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Cadres and Managers. Changing Patterns of Recruitment of Economic Leaders in a Planned Economy

*György Lengyel**

Abstract: This paper is about the criteria of selection of leaders of the Hungarian – and some other East European – planned economies. It deals with the connections of these criteria with education and career patterns. It interprets the changes in terms of professionalization and cadrification. It argues that because these processes are interwoven the emphasis between loyalty and education (or to put it in the immanent terminology of personnel policy: among the categories of political responsibility, professional knowledge and the skills of leadership) has been slightly altered during the decades of state socialism. But behind the balance of loyalty and competence those social variables which were seriously taken into account in the personnel policy have been changed frequently and sometimes dramatically. It is intended to disclose that despite the basic similarities of socialist industrialization there were differences among the Eastern European societies, concerning the pace of cadre changes and the social-educational composition of the economic elites. It also suggests that one has to distinguish two levels of economic leadership from the very beginning of nationalization. In the light of empirical evidence the criteria of recruitment in the case of the planners-controllers and in the case of the enterprise managers were different. According to the Hungarian experiences the economic reform supported the process of professionalization, although the proportion of party members remained extremely high. With the systemic changes party membership lost and networks gained importance in the selection of the elite.

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Despite the importance of the subject literature on leaders in planned economies is rather scanty. A greater part of articles are managerial studies, while empirical contributions mainly survey the political elites¹ rather than the leaders involved in the economic control sphere and at the helm of enterprises, a layer which is more difficult to reconstruct empirically².

It is a specific feature of research on Hungarian leaders to use case studies or interviews.³ These methods, though most suitable for exploring the attitudes and interests of leader, mark out the boundaries of analysis as well. The data and information in the following represent mostly the Hungarian, and partly the Soviet, Polish and Czechoslovakian developments.

Changing Criteria of Selection

Although the selection of cadres has been treated as a confidential issue for decades, there have always been studies throwing light on certain sociological

¹ R. B. Farrel (ed.) *Political Leadership in Eastern Europe and the Soviet Union*. Chicago, 1970.; S. Bialer: *Sucesion and Turnover of Soviet Elites*. *Journal of International Affairs*. Vol. 32. No. 2. 1978. pp.181-200.; J. Bielasiak: *Lateral and Vertical Elite Differentiation in European Communist States*. *Studies in Comparative Communism*. Vol. XI. Nos. 1-2. 1978. pp. 121-141.; W. A. Welsh: *Leaders and Elites*. N.Y. etc. 1979. pp. 122-141.; P. S. Shoup: *The East European and Soviet Data Handbook: Political, Social and Developmental Indicators, 1945-1975*. N.Y. 1981.

² There are works in this field which highlight changes in the structure and education with quantitative analyses: K. E. Bailes: *Technology and Society under Lenin and Stalin. Origins of the Soviet Technical Intelligentsia, 1917-1941.*, Princeton, N. J. 1978.; S. Fitzpatrick: *Education and Social Mobility in the Soviet Union, 1921-1934*. Cambridge etc. 1979.; D. Granick: *Management in the Industrial Firm in the USSR* N.Y. 1954.; A. H. Barton-B. Denitch-C. Kadushin (eds.): *Opinion-Making Elites in Yugoslavia*. N.Y. 1973. Comparative data are provided by D. Granick: *Enterprise Guidance in Eastern Europe. A Comparison of Four Socialist Economies*. Princeton, N.J. 1975.; idem: *The Red Executive. A Study of the Organizational Man in Russian Industry*. N.Y. 1961.

³ See among others: István Kemény: *Vállalati vezetés és vállalati vezetők Magyarországon*. (Enterprise management and enterprise managers in Hungary) Manuscript, (no date); Lajos Héthy-Csaba Makó: *Vezetés, vezető kiválasztás, ösztönzés*. (Management, recruitment of leaders, incentives) Bp. 1979.; Tamás Bauer-Mihály Laki: *Vállalatvezetés, profilváltozás* (Enterprise guidance, profile change) *Valóság* 1972. No. 10. pp. 50-59.; Zsuzsa Hegedüs-Márton Tardos: *A vállalati vezetők helyzetének és motivációjának néhány problémája*. (Some problems of the position and motivation of enterprise managers) *Közgazdasági Szemle (KGSZ)* 1974. No. 2. pp. 162-173.; Teréz Laky: *Kötődés a vállalathoz* (Attachment to the firm) *Valóság* 1976. No. 12. pp. 52-61.; Ferenc Nemes: *A vezetői szerepfelfogás és magatartás néhány problémája vállalatainknál*. (Some problems of interpreting the role of manager and managerial behavior in our firms) *KGSZ* 1981. Nos. 7-8. pp. 797-806.

aspects of the phenomenon. One was A. F. Havin's paper⁴, who used figures published in the 1930's⁵ and his own contemporary researches and interviews in an effort to define the patterns of selecting and training Soviet heavy industry leaders, covering a sizeable stratum of the economy in the first five-year plans. His quantitative analysis reveals some regularities and some general trends of the early phase of planned economy such as considerable fluctuation among leaders, the predominance of worker-cadres and party members, an increased level of higher education combined with new institutional forms of training especially in engineering. His portraits of managers expose the peculiarities of campaigns reflected in the careers and the convertibility of political and economic leadership positions.⁶

Before 1945 the traditional economic elite in Eastern Europe was a closed social formation. The overwhelming majority of the elite originated from upper and upper middle class families and had higher education. The most important – informal but at the same time very effective – criteria of the traditional mode of selection were ownership, class origin and higher education.

However, compared with previous generations of the economic elite, the economic leaders of the inter-war period showed clear signs of professionalization. The role of higher education had been strengthened in the selection process while wealth and class origin carried less weight. Technical and economic higher education also expanded and the type of the "company-manager" began to spread. Indirectly the growing role of education and experience has been signified by the fact that the average age of the future leaders in entry level positions and later in managerial positions has increased significantly. These features characterized both the leaders of private enterprises and the leaders and experts of economic policy, whose importance begun to increase during the 30s.

In the course of nationalization between 1945 and 1949 strategic decision-making concerning productive units was taken away from the enterprises which resulted in a schism between the above mentioned two spheres of the institutional system. One specific feature of this split structure was that the social composition of the leaders of enterprises and that of planning and control institutions became significantly different. While in enterprises the criteria of loyalty were preponderant in selection after the nationalization – certain figures suggest that nearly two-thirds of the newly appointed Hungarian managers had an educational level of six elementary grades or less⁷ –, in the economic control

⁴ A. F. Havin: Kapitani sovietskoi industrii 1926-1940 godi. (Captains of Soviet industry, 1926-1940). Voprosi istorii. 1966. No. 3. pp. 3-14.

⁵ Novie kadri tiazheloi promishlennosti. (New cadres of heavy industry) Moscow 1934.; Kadri tiazheloi promishlennosti v tsifrah. (Cadres of heavy industry in numbers) Moscow 1936.

⁶ György Lengyel: The recruitment and level of education of the Hungarian business elite in the 19th and the first half of the 20th centuries, in: Rudolf Andorka-Laszlo Bertalan (eds.), Economy and Society in Hungary. Bp. 1986, pp. 117-138.

⁷ Az ötéves terv szakmai kádereiről. (On the professional cadres of the five-year plan) Sza-

sphere loyalty and professional competence were equally considered for eligibility. A telling sign of this is that although the overwhelming majority – nearly four-fifths – of leaders in the control sphere were members of the Hungarian Workers Party, 45% of them were members of the intelligence and another 22% had a background as white collar workers.⁸

Some one-fourth of the control sphere leaders of 1949 had been in the civil service before 1945. The relatively high rate of careers continued after 1945 indicates that despite the fundamental restructuring, professional competence retained its comparatively great weight in the control sphere which produced a specific type of career in the public service.

