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# From Proto Capitalism to Post-Socialism: The Case of the Hungarian Film Industry\*

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## Abstract

The post-socialist transformation of the Hungarian film industry is usually discussed in the context of state-run studios and state funding.<sup>1</sup> These explanations focused on the role and importance of regulation and institutional aspects of change, highlighting the changes in the production system (the development of independent production companies) and the transition from direct state control and funding to public funding (the setup of a new institution, the Motion Picture Foundation of Hungary). The transformation, as in the case of other Eastern European film industries, is usually interpreted as a crisis and a major break. This article will nuance this mainstream interpretation of the transformation of the Hungarian film industry with the examination of features that connect the two eras (i.e. late socialist and early post-socialist periods). Instead of the linear logic of succession and transition, it will focus on the ambiguities of change and continuity, showing that although the changes were fundamental, many things connect late socialist years and early post-socialist period. The article claims that the transformation could not be described as a simple one-way shift from a centralized state-socialist system to the market-oriented film industry and the system of public funding. Considering the trends of marketization and ‘proto-capitalization’ of the late 1980s in the Hungarian film industry and the post-socialist survival of the state socialist studio system, the article will show the double-face of the transformation.

**Keywords:** Hungarian state-socialist film industry, post-socialist cultural market, proto-capitalism, public funding, market-oriented transformations.

## The Attributes of State Socialism

The socialist system in Hungary lasted from the end of the 1940s, from the communist takeover in 1948 to the very end of the 1980s, until the change

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<sup>1</sup> Dina Iordanova, “East Europe’s Cinema Industries: Financing Structure and Studios,” *Javnost/The Public* no. 2 (1999): 45-60; Dina Iordanova, *Cinema of the Other Europe: The Industry and Artistry of East Central European Film* (London: Wallflower Press, 2003); John Cunningham, *Hungarian Cinema: From Coffee House to Multiplex* (London: Wallflower Press, 2004); Catherine Portuges and Peter Hames, eds., *Cinemas in Transition in Central and Eastern Europe after 1989* (Temple University Press, 2013).

of regime. In defining the socialist system, in this article, I rely on the works of the economist János Kornai. In his fundamental book,<sup>2</sup> Kornai describes the socialist system along with five causally connected blocks that give it coherence. The order of the blocks reflects a hierarchy. Of the blocks described by Kornai, the first three are the most relevant to my analysis. The first is the indivisible rule of the (Communist) party and the dominant influence of official ideology (power relations), the second is the dominant role of the state and quasi-state ownership (property relations), and the third is the predominance of bureaucratic coordination (coordination mechanism). If we want to place the Hungarian film industry within the context of the socialist system from a political and institutional point of view, the period of approximately forty years from the nationalization of the industry in 1948 to the independence of these film studios in 1987 is the era of state-socialist film production. These decades were characterized by direct political-ideological control (power relations), a state-owned film industry (property relations) and a bureaucratic coordination of the industry. The combined presence and interplay of these three factors defined the system. None of them alone was sufficient, since it is clear that the presence of state (and state funding) played a decisive role in the industry before 1948 (not to mention that the Hungarian film industry was the world's first nationalized industry, in 1919, during the month of the Hungarian Soviet Republic), as it did after the change of regime.<sup>3</sup>

The elements that determine the specificities of the state-socialist film industry are thus the exclusivity of state (owned and financed) film production, the existence of direct political-institutional control and the role of bureaucratic coordination. The beginning and end of the system are marked by the appearance and disappearance of these attributes. However, these shifts did not happen unexpectedly and quickly, but gradually. Thus, to describe and understand the history of the state-socialist film industry from a political and institutional point of view, it is not enough to identify and analyze core elements of the system (the exclusivity of state film production, direct political control and bureaucratic coordination), but we need to capture the dynamics of events. The importance of power and property relations are obvious. Two different issues are worth examining, regarding the third core factor of the system, bureaucratic coordination: hierarchy (the order and organization of production management) and centralization (the division of the institutional structure). Therefore, according to Kornai, the internal phases of the four decades can be characterized by the strictness of political-institutional control as

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<sup>2</sup> János Kornai, *The Socialist System: The Political Economy of Socialism* (Princeton: Princeton UP, 1992).

<sup>3</sup> David Frey, *Jews, Nazis and the Cinema of Hungary: The Tragedy of Success, 1929–44* (London and New York: I.B. Tauris, 2018); Gábor Gergely, *Hungarian Film, 1929–1947. National Identity, Anti-Semitism and Popular Cinema* (Amsterdam: Amsterdam University Press, 2017).

a degree of hierarchy, and the centralization or articulation of the production structure/management. Institutional control (the organizational-institutional hierarchy regarding the development, production, and distribution of the films) is vertically divided, and the centralization or decentralization of film production is divided horizontally.

The above-mentioned two aspects (centralization and hierarchy) are related to the predominance of bureaucratic coordination described by Kornai as the third block of causality. Hence, the changes that took place in the organization of the film industry can also be described as efforts to transform the bureaucratic coordination characteristic of the classical (socialist) system and to improve regulation. Kornai describes the move away from the classical system and the peculiarities of reform socialism along with the changes in the regulations.

