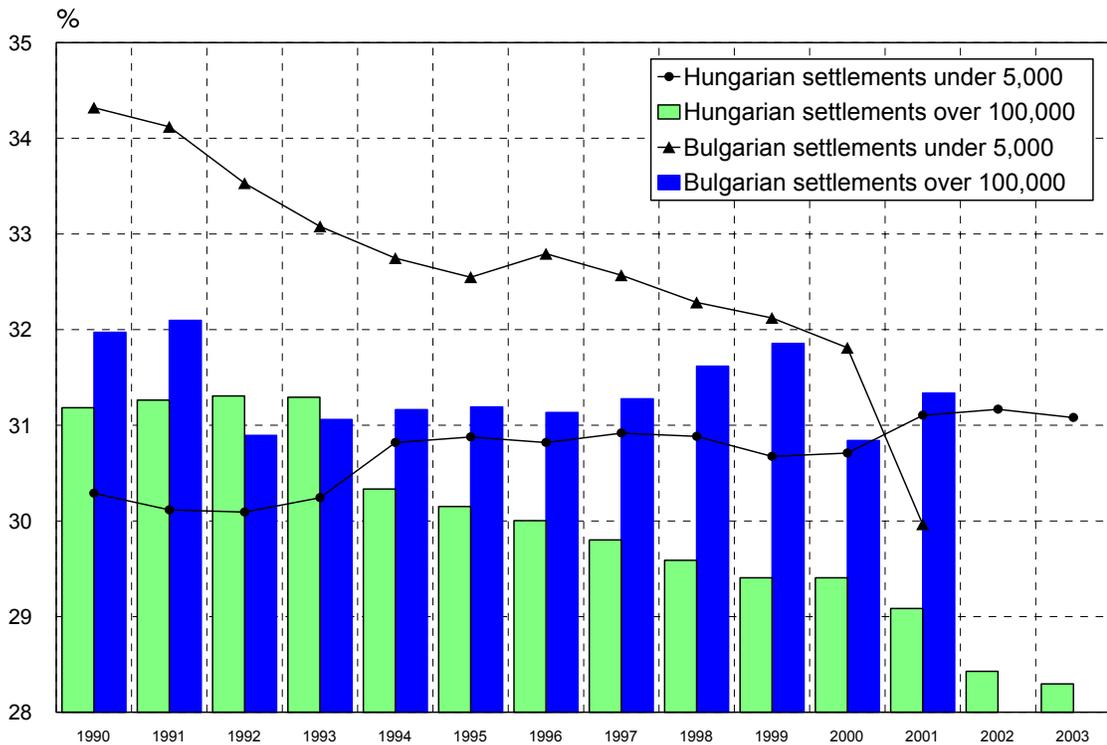


Figure 5.38 Proportion of total population living in the smallest and largest cities during the post-socialist transformation in Hungary and Bulgaria

If we disaggregate the category of urban places over 100,000 by making a separate category of the respective capitals, a somewhat different picture appears (Figure 5.39). It seems that in both countries, the population change of their capitals dominates the trend. This is not that surprising in Hungary where the population of Budapest is almost twice as large as the population of all other urban places over 100,000, but in Bulgaria the opposite relation is true. The population share of Sofia increased about 1 percent in the 1990s, while the same figure for Budapest is -2 percent.

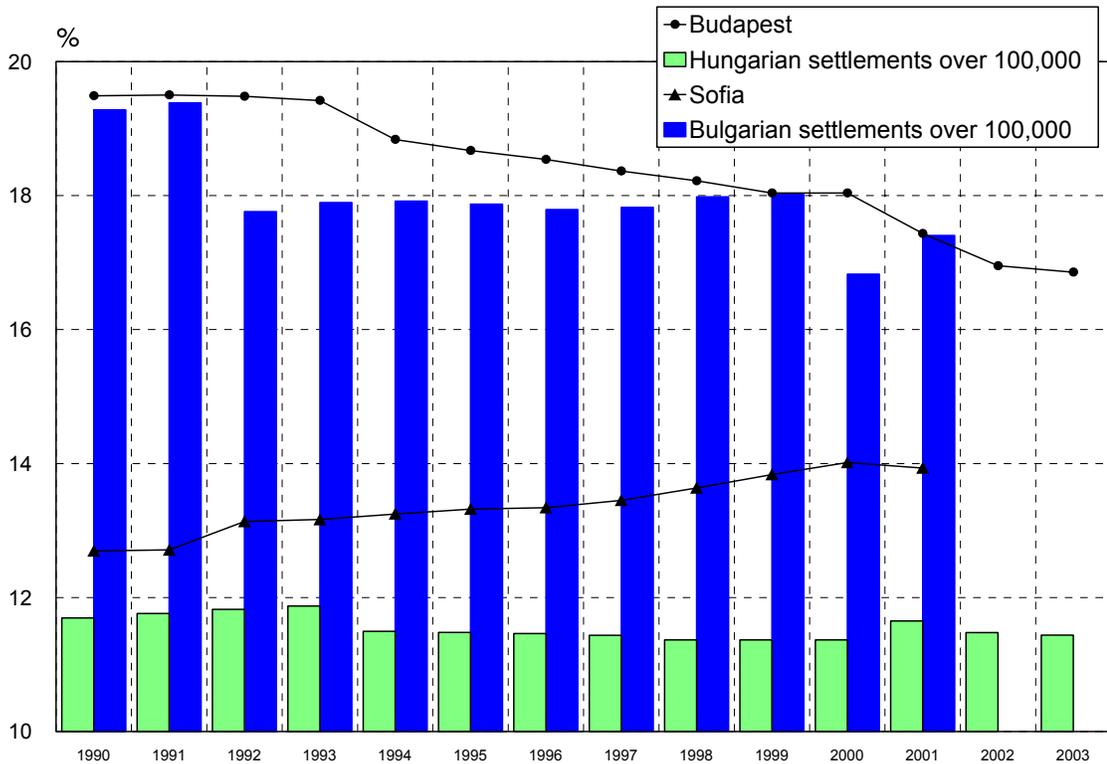


Figure 5.39 Proportion of total population living in capitals and other largest cities during the post-socialist transformation in Hungary and Bulgaria

Now the question is which size category are the winners of the post-socialist transformation with respect to population change? Figure 5.40 shows that middle size places had the largest population increase in both countries, especially in Bulgaria. There, places under 1,000 were the definite losers of post-socialist population change as their share declined by 13 percent between 1990 and 2001. Paradoxically, while Sofia's population share increased, its population actually declined during this period. At the same time, Bulgarian places between 5,000 and 10,000 increased their population.

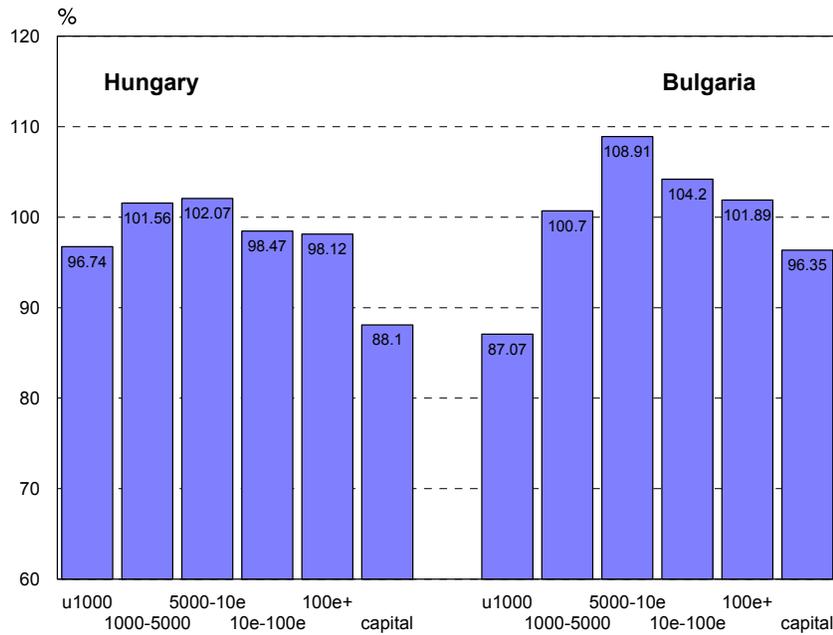


Figure 5.40 Population change between 1990 and 2001 in groups of different settlement size in Hungary and Bulgaria

In Hungary, the changes were not as dramatic, except for Budapest. Between 1990 and 2001, the Hungarian capital has lost 12 percent of its population. Similar to Bulgaria, places between 5,000 and 10,000 were the best performers in Hungary also. With respect to the smallest size category places, Hungarian villages were able to retain more population than their Bulgarian counterparts. One possible reason behind the better performance of Hungarian small places is the different public administration structure. Most small places in Hungary are independent municipalities, which might result in better-perceived development outlooks in their case compared to their Bulgarian counterparts. This difference between the population change in the two countries' small and large places is a fine example of how local characteristics mediate the spatial impacts of social change, in our case the post-socialist transformation.

5.3.4 Urban reclassification: a Hungarian recipe for urban population growth

This section discusses a unique way of ensuring urban population growth and maintaining the pace of urbanization. This practice is urban reclassification, the administrative process by which rural places gain urban titles. While it is practiced in most post-socialist countries, it is the most popular in Hungary. This process shows the significant role of public administration in shaping spatial change even after the collapse of the strong socialist state.

5.3.4.1 Urban reclassification before 1989

The fundamental territorial distortion in Hungary after the First World War has already been mentioned in this study. The daunting task of the 1920s was the reform of public administration within the new borders. This situation could have been a good opportunity to deal with the inherited unevenness of territorial structure, but the political atmosphere made this outcome impossible. Hungarian governments in the interwar period were determined to regain the lost territories, thus the existing spatial distortion was seen as a temporary problem. This helps to explain why there were only five reclassifications in the interwar period, all between 1921 and 1924.

After the Second World War it was understood that Hungary's international borders would not change. The socialist industrial developments and the political considerations about ignoring many historical cities where the communist party had lower support earlier led to the emergence of "new socialist cities". The full-scale promotion of these settlements started with urban reclassification, because in many cases these places had been villages.