The distribution at the time of entering into the civil service clearly reflects the recruitment strategy of central economic management. While 70% of those who were in the public service before 1945, originally had some intellectual occupation, their rate kept decreasing year by year among the newly appointed leaders to a level as low as one-fourth in 1949. The rate of those rising from worker status, including a considerable proportion of clerical workers to manager status was extremely dynamic. The peasantry, however, was practically left out of these processes: the proportion of manager-turned-peasants did not come up to 1%. On the other hand the proportion of peasant politicians within the Parliament in 1947-49 was 32.9%⁹. This fact gains its proper weight if we consider that in 1949 half of the active population worked in the agriculture.

As far as class origin is concerned the cadre statistics are less reliable because the questionnaires were filled out by the leaders and the distortion was in their own interest. The working-class origin will therefore be overrepresented – although, owing to the strict external controls not extremely. Nevertheless the data are useable, if we keep in mind that they throw light on the ideological preferences of the period rather than the real social background.

Those of working-class origin among the leaders of the control sphere had an average one-third share in the second half of the 40s with a high growth rate, so that in 1949 half of the new appointees came from blue-collar working-class families. A further fourth of leaders originated from clerical worker families.

bad Nép (Sz.N.) January 25, 1949, p. 5. The press documents are reviewed in: Tamás, Fábrián: Az ipar új tisztikara 1948-1949-ben (The new top brass of industry in 1948-1949) (Dissertation, 1986).

⁸ Source: *Közalkalmazottak létszámkimutatása*. (Statistics on the number of civil servants) Bp. 1950. Our sample includes the figures for heads of departments or higher ranking officials in the Council of Ministers, ministries of domestic trade, construction, agriculture, light industry, heavy industry, finance, post and telecommunication and foreign trade, the State Control Office, the Secretariat of the Economic Council and the National Planning Office.

⁹ Data calculated on the basis of Bálint Szabó (ed.): *A szocializmus útján*. (Pursuing the course of socialism) Bp. 1982. pp. 572-573. It is illustrative of the political changes taking place during the two short periods that while in the first period small-holders had a 60% share among peasant politicians, in the second phase predominance went over to dwarf-holders and the landless with 70%.

The principle of recruitment in the economic control sphere clearly favored the working-class and lower middle class origin. According to a 1950 survey of the light industries nearly half of the leaders of the ministries (from division's heads to deputy department heads) came from working-class families and about one-fifth from clerical worker families¹⁰.

These data reveal that in the early phase of planned economy social origin, which was previously an informal criterion of selection became a formal one; the preferences changed in time favoring those with intellectual background before 1945, those of clerical worker and middle-class origin in the coalition period (1944 – 1949) and those of a working-class and petty bourgeois origin later; loyalty was ascertained by social origin and political activity.

In Czechoslovakia, after the communist group of February 1948, 44% of firm managers were replaced while the proportion of worker-managers attained only 30% in 1950. Lenka Kalinova concluded that an estimated 50% of the managerial stratum emerging after the cadre changes of the 1950s consisted of former workers.¹¹ While the share of communist party members in the central offices of the economy was raised from 15% to 37% by February 1948, 35% of enterprise managers had already been members of the communist party before.¹² This, and – in continuation of the political conditions of the inter-war period – the considerable share of loyal technical staff traditionally following left-wing orientations explains that the pace of cadre mobility was slower than elsewhere. Even so, a mere 10% of managers had higher education against 50% with only elementary training in 1957. This highlights the importance of recruitment from strata with secondary professional education.

In the mid-1950s more than four-fifths of the 200,000 enterprise managers in Poland were of worker and peasant origin.¹³ The proportion of managers with university diplomas plummeted from 84% in 1945 to 27% ten years later. From the end of the 50s, however, the level of education grew continuously both among managers and their deputies. While the rate of managers and chief engineers with college degree surpassed 50 and 70% respectively by 1968, it was about 36% among administrative and economic deputy managers and a mere 16% among head accountants. In the early 70s university graduates made up some 70% of enterprise managers and 90% of department heads in ministries.

¹⁰ HSWP CC Institute of Party History Archives. 276f. 90/193. pp. 41-55.

¹¹ Lenka Kalinova: Az irányítási apparátus összetételében február után lezajlott változásokhoz (On the February changes in the composition of the apparatus of guidance) in: Bálint Magyar (ed.): Tanulmányok és dokumentumok a második világháború utáni csehszlovák társadalmi és hatalmi struktúra témaköréből. (Studies and documents on the post-World War II. structure of Czechoslovak society and power) Manuscript, 1980. V. p. 22.

¹² Idem: A műszaki-gazdasági apparátus szakképzettségének és strukturájának alakulása. (Changes in the professional education and structure of the technical economic apparatus.) *ibid.* VI. pp.2-3.

¹³ Marian J.Kostecki: The managerial cadres of the Polish industry: research report. *The Polish Sociological Bulletin*, No. 2. 1977. pp. 85-96.

In Hungary the contemporary leading party paper, Szabad Nép (Free People) from the very beginning depicted the image of the new type of leader both as a demand (“Put workers at the head of the nationalized factories!”) and as reality (“Typist-turned-ministerial commissar”; “Director from ex-iron turner, engine fitter, baker”).¹⁴ Both lines of the positive representation of the new managerial type, the normative and the idealizing, ran all through the coalition period. Significantly, it reported almost exclusively on enterprises, leaving the sphere of economic control unmentioned. The other branch of writings, that of criticism, discussed the traditional stratum of leaders. They equally addressed the enterprises and the control institutions (“Members of counter-revolutionary societies high in the ministry in finance”; “Sneaking reactionaries into the leadership of cooperatives under the pretext of competence”; “Bank directors earning thousands for nothing”), and the tone grew ever harsher after 1947 (“MAVAG general director ex-conspirator”; “István Varga must go”; “Bribery, sabotage, industrial espionage around Ferrotechnika”; “Heads of Gamma factory contracted with smugglers”; “The devil take the hindmost”)¹⁵. The traditional experts, especially those of engineering, were described in an ambivalent tone. On the one hand, it was declared back in 1945 that the hostile attitude to leaders must be changed and distrust between engineers and skilled workers must be eliminated, and on the other, examples were enumerated to warn the worker-directors to be cautious and keep an eye on the old-time technical engineers’ intent to sabotage. They stressed the topicality of Stalin’s statement, that: “the most highly qualified segment of the old-time technical experts was poisoned by the germ of destruction.”¹⁶ The article entitled “Competence and sabotage” complained that there were factories which accepted “reactionaries” as irreplaceable, enabling such figures to rise to leading positions.¹⁷ The behavior of the leader was characterized by vigilance and by the concept of “service”, indicating a new type of puritanism, that of the functionary, stressed in managerial portraits, memoirs and retrospective interviews.

In the economic ideology¹⁸ service and vigilance appeared in the inconsistent duality of the leaders’ attitude towards the idealized class and his immediate subordinates.

The first half of the 50s saw massive cadre mobility. Young experts entered the economic control sphere in considerable numbers. In 1953, for instance, nearly half of the recent college graduates in economics took jobs in ministries and government agencies¹⁹. As is known from a subsequent party resolution,

¹⁴ Sz. N. Dec. 15., 1946. p. 3.; Oct. 28., 1945. p. 2.; Dec. 25., 1946. p. 8.

