

Theses of the Doctoral (PhD) Dissertation

Iván Miklós Szegő

ECONOMIC FLUCTUATION AND ELITE-CHANGE

Finland and Hungary 1945–1990

Dissertation Supervisor:

Dr. János M. Rainer

ESZTERHÁZY KÁROLY UNIVERSITY

Doctoral School of History

Eger, 2018

1. Antecedents of the research

In the 20th and 21st centuries several researchers and thinkers were focusing on the political, social and economic history of both Finland and Hungary. Some of them even went so far as to compare the two countries.¹ As to my research, Anssi Halmesvirta's theory, defining inner and outer finlandization, served as a starting point. I tried to link elite-changes with economic cycles and trends in these two countries. My study was particularly inspired by works of György Kövér, András Bródy, Tamás Bauer, Ferenc Jánossy and Károly Attila Soós. I analyzed changes of elites based on the literature of noted sociologists.² Harmonizing the economic and social history required system-level analysis. Hereby related works of historians and economists have to be mentioned.³

¹ Dealing with Finnish and Hungarians topics: János Kodolányi and Domokos Varga (writers), Rudolf Andorka (sociologist). Among historians I emphasize works of Heino Nyysönen, József Gombos, Gábor Richly and Ignác Romsics. Béla Tomka's és Péter Márki-Zay's comparative all-european works of social and/or economic history (dealing with Finland, too) are also important.

² Works of the Hungarian sociologist, György Lengyel and the Finnish economist Juha Kansikas are very important. Among international researchers of elites, I should mention John Higley, Michael Burton and Tom Bottomore, in addition to the classical writings of Pareto and Max Weber.

³ System-level analysis is provided by economist János Kornai, political scientist Mihály Bihari, and by two historians: Tibor Valuch and János Rainer M. Among international thinkers, it is important to

Why is economic growth so important? Herman van der Wee describes the 'Pentagon of Social Goals' as full employment, maximum usage of productive capacities, stable prices, growing income, based on increasing productivity and a solid balance of payments. These goals can only be achieved through growth, which is the major element of the welfare state's economic policy. It involves a precarious balancing act between growth and stability. Productivity improvement is the result of intensive growth, and not simply the expansion of input.

Why is the 'Pentagon of Goals' so important? According to Bentham (1748–1832) efficient government can provide maximum happiness for the maximum number of people. Bentham's theory was based on the principle of utility. (He identified utility with happiness.) According to Bentham, people are motivated by two factors: joy and pain. Happiness can be quantified, therefore it can be calculated. Today we call it utility calculation. Researchers of macroeconomic growth examine actually how to maximize the society's happiness.

Many data of such popular indexes as the GDP or the HDI (Human Development Index) proved to be wrong, also the method of their calculation often raised doubt. At the same time these figures reveal important trends, less about a given country's current situation, more about the changes during a given period.

underline the works of Alec Nove, Immanuel Wallerstein and Daron Acemoglu, and the challenge-response-theory of Toynbee.

However, growth is hardly enough for providing 'happiness'. Allocation of surplus goods created by growth also influences the productivity of a country. And this is not just a question of fairness and justice. It is not about equality of allocation, but equality of opportunities. Welfare economics – in order to ensure economic effectiveness – permits some measure of inequality, but if it goes to the extreme, it could endanger efficiency itself. Consequently, both market forces and state intervention have their role. It is crucial that the „night-watchman” state (guarding over both the market economy, and freedom and equal opportunities) prevails over totalitarian states.

According to the world-system theory, the ruling part of the divided (semi)peripheral elite, is not ready to practice self-restraint, and not too keen to strengthen the nightwatchman role of the state. The cultural division in the (semi)peripheral countries prevents consensus building between members of the elite. Those elites are characterized by impatience, and feverish infighting for occupying key positions in the government. Contrary, self-restraint of elites prevails in some countries, including Finland. Cultural background of self-restraint in this Northern country includes lutheranism and its pietist movement

According to Acemoglu, the most effective economic systems are those that have inclusive institutions and are strongly defending property rights. In Hungary, the safety of private ownership has repeatedly been in danger since 1918. In Finland, however, right of private property remained intact and stable over the last hundred years. In Hungary there were

nationalization, war reparations, state initiated land distribution, collectivization (even of the land distributed by the state), privatization, reprivatization, racial discrimination, persecution of kulaks, deportations. These and many other measures weakened ownership rights in Hungary. These measures hindered strategic thinking and trust among members of the society, which led to uncertainty and disorganization in economic life.