The reason behind this reclassification was the logic of socialist resource redistribution. The socialist state collected and redistributed resources according to its

political and economic agendas, and cities were always favored over villages in this process. Urban reclassification, however, was used only in exceptional cases until the 1970s. Until then, the small scale of reclassification actually had negative effects on spatial development, because in many cases settlements with real regional functions remained villages, and therefore had a low position in resource redistribution. Gaining the city title reflected the perceived usefulness of the particular settlement by the central government. Accordingly, reclassification was arbitrary and occasional.

In 1974, the Hungarian government determined that the conditions of reclassification would be based on the presence of particular communal services, and a population threshold of 8,000 inhabitants. These were relatively strict conditions, and most of the new towns and even some of the long existing urban places did not meet them. One typical practice to meet the criteria was the annexation of small villages by a large, centrally located one. This created a settlement cluster, which, as one municipality, became eligible for reclassification. Although this practice was abandoned later, it set the causal link in the opposite way, and generally reclassification became the cause and not the consequence of socioeconomic development.

The implementation of the National Settlement Development Plan (OTK) in 1971 eased this situation. Settlements were classified by their urban and regional functions, and resources were allocated according to this. But planners realized later that many of the settlements that were given higher positions in the functional hierarchy were still villages, thus qualified for only limited resources. To end this inconsistency, the volume of urban reclassification increased, and for the first time since the Second World War urban population growth was more a function of reclassification than of population dynamics (Beluszky, 1983). Urban reclassification skyrocketed in the 1980s due to a public administration reform in Hungary.

Figure 5.41 shows the increase of the number of towns (without Budapest) parallel with urban net migration. The increase in the number of urban places was modest until the mid-1980s, then it accelerated and is still increasing at a fast pace. Urban net migration, however, is different. The data show the sum of the previous five years, and as we saw earlier, since the beginning of the 1980s urban immigration has declined, and in the 1990s actually turned to population loss. This is in sharp contrast with the urban reclassification patterns during the post-socialist transformation.

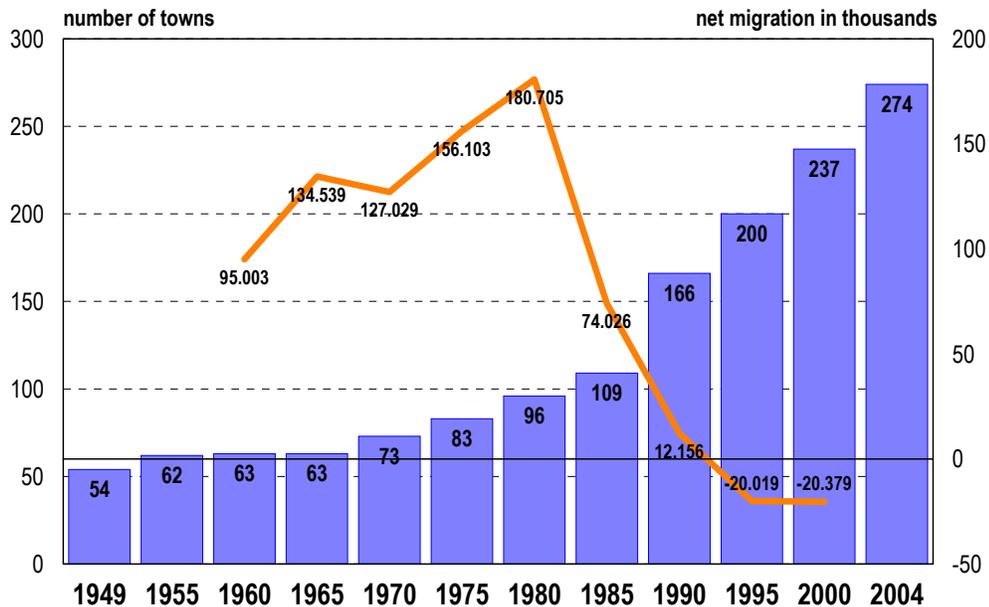


Figure 5.41 The number of towns and urban net migration in Hungary

The post-socialist transformation brought significant changes in population distribution, settlement development patterns and spatial development policy as well. One thing remained unchanged though. Based on the experiences from the previous decades, most rural local leaders were convinced that one successful path to prosperity leads through urban reclassification.

5.3.4.2 Post-socialist reclassification boom

Among the changes during the post-socialist transformation, a number of interrelated aspects should be mentioned with regard to urban reclassification. One of the most significant changes in 1990 was the re-establishment of the local governmental system in Hungary. During the socialist period municipalities had only very limited autonomy, their function was to distribute and carry out central orders, thus they were incorporated into a strict public administration hierarchy. In 1990, a very fragmented municipality system came to existence, in which every settlement, even the smallest ones have the right to political autonomy. There is no hierarchy in municipal administration any more, so local leaders can independently initiate changes such as urban reclassification.

Changes in the country's economic structure had an important impact on reclassification practice. The former redistributive system was eliminated, and most settlements now have to rely on their own capacities to attract investors and improve the community's life. External investment has key importance, since most municipalities, especially those that are on the border of the village/town distinction, have only limited local resources. Most local leaders are convinced that having the urban title has a large impact on the attractiveness of the settlement to potential investors. Community marketing is also important, and in this process being a village still refers to a sort of backwardness.

After the regime change, local leaders soon recognized that the lack of a single reclassification criteria provided space for political lobbying. This lobby pressure is the largest if the local mayor and the central government are on the same political side. However, it is not only a bottom-up process. Politicians in the central government seldom hold themselves back from using this process as a loyalty award, to gain political capital especially before national elections.

All of these changes in the political, social and economic environments contributed to large-scale reclassification waves in the 1990s. Gaining the urban title became a matter of utmost importance as a symbol of prosperity in the public perception. During socialism the urban title held the key to important financial benefits, so it was not given easily. In the post-socialist period, the impact is almost only psychological: the self-perception of local communities that they would be better off with the urban title.

The contemporary rules of urban reclassification are described in detail in Appendix 4. However, one particular rule needs to be mentioned here. As a tradition since 1993, reclassification is not taking place in election years to avoid political games around this process.¹¹²

The urban reclassifications of the 1990s show that once a settlement has decided to apply for the title an unsuccessful application will not change this determination. Although 2/3rd of the applicants obtain this title on their first try, 13 percent had to try two times, 7 percent 3 times, and the rest (14 percent) had even more unsuccessful attempts. The longest quest was recorded when a settlement had six unsuccessful applications until it was finally reclassified in 2001.

The motives for urban reclassification can be divided into two large and interrelated groups. The first group is the set of psychological motives. Being a town is widely seen as a quality difference. This perception was reinforced during the socialist years, when the ideology indeed considered cities more valuable than villages, socializing generations to this pro-urban bias. The positive qualities of rurality are seldom recognized, and in those post-socialist societies where rural is still closely tied with agriculture which is a despised sector of economic and social life, these anti-rural opinions will need a long time to change.

¹¹² Hungarian national and local elections take place in every four years, starting with 1990.

Another aspect of these considerations comes from the fact that many settlements that had regional functions were excluded from reclassification during socialism. Many local leaders feel that now is the time to remedy this "unfair" situation once and for all. They argue that the local community was not allowed to develop during the socialist era, and most of their problems will disappear after reclassification. This argument turns the whole process upside down and the title remains the key to development instead of using development to gain the title. This is especially important, if we approach the question from the perspective of endogenous vs. exogenous development process.

Going for the urban title is a strong local mobilizing force. This is an agenda, which is very hard to oppose. Also, a successful application provides a very good chance for the reelection of local leadership, while the central government can always be blamed for a failure. No wonder that for local leaders it is very tempting to engage into this process.

The other group of motives involves economic considerations. Currently, there is no clear advantage of being a town if we look at the resources a settlement receives from the state. Although towns are eligible for additional state support if their per capita tax income does not reach a certain limit, villages are also eligible for another type of state support on the basis of their rural classification. But, until the 1980s, state resources were explicitly distributed according to the urban status, and this has created a conceptual inertia in many rural communities about state support.

Since the system of state support for local governments is quite complex, there is no general agreement on the effect of reclassification on resource redistribution. Nevertheless, it is well known among ambitious local leaders that reclassification can open up certain application eligibilities. For example, new towns can apply for state funds to build a high school as a regional human service (its presence is not required for the reclassification). In this way, new towns can catch up in urban services faster.

Some relate this practice to the fact that in recent years the number of applicants for urban title increased from Hungary's less developed regions (Szigeti, 1997).

In most cases this urban title does not mean the appreciation of past development, but rather is associated with an advantage for future development. In 2000, for example, 7 out of the 15 new towns were regularly receiving special government aid as "underdeveloped" settlements. This further reinforces the notion that political interests are embedded in the reclassification process.

The most often cited opinion is that being a city makes the settlement more attractive to external investors. This opinion is not surprising, since many of the investors think along the same line. For them the urban title means better infrastructure, a larger consumer market, a more highly skilled labor pool, etc. While this may be true of larger towns, there is insufficient information to conclude that towns that were reclassified in the 1990s had or acquired these attributes.

An additional incentive involves public administration differences between urban and rural places. Administrative offices and functions are distributed in a way that certain issues such as building permits can only be taken care of in cities. Many local leaders believe that potential immigrants and investors may rethink their decision to locate in a place if they have to travel to the closest city to take care of certain administrative issues.

As was mentioned before, reclassification does not take place in election years. However, this only means an increase in the number of reclassifications during the year before the election year. In the 1990s about seven new towns were designated in each year. In pre-election years this number is higher: 14 in 1993, 12 in 1997 and 15 in 2001. If we look at the proportion of the nation's urban population, we can see distortions in the increasing trend, and these distortions appear around election years (Figure 5.42). Each time election years stopped reclassification, the urban population

has decreased according to actual demographic trends (except in 1990 because population deconcentration trend hasn't started yet).