¹⁵ Sz. N. Jun. 7., 1946. p. 3.; Jun. 12., 1946. p. 3.; Febr. 9., 1947. p. 9.; Apr. 15., 1948. p.5.

¹⁶ J.V.Sztálin: A gazdasági vezetők feladatairól. Új helyzet-új feladatok a gazdasági építőmunkában. (On the duties of economic leaders. New situation - new tasks in the economic development) Bp. 1949. p. 33.

¹⁷ Sz. N. Oct. 3., 1948. p. 13.

¹⁸ Sz. N. Oct. 31., 1948. p. 2.; Jan.15., 1949. p. 7.; Jan. 9., 1949. p. 9.; March 23., 1949. p. 7.

¹⁹ Ildikó Hrubos: Közgazdász kohorszok pályafutásának összehasonlítása. Az ifjúságpolitika

40% of the managers of agricultural machine stations were replaced in a single year, and the chief engineers of coal mines remained in the same position for a year at most.²⁰

This is confirmed by a report of the Ministry of Metallurgy and Machine Industry (MMMI) on the personnel policy in 1954, which emphasized as a positive feature that only 20.7% of managers had been relieved as against 33.7% in 1953, and the fluctuation of one-fourth of chief engineers and chief accountants seemed to show an improving tendency. On cadre replacement the report contended that “a part of them is healthy fluctuation due to the promotions of cadres, but the greater part is caused by inadequate cadre work and intolerance”.²¹ In 1954 90% of the department heads and upper level leaders in the ministry were party members. Although the differences between ministry and enterprises as regards origin and education leveled out in comparison with the late 40s, they remained considerable nonetheless. 49% of top ministry officials originated from working class and 5.6% from the peasantry as against 73.5% and 7.5% among enterprise managers. This also means that nearly half of the ministry cadres came from intellectual, clerical worker, or middle class families as opposed to one-fifth of firm managers. Similarly, while only 5.3% of high-ranking ministerial officials had not completed eight years of elementary school, 22.4% of enterprise managers belonged to this category and had taken courses in adult education.

Between 1953 and 1956 the press struck a more critical tone about managers than technicians.²² Although the greater part of these writings was concerned with the new type of leaders supporting socialist emulation, they analyzed the cases of imprisoned new directors as well. Some also enlarged upon the directors increased responsibility and the deficiencies of excessive centralization of industry. Underlying this writings was a resolution by the Council of Ministers (No. 1073/1954/IV.9.) specifying the duties of the directors of industrial enterprises which declared that there were phenomena both in legal regulation and in practice that “curbed the authority of the director, reduced his inventiveness and express unjustified mistrust. Most conspicuous are the excessive centraliza-

tudományos megalapozását szolgáló kutatások. (Comparing the careers of various cohorts of economists. Researches to provide the scientific basis for a youth policy.) No. 7. Informational Bulletin. Bp. 1985. p. 67.; Mária M.Kovács-Antal Örkény: Promoted cadres and professionals in post-war Hungary, in: Rudolf Andorka-László Bertalan (eds.): Economy and Society in Hungary. Bp. 1986. pp. 139-153.

²⁰ Pártunk kádernek munkájának tapasztalatai és irányelvei. Tézisek (1962. febr.) (Experiences and guidelines of our party's cadre work (Theses. Febr.1962.)) in: A Magyar Szocialista Munkáspárt határozatai és dokumentumai 1956-1962. (Resolutions and Documents of the Hungarian Socialist Workers' Party) 1973. p. 537.

²¹ New Hungarian Central Archives (NHCA) Ministry of Metallurgy and Machine Industry (MMMI) XIX-F-6. Leadership session 1955., 14.1.d. Report of Personnel Division on the cadre work of the MMMI. p. 5.

²² Sz. N. Apr. 5., 1953. p. 1.; Febr. 15., 1954. p. 1.

tion of matters, the measure of intervention bypassing the director, the manifestations of bureaucracy and functionalism”.²³

Country	Year	Fathers' occupation										
		Civil servant, politician (higher position)	Land owner	Business man	professional	crafts man, trades man	civil servant (lower position)	junior executive	white collar	worker	peasant farmer	N
Great Britain+	1953	3	5	56	13	7		-	16			87
	1972	4	7	45	24	7		2	11			63
	1989	-	-	29	26	-		6	39			50
Germany	1953+	21	3	44	21	3		5	3			71
	1964*	15	-	36	18	5	17		3	5	2	118
	1972+	18	3	32	30	3		10	5			51
	1989+	6	-	44	22	-		22	6			51
France+	1953	26	6	44	16	-		4	4			77
	1972	4	2	58	27	4		2	2			55
	1989	16	4	33	29	4		5	9			57
Hungary	1955++				9				20	49	6	39
	1955++				2				8	74	8	60
	1962**				33	8			14	39	6	36
	1962***				6				3	88	3	33
	1984#				22	3		9		54	10	68
	1984##	-	-	-	14	2		19		45	16	2845

Table 1: Social origin of the British, French, German and Hungarian economic elite (1953-1989) (%)

+ Source: Youssef Cassis (1997) Big Business. The European Experience in the Twentieth Century. Oxford U.P., Oxford, p. 124.

* Source: Hartmut Kaelble, (1980) Long-term Changes in the Recruitment of the Business Elite: Germany Compared to the US, Great Britain, and France Since the Industrial Revolution. Journal of Social History no. 3. pp. 404-423.

²³ Hatályos jogszabályok gyűjteménye 1945-1958. (Collection of Valid Legal Rules) Bp. 1960. Vol. I. p. 675.

- ++ Source: Report on the cadres of Ministry of Metallurgy and Machine Industry, 1955, UMKL KGM XIX-F-6 (heads of main departments, their deputies, and heads of departments, w/o the 16% “other” category).
- +++ Source: Report on the cadres of Ministry of Metallurgy and Machine Industry, 1955, UMKL KGM XIX-F-6 (company directors w/o the 8% “other” category).
- ** Source: Report on the cadres of Ministry of Heavy Industry, Branch of Mining, 1962, UMKL XIX-F-17-b (heads of main departments, their deputies, and heads of departments).
- *** Source: Report on the cadres of Ministry of Heavy Industry, Branch of Mining, 1962, UMKL XIX-F-17-b. (company directors).
- # Source: Statistical data on the state and co-operative leaders, 1984. Bp. 1985, p. 44 (deputy ministers, state secretaries, w/o 2% “other” category).
- ## Source: Statistical data on the state and co-operative leaders, 1984. Bp. 1985, p. 44 (directors of state enterprises, trusts, conglomerates and joint stock companies, w/o 4% “other” category).

The resolution vested the director with individual responsibility. Though the introductory clause of the resolution stated that the reasons for its enactment were excessive centralization and the spread of bureaucracy, its detailed discussion reveals that the individual responsibility of the director meant responsibility to comply with the directives, which was consistent with Soviet practice. Besides conforming to the methodical directives, the director was responsible for the detailed plan of the firm, the fulfillment of the approved plan, the rational utilization of the funds allocated by the central control institutions, the working out of the firm’s list of profiles and their approval. It was, however, a novelty that the criticism of bureaucracy was extended to the intermediate level control institutions, that the high number of plan indicators was criticized and the demand for a professional economic approach was stressed. Another novelty, following the XXth Soviet party congress and the resolution of the Hungarian communist party, was the principle adopted by the ministries in summer 1956 that “people should cease to be afraid of the personnel department staff”²⁴.