2. Research aims

In my dissertation, I try to address the following questions:

a) Which elite-change was more hectic, more violent, and bloodier: the Hungarian or the Finnish?

b) It seems that the consensually unified⁴ Finnish elite between 1945-1990 was much more efficient⁵ than the Hungarian elite during the same period. I analyze the change of the Hungarian elite-structure in various periods of that 45 years time-span. I also examine, how it is related to the fact that Hungary's economic performance was much weaker, compared to the Finnish one.

⁴ Consensual elite accepts common rules of the game, and in the mean-time maintains pluralism of opinions.

⁵ Per capita GDP is considered as the most important measure/index of effectiveness.

c) Is there some kind of "cyclical appearance" of supporters of the economic cycle?

d) Did cycles exist at all in the Finnish and Hungarian economic performances between 1945 and 1990? If yes, how long these fluctuations last? Can similar cycles be observed at changes of elites? Is there a link?

e) An important question that I raise in my dissertation: how does fluctuation of the economy correlate to the change of elites in Hungary and in Finland between 1945 and 1990?

f) Was the so called Finnish 'economic (territorial) revision' successful? Here I examine the effectiveness of a contract by which Helsinki regained considerable part of the disposal rights above Saimaa-canal (and has leased the canal for many years).

g) Whether handling of critical economic turning points and the social embeddedness of the elite correlate with economic success? How can be Finnish and Hungarian economic development between 1945-90 modeled by the challenge-response-theory of Toynbee?

3. Research methods and sources

My findings required research of many disciplines including history, sociology, political science, philosophy of history, statistics, and economics. As for statistics, I have used moving

averages, trend-calculations. I have summarized longer and longer time spans by different moving averages. As for change of the elites, I have examined the changes of positional political and economic elite. My history science methods included archival research, source criticism, information gathering in data stores. That followed by structuring and analysis of data. Utilization of scientific literature was essential at writing chapters of philosophy of history, elite-theory and Soviet history. I needed the apparatus of comparatistics, because I compared historical events and procedures systematically.

Essential sources of my research further included archival documents, parliamentary almanachs, works of József Bölöny (who gathered the data of Hungarian governmental leaders), Finnish governmental databases on the internet, Hungarian, English, Finnish, Swedish biographical encyclopedias. In addition to the data of Angus Maddison, I have used Finnish and Hungarian statistics of economy, as well as publications of companies for creating my database.

4. New scientific results

Comparing Finnish and Hungarian history, the two societies and the two economies, it has a considerable scientific literature. However, nobody has compared the economic growth of both countries in the same period from the point of view of changing elites. However after the Finnish economic crisis of 1990–93, Ilkka Ruostetsaari examined the correlation

between the economic situation and the change of the Finnish elites.

While examining Finnish and Hungarian trends between 1945 and 1990, I addressed the questions raised in the second chapter, describing the aims of the dissertation. I gave the following answers to the above mentioned questions:

a) Hungarian change of elites was more hectic, more violent and bloodier than the Finnish one between 1945 and 1990. However Hungarian change has been softened, refined since the 1960s.

b) Change of Hungarian elite was whether too hectic (1945–57), or was damped down too much (1958–89). Hungarian political elite can be divided into three categories between 1945 and 1990: i) political elite was divided and could not create an efficient and stable government (1945–48 and 1953–56); ii) it was ideologically unified, and was attached to dogmatic principles, thus becoming inflexible, in the middle or long term. This ideologically unified elite led the country into economic chaos (1948–53 and 1957–89); iii) In the end of the era, Hungarian elite moved towards a consensually unified elite (1989–90). But in the whole period the Soviet type system in Hungary was unable to create a mechanism of constant but bloodless elite-rejuvenation. In the mean time consensually unified elites in Finland endorsed the constant and consistent economic growth of the country.