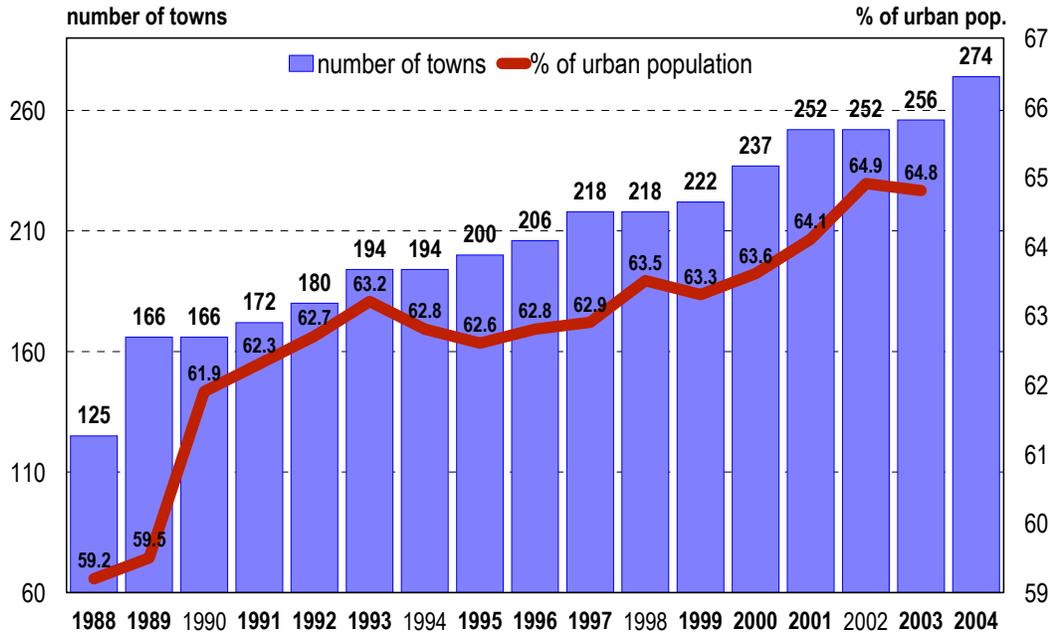


Figure 5.42 The number of towns and the percent of urban population, 1989-2004

The proportion of urban population in Hungary increased by 3.6 percent between 1990 and 2002. If we exclude the impact of reclassification, and keep the new urban places as rural in this period, the urban population would have experienced a 2.1 percent loss. Hence, urban reclassification was not only able to counterbalance natural demographic loss, but also to create a moderate gain.

Figure 5.43 shows the number of total and successful applications. The 1990-94 period was grouped together because to the unstandardized process, but the political influence can be seen there also. Half of the 28 reclassifications before 1994 occurred in 1993, the year prior the election year. Learning the lesson, local leaders applied and were successful in large numbers in 1997. Similarly large number of

applicants was successful in 2001, but the year 2000 has a peculiarity that modifies this picture. This was the Millennium Year in Hungary, the celebration of the 1000 years of statehood. Local leaders obviously realized the potential of such an event and the number of applications was higher than in any single year in the 1990s.

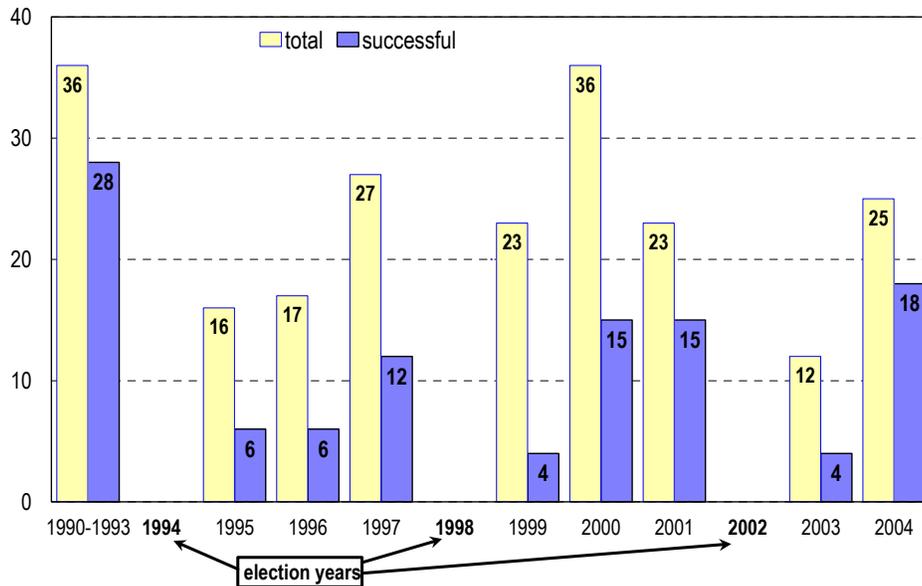


Figure 5.43 The number of total and successful applications for urban reclassification

Source: Ministry of Interior, Hungary

The next national election in Hungary will be in 2006, yet another event, the 2004 EU accession date shows the importance of the interrelated symbolism and domestic politics. This provided a good opportunity for applicants who knew that the government tends to be more generous around symbolic events. Although the number of applicants did not reach the 2000 peak, the number of successful applications was higher. This inconsistency can be explained by the EU Parliament elections that took place in every member country in that year. While this election has little domestic significance, nevertheless it is a good measure of political capital and as an automatic

response the central government couldn't resist the temptation to give away new urban titles.

The regime change in 1990, with the subsequent changes in public administration, resulted in a large-scale rearrangement of settlement structure. The group of settlements, which is the pool for urban reclassification, was significantly affected by this process. With the declaration of the municipal autonomy without population limit, most former settlement clusters broke apart. Between 1990 and 1994, 68 new municipalities were formed, and with two exceptions they were all villages. The fact that there were only 10 new municipalities formed in the rest of the 1990s shows the magnitude of this change. However, this was only a temporary and artificial increase in the number of villages. Due to constant reclassification, the number of villages has been decreasing since 1995 together with the average population of rural settlements (Figure 5.44).

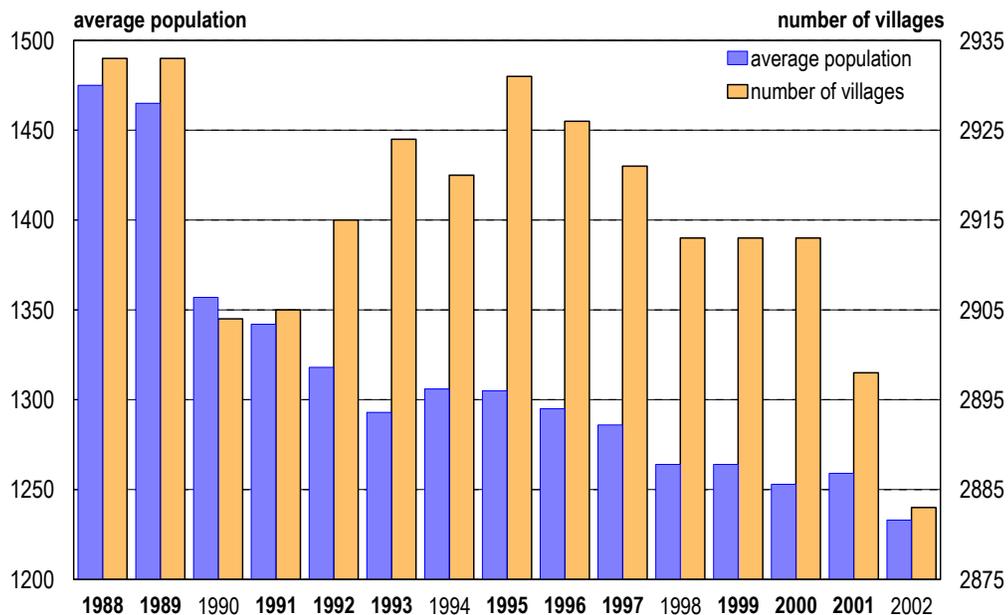


Figure 5.44 The number and average population of villages in Hungary, 1988-2002

The number of villages declined dramatically in 1990 after 41 villages were reclassified in 1989. An additional result was the decrease of the average size of rural populations as the new towns were the largest villages before. In the second distinct period (1990-1995) the number of villages increased as new municipalities were formed, but since most of them were small settlements, it made the average rural population decrease further. After 1995, only a few new municipalities were formed, but reclassification intensified. The number of rural settlements decreased, but their average population did not change much.

An important question is whether reclassification has an impact on socioeconomic development. Most local leaders and communities believe that it has a boosting effect. The following part of this analysis examines this question using the change in population size as an indicator of development. Table 5.5 shows the average population of towns (without Budapest) in four census times: 1970, 1980, 1990 and 2001. Towns are categorized by their period of urban reclassification: before 1945 (the traditional urban places), between 1945 and 1970 (the creation of the socialist towns), between 1971 and 1980 (when reclassifications were a result of the OTK), between 1981 and 1989 (when reclassifications were done according to the public administration reform) and after 1990 (the period of post-socialist transformation).

Table 5.5 Average population of towns by reclassification period*

Reclassification period		<i>Average population</i>				Average population change 1990-2001
		1970	1980	1990	2001	
before 1945	51	46,200	53,644	54,134	53,042	-1,092
1945-1970	25	22,151	26,389	26,285	25,651	-634
1971-1980	20	12,646	15,340	15,740	16,455	715
1981-1989	72	9,052	9,526	9,520	9,751	231
1990-2001	84	6,687	6,899	6,561	6,885	324

* Without Budapest, and according to the 2001 administrative classification (n=252).

The average population size decreases as we proceed from earlier to later in periods of reclassification. This is because the subsequent reclassification waves targeted smaller and smaller settlements. Between 1970 and 1980, all places currently towns gained population, even those that were villages at that time. Between 1980 and 1990, the average population of towns did not change much, although there is a decrease in those settlements that were reclassified later in the post-socialist period. It is only a bit more than 300 people on average, but compared to their size it can be called significant.

During the post-socialist transformation the pattern of population change is more visible. Large cities, including the former socialist towns, lost population. Smaller cities all gained population, but the largest gain was experienced by those settlements that were reclassified in the 1970s. Most likely these are the settlements that best represent the small town characteristics, while the newer towns probably more closely resemble villages, and have to catch up in urban functions and infrastructure.