After 1956 the criteria of loyalty and competence were reshuffled: social origin lost and political activity gained importance in determining loyalty. The latter is born out by a 1957 resolution of the HSWP’s CC which provided for the old, neglected cadres of the labor movement, proposing that “ministries and government agencies should survey all the areas where reliability is decisive so that the veterans of the labor movement can be stationed on these posts. The line of the councils must be reinforced with the old comrades”²⁵. Part of the control mechanisms of political reliability whose weight had increased was a

²⁴ NHCA MMMI XIX-F-6. Leadership sessions, 1956. July 26.

²⁵ Resolutions and Documents of the Hungarian Socialist Workers’ Party, 1956-1962. Bp. 1973. p. 149.

government decree No. 1050/57 (V. 31.) on the setting up of personnel departments. It established that “apart from its several positive features, the former system of personnel control was unable to safeguard the state apparatus from the unreliable elements due to over-centralization, ensuing cumbersomeness and superficial methods of evaluation”.²⁶

It set as the main duty of a personnel department to supervise the reliability and professional competence of leaders giving preference, besides “workers, working peasants and loyal-to-democracy intellectuals” (note the epithets that pointed at selection criteria in the given context), to the politically committed sons and daughters of the new intelligentsia. It regarded the political role played in 1956 as an important aspect of judgment but stressed also that beyond this point personal performance must be the basis of evaluation and that the person concerned must be shown the records of evaluation.

Similar was the effect of law-decree No. 66 by the Presidential Council fixing the spheres of activities to be filled by people with certificates of probity or good conduct.²⁷ In the first half of 1957 2060 people belonging to the jurisdiction of Ministry of Metallurgy and Machine Industry (MMMI) had to obtain certificates of good conduct but only 69 were not issued one and in 30 cases the firms applied for exemptions.²⁸ Thus there were comparatively few people in these jobs who could be declared unsuitable on political grounds. A far graver social problem was posed by those workers who had been dismissed for their political conduct and whose re-employment became so difficult that already in November 1957 the labor minister was forced to intervene. In his communication to the minister of heavy industry the minister stated that “enterprises are afraid to employ such workers and are reluctant to hire them even for lower-grade work”.²⁹ This however, hindered the “re-education” of these workers, jeopardized law and order, and prevented the enforcement of the right to work, the minister reasoned.

The implementation of decree No. 66 dragged on into the early 60s; until 1960, for example, there were 7666 petitions submitted to the MMMI and only in 265 cases were the persons concerned forbidden to fill an important or confidential position.³⁰ By then the decree had already been criticized because its interpretation of reliability was too narrow. On the other hand, the party resolution of 1957 declared that non-party people could also fill leading posts excepting party functions. If, they claimed, “we prescribe party membership as a prerequisite of any leading position we incur the danger that careerist elements might infiltrate our party, and on the other side, professionally highly qualified,

²⁶ Collection of Valid Legal Rules, 1945-1958. Bp. 1960. Vol. II. p. 752.

²⁷ Ibid. Vol. I. pp. 352-353.

²⁸ NHCA MMMI XIX-F-6. 13. d. Report on the state of the personnel apparatus of the MMMI and the questions of personnel work.

²⁹ NHCA Ministry of Heavy industry (MHI) XIX-F-17. b. 7. d.

³⁰ NHCA MMMI XIX-F-6. Memorandum on the experiences of personnel work in 1961.

honest, democratic-minded people will be relegated to the background underservedly".³¹ In keeping with these resolutions, the ministries registered the rate of non-party people at top-level posts. The MMMI's report of 1961, quoted above, found that 38% of chief engineers and 50% of head accountants of enterprises were not party members. It is also revealed that 90% of the personnel department staff came from worker and peasant families, 75% of them having an education of eight elementary grades or less. This was again a source of tensions that the people in the apparatus set up to check competence was far less educated than the economic managers they were supposed to control.

In 1962 a report on the heavy industry disclosed a similar situation in mining.³² In this branch more than two-thirds of personnel managers had primary education up to eight grade or less, all were of worker or peasant origin and all started their careers as workers. Of the division and department heads of the ministry two-thirds were party members, and the same percentage had higher education; over two-thirds had started their careers as intellectuals and clerical workers, and about half of them came from such a family background.

Although a slight drop in the number of party members can be observed, the data exemplify that the social composition of the leaders did not change considerably from the late 1940s to the early 1960s. However at the same time the distribution of leaders by age did change considerably: the average age rose from 40 to 46; while in 1949 over half of the leaders were below 40, in 1962 only one-third of them were in this age bracket. The party document of 1962 referred to the disapproval quoted above that in 1954 over half of the members of the central party apparatus were below 30 and in 1956 three-fourths of the entire party apparatus were below 35.³³ This reveals that there must have been an informal selection principle favoring seniority age³⁴ and implying a shift towards criteria of competence. This entailed the consideration that apart from formal qualifications, the time spent in the professional field was of importance, with experience coming at the prize of age.

³¹ HSWP CC Politbureau resolution on the duties of the party organization in organizing the economic work (July 30., 1957.) in: Resolutions and Documents of the HSWP, 1956-1962. Bp. 1973. pp. 97-102. See also the solution of the party meeting on June 27, 1957. Ibid. pp. 70-88.

³² NHCA MHI XIX-F-17-b. Report on the personnel work in the mining branch of MHI in 1962.

³³ Pártunk kádernekjének tapasztalatai és irányelvei. Tézisek. (1962.febr.) (Experiences and guidelines of our party's cadre work. Theses. Febr. 1962.) in: Resolutions and Documents of the HSWP, 1956-1962. Bp. 1973., p. 537.

³⁴ Iván Illés: Nemzedékek nyomában. (In the wake of generations) Valóság 1981. No. 11., pp. 49-55.

Career Patterns and Education

The presumptions of “planned mobility” and “cadrification” were sharply confronted with the values of the primer social groups in the early phase of planned economy. This confirmation strengthened the traditionally negative connotations of ‘career’.³⁵ Even in a recent study concerning young economists and engineers we met the phenomenon of aversion to the notion of careers.³⁶ In these cases, however, the reasons for refusal or dislike differed greatly from those of the 50s. These young intellectuals were not discriminated against or were not blocked in their advancement because of their class origin. A part of them felt that the old, non-educated cadres blocked their ways. Another part just felt that their leaders worked too hard for relatively moderate pay and with too much risk of failure.

Case studies suggested that economic managers in Hungary saw themselves as falling into two characteristic career types: that of “paratrooper” and that of “one of us”. Although in sociological terms these are certainly crude categories, they conform to real phenomena.³⁷ The first is closest to that which is described by sociologists as a political career pattern. Interestingly enough, however, researchers agree that it is by no means the most frequent type. “Paratroopers” have to face resistance in their enterprises, especially from white collar workers and they have to counterbalance the resistance with networking skills they acquired through social and political dealings. The second type resembles the continuous professional career pattern, although – as we shall see – in certain cases the professional characteristics are only illusive.

A comparative study based on a small sample-survey contributes additional elements to the picture.³⁸ This research into enterprise leaders of four countries (Hungary, Poland, Czechoslovakia and Bulgaria) has revealed that the majority of economic leaders in the 1980s were male party members over 40, a considerable part of them with higher education, mostly in technical fields. It appears to be a common feature of all career patterns that the majority of leaders obtained a managerial office – normally at middle level – already before 30. This also implies that out of the four – managerial, professional, political and administrative – career patterns the first (or rather the combination of the first two) is predominant, with significant variations by countries. There are, however, great

³⁵ The category of controlled or planned mobility was introduced by Mária M.Kovács and Antal Örkény in their article referred to in note 19th. The concept of cadrification has been discussed in Iván Szelényi’s *Socialist Entrepreneurs*. (N.Y. 1988).