## Systems and Changes

The characteristics of the state-socialist film industry are often described as a special way of production. For example, Petr Szczepanik designates these decades as the state-socialist mode of production.<sup>4</sup> In his description of this system, Szczepanik uses as point of reference Janet Staiger's analysis about classical Hollywood production<sup>5</sup> and highlights the hybrid nature of Eastern European socialist film industries:

“After World War II, East-Central European film industries not only inherited the interwar models of their European counterparts and of their predecessors, but they also borrowed a number of organizational elements from Hollywood, on account of their radical versions of integration, centralization, and monopolization. The State-socialist Mode of Production was therefore a rather peculiar hybrid of local, regional, and global models.”<sup>6</sup>

However, Szczepanik underlines important specificities of this production mode such as the dominant role of state control and funding (meaning long-term plans and fixed budgets for the studios), top-down management, and bureaucratic control. We can link these features to the aforementioned attributes of the state socialist system, described by Kornai. Thus, the forty years of the state-socialist film studio system can be described as a coherent period regarding the exclusivity of state film production, direct political-institutional control, and a centralized, hierarchical institutional system. Despite the numerous

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<sup>4</sup> Petr Szczepanik, “The State-Socialist Mode of Production and the Political History of Production Culture,” in *Behind the Screen: Inside European Production Cultures*, eds. Petr Szczepanik, Patrick Vonderau (New York: Palgrave Macmillan, 2013), 113-134.

<sup>5</sup> David Bordwell, Kristin Thompson, Janet Staiger, *The Classical Hollywood Cinema: Film Style and Mode of Production to 1960* (New York: Columbia UP, 1985).

<sup>6</sup> Szczepanik, “The State-Socialist Mode of Production,” 116.

transformations and changes, the above elements can be called structure-forming, period-specific features. At the end of the 1940s, the development of this system (the nationalization and centralization of film companies, which had previously been divided and fragmented), the establishment of direct political and institutional control and the setup of a centralized, hierarchical institutional system (the main feature of which is that all areas of the industry: production, distribution, and exhibition, were centralized and operated under a state- and party-controlled system) opened the four-decade history of the state-socialist film industry. Therefore, the key moments of the end of state-socialist film production are the end of the exclusivity of state film production and direct political-institutional control (in simple terms: censorship) and the transformation of the centralized, hierarchical institutional system. Not all these key moments can be linked to a single event or date. The end of censorship and the release of previously banned films was an important and ‘visible’ end-mark of political-ideological control everywhere in the region, although there were huge differences in the mode, technique and rigor of film censorship in Eastern European film cultures. Hungarian cinema was famous for its moderate or lenient censorship,<sup>7</sup> but due to the lack of systematic and archive-based comparative analyses, these statements are not easy to verify.

Regarding another core element of the system, the end of the exclusivity of state film production can be described in several ways, depending on what we consider to be its defining element. If the financing (the source from which the budget of the films comes) is the central factor, it is not possible to draw a sharp distinction, since state funding (as mentioned earlier) was a determining element of Hungarian film production before the nationalization and has continued to be so since the change of regime; this applies not only to Hungarian or East European, but also to West European film productions.<sup>8</sup> It is obvious, of course, that the emphasis must be on the end of the *exclusivity* of state funding, and then the change can be linked to the arrival of non-state funds (independent or private sources, and not co-productions, which are special cases). In this respect, the very beginning of the 1990s was the turning point: for example, Pál Sándor, a leading director of the 1970s and 1980s, launched a German-Hungarian production company for making advertisement films. This company, named Novofilm (supplementing the initial support from the Culture Ministry), co-produced the satirical burlesque-comedy *Make it, Silly (Csapd le csacsi*, 1991, directed by Péter Tímár). The film, which was produced much cheaper than the average budget of the Hungarian films of that time, and attracted over a hundred thousand viewers, was one of the early representatives

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<sup>7</sup> John Cunningham, *Hungarian Cinema from Coffee House to Multiplex* (London: Wallflower Press, 2004).

<sup>8</sup> Anne Jäckel, *European Film Industries* (London: British Film Institute, 2003).

of a new model of film production, yet it did not become the outpost of the new, post-socialist private and market-oriented filmmaking. The reason why the field of market-oriented private productions did not develop in the early 1990s, and why in many respects the first half of the 1980s in the Hungarian film culture was more market-oriented than the years following the political changes can be understood from a closer investigation of the trends and dynamics of domestic film industry.

