REDES- Revista hispana para el análisis de redes sociales
Vol.21,#11, Diciembre 2011
http://revista-redes.rediris.es

From Reciprocal Social Networks to Action Groups for Market Exchange: "Spontaneous Privatization" in Post-Communist Hungary.[1]

Larissa Adler-Lomnitz[2], Diana Sheinbaum
IIMAS- Universidad Nacional Autónoma de México, México

Abstract

Following previous research on the significance that social networks have had for the economic and social survival of Latin American and Soviet state-employed middle classes, this paper explores the role of social networks (connections) on the process of privatization and market liberalization of Post-Communist Hungary. Based on former academic studies and on field research conducted for several months in Budapest, we will try to show that social networks are central intermediary structures on which individuals and groups construct solutions that allow them to cope with the deficiencies resulting from the formal system. From this perspective we will explore the importance of manager's connections in the first period of the Hungarian privatization process known as "spontaneous privatization".

Keywords: Social Networks, Privatization, Post-communism, Informal Exchange, Reciprocity, Friendship.

Resumen

A partir de investigaciones previas basadas en la importancia de las redes sociales para la supervivencia económica y social de los trabajadores del estado de clase media latinoamericanos y soviéticos, el presente artículo explora el rol de las redes sociales (conexiones) en el proceso de privatización y liberación del mercado de la Hungría Post-Comunista. Basado en anteriores estudios académicos y en el trabajo de campo efectuado durante varios meses en Budapest, intentamos mostrar que las redes sociales son estructuras centrales intermediarias a través de las cuales los individuos y los grupos construyen soluciones que les permiten hacer frente a las deficiencias causadas por el sistema formal. Desde esta perspectiva, exploraremos la importancia de las conexiones de los gerentes en el primer periodo del proceso de privatización húngaro conocido como "privatización espontánea".

Palabras clave: Redes Sociales, Privatización, Post-comunismo, Intercambios informales, Reciprocidad, Amistad.

---

[1] We would like to thank the Collegium Budapest for giving Prof. Lomnitz the opportunity to do this study. We would also like to thank Csaba Gélenyi and Luis David Ramírez de Garay for their invaluable help in going trough the maze of information from which we tried to recompose a complicated reality.

[2] Send correspondence to Larisa Adler-Lomnitz (llomnitz@gmail.com).

Introduction

Following Adler's previous work on the relationship between the formal and informal spheres in different socioeconomic systems and within different institutional frameworks (Adler-Lomnitz 1971, 1977, 1981, 1988, 2000), we have focused on the study of social networks as central intermediary structures on which individuals and groups construct solutions that allow them to cope with the deficiencies resulting from the formal system.[3]

Beginning with a study of the Chilean middle class (Adler-Lomnitz 1971) Adler-Lomnitz described a system of generalized reciprocity based on ego-centered networks (contacts) which involved a continuing informal exchange of complementary services performed and motivated within an ideology of friendship. This system called *compadrazgo* was interpreted as an expression of class solidarity, which was needed for the social survival of the group. Horizontality and reciprocity, friendship and trust were its main characteristics features. Thirty years later, Barozet (2002) has found that informal exchange of favors is a social practice which is still central to the social survival of the middle class in Chile. When the exchange of favors is unbalanced, however, the relationship becomes asymmetrical and the networks acquire a vertical structure. This is rather clear in political systems where informal patron-client relations appear as mechanisms by which political officials uses there position in the formal bureaucracy to exchange resources for loyalty and votes.

[3] Sociologist use the term "formal organization" to denote groups of people that engage in social practices characterized by explicit and embodied –usually professionally written, ritually accepted, and publicly available- rules and regulations. Adherence to, and enforcement of, them is expected of all members. Behavior that follows those fixed rules is called formal behavior. All other forms of social action –the avoidance or circumventing of regulations- qualify as informal behavior. Informal behavior precedes its formal counterpart both historically and among individuals, so most manifestations of informality constitute the natural pattern of social life. (Böröcz, 2000, p. 351)

Later on, Adler-Lomnitz's study on the survival of informal workers in a Mexican shantytown (Adler-Lomnitz 1977) showed that the physical survival of the group was based on the existence of exocentric social networks (tight networks), which were described as local knots of high intensity exchange, whose characteristic aspect was that exchange is not centered in one individual but practiced by all members of that networks alike. Each member of the exocentric network may, at the same time, maintain additional dyadic reciprocity relations outside the network, but such relations tend to be less intense and less stable than those practiced within the exocentric network (Adler-Lomnitz 1977, p.135). This system of exchange based on social networks acted as an informal security system that ensured survival under the chronic state of insecurity that characterized this stratum of the population. Again, horizontality and reciprocity, and in this case, kinship and trust were its organizing principles.