³⁶ János Balázs-György Lengyel: *Fiatal közgazdászok a gazdasági szervezetben* (Young economists in the economic organization) *Szociológia* 1983. No. 4. pp. 375-386.

³⁷ György Lengyel-Gyula Pártos: *A hagyományos vezetői típus felbomlása* (The decomposition of traditional type of leaders) *Szociológia* 1982. No. 4. pp. 561-576.

³⁸ Pal Boday, *Careers of top enterprise leaders in international comparison*, in: Gy.Lengyel (ed.): *Education, Mobility and Network of Leaders in a Planned Economy*. Bp. 1987. pp. 83-113.

differences in this regard between the age-groups as well: the career patterns other than managerial-professional have a great role in the older generations, the administrative being overrepresented in Hungary and the political in the other three countries.

According to an attempt at typologization by H. Najduchowska³⁹ nearly one-third of Polish managers had professional technical careers inside enterprises. Her study found also a positive correlation between the rates of professional-managerial careers and the size of the enterprises. Research has documented a definite shift from technical to economic and social science graduates among highly qualified managers, an indication of the increasing significance of the administrative career pattern.

The numerical importance of economic leaders with a purely political career is low, yet its weight is greatly enhanced by the fact that political affiliation is an immanent part of the managerial role. This is maybe one reason why, according to the research findings of M. Kostecki⁴⁰ in 1974, 78% of leaders in the studied area (Polish chemical industry, where a mere 1% had 'political' careers) were party members, eight times as much as among the active population. One may add that besides their professional work some 60% of the managers filled one or more party posts in the party organizations of the enterprise, town or district during their careers. The situation described above is confirmed and further elaborated by the researches of J. Wasilewski.⁴¹

Following a critical revision of the relevant literature he distinguished two main groups of career patterns, continual and "hopscotch" careers. The young leaders below 40 whom he at first studied were dominated by continual administrative and technical careers or their mixed types. "Hopscotch" careers amounting to one-third included, in addition to a significant rate of political and managerial career patterns, a kind of expert careers based on the convertibility of research knowledge and skills. Comparing data on intra- and intergenerational mobility one can find that "hopscotch" careers are frequently induced by regional and interregional mobility. However, while among leaders with political careers those with an Eastern regional and peasant background were overrepresented, the intellectual background was dominant among leaders who passed through regionally equally mobile managerial and expert careers. This also applies to technical leaders born mostly in the capital. The young managers as a group are found to be politically active from an early time (some three-fourths of them from the very first job their held), and this seems to be espe-

³⁹ Halina Najduchowska: Drogi zawodowe kadry kierowniczej. (Professional trajectories of managerial cadres) *Studia socjologiczne*, 1969. No. 3. pp. 253-269.

⁴⁰ Marian J. Kostecki: Managers of business organizations in a socialist society: political aspects of their functioning. *The Polish Sociological Bulletin* 1979. No. 4. pp. 21-27.

⁴¹ Jacek Wasilewski: Kariery społeczno-zawodowe dyrektorów. (Social-professional careers of managers) Wrocław etc., 1981. pp. 115-144.; idem: Social processes of regional power elite recruitment. (Manuscript, 1986.)

cially significant among leaders with “hopscotch” careers both of political and managerial type.

Certain observations indicate that in the 1980s in the case of the managerial group political opposition had less impact on professional careers, than for administrative and party leaders in the ‘80s. While 25% of the managers were members of the legal Solidarity, there are virtually no members in the other two groups of the regional elite. One may conclude from this fact that in the case of the economic leaders the education had primary and the political loyalty towards the communist regime had secondary importance, while in the case of the other two groups the emphasis was reversed. However, these differences are usually gradual and not antagonistic.

The contradictory situation of the economic leaders was mostly a result of the fact that they were cadres and managers at the same time. Education, experience and party membership were more or less equally important in the formal and informal social processes of their selection.

Table 2: Tertiary education among the members of the he British, French, German and Hungarian economic elite (1950-1989) (%)

	1950-1953	1962-1972	1984-1989
Great Britain#	57	69	83
France#	98	96	97
Germany#	78	86	100
Hungary	22*	45**	91***

Source: Youssef Cassis (1997) *Big Business. The European Experience in the Twentieth Century*. Oxford U.P., Oxford, p. 133.

* Source: Report on the leaders of the Ministry of Light Industry, 1950 Dec. 21.P.I.A. 276f. 90/193 (heads of main departments, their deputies, and heads of departments).

** Source: Report on the cadres of Ministry of Heavy Industry, Branch of Mining, 1962, UMKL XIX-F-17-b (heads of main departments, their deputies, and heads of departments, company directors).

*** Source: Statistical data on the state and co-operative leaders, 1984. Bp. 1985, p 44 (directors of state enterprises, trusts, conglomerates and joint stock companies, 1984. Bp. 1985, p. 63).

A study of the top level leaders of Hungarian enterprises and cooperatives reveals that the rate of leaders above the age of 50 rose from 22% to 44% be-

tween 1960 and 1980.⁴² However, the cadre changes which were partly started for the purpose of rejuvenation and which gained momentum in the early 1980s, did not automatically imply a rise in the level of education: the share of leaders without higher education was firmly reproduced in the younger cohorts.⁴³ This important finding refers to the fact that the “one of us”-effect was a special type of local political career pattern. On the other hand, there appears to be a close correlation between the long term rise in educational level and the size and type of managerial position: while 86% of the leaders of larger enterprises were graduates, only 32% of 3rd category cooperative leaders had an equal amount of higher education. The two outer extremes in this respect were technical and economic deputy managers, 16% of the former and 36% of the latter being not academically qualified. This incongruence was even higher among the head accountants of cooperatives.⁴⁴

In Czechoslovakia in the early 1960s over 70% of the leaders lacked the level of education required by their jobs.⁴⁵ There appears to be a positive correlation between incongruence and hierarchical position, and although the proportion of leaders without adequate training was considerably reduced over the subsequent decades, the rate of economic leaders with top-level education was only 43% as late as the early 1980s. But newly industrializing areas faced with more difficulties seemed to be more open to the recruitment of more highly qualified leaders.

The Impacts of the Economic Reform

The most important outcome of the first wave of the Hungarian economic reform in 1968 was that it put an end to the system of the compulsory plan directions in economic and legal terms. The strategic decisions concerning investment and business policy came under the jurisdiction of corporations and in this respect they became formally independent units again. Paradoxically, while the formally dependent enterprises had a certain amount of informal

⁴² Judit Székely: Some data to the analysis of educational level of top managers in economy, in: György Lengyel (ed.): Education, Mobility and Network of Leaders in a Planned Economy. Bp. 1987. pp. 31-55.

⁴³ The same conclusion was drawn by András Ungár in his study entitled “Adalékok a vezetői inkongruencia vizsgálatához” (New data on the analysis of managerial incongruence) Manuscript, 1983.

⁴⁴ János Bernát: Recruitment and mobility of state and cooperative leaders, in: Gy. Lengyel (ed.): ib. Bp. 1987. pp. 57-82.

⁴⁵ Lenka Kalinova: Az irányítási és a műszaki dolgozók foglalkozási és szakképzettségi strukturájának változásai Csehszlovákiában. (Changes in the occupational structure of controllers and technical personnel in Czechoslovakia) in: Gy. Lengyel (ed.): Gazdasági vezetők rekrutációja, képzettsége és karriermintái a tervgazdaságban. (Recruitment, educational level and career patterns of economic leaders in planned economies) Bp. 1986. pp. 81-123.

maneuvering previously, after the reform the importance of the informal pressures of the party and state organizations has rapidly increased. Although it is hard to verify with the tools of empirical research⁴⁶, the institution of vertical informalism remained an important factor of real processes.