Consequently, instead of funding, it is more worthwhile to focus on the institutional aspects such as the centralized, hierarchical institutional system as a characteristic, system-specific feature, and to link the end of the state-socialist system to the transformation of the centralized state film production, and in this way to the end of the exclusivity of state funding. In that sense, the establishment of the Motion Picture Foundation of Hungary in 1991 is of great importance. However, the ‘rear-guard actions’ of state-socialist film studio system lasted even further, until the mid-1990s, as the champions of the state (socialist) film industry, the studios, were distinguished players in the Hungarian film industry and leading targets of public funding in the first years of the new system, during the initial period of the Motion Picture Foundation. In the following overview of the trends and dynamics of the transformation of the industry, for the sake of simplicity, the events and the process of transformation will be divided into two stages: first, the period of crisis and reorganization of the ‘old order’, the state-socialist system (with highlighting the early tendencies of marketization or ‘proto-capitalization’) in the 1980s, and second, the period of the formation of the new structure (highlighting those patterns which connect the late socialist period and the early post-socialist years) in the early 1990s.

## The (End of the) State-Socialist Studio System

In the era of the state-socialist film industry, feature film production was a monopoly of the state-studios.<sup>9</sup> The institutional structure of the Hungarian film industry underwent several changes over the four decades of socialism, and these changes, especially in the 1970s and 1980s, almost alternately strengthened and weakened control and centralization. It cannot be said, therefore, that the direction of change has been a continuous and clear relaxation or decentralization of the system.<sup>10</sup> The pre-1957 years were the era

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<sup>9</sup> Indeed, feature films were made within the circles of the ‘amateur’ filmmakers and then the ‘non-professional’ film movement, that is, outside the ‘official’ production structure, and the importance of these films should not be underestimated. However, from an institutional-historical point of view, we can rightly speak of a monopoly.

<sup>10</sup> Miklós Köllő, “A játékfilmgyártás szervezeti keretei” [Organizational Framework for Feature Film Production,] in *Huszonöt magyar filmszemle (1965–1994)*, ed. Gábor

of strict centralization which was followed by a cautious change and the development of the so-called creative units or creative workshops (studio groups of filmmakers) – a common and important characteristic of many Eastern European socialist film industry.<sup>11</sup> These creative units were the predecessors of the four Hungarian state film studios (Budapest, Dialóg, Hunnia, Objektív) of the 1970s and 1980s. Balázs Béla Studio (BBS), a unique workshop of Hungarian experimental and alternative filmmaking in (Eastern) Europe, also operated within MAFILM. BBS was able to work on a limited budget, but with more artistic-creative freedom than the studios.<sup>12</sup>

MAFILM, a unified film factory with thousands of employees, was a real large-scale socialist factory (similar to the Czech Barrandov and the East German DEFA), whose productivity and products were measured under non-market conditions due to the conditions of the socialist, state-planned economy. The vast majority of MAFILM's annual revenues (approximately sixty percent) did not come from the production of feature films, documentaries, shorts, or newsreels, but from productions made for Hungarian Television, as well as from domestic and foreign service productions.<sup>13</sup> Thus, television production and various service jobs were keys to the operation of the industry even before the regime change. The role of television productions and service jobs was decisive. On the one hand, these productions made it possible to utilize the infrastructure capacities (studios, sets, technical equipment, etc.) and to provide work for the industry personnel and filmmakers. On the other hand, MAFILM was able to cross-finance the increasingly costly domestic (feature) film production to some extent from the revenues of service jobs and TV productions. MAFILM, being a company that had grown too big, had an extremely high overhead (approximately thirty percent of its annual budget, including salaries and public charges). However, the company charged a higher percentage of the overhead in connection with a domestic television production

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Gelencsér (Budapest: Magyar Filmunió, 1994), 201–203; Balázs Varga, “Filmirányítás, gyártástörténet és politika Magyarországon 1957–1963 [Film management, production history and politics in Hungary, 1957–1963,] (PhD diss., Budapest: ELTE BTK, 2006).

<sup>11</sup> Marcin Adamczak, Piotr Marecki, Marcin Malatyński, eds., *Film Units: Restart* (Krakow: Ha! Art., 2012); Dorota Ostrowska, “An alternative model of film production: film units in Poland after World War Two,” in *A Companion to Eastern European Cinemas*, ed. Anikó Imre (Chichester: Wiley-Blackwell, 2012), 453–465.

<sup>12</sup> Gábor Gelencsér, ed., *BBS 50. A Balázs Béla Stúdió 50 éve* [BBS 50. 50 years of Balázs Béla Studio]. (Budapest: Műcsarnok – Balázs Béla Stúdió, 2009).

<sup>13</sup> István Langer, *MAFILM Krónika 1948–1987* (Manuscript, 1988); Omar Sayfo, “Set for Success: Hollywood Runaway Productions in Socialist and Post-socialist Hungary,” *Media Industries* 7, no. 1 (2020), <https://doi.org/10.3998/mij.15031809.0007.103>.



or a foreign (Western) service production than when producing a Hungarian feature film.<sup>14</sup>

MAFILM accounted for the costs of domestic feature film production in an internal accounting system with the studios, which also belonged to the company, but acted as quasi-customers. The studios were given an annual budget and the number of films to be produced.<sup>15</sup> Although the amount spent on feature film production increased consistently until the early 1980s, film production became more expensive.<sup>16</sup> Therefore, from the mid-to-late 1970s, studios were often only able to manage the annual number of films from their budget by producing feature-length documentaries in addition to their feature (fiction) films. These documentaries were cheaper than feature productions, and also television co-productions helped the studios fulfilling the annual plan. (Studios were generally expected to produce four to five films a year.)