A special characteristic of population deconcentration in Hungary during the post-socialist era is the rapid suburban growth around Budapest. If we enter the suburban dimension into the analysis of urban population change, we can immediately see its importance (Table 5.6). In average, all towns in the Budapest suburban area, regardless of their reclassification date, gained population between 1990 and 2001, especially from positive migration balance.¹¹³ In contrast, older towns outside of this suburban region experienced population loss. The divide is in the 1970s, and those towns that were reclassified after that were able to gain population even if they were not in Budapest's suburban area. The rapid development of the suburban ring can also

¹¹³ There was actually only one town that had negative net migration: Szazhalombatta. This is a former socialist town, build around an industrial energy complex. However, its relatively young population (young immigrants from the 1960s) could counterbalance this loss with a positive natural increase.

be seen by the number of suburban reclassifications: before 1990 only two suburban settlements were reclassified, but in the 1990s there were 12 reclassifications.

Table 5.6 Population change of towns between 1990 and 2001 by reclassification period*

	<i>Suburban position</i>	<i>Number of reclassified settlements</i>	<i>Average population change</i>
before 1945	no	48	-1202
	yes	2	1538
	together	50	-1092
1945-1970	no	23	-824
	yes	2	1552
	together	25	-634
1971-1980	no	18	-75
	yes	2	7823
	together	20	715
1981-1989	no	70	129
	yes	2	3777
	together	72	231
after 1990	no	73	105
	yes	12	1695
	together	85	330
Total	no	232	-264
	yes	20	2486
	together	252	-46

* Without Budapest, and according to the 2001 administrative classification (n=252).

Since Hungary is experiencing widespread natural decrease and urban deconcentration, the only reason for the urban population growth in the 1990s was reclassification. But what will happen if the country runs out of eligible settlements? The average population of the reclassified towns in 2000-2001 was 6,500. The question is whether these settlements are really the ones that merited this title change, or they simply trying to catch up with their functional position in the settlement network. Also, we may be seeing a well-targeted policy to maintain Hungary's urbanization level, and/or to gain political support among local leaders.

5.3.4.3 Concluding remarks about urban reclassification in Hungary

There is no doubt that during socialism many settlements were held back in development by limiting the number of urban titles. But the fundamental distortion in the Hungarian settlement network originates in the early 20th century. Budapest is too large for a small country like Hungary, and the network of functional small towns is missing. This latter problem was largely solved by 1990, when most of the natural small regional centers have gained the urban title. But due to the circumstances of the post-socialist transformation, and the inherited public perception about urban vs. rural quality differences, during the 1990s Hungary experienced a reclassification boom. This practice is highly politicized and public administration experts debate its legitimacy.

The close relationship between regional development and public administration originated in the 19th century when various public administration reforms established municipal and regional offices that later had an important influence on modernization. Coherent regional development policy did not exist until the late 1960s, thus the system of public administration was responsible for fostering and distributing urban functions, indirectly influencing socioeconomic development. This created a conceptual legacy that upward changes in public administration status induce development by itself.

But when public administration is responsible for distributing urban functions, there is an opportunity for political intervention regardless of merit. In the interwar period public administration represented political forces and an employment shelter of the lower aristocracy, the gentry class. During socialism, the class characteristic of public administration was largely eliminated, but its political role increased making public administration a very powerful entity. This resulted in a situation where even if spatial development plans were made, the most important consideration has always been the creation of a corresponding public administration structure.

The process of urban reclassification is an excellent example for the interconnected nature of spatial and social problems in Eastern Europe, as well as for the interaction of legacy and policy effects. In Hungary, historical settlement development patterns created a distorted spatial structure. This issue was addressed through various government policies in the 20th century. But at the same time, the interaction of legacy and policy components reinforced the etatist subculture of spatial development. The practice of urban reclassification is a product of this subculture. The state uses it, because this is the last direct policy measure through which governments can seemingly influence spatial development. Giving an urban title does not cost anything, but contributes to political capital. At the same time, local communities and politicians, socialized by this pro-urban subculture, desire this title because they connect their own fortune to moving up in the public administration system. In a political-cultural environment like this, it is almost impossible to curb the urban reclassification process, the unique way to ensure urban population growth in the midst of contrasting demographic trends.

5.3.5 Administration-led development: the case of Rousse

The importance of the state and public administration in both development planning and development trajectories has already been noted. This section discusses this issue through the example of Rousse, and demonstrates how the structure of public administration makes a difference in development.

Rousse's population was 58 thousand in 1946, and by 1970 it increased to 154 thousand. This was 265 percent increase, which was not exceptional among large Bulgarian urban places at that time, and matched with Sofia's population growth. This rapid increase, however, is especially noteworthy given that Rousse's population growth in the interwar period was rather slow, as between 1926 and 1946, the city's

population increased only by 14,000 people. The city population in 2001 was 178,435, hence Rouse's growth chart resembles the national increase of urban population with a rapid period during the early socialist years and a flattening trend from the late 1970s.

Rouse went through the usual phases of socialist industrial development. It was a prosperous city during the socialist period, due to the heavy industrial development here based on cheap energy and transportation, provided by the Danube. It was a major transportation hub as well, because Rouse had the only permanent bridge over the Danube to Romania in the entire Bulgarian-Romanian border section. While this characteristic did not change, after the collapse of the socialist industry, Rouse had to face significant difficulties during the post-socialist transformation.

The number of employed population in the Rouse district (that is including other municipalities) decreased from 138,736 in 1989 to 63,328 in 2003. The corresponding figures for industry are 59,928 and 26,453, showing an almost identical 55 percent drop. Although there was some improvement in the past few years with respect to the employment situation, one of my respondents noted that it is nothing else but the impact of various government programs and schemes to find temporary jobs for the unemployed population. The employment situation is better in the city than in the district in general, unemployment is 14 and 20 percent, respectively. It is interesting that despite this dramatic decline the number of commuters to Rouse is still estimated around 5,000.

The current local efforts focus to make Rouse a transportation and logistics center, based on its favorable location. This development and other investments are expected from abroad though. Foreign direct investment is considered to be the engine of growth in Rouse as well, and although there is some foreign capital in town, it cannot be compared to the volume of FDI in Székesfehérvár. An important aspect of planning FDI in Rouse is regional orientation. Russian investors are also present, and

while preference is given to Western companies and connections, it is clear for the local government that the real possibility for the development of Rousse is the proximity of Bucharest, the Romanian capital over the Danube, only some 50 miles away.

Although time series data are scattered with respect to municipalities, cross-sectional statistics can help to form a picture of recent population trends. Table 5.7 shows migration statistics for the municipalities within the Rousse district in 2001.

Table 5.7 Migration in the municipalities of Rousse district, 2001

District Municipalities	Immigration			Outmigration			Net migration		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Borovo	223	101	122	205	95	110	18	6	12
Byala	497	235	262	455	200	255	42	35	7
Vetovo	502	222	280	503	221	282	-1	1	-2
Dve Mogili	323	141	182	306	117	189	17	24	-7
Ivanovo	307	146	161	344	151	193	-37	-5	-32
Rousse	3,690	1,753	1,937	4,025	1,936	2,089	-335	-183	-152
Slivo Pole	420	198	222	416	195	221	4	3	1
Tsenovo	148	68	80	207	100	107	-59	-32	-27
Rousse district	6,110	2,864	3,246	6,461	3,015	3,446	-351	-151	-200

The district's migration pattern is not surprisingly dominated by Rousse's migration performance, but generally it has a very low volume. An annual 3,690 immigrant and 4,025 outmigrant in a city with a population close to 180,000 is not a lot of moves. The net population change caused by migration is also negligible, and it applies to all municipalities in the Rousse district, thus it is not an isolated phenomenon. Nor it is only a one time change, as the 2002 figures for Rousse municipality are not very different. In 2002, 2,700 people moved into Rousse and 2,650 moved out, resulting in a net gain of 50 people. However, if we count only the city itself and not the surrounding villages, the net migration number was -7 people. Hence, municipal level data may mask important differences with respect to the internal settlement structure of the municipality in Bulgaria.

What really interesting is the different trend with respect to the principal determinants of population change. In most of the developed countries, with the decline in fertility and mortality population change becomes more and more a function of migration differences. In Bulgaria, in contrast, natural increase seems to make the difference. In 2002, there were 1,385 live births in Rouse which corresponds with a crude birth rate of 7.7. At the same time, 2,315 people died which is a crude death rate of 12.9. The natural decrease of the city was 930 people indicating a bigger impact on demographic change than migration.

Table 5.8 shows the demographic profile of Rouse municipality for four consecutive years starting with 1999. The aforementioned natural decrease is a constant component of population change in the city. Another interesting indicator is the proportion of urban population. It refers to the peculiarity of Bulgarian public administration system, namely using the municipality concept to a group of settlements. As indicated earlier, this means that when one talks about the municipality of Rouse, it actually includes rural settlements as well.

Table 5.8 Demographic profile of Rouse Municipality, 1999-2002

	1999	2000	2001	2002
Population	183 608	182 513	180 344	178 867
Males	88 551	87 880	87 222	86 433
Females	95 057	94 633	93 122	92 434
Percent urban population	90,6	90,7	89,4	89,4
Crude birth rate	8,1	8	7,3	7,7
Crude death rate	12,8	12,6	12,8	12,9
Natural increase	-4,7	-4,6	-5,5	-5,2

The Rouse example also shows that places with different development legacies reacted to the post-socialist challenges differently. In the case of Székesfehérvár, the large-scale industrial downsizing was a severe problem in the early 1990s, but the legacy of manufacturing and the corresponding skilled labor pool

could overcome this difficulty. This did not occur in Rousse due to both local and national intervening obstacles. Locally, the structure of industry was different and infrastructure was less developed. At the national level, the more lagging position of the country compared to Central Europe, its traditional isolation, its different development strategies (or the lack of them), and differences in the public administration system were causes of this less successful performance. Bulgarian public administration has been very centralized and allowed only limited space for local initiatives, including raising local revenues.

Because of this public administration peculiarity, development perspectives in Bulgaria are highly leader-sensitive. Since there is no systematic structure of local autonomy fostering a number of local experts, it all comes down to the personal skills of the small group governing a place, and in small villages down to the personality of the mayor. No wonder that this structure is very sensitive and unstable, further perpetuating development problems.