c) Supporters and opponents of economic cycles emerge cyclically.

d) Cyclical fluctuations can be observed both in Finnish and Hungarian economy. These fluctuations lasted approximately three years (e. g. the period, the time interval of the cycle was around three years). As for changes of elites, similar periodic fluctuations can be observed in both countries.

e) The essential problem of my dissertation (How do fluctuations of economy correlate to the change of elites in Hungary and in Finland between 1945 and 1990?) can not be addressed shortly and easily. In Hungary as well as in Finland, the period around 1956 was the biggest turning point from the point of view of positional political elite-change. Thus the concept of inner finlandization was proven by my findings: the biggest change in Finland happened to be in 1957. (In Hungary the year of the most frequent political elite-change was 1956.) Finnish trends of economic growth and of political positional elite-change are inverse in the long term. Growing economy during the examined 45 years has been associated with decreasing elite-change ratio in the Northern country. In the short term, this could not be proven. In the cases of drastic Finnish economic growth two types of outcome were observed: the political positional elite-change has whether accelerated (in the end of the 60s), or lost momentum (in the beginning of the 60s). Drastic economic fall caused however in both countries increasing political positional elite-change on the top level. The change of the Hungarian economic elite

lost momentum abruptly after the hyperactivity of 1956–57. The period of deceleration lasted from 1958 till 1989. The trend of Hungarian positional economic elite-change is downside, and change does not correlate to the fluctuations of the GDP, rather depended on the political elite-change.

f) Influence of the Kremlin on economic decisions can be observed in both countries between 1945 and 1990. It was weaker in Finland, and the role of the Soviet Union was different in Helsinki: in addition to influencing economy there were also signs of gesture politics. For example by the so called Finnish 'economic (territorial) revision' (the leasing of Saimaa-canal by Finland), Moscow helped the industry and forestry of the Finnish lakes region. It was a political interest of the Kremlin: Moscow supported its Finnish protégé, Urho Kekkonen, the president, by helping his electoral base in the lakes region.

g) Acemoglu distinguished critical turning points in (economic) history. The Finnish elite handled the challenges at such turning points very successfully. The embeddedness of the Finnish elite endorsed the decisions which were economically effective and helped the measures which guarded the social order and the social system. Taking into consideration Toynbee's challenge-response theory, the Finnish elite gave good responses to five challenges, thus Finland had to face new and even newer challenges, each after the other. Contrary to the Finnish development, the Hungarian political elite made wrong decisions, that is why it

„crashed into the wall’ again and again between 1945 and 1990. And because of the wrong decisions followed each other, Hungary faced always the same challenge. This was marked by repeating investmental cycles in the economy.

h) An important finding of my research has been reached without prior hypothesis: Finnish consensual elite was held together by tight links. One of the reasons of this phenomenon is the frequency of cousinhood, which helped to preserve intact elites during the time of finlandization. Every fifth of the examined units of person/position/year was held by such a person, who had relatives occupying other political positions in Finland, whether these persons held positions before or during or after the examined period. Thus interknitted Finnish political elite defended the local economic elite from direct Soviet influence.

5. Publication list

1. „A” nélküli magyar sorsfordulók. Romsics Ignác új könyvéről. [Hungarian Turning Points in History without ‘The’. On Ignác Romsics’ new book.] *Limes*, 2012/1. 111–117.
2. Hruscsov és a finnek – területi helyett „gazdasági revízió”. [Khrushchev and the Finns – Economic Revision instead of ‘Territorial Revision’.] IN: Konferenciák, műhelybeszélgetések VII. [Conferences, Talks of Atelier VII.] (Ed. by: Dániel Ballabás.) Líceum Kiadó. Eger, 2013. 91–119.