The casual interventions, the pressures of the party and state organizations together with the external market processes created an uncertain and inconsistent economic environment for the enterprises. In this inconsistent environment a large part of the economic leaders were not able to form a consistent strategy. They tended to characterize themselves neither as generalists nor as specialists but as “firemen”, whose main task was to fulfill the last request or solve the most urgent problem.⁴⁷

On the other hand the informalism was invariably a tool of the extortion of concessions.⁴⁸ There were influential leaders of large enterprises who were interested in continuing the policy of “exceptional cases”, while the majority of the managers were interested in the creation of homogenous rules, which was taught to be a prerequisite for a successful economic transformation.⁴⁹

Although an account of vertical informalism has been derived mainly from interviews, horizontal informalism – which is close to the “clique friendship” concept of anthropology – has been described by representative research as well.⁵⁰ E.g. leaders of agricultural enterprises found these forms of communication and assistance to be widely used, legitimate and helpful to their work.

In the first half of the 1980s there were significant changes in the methods of selection of Hungarian enterprise managers. One innovation was the introduction of competition, which apparently was operationalized by scrutinizing job applicants’ past practice, technical professional competence and knowledge of the enterprise.⁵¹ The competitive system greatly expanded the number of

⁴⁶ Jacek Tarkowski: Poland: patrons and clients in a planned economy, in: J. Wiatr (ed.): *Local Politics in Poland*. Warsaw. n. d., pp. 65-90.; Joseph S. Berliner: *Factory and Manager in the USSR*. Cambridge, 1957., pp. 182-230. The first is mostly theoretic, the second is based on interviews.

⁴⁷ Gy. Lengyel-Gy. Pártos: *ib.*

⁴⁸ Katalin Bossányi-Katalin Forgács T.: *Vállalatvezetők és érdekeltség (Enterprise leaders and interest)* Bp. 1983. pp. 67-68.

⁴⁹ András Hegedüs: Large enterprises and socialism, in: *Eastern European Economics 1986*. Vol. XXV. No. 1. pp. 3-17.; Erzsébet Szalai: The structural reasons for anti-reform attitudes, *ib.* pp. 106-112.; Tamás Kolosi: Strukturális csoportok és reform (Structural groups and reform) *Valóság* 1986. No. 7. pp. 19-31.; András Hegedüs B.- Gyula Kozák: *Gazdasági vezetők és a reform (Economic leaders and the reform)*. Lecture on the “Conference on the problems of economic management in a planned economy” (Organized by the Karl Marx University of Economic Sciences, Department of Sociology, Nov. 4-5. 1985.); See also Ewa Maslik: *Managerial attitudes and the economic reform in Poland (Manuscript, 1986)*.

⁵⁰ Agnes Czakó-Endre Sik: Managers’ reciprocal transactions, in: Gy. Lengyel (ed.) *ib.* Bp. 1987. pp. 141-171.

⁵¹ Dorottya Boda: The first experiences of the system of competition, in: Gy. Lengyel (ed.): *ib.* Bp. 1987. pp. 115-139.; József Köbli: *A vezetőkiválasztás gyakorlata: az irányított pályázatok (1982-1984) (The practice of leaders’ selection: the controlled competitions (1982-*

applicants for managerial positions and even of their judges. But according to the experiences, the number of candidates with a really good chance remained very low.

Another development affecting the composition of the managerial stratum was the introduction of new forms of enterprise management after the amendment of the Enterprise Act in 1984. This also modified the institutional conditions of the competition system. Enterprise councils were set up in the majority of firms (a small number of firms operated in the form of a general assembly or assembly of delegates, while another small number remained under central control). It was the duty of the enterprise council to determine the firm's strategy, including the appointment of the manager, – a responsibility which formerly belonged to the authority of the relevant ministry. Later the original rights of the enterprise council have been restricted again in accordance with the needs of transformation and privatization. These developments certainly modified the hierarchical relations within a firm and reformed the relations between firms and central economic control. But data have shown that from the very beginning four-fifth of enterprise council members have belonged to the staff or middle-management.⁵² Although in the meantime the importance of the enterprise councils has declined, the institutional changes have reinforced the position of the technocrats who have played a great role in preserving the stability of the firms.⁵³

Changing of the System and the New Elite in the Making

By the end of the '80s the formerly ideologically homogeneous elite became segmented. This segmentation was described among others by Erzsébet Szalai as the disintegration of the coalition between the party-based old elite and the technocratic new elite.⁵⁴ It was also a generational feature since the majority of the new elite was recruited from members of the beat generation who priced

1984)). Manuscript, 1985.

⁵² Törvények és rendeletek hivatalos gyűjteménye 1984 Bp. KJK 1985. 120-123. o.; Törvények és rendeletek hivatalos gyűjteménye 1989 1. köt. Bp. KJK, 1990, 50-54. o. József Fischer-dr. József Kardos: Az új vállalatvezetési formákra való áttérés kezdeti tapasztalatai (Initial experiences of the transition to new forms of enterprise management) Ipari Szemle 1985. No. 4. pp. 48-51.

⁵³ Katalin Bossányi: Atállás az új vezetési formákra: I. szakasz; "Ki kit győz le?" A kollektív vezetési formákra való átállás első tapasztalatai. II. rész (Changing over to new managerial forms :Phase I; "Who beats whom?" the first experiences of the transition to the collective forms of management.) (Manuscript, Bp. Oct. 1985 - Jan.1986.); Idem: Demokratizálódó gazdaság. Atállás a kollektív vezetésre az iparban. (Introducing democracy in economy. Change-over to collective management in industry) Gazdaság 1986. No. 2. pp. 113-133.

⁵⁴ Erzsébet Szalai, Az új elit (The New Elite) Beszélő, 1989. pp. 40-43.

highest competence, liberalism, meritocracy, but lacked a relevant social sensibility.

Taking the above-said as a hypothesis, I am going to examine, on the basis of the findings of an empirical investigation carried out in spring 1990, the specificities of the new elite in terms of social composition.⁵⁵

In the second half of the 1980s the economic elite, first of all the financial leaders, was indeed substantially rejuvenated. Especially spectacular was the change in the former group: a more detailed subdivision reveals a striking difference in the age composition of the bankers and the other two groups. While only 30% of ministry and enterprise leaders were under 45, the leaders of the reviving banking sphere were much younger with some 60% of them belonging to this age group. Leaders under 35 were four times as many among bankers as the average of the elite.

In 1990 83% of the economic elite were male. That means that the share of female leaders had somewhat risen over the past 5 years, yet the economic leadership is still predominantly a male role.⁵⁶

Higher education graduates had an overwhelming majority with 95%. The former party members form a group of similar importance, showing analogous numbers.

By 1990, however, party membership had lost its key role in screening people, which it had performed when proving loyalty. Despite some well-known examples, the economic elite refused to get involved in party politics through personal membership. A great part of former party members left the Hungarian Socialist Workers' Party in 1989, some did so even earlier, and they did not look for a new party. Thus prior to the 1990 elections, about 1/8th of the economic elite comprised those who changed over to the Hungarian Socialist Party rallying the reformist fraction of the previously ruling party. At the same time just over 1% joined the pro-socialist Workers' Party. A conspicuously low 1% joined the parties of the election winner centre-right coalition: the Hungarian

⁵⁵ The sample of 371 was made up of three subsamples representing the segments of ministries, bank managers and enterprise leaders. From among the controllers of the economy 102 division and independent department heads and some other senior officials of three institutions: The National Planning Office, the Finance Ministry and the Ministry of Industry were included. The subsample of the banking sphere contained the presidents, general directors, seputy directors and managing directors of the 28 commercial and credit banks, specialized financial institutes, savings banks and subsidiaries in Hungary. 69 valid answers arrived from the banking sphere, which correspond to a 56% response rate. Containing no systemic distortions, the subsample does not allow for inner divisions. As for enterprise leaders, we created a 16.6% sample taken from companies established or supervised by the Ministry of Industry. The subsample was representative as to branch, gross production value and polulation number, consisting of 286 general directors, their deputies, managers and chairmen of enterprise councils. The responses of 200 enterprise leaders could be evaluated, corresponding to a responding rate of 70%.