The greatest challenge and opportunity for Rousse lies in the ongoing public administration reform. This reform decentralizes the highly centralized Bulgarian public administration, giving more financial autonomy for the municipalities. As one of the local officials in Rousse noted, this will finally help to stop the practice of living from government subsidies, and more emphasis would be placed on local taxes. There is the issue though that this policy will help certain localities, but not others. Cities like Rousse will be able to raise considerable local revenues sooner or later, but many rural municipalities in Bulgaria will remain dependent on state transfer.

Also, we shouldn't forget that a municipality in Bulgaria is a group of settlements. The benefits of any growth will be distributed by the prevailing political economy of the place. Hence the Bulgarian problem is twofold. One is the highly uneven opportunity for various municipalities to utilize the public administration reform (assuming that it will take place). The second is the uneven power balance

within the municipalities. In many cases the central settlement has a disproportionate majority in the municipal council, hence even if the local revenues increase, their distribution will remain a question. This will be another policy battleground between the efficiency and equity approaches.

5.4 Summary

We could see that Hungary and Bulgaria had a considerably different socioeconomic development trajectory before the Second World War. Their different exposure to socioeconomic and political processes occurring in the West conditioned their modernization efforts in the 19th and early 20th centuries. These legacies had great importance during state socialism, mediating the homogenizing development agendas imposed by Moscow. Then, socialist development experiences became new legacies, conditioning social and spatial processes during the post-socialist transformation.

These legacies shaped demographic processes in both countries. Although both Hungary and Bulgaria exhibit the same general demographic trends that are characteristics of many developed European nations, these demographic processes occur in a very different social and spatial environment. This environment magnifies certain processes connected to population decline such as rural aging. The interaction of legacies and general demographic trends, together with the local social and political structure can result in new demographic processes such as the large-scale emigration from Bulgaria that influence further social and spatial development.

Even if a general demographic convergence can be observed, and urban-rural differences in fertility and mortality decrease over time, still significant intraregional differences remain. However, the general convergence in fertility and mortality means that migration has an increasing role shaping population change in Eastern Europe as

well. But as we saw through the example of Bulgaria, this might be limited to national population trends, while in the localities natural increase can be the leading actor of population change.

Rural-urban migration was the characteristic of population movements in most of the 20th century in Eastern Europe. Its magnitude was the largest when coercive development policies deliberately created strong urban pulls and rural pushes. At this time, state intervention had an immediate impact on migration trends, however unintended consequences often counterbalanced the proposed development outcome.

As a result of this rural-urban migration, both Hungary and Bulgaria increased the proportion of its urban population. Urban population growth was especially dramatic in Bulgaria, catching up after centuries of slow urban development. Although both countries are predominantly urban by now, the question remains whether the same could be concluded if one uses a more comprehensive conceptualization and understanding of urbanization.

Also, the population concentration policies used by Eastern European governments were implemented in different settlement systems. In Hungary for example, the historical primacy of Budapest has been a constant development problem. These legacy differences probably contributed to the diverging urbanization experience of these two countries during the post-socialist transformation. Migration trends in Hungary show population deconcentration, however not entirely for the same reasons than in postindustrial nations. At the same time, Bulgarian urban population decline is not only attributed to urban-rural migration, but also to a selective emigration from the country.

Government policies with regard to population redistribution shifted from a proactive to a reactive approach in both countries. The time of directly influencing internal population movements seems to have passed. However, some powerful policy measures used to influence spatial processes still remain. The Hungarian practice of

urban reclassification is a good example for this. This practice also bears certain Eastern European characteristics of social change such as the strong influence of public administration or decisions based on political favor instead of other merits.

6. Conclusion

After this epic journey throughout the socioeconomic development and modernization history of Eastern Europe, it is time to draw the conclusions of this study. For this, I first revisit the dissertation's objectives, and after that I discuss the implications and future research options.

6.1. Study objectives

The first objective was to provide a new conceptual framework for the analysis of spatial development by establishing links between various disciplines. In this study I worked at the intersection of development sociology, social demography, political science and population geography. These fields of social science have all accumulated considerable knowledge about Eastern Europe. Sociologists, partly building on the work of historians, have been interested in many dimensions of social change in the region, including the impacts of historical legacies and development policies. Political scientists investigated the changes in political institutions and behavior, as well as the various adaptations of Western political models in the region. Demographers and geographers examined population dynamics, with special emphasis on spatial distribution particularly during the socialist period, as a peculiar social system.

While there has certainly been connection between some fields, particularly between sociology and political science, studies about population distribution and the social demography of the region were seldom connected to macro-level social change, especially from a historical perspective. In this study, I argued that population redistribution trends should be linked to social and political change in Eastern Europe to gain a more comprehensive understanding of the region's demographic dynamics,

because demographic changes are mediated by local social and political structures, and are embedded in macro-institutional contexts. This mediation, however, is not a cross-sectional phenomenon over time. Both demographic and social changes are built on legacies from previous historical periods.

This study's focus, population redistribution and urbanization, was particularly suitable for such a conceptual approach. Spatial change carries considerable inertia over time. In this change both historical legacies and public policies play a significant role. Migration and urbanization in Eastern Europe have been inseparable from broad socioeconomic currents inducing social change, and spatial development policies addressing the undesirable effects of these currents.

Social and spatial changes are interconnected. The reasons why people move and why places develop faster or slower can be found in macro level changes in the society. Also, uneven development and the spatial redistribution of population affect general social change. Hence, spatial change is both a cause and a consequence of long-term societal change in which historical legacies and development policies have a significant role.

The conceptual perspective of examining demographic change in space by connecting these social science fields offers a comprehensive understanding of social processes in Eastern Europe. This line of thought leads to the second objective of this study, namely discussing the most important characteristics of socioeconomic development of Eastern Europe in a comparative framework vis-à-vis the Western experiences, and establish links between the historical patterns and changes in population distribution.

Daniel Chirot (1989) argued that while the rise of the West was unique and can be explained with a single model, backwardness of nations emerges in a variety of ways. Even if the contact of Eastern Europe with the developed West in the 19th century resulted in similar reactions across the region, it should not be overestimated

as a uniform social and economic process. Moreover, he argued that although state socialism was a new kind of dependency, the uniformity of this dependence is equally misleading. The different historical experiences of Eastern European countries led them on different paths of socioeconomic development, even under homogenizing regimes.

This is where Chirot's argument ends, since he wrote this shortly before of the collapse of socialism. When the region ridded itself of the homogenizing influence of Moscow, historical differences re-emerged. In fact, I argue that these international differences existed during socialism conditioning political change, and even the strongly coercive socialist regime with its egalitarian agenda could not fully suppress them. The era of post-socialism between 1989 and 2004 witnessed an increasing heterogeneity of socioeconomic development in Eastern Europe as countries converged back to their historical trajectories.

While many scholars eventually came to the conclusion that the post-socialist transformation had very diverse outcomes across Eastern Europe, and recognized the importance of nation-specific structural and cultural legacies, only a few examined the pre-socialist era to draw a historical pattern of social change. Most sociologists and political scientists simply pointed out the heterogeneity of Eastern Europe during the socialist era, and linked such heterogeneity to different post-socialist performances. The fact that historical development trajectories influenced the setup and performance of each new regime was less understood.

The reason for this problem is that legacies are very difficult analytical concepts. An edited volume by Ekiert and Hanson (2003), which aimed to assess the legacy of the socialist period in Eastern Europe, discussed the analytical problems of this assessment. The authors proposed three analytical levels: structural, institutional and interactional, all existing in both temporal and spatial contexts. While it is agreed that long-term structural analysis is the best way to uncover the deep structural

constraints and facilitators that determine social change, the causal links and mechanisms are very difficult to identify in such research. This also means that using this complex analytical perspective, makes outcomes difficult to predict. This is where the political scientific perspective, which focuses on political institutions, becomes very important. Since most modernization efforts in Eastern Europe were driven by the state, those usually started by changing the political institutions.

This is the reason why I decided to connect legacies and policies to outline the historical development trajectory of Eastern Europe. My focus on urbanization and population redistribution not only brought social demography in, utilizing a previously neglected possibility for cross-disciplinary studies in Eastern European social change, but through the study of spatial development policies over time, also allowed me to cover both the structural and the institutional-interactional levels of analysis.

My analysis, and research by other scholars, has shown that while Eastern European countries share common structural characteristics of backwardness, institutional and interactional differences resulted in significant heterogeneity across contemporary Eastern Europe (Brown et al, 2005b). However, this new heterogeneity is challenged by EU expansion. This is also a homogenizing agenda from a historical perspective, and one questions whether this effort will be more successful than the socialist one. The contemporary reactions, such as strong statements for democracy or liberalized market economy, are seemingly uniform in the region, and assume a general convergence to European development trends.

However, these seemingly uniform reactions are not entirely an outcome of an organic development pattern. Since the 19th century, Eastern European nations have had limited choices when it came to development agendas. They were strongly influenced by Germany in the interwar period, by the Soviet Union between 1950 and 1990, and by the EU in the last 15 years. Historical legacies kept Eastern Europe in the periphery, and based on the contemporary EU policies and Europe's global

performance, this periphery status is unlikely to change in the near future. Only the nature of dependency has changed over time, not the fact of dependency itself.

The reasons for this dependency or backwardness of Eastern Europe include weak urban traditions, conservative elitism, and the subsequent overwhelming role of the state in modernization. Conservative elitism and the subsequent etatism are general characteristics of Eastern European socioeconomic development, regardless of historic periods. In this case, the term "conservative" does not refer to a particular political ideology, rather to the rigid nature of Eastern European social structure. Even in the 1950s, when social transformation was the most profound, societies solidified again within a very short time as the new elite closed the channels of social mobility. The same has happened since 1989, and this is especially ironic because the contemporary political system should facilitate a healthy elite-circulation, and considerable social mobility. But certain legacies of backward political culture are hard to overcome, and even during the current era of globalization and deregulation, the state is still the main actor of modernization in Eastern Europe.

The strong state's impact on development has been emphasized throughout this dissertation. This strength should be put into context though. The state is strong when it is compared to other political institutions. Also, the strength of the state has usually been limited to the central governments, but not to the local ones. In fact, the weakness of local governments has been a persistent problem for Eastern European socioeconomic development. This problem can be related to further issues hindering socioeconomic development. For example, the political weakness of localities, and the relative lack of local autonomy are connected to a weak entrepreneurial middle class. In Eastern Europe, traditionally the only local institutions that had significant power were created to articulate the central will, which meant that they actually contributed to further reinforcement of etatism.