3. Nemzeti konzervativizmus – a megszakított ész jobboldali hagyomány újjáéledése. [National Conservatism – Revival of Broken Right-Wing Tradition in Estonia.] IN: Búvópatakok – Szétteltekintés. [Hidden Creeks – Looking Around.] (Ed. by: János M. Rainer.) OSZK – 1956-os Intézet Alapítvány. Budapest, 2013. 39-88.

4. Észtek és oroszok: 125 év. [Estonians and Russians: 125 Years.] Korunk, April 2014, 36–44.

5. Jobbról balra – vagy mégsem? – Csikós-Nagy Béla (1915–2005), az átmenet örök opportunistája. [From Right to Left – or not? Béla Csikós-Nagy (1915-2005), the Eternal Opportunist of the Transition.] (Ed. by: János M. Rainer.) IN: Búvópatakok. Mélyfúrások. [Hidden creeks – Deep Borings.] OSZK-1956-os Intézet Alapítvány. Gondolat Kiadó, Budapest, 2014. 198-246.

6. László Eörsi – Iván Miklós Szegő: A „legfőbb pesti srácok” 1945-ben. Az 1956-os felkelők parancsnokai a társadalmi mobilitás szempontjából. [The ‘Foremost Kids of Pest’ in 1945. Commanders of the Insurgents in 1956 from the Point of View of Social Mobility.] IN: Magyarok 1945-ben. [Hungarians in 1945.] (Ed. by.: János Rainer M.) OSZK-1956-os Intézet Alapítvány. Budapest, 2015. 221-247.

7. Elit és hatalom viszonya: Történelmi, filozófiai és társadalomtudományi megközelítések. [Relations of Elite and Power. Historical, Philosophical and Social Scientific

Approaches.] In: Hatalmi diskurzusok: A hatalom reprezentációi a tudományokban és a művészetekben. [Discourses of Power: Representations of the Power in the Arts and Sciences.] (Ed. by: Csilla Bíró, Betarix Visy.) Bibliotheca Nationalis Hungariae – Gondolat Kiadó, Budapest, 2016. 180-191.

8. Munkástanácsok és 1989: A munkavállalói tulajdon és a tranzakciós költségek összefüggései. [Workers' Councils and 1989. Connections of Employee Ownership and the Costs of Transactions.] In: Munkások '56. [Workers '56.] (Ed. by: János Rainer M. – Tibor Valuch). OSZK – 1956-os Intézet Alapítvány, Budapest, 2017. 227-259.

9. Akik kiszabadultak Sztálin vasmarkából: Az egységes finn és jugoszláv elitek 1948-ban. [Who Escaped the Iron Grip of Stalin. The United Finnish and Yugoslavian Elites in 1948.] In: RMJ60: Tanulmányok a hatvanéves Rainer M. János tiszteletére. [RMJ60 - Essays Honouring Sixty Years Old János M. Rainer.] (Ed. by.: Máté Fábián – Ignác Romsics). EKE Líceum Kiadó, Eger, 2017. 151-175.

10. Az elitharc és a keresztény ifjúság 1945 után. [Struggle of Elites and Christian Youth after 1945.] IN: "Illegális ifjúsági munka": Cserkészközösségek a diktatúrában. [‘Illegal Youth Work’: Communities of Boy-Scouts in the Dictatorship.] (Ed. by.: Gábor Tabajdi.) Magyar Cserkészszövetség, Bp., 2017. 47-55.

11. Keresztény egyetemisták a létező szocializmusban.
[Christian University Students in the Existing Socialism.] IN:
"Illegális ifjúsági munka": Cserkészközösségek a diktatúrában.
[‘Illegal Youth Work’: Boy-Scout Communities in the
Dictatorship.] (Ed. by.: Gábor Tabajdi.) Magyar
Cserkészszövetség, Bp., 2017. 97-103.

12. Életút-interjú Granasztói György történésszel. [Life-Path
Interview with György Granasztói, the Historian.] IN:
Szabados szabadság. Granasztói György válogatott írásai.
[Particular Freedom. Selected Works of György Granasztói.]
(Ed. by: Ábel Stamler, Olga Granasztói, Gyula Kodolányi.)
Magyar Szemle Könyvek, 2018. 15-82.