However, a new situation emerged in the early 1980s. On the one hand, a new studio, named Társulás appeared on the scene, grouping the representatives of the young generation of filmmakers and those directors who were oriented towards the socially engaged quasi-documentary style of filmmaking (István Dárday, Béla Tarr, László Vitézy, Pál Erdőss, Gábor Bódy, András Jeles, to name some important directors from this circle of filmmakers). From that point on, the amount that could be spent on feature film production each year was no longer distributed among four but five studios. (Even though Társulás, being a pilot studio and producing usually cheaper experimental or documentary feature films, received a half-year state support compared to the other four studios.) On the other hand, from 1982 onwards, the amount of state subsidy did not increase – only inflation rate, and by 1986 the previous state subsidy had decreased by forty percent in real terms. As a result, the studios' internal reserves accumulated over the previous years ran out rapidly. These internal reserves (so-called studio funds) came from domestic and foreign distribution revenues, as well as budget savings from the production of previous films. In the middle of the decade, the situation was no longer sustainable – the crisis became clear. This crisis was closely related to the economic stagnation and problems of the Hungarian socialist system and shows why and how market-orientation became important in the first half of the 1980s.

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<sup>14</sup> Langer, *MAFILM Krónika 1948–1987*. Throughout the article, Langer's study is the basic source of information regarding the financial situation and funding trends of Hungarian film industry in the 1980s.

<sup>15</sup> The financing system has been constantly changing a lot. The crucial point was that the amount allocated annually by the state for the production of feature films could be supplemented by the two distribution companies (MOKÉP, serving for the domestic distribution of Hungarian films and Hungarofilm, the foreign distributor of Hungarian films), and also the Ministry. Furthermore, MAFILM could also allocate separate grants for each film.

<sup>16</sup> Langer, *MAFILM Krónika 1948–1987*.



## Turning to the Markets?

The depoliticization, the consolidation of the Kádár regime in the 1960s, the expansion of consumption financed by Western loans instead of the reversed reform in the 1970s, and the improved standard of living until the end of the 1970s resulted in a cheerful social climate in Hungary.<sup>17</sup> This was characterized by a focus on individual well-being rather than community values, and all this was accompanied by more and more frustration.

Instead of solidarity, in addition to individualism, the demobilization of politics, the devastating consequences of “bottom-up” self-demobilization<sup>18</sup> became increasingly apparent at the turn of the 1970s and 1980s. At a time when the solid economic growth of the 1970s which was fueled by (mostly Western) loans changed to much more poor prospects, the process of material and symbolic loss of legitimacy of the Kádár regime began. In the early 1980s, apart from the shock of sudden price booms, however, this was still a little visible. The image of the “happiest barracks” or “goulash communism”<sup>19</sup> was further supported by several spectacular events, sparking national pride (the first Hungarian cosmonaut, Bertalan Farkas in space, the international success of the Rubik's Cube strengthened the image of the country's scientific and technological greatness; meanwhile liberalized and expanded travel opportunities to the West supported the myth of the openness of Hungarian goulash communism). Responses to the economic problems (the country's accession to the International Monetary Fund, cautious liberalization of the economy, and the appearance of proto-entrepreneurs) had already proved unsuccessful on medium term, and only accelerated the process of external and internal (material and symbolic) indebtedness and self-exploitation. Hungarian cinema of the early 1980s showed and reflected the dynamics of this ambivalent trend. The decrease in the real value (and later the nominal reduction) of the state support for the film industry and the rearrangement of ideological-political priorities opened the way for new trends and production models. The wave of Western co-productions (István Szabó: *Mephisto*, *Colonel Redl*; Márta Mészáros: *The Heiresses*; Sándor Simó: *Sylvester Syndrome*) and Hollywood runaway productions (for example John Huston's *Escape to Victory* – a loose remake of Zoltán Fábri's early 1960s domestic classic, *Two Half-times in Hell*) and the boom in popular filmmaking (crime comedies, teen films, genre

<sup>17</sup> Ignác Romsics, *Hungary in the Twentieth Century* (Budapest: Corvina, 1999).

<sup>18</sup> Tamás Beluszky, “Értékek, értékrendi változások Magyarországon 1945 és 1990 között” [Values, Value System Changes in Hungary between 1945 and 1990] in *Korall*, no. 1 (2000): 137–154.