Ironically, while the central state has been powerful compared to localities, it has been weak when facing global institutions. A strong state can provide a defensive shield against the negative impacts of globalization, but in Eastern Europe this has not happened. These states are no match for transnational corporations, the main source of capital through foreign direct investment. Neoliberal deregulation further helps TNCs, and sets up an environment in which states, especially those with limited resources, have less leverage over investments, including its spatial distribution throughout the country.

Hence, etatism does not simply refer to a strong state in this case. Rather it means a certain political structure in which some components (such as fiscal authority over localities) are too strong while others (such as bargaining power at the international level) are too weak. It also results in a socioeconomic development environment which causes new distortions in development trajectories, and perpetuates problems that were associated with backwardness in the first place.

Even if Eastern Europe can be considered a persistent periphery, I argue that the diverse legacies across nations means that backwardness is a variable and not a discrete category, and there are significant intraregional differences in contemporary development trajectories. If there was an ultimate development indicator, irrespective of historical periods, we would be able to draw a continuum of countries. Unfortunately, there is no such indicator, especially if one wants to analyze social change over a long period of time. Each historical period has indicators that reflect better or worse the development differences between nations or across places within a nation. Agricultural production, textile industry, railway networks, the number of cars, computers, E-mail addresses per capita characterize different historic periods. Of course it is hard to tell when a period ends and another starts, or when one indicator becomes less important and is replaced by others. Moreover, these indicators vary

across space, as local cultures have their mediating effect. And there is the issue of base: should we measure development against the Western standard all the time?

In this study I used population redistribution and urbanization as a lens to examine Eastern Europe's historical development experience. The dynamics of population redistribution is an excellent indicator of socioeconomic development. How places change and population is distributed not only corresponds with the characteristics of macro level social change, but also exhibits a considerable inertia. This makes the study of dynamic change easier. At the same time, the redistribution indicator offers a methodological link between macro and micro approaches. Aggregate statistics can be linked to local case studies which allow the use of historical perspective in both. Hence, my third objective was to investigate how spatial development in the region has been affected by inherited legacies, political ideologies, external requirements and national development policies.

Before the Second World War, a very slow urbanization characterized the region. At the same time, the demographic transition led to rapid population increase. Berend (2003) indicated that not only did the region's population grow from 25-30 million to 70-75 million throughout the 19th century, but an increase occurred with respect to the share of working age adults as well. One particular social response was emigration from the region, mostly to the United States.

This emigration in the late 19th and early 20th century reveals two important aspects of Eastern Europe's general development trajectory. One is that after a well-documented change in the origin of immigrants in the late 19th century, those who came to the US included not only Eastern Europeans, but also Italians, Scandinavians and emigrants from the Iberian Peninsula. Hence, the European periphery was a geographically determined entity surrounding the Western European core, and in this respect Eastern Europe was not much different from Southern Italy, for example.

Second is that while Eastern Europe was generally a periphery, there was a significant difference between Central Europe and the Balkans. Most Eastern European emigrants were from Poland and the Habsburg Monarchy, while the volume of emigration from the Balkans was lower. There are a number of reasons for this. Emigration needs at least some resources and information to occur, and these were less available in the Balkans, especially in rural areas where poverty and illiteracy were very high. Also, the traditional social immobility that characterized the whole region was particularly significant in the Balkans. Strong communal control over social life blocked both information from outside and intentions to move from inside.

As the immigration channels to the US closed in the interwar period, most Eastern European countries had to face with growing population pressure, even amidst declining fertility. Delayed and structurally flawed industrialization, based on food and textile industries, was unable to speed up urban population concentration. Thus, by the end of the Second World War, most Eastern European countries were still predominantly rural societies.

During the socialist period, rapid industrialization resulted in urban population concentration. This change broke the traditional agrarian structure of Eastern European societies, but from a historical perspective it failed to close the developmental gap between Western and Eastern Europe. Because of its political, social and economic isolation, Eastern Europe did not experience the structural changes in industrial production needed to transform society, and was tied with a particular development ideology that allowed only limited space for challenges and changes. Other European peripheries, such as Southern Europe, were exposed to structural and institutional changes in the West, hence raising an important research question: did this exposure make a difference in the development trajectories of various European peripheries?

The analysis of settlement systems in this study showed that Eastern Europe has reached a plateau of urbanization. Many of the forces that shape contemporary Western urban change are already present in Eastern Europe. These forces influence urban development in the region but at a different, somewhat lower level of urbanization than in the West. My analysis also indicated that significant intraregional differences in urbanization exist in both Western and Eastern Europe. This difference, together with Enyedi's and Szelenyi's theoretical work on the region's urbanization, implies that we need to conceptualize urbanization somewhat differently in Eastern Europe. Scholars debate the causal relationship between industrialization and urbanization, and I argue that urban growth in the region was a function of industrial development, and in fact, one particular type of industrial development. This resulted in a very different urban social structure than those in the West, observed by Szelenyi. Hence, the general cycles of urban concentration and deconcentration, described by Enyedi, currently occur on a very different social and spatial structure than in the West. This also means that the observed growing complexity of settlement systems in developed countries has a peculiar Eastern European type. Population deconcentration and suburbanization occurs by somewhat different forces than in Western Europe or the US. But in this process, persistence seems to be the main pattern, proving the importance of historic social and spatial legacies despite strong urban development policies. Regions that were historically the most advantaged are still advantaged, despite any large-scale macro social and economic transformation. Negative legacies proved to be extremely difficult to overcome, posing largely unsolvable challenges to policy makers. This persistence in regional development differences raises important questions about the nature of spatial inequalities at the subnational level.

My fourth objective was to compare patterns of population redistribution and urbanization in Hungary and Bulgaria over time in the context of historical legacies and development policies. From the Hungary-Bulgaria comparison we can conclude

that policy choices made a difference as Eastern European countries went through socioeconomic changes in the 20th century. Forty years of socialism has not left the two countries at the same place. The historical legacies of the Balkans and Central Europe could not be overcome, despite the fact that both countries instituted similar urban-industrial development models. Moreover, the Hungarian practice of urban reclassification had an important impact on the development of the country's settlement system. In Bulgaria, the centralized public administration system also left its mark on spatial changes and socioeconomic development. An important difference between Hungary and Bulgaria is in the development of settlement systems during socialism. In Hungary, the socialist state inherited a settlement system that more closely resembled the West, especially if one looks at the level of urbanization. Socialist population concentration policies were less effective here than in Bulgaria where urban industrialization significantly speeded up urban growth. The case studies further disaggregated this comparison, showing examples of different development paths not only between the two countries but also within them.

6.2 Lessons learned

One of my major conclusions is that development legacies are the historical inertia in social and spatial changes, and that social and spatial changes are inherently interconnected. When political regimes speed up social change, they have to contend with considerable spatial inertia. And if spatial structure is modified, social change will need time to catch up. While in the West social and spatial change occurred slowly and in an organic way, in Eastern Europe these changes were induced by the state or by external actors. Hence, in Eastern Europe, modernization efforts have always been slowed down by the slow changes in collective human behavior. As

Szűcs (1981) observed, Western development models always appeared in Eastern Europe late and in concentrated forms, and it seems quite clear can conclude that post-socialist efforts to adapt Western political and economic institutions and their corresponding spatial structures, especially those of in the EU, will be no exception.

Public social and spatial policies are influenced by development paradigms and ideologies. While these policies are efforts to combat the negative impacts of legacies, at the same time they create new ones. Socialist industrial towns are good examples of this. Policy makers addressed the insufficient level of industrialization by concentrating resources in such places. However, this development proved to be unsustainable in the long run. As a result, these places now suffer from high unemployment, poverty and an obsolete industrial legacy that hinders their socioeconomic development.

While sustainability is a relatively new concept, efficiency and equity have been contrasted in policy debates for decades. It seems that in Eastern Europe, despite any rhetoric about equity, efficiency advocates have always been stronger when in came to designing and implementing development policies. This position and its resulting spatial inequality is inherently linked to the nature of development legacies in contemporary Eastern Europe. In the region, where persistence has been the most important characteristic of spatial development, centrally administered policies tended to focus on the most successful places because these places offered the highest return on invested resources. In the context of scarce capital, Eastern European states did not have the luxury of abundant resources or time for experiments. State socialism, despite being a very peculiar economic and political system, was an effort to modernize the periphery. Unfortunately, this could have only been successful if the Western core stopped growing for a couple of decades. In other words, because of its peculiar legacy and path-dependent development policies Eastern Europe was destined to lag behind the West.

So what lesson have we learned and where does the path of Eastern European spatial development lead? This study's most important implication is that Eastern European policy makers should not follow the "Western way" mechanically. As the examples showed, Eastern Europe accumulated enough historical inertia in spatial and social development to make the region unique, and the mechanical adaptations unsuccessful. However, there is strong pressure to follow Western ways, especially the neoliberal global development agenda, and along the expansion of the European Union. Policy makers need to learn to understand the peculiarities and historical legacies of these societies to better assess future development trajectories.

Also, direct spatial policies seem to be less and less useful to address spatial inequalities. Taking the long view on development trajectories, the persistence of geographic inequalities seems to be the dominant pattern despite significant changes in the political and economic system. The reason for this is that interlinked spatial and social legacies change only very slowly. Since Eastern European countries have insufficient resources to intervene along equity lines, especially when the national interest is articulated as being increased efficiency and competitiveness, measures to decrease spatial inequalities should be carefully selected. Spatial inequalities characterize every country, and most direct measures to eliminate them have been unsuccessful. Instead, policy makers in Eastern Europe should deploy indirect spatial development policies, focusing on those services (education, healthcare, transportation etc.) that provide better opportunities for the society to locally address development inequalities.

Related to this, another important problem in Eastern Europe is the low level of social and spatial mobility together with the weakness of the civil society, especially in rural areas. Strengthening local communities would provide local leverage to address fundamental and historic problems in Eastern Europe. Rural development, for example, is much more than addressing the issues in agriculture or rural infrastructure,

it is also about human capital and institutional transformation. Obviously, this takes a long time to pay off, and in an etatist social and political environment it is very difficult to achieve, but this problem is a core component in the backwardness of Eastern Europe.