⁵⁶ Beáta Nagy, *Nők a gazdasági vezetésben*, Bp. (kézirat) (Women in Economic Leadership) Bp. (manuscript) 1991.

Democratic Forum, the Christian Democratic Party and the Smallholders' Party. The members joining the parties constituting the democratic opposition amount to 1% of the economic elite. All this does not mean that the members of the economic elite resign from the informal political channels of asserting their interests, and that there are no positions that imply strict political loyalty. It merely implies that party membership and political activity do not necessarily designate the basis of recruitment for an economic elite⁵⁷.

With regard to social composition gauged by the fathers' occupation, the elite could still be considered open at the beginning of the '90s: about half of them originate from workers families and some 30% from an intellectual or elite background. It is conspicuous that the group of enterprise managers significantly differed from those of the economic policy-makers and bank managers, regarding the proportion of those with an intellectual or elite family background. While in the former their rate was one-fourth, in the latter two it was one-third and 45%, respectively. Especially the rate of scions of leaders among bankers was (17%). This was probably related to the age composition of this group and the relatively high rate of young leaders. A similar tendency can be registered with regard to the education of the parents. The fathers of one-fifth of enterprise leaders had higher education, while the corresponding rate was one-third among ministry leaders and 44% among bank managers. As for the mother's schooling, 3% had higher education in the group of enterprise leaders, while only amounting to 12% in the group of ministry heads' and 22% in the bankers' group.

The amount of members whose fathers had a higher education diploma had a proportion of one-sixth among managers, and one-third among presidents and general directors, as well as department and division heads. The mothers' education outlines a similar tendency: one-sixth of the managers and one-third of the other two groups had mothers with secondary or higher education.

Our data suggest that there was greater deviation between the segments of the elite than between levels and positions of leadership. The offspring of white-collars were rarer among enterprise managers than among bankers and ministry leaders, and so were those whose mother was not a housewife. The fathers of 47% of enterprise managers had finished primary schooling or some primary classes only. The corresponding figures were 35% for bankers and 39% for ministry leaders. There were even more tightly-knit correlations in the case of the mothers: the mothers of 78% of enterprise managers, 48% of bankers and 60% of ministry leaders had finished 8 primary classes or less. The mother's position as to schooling and occupation had a closer correlation with the segmentation of the elite than the father's. Nevertheless, it applies to both parents that origin correlated more closely to the segmentation of leadership than to hierarchic stratification.

⁵⁷ György Lengyel, *The Small Transformation. Changing Patterns of Recruitment of Managers and Entrepreneurs*, Bp. 1991. (manuscript)

All this indicates that the economic institutions differ in the mechanisms of social selection. The levels of leadership do not tally despite all formal coincidences: though formally representing identical levels of leadership, enterprise leaders, bank managers and ministry leaders have different social backgrounds.

But as shown above, the correlation between recruitment and the segments of the elite is not independent of the generational distribution. A look at the age groups reveals that 61% of leaders aged 44 or under had a middle class father (the corresponding rates for bankers and ministry leaders are over three-quarters and 70%, respectively). An examination of leaders in the age bracket of 45 years and over, reveals that 47% of the fathers belonged to the above category and there was a negligible difference between the segments. This is confirmed by the fact that the Gamma index of the correlation between the segments and origin was 0.42 for the younger generation and 0.07 for older leaders. Half of the mothers worked and half were housewives. Comparing the worker-housewife distribution of mothers to their level of education, shows that while about two-thirds of mothers finished up to 8 elementary classes, this proportion was 85% among housewives (50% of them finished 6 classes at most). Instead of a middle-class family model, the category of the housewife mother represents a lower status, i.e. a more traditional model. Our data clearly show that the rate of housewife mothers was far lower (35%) among the younger leaders than in the older age group (58%). The generational effect reinforced again the differences between the segments, consequently the proportion of housewife mothers was lower among younger bankers and ministry leaders than the age-group average.

There was an especially strong generational difference in regard to the parents' schooling. As against one-fourth of younger leaders, over half of the older leaders had fathers with primary schooling only. The same applied to the mothers' education, with the corresponding figures being 54% for younger leaders and three-fourths for older ones. Segments varied more widely concerning the schooling of the parents of younger leaders than in the older age group. Especially marked was the deviation between the segments in regard to the schooling of the mothers of the younger leaders (Gamma = 0.6). More than two-thirds of the young enterprise leaders are part of families where the mother's schooling did not exceed the eight primary classes, whereas among young bankers and ministry leaders the corresponding rates were a mere one-sixth or one-seventh.

A similar tendency is demonstrated by the correlation of position and social background by age. Among younger leaders the background variables and position correlate more closely than in the older age group. Among those born after the war there is a more pronounced differentiation as to both segments and positions than among those born before the war. At the same time all indications reveal that position shows a weaker correlation with origin than with institutional segments. The mother's occupation and education correlates more

closely with position than the father's (the latter being negligible in the older age group).

Trying to summarize the generational effect, one comes to the conclusion that the new generation of leaders tended to be closer to each other already before the changing of the system. Furthermore the differences in recruitment were larger between the segments of younger leaders than in the older generation. The younger generations of the elite were increasingly more closed socially and more markedly segmented.

Regarding career patterns it is conspicuous that the great majority – about three quarters – of the economic elite of the '80s had a continuous career. Administrative careers predominated the continuous careers (characterizing nearly half of the elite), with a quarter having a hopscotch career and another quarter running a technical or technical-administrative course. As a matter of course, administrative careers principally characterized ministries and banks and technical careers were typical of enterprises. While distributed rather evenly among the segments, hopscotch careers were slightly underrepresented in the banking sphere.

Comparatively small is the rate of the hopscotch careers which subdivide into experts, politicians, manager's and "big leap" career types. The "big leap" type of career characterizes those who began as workers and taking one "big initial leap", they became leaders⁵⁸. According to this subdivision, the experts' and politicians' careers were somewhat overrepresented in the ministries, as were the managers' careers in enterprises.

The "big leap" type occurs less frequently in the banking sphere than in the other two segments. It was disproved that the manager's and expert's careers presupposed a family background of higher social status, and the political and "big leap" careers rooted in a family background of lower status. The rate of working family offspring was somewhat higher than average among those who had a manager's or politician's career, while this rate was slightly below average in the "big leap" career type. This suggests that the initial big leap does not imply the survival of the traditional worker-turned-director type. Instead, in most cases it indicates the few years before higher education and the usually continuous careers after graduation. Administrative careers were typical of most of the younger elite group, while in the older generation the technical career was more frequent than average. Another assumption that was not confirmed claimed that the political career pattern decreased in the younger group. Political careers had a very low share totaling a mere 6%, with a somewhat higher rate in the younger group.

It cannot be declared that the intra-institutional career pattern characterized leaders in the younger age group or those in lower positions. The latter correlation was further weakened by the fact that heads of divisions and departments

⁵⁸ Andrea Szakács, *Felsőszintű gazdasági vezetők karriertipológiája*, Bp. 1991. (kézirat) (The Career Typology of Top Economic Leaders) Bp. 1991. (manuscript)

were only included in the ministry sub-sample where the local career pattern had a smaller weight. Among the newly appointed there was a below-average rate of those who had risen within the same institution⁵⁹.