<sup>19</sup> Tibor Valuch, “Social transformation and changes in daily life in Hungary, during the period of the change of system,” *Metszetek*, no. 1 (2014): 192–201.

experiments, pop, and rock musical films), the turn towards commercial success and revenues were signs of these new trends of slow market-orientation or quasi-commercialization. All these factors made the context of Hungary and Hungarian film culture rather unique – especially considering that the first half of the 1980s was a time of Brezhnevite stagnation in the Soviet Union, an era of political repression after the martial law in Poland, a grim crisis of lasting ‘normalization’ in Czechoslovakia and of a more repressive Ceausescu regime in Romania. While in many Eastern European countries Gorbachev’s glasnost brought at least some relief and a turnaround after 1985, in Hungary the early 1980s were a period of an ambivalent and in retrospect unsuccessful reformist endeavor.<sup>20</sup> And after 1985, as if the trends had reversed, a kind of rearrangement had just begun.

The mid-1980s in the Hungarian film industry was a hectic period of reorganization, reform, and counter-reform. As a result of the lobbying, and will of the management of the leading four studios and the most influential directors, the Társulás studio was liquidated.<sup>21</sup> However, under the pretense of transforming the studio system, a new reformist management of MAFILM introduced a novel internal accounting system. The essence of this was a rethinking of previous overhead keys, which affected feature film production adversely. In contrast to the practice of previous years, MAFILM also wanted to eliminate the average cost-effective overhead in the production of Hungarian feature films. The company heavily needed this money because by that time MAFILM had much fewer orders from television, as well as domestic and foreign service productions.<sup>22</sup> Television orders dropped because Hungarian Television had more and more in-house productions. Domestic service jobs fell because the small private film companies which were licensed at the time became rivals of MAFILM, especially in the field of the production of advertising films. Finally, foreign service jobs fell because, in the mid-1980s, other countries in Eastern Europe opened and allowed Western runaway productions, so price competition intensified in the region. Besides, MAFILM was forced to introduce more transparent, cost-based internal accounting due to

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<sup>20</sup> Melinda Kalmár, *Történelmi galaxisok vonzásában. Magyarország és a szovjetrendszer, 1945–1990* [Attracting Historic Galaxies. Hungary and the Soviet System, 1945 – 1990.] (Budapest: Osiris, 2014); László Csaba, “Változó erőterben – változó egyensúlyozás. Adalék Magyarország háború utáni gazdaságtörténetéhez” [In a Changing Force Field - Variable Balancing. Addition to Hungary's Post-War Economic History,] in *Rendszerváltás és Kádár-korszak*, eds. György Majtényi and Csaba Szabó (Budapest: Állambiztonsági Szolgálatok Történelmi Levéltára – Kossuth, 2008).

<sup>21</sup> András Bálint Kovács, “Nyolcvanas évek: a romlás virágai” [The Eighties: The Flowers of Decay,] in András Kovács Bálint, *A film szerint a világ*, [Film Says the World], (Budapest: Palatinus, 2002).

<sup>22</sup> Langer, *MAFILM Krónika, 1948–1987*.

the freezing of the state subsidy at nominal value.<sup>23</sup> As a result, MAFILM, as a service production center, charged much higher sums to feature film commissioning studios than before. The studios loudly protested these measures and the new management. The result of their revolt was the replacement of the reformist leaders of MAFILM and the reorganization of the industry in 1987, separating the production and service infrastructure of MAFILM from the studios that became independent companies. These studio companies remained state-owned and no new production companies were created at that time. The reorganization created, however, a new situation in which independent studio companies could not only make their films under contract with a single service provider, MAFILM, but could also look for other partners. They had formally had the opportunity to do this before, but in practice, there was no example of it. The monopoly on production and services was thus abolished, although at that time it was ‘only’ the framework for transformation. In conclusion, in the late 1980s, the first phase of the transformation of the state socialist film industry was completed.

These changes can be interpreted as cautious steps of market-orientation. However, new ‘reformist’ leaders of MAFILM who tried to rationalize the operation of the company were overthrown by the lobby of politically influential filmmakers. This turn of events essentially resulted in the status quo being maintained. At the same time, there had been attempts to make films outside the state-studio system. One of them was István Bujtor's crime comedy from 1986, *The Enchanted Dollar*. The film was produced in 1986 by Movie-Coop, a joint venture between MAFILM and Skála-Coop (Hungary's top cooperative department store). The other example was Béla Tarr's *Damnation*, made in 1987 by the Hungarian Film Institute and Mahir (a Hungarian advertising company). What is interesting and common in the two films, which are otherwise extremely different, is that both were made outside the studio system and its funding mechanisms, and both presented a stylistic-genre alternative of that time Hungarian filmmaking. The making of *The Enchanted Dollar* in a new kind of production-financing construction was a test of a new kind of cheaper and more efficient commercial filmmaking, under the ‘socialist’ enterprise umbrella. *Damnation* was not made in the spirit of popular or commercial cinema but was made also outside the structure, as Tarr's project (and his visionary filmmaking attitude) was not accepted by any of the studios. However, the newly reorganized Hungarian Film Institute (the former Film Archive and Institute of Film Studies) saw fantasy in it. Thus, we can say that these two films were the forerunners, precursors or alternatives of mainstream Hungarian cinema of the 1980s, as they represented two trends that could mean a successful (future) operation for the national (European) film productions: a

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<sup>23</sup> László Szekeres, “Beszéljünk őszintén” [Let's be honest,] *Filmvilág* no. 9 (1986): 6–8.

radical arthouse film, made for the international festival circuit and a domestic box office hit. None of them had a place in the mainstream Hungarian film industry in the late 1980s. Accordingly, it seems that the ‘dawn of system change’ brought the restoration of the state studio system.