Thus, in many cases the remedy for spatial inequalities is not direct spatial development policies. Spatial development policies address problems at the surface, but without focusing on the deep structural constraints of Eastern European societies that accumulated over time, the impact of direct local development policies will not be sustainable. Successful policy interventions occur at both levels: carefully selected spatial development policies, supported by macro-level socioeconomic development policies that are designed and implemented with a consideration of the power of legacies and historical lessons.

6.3 Future research directions

How then should one proceed with the study of social and spatial change in Eastern Europe based on the findings of this dissertation? There are a number of issues for future research that were raised by this study. I identify four major research areas.

First is the comparative historical analysis of spatial (and also social) development trajectories of Eastern Europe compared with other European peripheries. The observed interregional differences indicate that disaggregating both Western and Eastern Europe would both reveal important historical similarities and allow a better assessment of spatial change during the socialist period. In this way, Eastern Europe as a region would not be compared to Western Europe, but comparisons would be between countries with similar development trajectories. For example, Bulgaria and Romania would be compared to Greece and Portugal, while

Central Europe should be compared to Austria or Finland. Although core-periphery classifications vary across different historical periods, such analysis would offer a more comprehensive historical picture about the relationship between social and spatial change in Europe. Also, this research would contribute to the knowledge about how peripheries change, and how they differ from each other.

The second research area I identify is to study the Eastern European peculiarities of urbanization. While there has already been a great deal of work on this subject, relatively little attention was paid to contemporary changes such as suburbanization and population deconcentration, or the dynamics of commuting. While these changes in the settlement system are seemingly similar to the Western experience, they are driven by different social and spatial forces in Eastern Europe, and they occur in a different historic environment. The most recent work on changing settlement forms edited by Champion and Hugo (2004), for example lacks even one chapter on Eastern Europe. In addition, the impacts of socialist urbanization, showing that Eastern European changes in settlement morphology, are usually neglected by Western scholars as a distinctive model. In my opinion, the spatial changes in Eastern Europe are peculiar in many ways, and contrasting them to the new forms of human settlements observed elsewhere is necessary.

Two other research topics could be connected to this research area. One is the role of public administration in shaping spatial change. The comparison of Hungary and Bulgaria, two countries with very different public administration systems, showed the importance of national classification and administration systems in determining spatial processes. More systematic research is necessary to model how the local public sphere contributes to patterns of urbanization and to spatial inequality. This is an especially important issue in Eastern Europe where the public administration system is the main interface for the state's role in spatial and social development.

The other research topic within the area of Eastern European urbanization is the comparative demographic dynamics of urban and rural areas. While urban and rural places are defined in various ways, it is well documented that population dynamics are strongly influenced by patterns of human settlements. The diffusion of the general European demographic processes, such as the second demographic transition, might result in a general convergence in population change, but there are significant differences in how various places react to these trends.

The third research area is focused on the spatial heterogeneity of demographic responses. Some areas experience extreme ageing or chronic outmigration in Eastern Europe. These areas are mostly rural have been lagging behind persistently over time. The developmental outlook of these places is very grim. Research should focus on the reasons for their persistent underdevelopment, as well as on possible policy measures to address their situation. Ageing for example plays out very differently in Eastern Europe than in the West. It does not necessarily result in an increasing demand for particular human and social services, but more likely generates a perception of zero development potential. Most services for the elderly are provided by the state, and these services have diminished because the state suffers from resource scarcity. Moreover, the contemporary elder generations have not been able to accumulate private savings during the past decades. Hence, because of economic, cultural and societal legacies, ageing in Eastern Europe has more severe consequences. Moreover, ageing in Eastern Europe is ageing in place, and its negative consequences are unevenly distributed in space. Hence, an important demographic aspect of this issue is the interaction of ageing, migration and settlement structure. In many Western countries, ageing of the local population has an important interaction with positively selective retirement migration, and is often seen as a development option. In Eastern Europe in contrast ageing is often localized in relatively poor areas, due to the low level of spatial and social mobility.

The fourth research area I recommend is the study of subnational spatial inequalities and especially the persistent nature of these inequalities over time. This is not an Eastern European peculiarity. Data from the United States show that not only are there counties with persistent poverty over decades, but such areas cluster in particular regions. Hence, within the general question of why certain places perform better or worse than others over time there lies another question about the characteristics of this persisting inequality. Is it the same all over the world, or are there certain peculiarities related to local and regional culture, history and development legacies? In particular, how did the general Eastern European development trajectory affect the emergence and persistence of spatial inequalities over time? This research area would connect the macro level societal change to the peculiarities of subnational spatial inequalities in a historical perspective.

My final remark is that the study of social and spatial change in Eastern Europe is far from over. Although the Cold War is over, and the EU enlargement will engulf most of the region within a few years, the region has not lost its social and spatial peculiarities. Academic interest about the region seems to have declined after the disappearance of the Iron Curtain and the perceived end of the post-socialist transformation. But due to its historical legacies and the particular nature of its policy interventions, Eastern Europe remains an interesting region in which to examine the process of socioeconomic and spatial development. Also, the study of Eastern Europe is not simply a region-specific study. Rather, it is an excellent place to investigate the determinants and consequences of social change in a periphery, which tells us a lot about how and why societies change when facing external challenges.

Appendix 1.

Correspondence between the NUTS levels and the national administrative units, 2003

Table A-1 Correspondence between the NUTS levels and the national administrative units, 2003

	NUTS 1		NUTS 2		NUTS 3	
BE	Gewesten/ Régions	3	Provincies/ Provinces	11	Arrondissementen/ Arrondissements	43
CZ	Území	1	Oblasti	8	Kraje	14
DK	-	1	-	1	Amter	15
DE	Länder	16	Regierungsbezirke	41	Kreise	439
EE	-	1	-	1	Groups of Maakond	5
GR	Groups of development regions	4	Periferies	13	Nomoi	51
ES	Agrupación de comunidades autónomas	7	Comunidades ciudades autónomas	19	Provincias + Ceuta y Melilla	52
FR	Z.E.A.T + DOM	9	Régions + DOM	26	Départements + DOM	100
IE	-	1	Regions	2	Regional Authority Regions	8
IT	Gruppi di regioni	5	Regioni	21	Provincia	103
CY	-	1	-	1	-	1
LV	-	1	-	1	Rēģioni	6
LT	-	1	-	1	Apskritis	10
LU	-	1	-	1	-	1
HU	Statisztikai nagyrégiók	3	Tervezési-stat. régiók	7	Megyék + Budapest	20
MT	-	1	-	1	Gzejjer	2
NL	Landsdelen	4	Provincies	12	COROP regio's	40
AT	Gruppen von Bundesländern	3	Bundesländer	9	Gruppen von Politischen Bezirken	35
PL	Regiony	6	Województwa	16	Podregiony	45
PT	Continente	3	Comissões de coordenação regional + Regiões autónomas	7	Grupos de Concelhos	30
SI	-	1	-	1	Statistične regije	12
SK	-	1	Oblasti	4	Kraje	8
FI	Manner-Suomi, Ahvenanmaa/ Fasta Finland, Åland	2	Suuralueet / Storområden	5	Maakunnat / Landskap	20
SE	-	1	Riksområden	8	Län	21
UK:	Government Office Regions; Country	12	Counties (some grouped); Inner and Outer London; Groups of unitary authorities	37	Upper tier authorities or groups of lower tier authorities (unitary authorities or districts)	133
EU15		72		213		1091
EU25		89		254		1214

Table A-1 (Continued)

	LAU 1		LAU 2	
BE	-		Gemeenten/ Communes	589
CZ	Okresy	77	Obce	6 249
DK	-		Kommuner	271
DE	Verwaltungs- gemeinschaften	539	Gemeinden	13 176
EE	Maakond	15	Vald, Inn	241
GR	Dimoi/Koinotites	1034	Demotiko diamerisma/ Koinotiko diamerisma	6 130
ES	-		Municipios	8 108
FR	-		Communes	36 678
IE	Counties/County Boroughs	34	DEDs/Wards	3 440
IT	-		Comuni	8 100
CY	Eparchies	6	Dimoi, koinotites	614
LV	Rajoni, republikas pilsētas	33	Pilsētas, novadi, pagasti	536
LT	Savivaldybės	60	Seniūnijos	515
LU	Cantons	13	Communes	118
HU	Statisztikai kistérségek	168	Települések	3 145
MT	Distretti	6	Kunsilli	68
NL	-		Gemeenten	489
AT	-		Gemeinden	2 381
PL	Powiaty i miasta na prawach powiatu	379	Gminy	2 478
PT	Concelhos Municipios	- 308	Freguesias	4 257
SI	Upravne enote	58	Občine	193
SK	Okresy	79	Obce	2 928
FI	Seutukunnat Ekonomiska regioner	/ 82	Kunnat Kommuner	/ 446
SE	-		Kommuner	290
UK:	Lower tier authorities (districts) or individual unitary authorities; Individual unitary authorities or LECs (or parts thereof); Districts	443	Wards (or parts thereof)	10 679
EU15		2453		95 152
EU25		3334		112 119

Appendix 2.