The fluctuation of leaders widely differed in the three segments of the economy. While 42% of enterprise leaders had been in their current position for over 5 years, 44% of the bank leaders and 54% of the ministry elite had been in their new posts for one year. This affected the career patterns insofar as the administrative career was overrepresented among the newly appointed and the hopscotch and technical careers were more frequent among those who had been in their current positions for a longer period of time. Over half the leaders below 44 had been in their new posts for just a year or less, with only one-sixth having been in office for over 5 years. The proportion of the latter was over one-third in the older group. The investigation did not establish that the rate of hopscotch careers decreased going down the hierarchy. There was a relatively stable one-fourth rate for hopscotch careers in various positions.

Segments also differed as to career pattern type in that, taking all the previous stations of career into account, inter-segment mobility was chiefly typical of ministry leaders, intra-segment fluctuation characterized bankers and intra-institutional career was most frequent among enterprise leaders.

Administrative careers had a greater share among the vertically mobile leaders (those rising in inter-segment mobility), but the political careers among them did not exceed the average of 6%. All this derives from the different specificities of the two dominant groups of economists and engineers. While nearly two-thirds of the incumbents for one year or less were economists, the same proportion characterized the engineers among those in office for five years. Hence, economists were overrepresented among younger leaders and engineers among older ones.

While economists were overrepresented in the inter- and intra-segment career types, engineers had an above-average rate in the intra-institutional career type (careers in one enterprise).

The fluctuation of the Hungarian economic elite largely increased prior to the changing of the political system. In 1990, before the elections, the proportion of economic leaders for a year at new posts was nearly 40%. In the early 1980s the corresponding rate was one-fourth. As against the earlier 45% of leaders in position for three years at most, their proportion in 1990 was over 60%.

There was an especially vigorous fluctuation in the ministries where three-quarters of the leaders had changed within three years, half of these leaders within one year. The same can be observed with banks, where the rate of leaders appointed within three years was four-fifths, with 45% of them being in office for a year. Due to institutional changes, this growth is especially large in

⁵⁹ Éva Kovács - Tibor Misovicz, *Karriertípusok a gazdasági vezetők pályafutásában* (Career Types of Economic Leaders) Bp. 1991 (manuscript).

the banking sphere because in the first half of the 1980s there was a below-average fluctuation in this segment, and now it was found to be the highest.

Thus the changing of the Hungarian economic elite began before the changing of the system. Was this newly risen elite really new? As the above survey reveals, it contained new features regarding its social profile. It was a younger, more closed social formation recruited from groups of higher social prestige than the former elite was. Yet it also displayed features typical of the previous economic leadership. It continued to be predominated by males, higher education graduates and former party members. A look at the pre-appointment workplace of the elite reveals, that more than three-quarters of those appointed a year before had worked for the same institution or enterprise in their previous position as well.

This is connected with the preponderance of continuous, administrative careers. Yet, as was pointed out above, in earlier phases of the careers there was considerable inter- and intra-segment mobility.

The changing of the economic elite thus began, but did not end before the political transformations. The emerging new elite was far more inclined to appreciate the market experiences and the meritocratic elements in the selection of leaders⁶⁰.

The members of the elite would tend to increase the difference between the highest and lowest incomes, whereas the employees would give a rise to everyone, decreasing at the same time the difference between the smallest and biggest incomes⁶¹.

At the same time the economic leaders were – seemingly contradictorily to what Erzsébet Szalai said of the social insensitivity of the new elite – more willing than the ordinary people to adopt the view that “all the needy should be supported irrespective of their political ideas or origin”⁶². The new elite was not less sensitive socially than the rest of the social strata, but it has a greater social responsibility.

Party membership had lost its significance, being replaced by personal relations – an important asset earlier, too – and institutional multi-positional status, as preconditions for managerial success. This characterizes the still predominant state elite and the leaders of the emerging private economy. One of the main findings of a content analysis of advertisements for managerial posts was that the requirements expected to be met by Hungarian private company man-

⁶⁰ Erika Maizl, A gazdasági elit véleménye a vezetőkiválasztásban szerepet játszó tényezők fontosságáról (The Economic Elite's Opinion of the Significance of the Elements in the Selection of Leaders) Bp. 1991. (manuscript)

⁶¹ Erika Répási, Foglalkozások presztizse (The Prestige of Professions) Bp. 1991. (manuscript)

⁶² István György Tóth, Az igazságos jövedelemelosztással kapcsolatos attitűdök vizsgálata (A Study of Attitudes Concerning Fair Income Distribution) Bp. 1991. (manuscript)

agers were far more similar to those of state enterprises than foreign joint companies⁶³.

The act governing share-holding companies stipulated that one person could not fill more than one operative managerial position. One could, however, be a member of the supervisory committee of up to five companies⁶⁴. Party membership was no precondition, but there was a border area between economy and politics where a new type of leader was emerging: that of the “economic policy” entrepreneurs. He was an entrepreneur, a leader in the reviving employers’ interest-protecting organizations, as well as in legislation or lobbying. These roles mutually generate and reinforce each other. This career pattern characterizes most of the successful intellectual-entrepreneurs⁶⁵. Interviews and surveys of private entrepreneurs suggest that the entrepreneurs themselves regard the establishment of personal contacts as one of the tokens of success⁶⁶.

Conclusions

Surveying the long term changes of recruitment and career patterns of economic leaders in the East European planned economies we could reconstruct the outlines of a slow and contradictory professionalization.

The criteria of recruitment have shifted from class origin to education, experience and party membership. The original differences between the leaders of the control sphere and the managers have decreased but have not disappeared. The basis of recruitment in the case of the new generation of economic leaders was relatively wide as far as their social origin was concerned. But if the party membership and education are taken into account, it was extremely narrow, as a result of cadrification and professionalization.

With the changing of the system, party membership gave way to competence and networks as the basic criteria of recruitment. As regards its social profile, a new economic elite is in the making. The members constituting its greater part have arrived from the second line, sharing the workplace experiences and career patterns with their retired predecessors. With the systemic changes, privatization and the spread of entrepreneurial forms, alternative career patterns have appeared outside of large organizations. In 1988, 25% of the adult population of Hungary showed interest in becoming entrepreneurs. In

⁶³ A. Bartha (et al.), *A forma hatalma (The Power of Form)* Figyelő, 1992.

⁶⁴ Az 1988. évi VI. törvény a gazdasági társaságokról. *Törvények és rendeletek hivatalos gyűjteménye*, Bp. KJK 1989. pp. 38-134. (The 1988 Act Governing Economic Partnerships; An Official Collection of Acts and Statutes).

⁶⁵ István János Tóth, *Gazdasági érdekszervezetek és érdekérvényesítési módszerek (Economic Interest-Protecting Organizations and Way of Asserting Interests)* Bp. 1992. (manuscript)

⁶⁶ Tibor Kuczsi (et al.), *Entrepreneurs and Potential Entrepreneurs. The Chances of Getting Independent.* *Society and Economy*, 1992/2.

1990 their proportion was as high as 44%. Potential entrepreneurs were clearly overrepresented among young intellectuals and skilled workers. While the big challenge of the economic reform was to assign managerial traits to the cadres, the social effect of the changing of the system can be captured in the fact that it pits the entrepreneurial alternative against state enterprise managers. The roles, however, were not yet clear, the behavioral patterns had not struck firm roots in the early '90s.