### In the Vortex of the Regime Change

The second phase of the transformation took place during the years of the political regime change, and its two most important features were breaking the exclusivity of the state-based studio system, namely the emergence of new, mostly non-state-owned film production companies, and the transformation of the funding system. In itself, the independence of studios did not bring about a dramatic change in the industry as the monopoly of the studios remained in place. Competition strengthened in the services market, as it opened to MAFILM’s potential rivals. However, in the second phase of the transformation, at the turn of the 1990s, the emergence of new production companies was the decisive change. Many of the new production companies were founded by former MAFILM employees. These new companies produced much cheaper films than the average Hungarian film budget at the time, such as the aforementioned *Make it, Silly*. Yet, these were mostly one-time businesses, and these companies were rarely able to flourish and set up continuous film production. The time of new private film production companies came only in the mid-1990s. The best known and most important example is Magic Media, launched by three ex-MAFILM production managers in 1990. The company, which started with commercials, reference films and service jobs for the studios, made its own first film in 1994. It was a local and international festival hit, *Woyzeck* by János Szász. There is little need to explain why the new companies started their careers as service providers: thanks to their flexibility, low overhead, experience, and networking they were able to be competitive challengers of MAFILM.<sup>24</sup> MAFILM went bankrupt in the early 1990s and was shut down in the summer of 1992. The remaining hegemony of the studios can therefore be traced back to other reasons – especially to the changes in the funding system and the institutional transformation of the Hungarian film industry.

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<sup>24</sup> MAFILM’s competitiveness was strongly weakened by the fact that Hungarian feature films in the early 1990s were less and less willing to use the company’s infrastructure and sets, and were usually shot with flexible staff and technology, outdoor locations.

## Public Funding: The Establishment of the Motion Picture Foundation of Hungary

We have seen that before the political changes, Hungarian film production was financed on a studio basis. This was one of the essential elements of a centralized system based on the exclusivity of state-controlled filmmaking – it is no coincidence that the new generation of auteurs and the so-called ‘Budapest School’, which was formed by the directors of socially committed, quasi-documentary films also tried to gain a position in the film industry by setting up a new studio (Társulás). With the establishment of independent studios, separated from MAFILM, this system of studio-based funding did not change fundamentally (although some of the newly established companies also got production support from the ministry). Thus, at the turn of the 1980s and 1990s, the studios, which functioned as creative units and received state support, were able to collaborate with new and flexible service production companies in addition to MAFILM in the production of their films. However, these studios were the exclusive places for filmmaking, and their management had the right to decide whose plan should be supported. This status quo severely blocked the opportunities for young, independent, alternative, or off-mainstream filmmakers. Although more studios were on the field than before, the system, with its studio-based funding, remained closed.

During the hectic period of regime change, in 1989-90, of course, several reform concepts and transformation plans were born in the film industry. The discussions focused on the issues of funding and the related questions of the transformation of the industry: what would happen with state support and what would happen to the studios.<sup>25</sup> Everyone found it inconceivable that the state should withdraw from funding, but old-new strategies regarding the support system provoked heated debates. The core question was whether studio-based filmmaking should remain, or whether project-based (producer-oriented) filmmaking should be the goal of the transformation instead. The fault lines were partly between generations. It is no coincidence that young filmmakers revolted and published a memorandum at the Hungarian Film Week in February 1990, accusing the leaders of the industry of behind-the-screen actions to keep their power and positions.<sup>26</sup> These young filmmakers were calling for

<sup>25</sup> Gyula Hegyi, “A beszélő fejek alkonya. Magyar film a piaci világban” [Twilight of Talking Heads. Hungarian Film in the Market World,] *Magyar Hírlap* (1990 February 10): 7.

<sup>26</sup> Cs.[ala] K.[ároly], “A fiatalok ‘bombája’ a Filmszemlén. Moratóriumot, elszámoltatást, filmtörvényt!” [The ‘Bomb’ of Young People at the Film Festival. Moratorium, Accountability, Film Law!,] *Népszabadság* (1990 February 6): 1, 5. The article was signed only with Cs. K. and not with a full name but we think the author was Károly Csala.

alternative proposals for a democratic funding system, based on equal opportunities. Their main goal was to break the exclusivity of the studio system and studio-based funding and to create the opportunity for market-compliant, project-based filmmaking. After the stormy Film Week, efforts to reach a compromise succeeded. The so-called Motion Picture Roundtable was established, and following several months of negotiations, the concept of the Motion Picture Foundation of Hungary was born. The new institution was based on a consensus between the representatives of the film industry and the new political parties. The foundation was established by the Ministry of Culture and Education and thirty other organizations, covering the whole industry. For the next two decades, as an umbrella institution, it was the central body of the local film industry. With the help of its boards, the foundation decided on the distribution of the annual state support for the film industry. Its support schemes covered all sectors of the industry, from production to distribution and exhibition, publications and education.<sup>27</sup>