Definition of “urban”

Table A-2 Definition of “urban”

Country	Definition
Canada	Places of 1 000 or more inhabitants, having a population density of 400 or more per square kilometre.
United States	Places of 2 500 or more inhabitants and urbanized areas.
Albania	Towns and other industrial centres of more than 400 inhabitants.
Austria	Communes of more than 5 000 inhabitants.
Bulgaria	Towns, that is, localities legally established as urban.
Czech Republic	Localities with 2 000 or more inhabitants.
Estonia	Cities and urban-type localities, officially designated as such, usually according to the criteria of number of inhabitants and predominance of agricultural, or number of non-agricultural workers and their families.
Finland	Urban communes. 1970: Localities.
France	Communes containing an agglomeration of more than 2 000 inhabitants living in contiguous houses or with not more than 200 metres between houses, also communes of which the major portion of the population is part of a multicommunal agglomeration of this nature.
Greece	Population of municipalities and communes in which the largest population centre has 10 000 or more inhabitants. Including also the population of the 18 urban agglomerations, as these were defined at the census of 1991.
Hungary	Budapest and all legally designated towns.
Iceland	Localities of 200 or more inhabitants.
Ireland	Cities and towns including suburbs of 1 500 or more inhabitants.
Latvia	Cities and urban-type localities, officially designated as such, usually according to the criteria of number of inhabitants and predominance of agricultural, or number of non-agricultural workers and their families.
Lithuania	Cities and urban-type localities, officially designated as such, usually according to the criteria of number of inhabitants and predominance of agricultural, or number of non-agricultural workers and their families.
Netherlands	Urban: Municipalities with a population of 2 000 and more inhabitants. Semi-urban: Municipalities with a population of less than 2 000 but with not more than 20 per cent of their economically active male population engaged in agriculture, and specific residential municipalities of commuters.
Norway	Localities of 200 or more inhabitants.
Poland	Towns and settlements of urban type, e.g. workers' settlements, fishermen's settlements, health resorts.
Portugal	Agglomeration of 10 000 or more inhabitants.
Romania	Cities, municipalities and other towns.
Slovakia	138 cities with 5 000 inhabitants or more.
Spain	Localities of 2 000 or more inhabitants.
Switzerland	Communes of 10 000 or more inhabitants, including suburbs.

Source: Demographic Yearbook 2001, Table 6

Appendix 3.

Measuring migration

Migration is defined as a permanent or semi-permanent change in usual residence. This seemingly simple definition becomes more complicated when it comes to its conceptualization and measurement. The measurement of migration usually revolves around three issues. First is the change in residence, second is the time factor, and third is the distance factor. An additional issue is the source of information.

With respect to the source of information, the measurement of migration is mostly done by population registers or census enumerations, but some countries use occasional surveys. The University of Queensland conducted a study in 2002 to investigate this question (Bell et al, 2003). They found that most of the 154 countries they surveyed rely exclusively on censuses with respect to data on internal migration (Table A-3.).

Table A-3. Sources of information on internal migration by countries

Continent	Total countries	Data sources			
		Census	Register	Survey	Multiple sources
Africa	40	38	0	7	6
Asia	33	33	8	7	12
Europe	37	26	22	3	12
America	31	28	5	5	6
Oceania	13	13	0	0	0
Total	154	138	35	22	36

Source: Bell et al, 2003

In census enumerations, this issue is approached with questions about current and previous residences. The main drawback of this method is that it identifies the movers, but not necessarily the moves. Also, the time frame can affect the volume of

migration. For example, the five-year period used by many censuses can cover multiple moves, hence underestimate the volume of migration.

Population registers are created for administrative purposes. They were characteristic of the former socialist countries in Eastern Europe, as well as the Scandinavian countries, the Netherlands and Japan. Registers allow an annual update of migration, but often suffer from accuracy problems. If registration is not mandatory or cannot be enforced, the accuracy of the measurement is typically poor. Incomplete registry information is a problem if it involves a large proportion of the population, or even if it involves only a small part, and there is a systematic underrepresentation of a particular social group. Other secondary data sources include social security records (such as Medicare in Australia), various household surveys, tax records (such as the IRS residence estimates), or refugee records.

There are also indirect ways of estimating migration. In cases when there are no accurate census or registry data on migration, indirect methods, such as the residual method, can be applied. This utilizes the following formula for net migration:

$$\text{Net migration} = [\text{Pop2} - \text{Pop1}] - [\text{Births-Deaths}].$$

The underlying concept is that if we know the total population in both ends of the interval for which we want to calculate migration, and know the number of births and deaths (the natural increase), then migration can be computed as a residual. Two basic ways were developed to do this: vital statistics and the survival method. Neither, however, tells anything about how migration was distributed in time between the two dates.

The vital statistics method requires the enumeration of population at two points of time, and also a full registration of births and deaths during the time period. All change that is not accounted for by natural increase should be a result of migration.

But because all errors tend to accumulate in the residual, which is migration in our case, we have to adjust the data for any possible errors in both the enumeration process and the vital registration. An additional problem is that registrations usually indicate demographic changes on an annual basis, while enumerations can be made in mid-year dates (though many censuses are set to an artificial January 1 date). If this is the case, the estimate has to be adjusted to account for the time period between the end of the calendar year and the date of the enumeration.

The survival method also uses two population enumerations, but instead of relying on vital statistics, it observes mortality rates for calculating the residual, based on the fact that the only ways to leave a population are migration and death. This method requires two enumerations with age distribution at the beginning and end of the interval. Age-specific mortality rates are used to calculate survival ratios for each age group since mortality is not evenly distributed across all various ages. First one estimates the population at time 2 using the mortality rates as if there was no migration at all. Then one calculates the difference between the estimated and the observed population at time 2. With this method one basically estimates the number of non-migrants at time 2, building up from the various age categories.

The survival ratio at age X can be calculated by dividing the population age X at time 1 by the population age $X+t$ at time 2 (" t " refers to the time period in between the two enumerations). We can also use life tables to follow changes in a particular cohort, calculating age-specific survival ratios. A special problem of this method is to account for individuals who were born between the two enumerations. Accordingly, one needs to know the number of births that occurred in the studied time period.

The survival method has a set of assumptions also. It assumes that migration is distributed evenly across the geographic area we make the estimate for. It also assumes that the borders of this area are constant. Another assumption is that mortality

rates will not change during the interval, which might be false if the period is long enough.

Besides the measurement issue, there is the question about the definition of usual residence. It is imperative that only one permanent address should be assigned to each individual. If multiple addresses are maintained, the definition of migration becomes very ambiguous, because it is hard to identify the move itself. This problem for example emerges with the so-called snowbirds, retirees who maintain one summer residence and one winter residence. Since they have living arrangements in both places, this group is hard to put into the conventional migration framework. The basic point about migration is that it supposed to result in a substantial change in social relations, and snowbirds tend to maintain social networks in both places. There are also a number of exceptions and extremes that need to be taken into consideration when measuring migration. Homeless people, for example, are not just hard to reach by census enumerators, but also can live some place else and not where they are registered. Inmates are also a special population, as in some countries the correction facility is their usual residence, increasing the volume of migration in places where these facilities are located.

Migration is an important social process, because change in permanent residency assumes that a substantial change in social relations has occurred. But social relations change only if there is enough time to disrupt old social networks and develop new ones. Thus, the time factor is also an important conceptual and operational issue. Short-term moves, such as vacations, business trips or even participation in college education in another place do not necessarily count as migration. In these cases, even if the time period is a number of years, the move may be temporary. Many countries allow citizens to have a temporary address which helps official correspondence such as tax documents or social benefits catch up with the individual who may live in another place for a number of years, but have no intention

of acquiring a permanent residency there. A change of permanent residence, on the other hand, indicates the long-term intention of movers. But this is not necessarily the function of time alone, and it would be hard to find a time threshold over which moves unambiguously count as migration.

The importance of distance is also an essential conceptual and operational aspect of migration research. The basic assumption is that the greater the distance the greater the social disruption. But it is important to note that similar to the time factor, it isn't possible to assign a universal distance threshold either. Thus, instead of a singular measure of distance, administrative boundaries are used to account for the distance threshold. Administrative boundaries, however, are arbitrary, and may change over time. Nevertheless, they are relatively good measures, because many aspects of everyday life are organized around these boundaries, and crossing a border almost by definition means entering a new social environment. The problematic issue of course is the choice of boundaries to use. White and Mueser (1988) demonstrated the influence of administrative boundary choice on the volume and selectivity of migration. In countries, like the United States where several levels of subnational governance exist, this is a significant decision. In most cases the county line is used to make the distinction between migration and residential mobility. However, residential mobility within the same county often means a substantial change in social environment. Also, if administrative borders do not correspond with each other, one can cross a particular border and not cross others, making the assessment of the change in social relations very difficult.

Finally, we have to make a distinction between voluntary and forced migration. Forced migration or involuntary displacement refers to the process in which people are forced to give up their residences, and became refugees or asylum seekers. But caution is advised here, as most migration behavior contains some involuntary factors as well.

How should we categorize for example a downsized factory worker? Is it voluntary or forced migration if this worker moves to another place?

These issues about conceptualization and measurement are questions that the researcher should address and decide about. The way of data collection and organization is usually a process with which the researcher cannot interfere. Nevertheless, the results are functions of choices about boundaries, time periods, data sources and a lot of other factors based on researcher preferences.

Appendix 4.

The rules of urban reclassification in Hungary

With the new regulation on local governments, the explicit population limit (8000 inhabitants) to become an urban place was abandoned. In the first half of the 1990s there was neither restriction in the application eligibility, nor any standard practice in the evaluation, but in 1995 the process became standardized. From that point the applicants have to be "large villages" (*nagyközség*).

The *nagyközség* title is a traditional one from the 19th century, making the distinction between smaller and larger villages. This distinction comes from the 1886 regulation of villages, when the difference was the capacity of local administration: villages that were not "large villages" had to cooperate to employ the administrative staff. During the early socialist era it was eliminated, but reemerged in 1971 as a development planning unit in the NSDP. Currently a village can use this title if it was a *nagyközség* before 1990 or reaches the population limit of 5000. Further population decline does not matter, so the settlement can still keep the title if the population goes under 5000 later. The former group reflects to those smaller settlements that have at least some regional role assigned during socialism, these can apply for reclassification without population considerations.

Applications must be submitted to the Ministry of Interior until January 31 in each year. Applicants have to present about 170 statistical indicators besides the written statement that explains the prospective town's regional role, urban traditions and any other important considerations. The evaluation is made by a committee in the Ministry using a grading system, but the weights of the indicators are not publicized. Altogether 1500 points can be gained and the applicants have to have at least 1000 to be seriously considered for reclassification. While the infrastructural indicators can be

easily evaluated, like the length of gas lines or the number of schoolteachers, other aspects such as regional primacy or urban townscape are much more subjective ones, thus permanently contested from below.

The statistical comparison about urban development is made with the averages of the small towns. This also means that year by year the new aspirants can meet easier criteria. Also, since the necessary points can be put together by going around particular issues, some villages could gain this title for example without a single yard of sewerage line. If the application is successful, the title is given with July 1 in each year.

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