Although the establishment of the Motion Picture Foundation was a clear success of professional advocacy and the lobby-force of the leading filmmakers, its operating model included several problems that anticipated the debates and conflicts of the following years and even decades. On the one hand, the film industry was the first cultural field to create a new institutional system that formally excluded state or political control from decision-making. During the first year, the foundation's budget was almost one billion forints, which was quite a significant amount. The basic concept of the foundation, self-governance, was a fundamental will and idea of Hungarian (and Eastern European) filmmakers from the 1960s.<sup>28</sup> On the other hand, possible conflicts were deeply coded into the system. There was no regulation regarding the amount of annual state support, nor was it necessary that state support should be distributed through a single organization, namely the foundation. The foundation's independence from political-institutional intervention therefore could not be guaranteed. Furthermore, the idea of self-government did not rule out the possibility of internal conflicts around, for instance, the question of how annual support should be divided between different fields of the industry. The dominance of feature film production support has been maintained throughout. Additionally, as the founders of the institution (production companies, studios, professional organizations) applied for support from the foundation they had set up, this system, due to conflicts of interests, has been criticized from the very beginning.

The basic conflict that accompanied the working of the foundation was that production support should either go to the studios or be applied for on a

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<sup>27</sup> Balázs Varga, "Take the Money and...? Questions of Self-Governance in the Hungarian Film Industry," *Illuminace* no. 4 (2012): 29-44.

<sup>28</sup> Adamczak, Marecki and Malatyński, *Film Units*, 2012; Varga, "Take the money," 29-44.



project basis. In the early years, the studios did not apply with individual projects but with their annual packages of projects, and their remaining power is indicated by the fact that most of the support was won by these package plans. Moreover, the board did not have a choice to pick individual projects from these packages. The studios argued that the decision on which projects to support should be in their hands and not the board, since the studios were more than “delivery service for individual film projects”. They also suggested that the board should not form an opinion on individual films in the package but base its decision on the studio’s track record. This system favored established directors and greatly inhibited the development of young, independent, or alternative filmmakers who worked outside the system.<sup>29</sup>

The establishment of the Motion Picture Foundation of Hungary helped the survival of Hungarian film production, ensured the continuity of state support, and reduced the possibility of political-institutional intervention. However, these changes were primarily in the interest of mainstream filmmaking (feature fiction film production, the studios, and their most influential heads-directors). As a consequence, we can say that in the first years of the foundation, the system of “package plans” actually maintained the state (ex-socialist) studio system: the continuity of the annual state support remained, only that it was not anymore the ministry but the foundation that decided its amount. However, the use and actual distributions of the annual production subsidy could be decided by the studio managers themselves. The dream inherited from the 1960s seemed to come true: the studios, as creative units, had almost complete autonomy, and no external or financial actors had any financial or political say in the content and execution of the film projects. The annual budget was not much, but this situation was already familiar from the 1980s. The era of state socialist filmmaking was over, along with censorship, but the studios had survived.

### Off and Inside the Mainstream

Thereupon, the studios remained key players in the Hungarian film industry of the 1990s. Since the support was distributed through package plans, and because only the pre-existing studios were allowed to submit packages, the growth and possibilities of new production companies or individual projects were limited. Meanwhile, there had been fundamental changes in the wider audio-visual sector. Newly established production companies, which had limited opportunities in film production, were able to gain a foothold in the

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<sup>29</sup> Varga, “Take the Money,” 29-44.



fields of advertisement and service jobs.<sup>30</sup> Thus, during the 1990s, they were able to gain experience and accumulate capital – to be important players of feature film production of the late 1990s and the most important examples of this trend are Eurofilm Studio, Focus Film and Magic Media. The lobby of new and independent companies, on the other hand, was ultimately successful and the system of package plans was closed in the mid-1990s. If we are looking for the ‘ultimate’ moment of the disintegration of the state-socialist studio system, then it can be linked to the breakthrough of project-based productions and production companies in the mid-1990s.

The 1990s might be called a special decade of Hungarian film culture as it is a rare example of how the system of funding can directly influence not only the dynamics and power relations of the production field but also the filmmaking trends of the era. The survival of the studios is an example of how the system of funding (in this case, the “package plan”) determines the field of production; and the survival of a given production structure (the surviving dominance of the studios and the studio-based mode of production) preserves a kind of filmmaking attitude or tradition (in this case, the legacy of politically engaged filmmaking and the habitus of the filmmaker as an important and influential social-political actor). The studios continued the tradition and legacy of the second half of the 1980s into the 1990s, with an almost unchanged creative team, attitude, way of thinking, and values. Previously taboo topics were reappraised: for instance, the Soviet occupation of the country and the cruelty of the Red Army after the Second World War (Sándor Sára: *Ruthless Times*), the conflicts of Jewish-Hungarian identity in the 1950s (Judit Elek: *Awakening*). Personal-journalistic intellectual reflections on the regime change were produced and several films discussed the social-political-existential shock therapy of the post-socialist transformation (Lívia Gyarmathy: *The Rapture of Deceit*, Pál Erdőss: *A Light-Sensitive Story*). The oeuvres of the mainstream directors were only slightly adapted to the “new world” in their subject matter, but not at all in their attitude and style. In addition to the foundation’s package supports, the leading directors of the studios were able to successfully mobilize other, mainly foreign, sources (Western co-productions, Eurimages)<sup>31</sup>, due to their existing network of contacts. Like other East European film cultures, trends in Hungarian cinema and filmmaking were to change and acquire a new impetus in the early 2000s, with the emergence of a new generation and a new mode of production (and producers).

<sup>30</sup> Sneé, Péter, “Hasonló cipőben. Beszélgetés független producerekkel” [In Similar Shoes. Talk to Independent Producers,] *Filmvilág* no. 3 (1994): 18–19; Sós, B. Péter, “Magyar producerek. Pénzszerezők vagy szerzőtársak?” [Hungarian Producers. Money Makers or Co-authors?,] *Filmvilág* no. 6 (1997): 38–39.

<sup>31</sup> Dina Iordanova, “Feature Filmmaking Within the New Europe: Moving Funds and Images,” *Media Culture Society*, no. 4 (2002): 517–536.

The changes in the early 1990s mainly affected the field of distribution and exhibition, almost eliminating Hungarian films from the cinemas. The setup of a new institution brought about the abolition of censorship and direct political control, together with the victory of the leading filmmaking elite of the socialist period. This victory was accompanied with the endurance of the politically motivated filmmaking – another long-lasting feature of the socialist decades. Consequentially, the beneficiary of the changes was the filmmaking elite and a special version of auteur cinema while domestic popular cinema was particularly disadvantaged.

## Conclusions

Although Central-East European cinemas share a lot politically and culturally, the post-socialist transformation of the region's film cultures and film industries reveal striking differences. The process of disintegration of the state-socialist film industry was roughly similar everywhere (the abolition of censorship, the independence of studios, the end of the exclusivity of state-controlled filmmaking). As for the directions and trends of the transformation, there were already huge differences. The privatization of Barrandov<sup>32</sup> and the boom in international service jobs highlighted the 'Czech way' while the positions of socially engaged arthouse filmmaking had been greatly weakened.<sup>33</sup> In Polish film culture, the opening of the large domestic market and generational change were important.<sup>34</sup> For a long time, Slovak film had been on the path to "eternal revival."<sup>35</sup> In the case of the Romanian film industry, the (impossible) challenge was to "restructure the cinema that didn't exist."<sup>36</sup> The special feature of the Hungarian way was the relative rapid and smooth nature of the transformation. However, this was accompanied by the survival of the status quo and the endurance of the (post- or ex)-socialist studio system. This is further proof of the fact that even top-down institutional transformations are not one-directional. A lot depends on traditions and the cultural-political environment.

Although the Hungarian film industry started with a cautious opening of the markets in the early 1980s, later (at the time when glasnost brought political

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<sup>32</sup> Michael Millea, "Czech Privatization: The Case of Filmové Studio Barrandov," *Journal of International Affairs*, no. 2. (1997): 489–504.

<sup>33</sup> Peter Hames, "Czech Cinema: From State Industry to Competition," *Canadian Slavonic Papers / Revue Canadienne des Slavistes*, nos. 1–2 (2000): 63–85.

<sup>34</sup> Ewa Mazierska, *Polish Postcommunist Cinema: From Pavement Level* (Oxford: Peter Lang, 2007).

<sup>35</sup> Katarina Misiková, "The Eternal Return of Slovak Cinema: Narrative Structures, Genre Codes and Cinematic Memory after 1989," in *Cultural Studies Approaches in the Study of Eastern European Cinema: Spaces, Bodies, Memories*, ed. Andrea Virginás (Newcastle upon Tyne: Cambridge Scholars Publishing), 245–267.

<sup>36</sup> Claudiu Turcuş, "Restructuring a Cinema that Didn't Exist: The Romanian Film Industry of the 1990s," in *Iuminace* no. 3 (2017): 9–26.

openness in Eastern Europe) the situation was reverted. It seems that both rapid and gradual transitions come at a price. The price of the smooth transformation of the Hungarian state socialist film industry was paid by the viewers who wanted popular Hungarian films and niche audiences, who were open to innovative, non-mainstream filmmaking. The time for these communities and audiences, and for this type of filmmaking came in the 2000s, when Hungarian entertainment cinema also gained momentum (with such films as *Glass Tiger*, *Just Sex and Nothing Else*, *Control* or *A Kind of America*) and a new, young generation of auteurs (Kornél Mundruczó, György Pálfi, Ágnes Kocsis) appeared in the field of Hungarian cinema.