In the same shantytown Adler-Lomnitz recognized that when an individual within the horizontal reciprocal network organized some of his kin and friends into a group in order to do jobs for the formal sphere of society that required manpower, an asymmetrical relation began to develop. Therefore, the horizontal character of the reciprocal network modified into a vertical one were individual leaders became brokers that articulated the formal employer with peer members of his network, thus conforming an action group (Mayer 1968). The permanence, size, and stratification of action groups were related to the flow of resources from the formal sphere. The larger the flow, the more permanent and stratified was the vertical group. If the flow was cut off, the vertical network, which constituted the action group, merged back into a horizontal network. Therefore the maintenance of horizontal ties was important both as a resource (labor and exchange of favors) and as a cushion that provided security once the jobs were finished and resources stopped flowing down. These networks based on principles of loyalty and redistribution constituted mechanisms of articulation between the informal sector and the formal economy.

Studying the informal economy in the Soviet Union Adler-Lomnitz (1988) found a traditional social institution of exchange (*compadrazgo*-like) called *blat* (Ledeneva 1998). Blat was defined as a system of horizontal exchange of scarce goods and services, which allowed coping with the inefficiencies of a centrally planned and over-regulated system (Kornai 1992). This traditional institution (*Blat*) became central to solve the problems of scarcity of goods as well as for obtaining jobs and services provided by the State. At the same time, another network configuration, conformed as action groups based on vertical relations, appeared within the formal sphere. As an example, small informal enterprises sprang up within State factories producing informally a new set of goods, which entered informally the consumer's market using the factory's resources, including labor time, tools and raw materials. These products were often used by managers to fulfill centrally planned quotas assigned to them, and eventually to increase the personal income of managers and workers. The illegal and severely punished character of these activities, made them extremely dependent on relationships of trust.

In Hungary, the Stalinist program introduced by the Soviet Union after 1948 crashed in 1956 being followed by a "post-totalitarian experimentation with an enlightened, pragmatic and paternalistic authoritarianism […] popularly known as 'goulash communism'. Later on in the sixties and seventies a 'second informal latent society' independent of the State appeared, with its own organizing principles and networks in the hidden informal sphere of social space" (Hankiss 1990, p. 82-85).

As part of this development, an informal "second economy" emerged in the areas of agricultural production and small shops. Many scholars thought these informal family enterprises would be the seed of capitalist development, as they constituted a ground for the promotion of private initiative (Gábor 1997, p. 158-151; Szelenyi 2001). The process of transition to a market economy, however, showed that such transformation did not occur as a result of this primitive type of family capitalism and small informal businesses, but was the result of changes promoted in part by the political changes in the Soviet Union and, latter on, by the technocratic group of the *Nomenklatura*, particularly the managerial elites.[4] These individuals by virtue of their technical and political knowledge and their networks (social capital) were able to propose and launch economic reforms that eventually led to the privatization of state-owned enterprises (Voslensky 1978).

[4] Aquí sería conveniente agradecer a uno de los revisores de este texto quien nos ha hecho notar la existencia de un sistema de compadrazgo húngaro llamado "protekció".

In the following sections, we will try to analyze the importance of manager's social networks in the first period of the process of privatization (called "spontaneous privatization") in Hungary by which some property owned by the socialist state were transformed into private ownership.

Historical Background

At the beginning of the sixties the socialist economies were in a profound economic crisis. Hungary was not the exception. The countryside production experienced a decreasing trend. As a result, in 1963 the Kádár regime dramatically changed its course, entering a reform trajectory and implementing transformations more consistently than any other country in Central Europe. After years of repression and social confrontation that followed the 1956 popular uprising, Kádár and his allies in the Communist Party moved towards a policy of concessions and compromises (Szelényi, *et al*., 2001, p. 48).

Kádár, who had populist tendencies, offered a "deal" to the working class, which became known as the New Economic Policies. This deal began in the countryside. As Hungary collectivized agriculture in the early 1960s, it also adopted a highly flexible policy toward family production (Szelényi, *et al*., 2001, p. 49). The resulting compromise on rural property relations created the practice of micro-plot farming activities alongside large-scale state and cooperative farming (Böröcz 1993, p.87). This approach to socialized production proved to be so successful that, by the early 1970s, it was copied by other economic sectors. In industry Hungarians invented the equivalent of family plots (or the individual responsible system) by permitting complex subcontracting arrangements to grow within state-owned firms. For example, if a group of workers wanted to use the company's machinery, they could rent them and produced the same goods in extra-hours. With the second economy, workers learned their way around it and started to believe that it offered to them a unique opportunity for upward social mobility by providing multi-source income earning strategies.

These concessions constituted the fertile ground within the monolithic system where private initiative began to grow. Therefore, the reforms promoted by the government made possible for workers to learn how to behave in a capitalist economy. This process implied the de-criminalization of the non-state sector and the transformation of the Hungarian property structure well before the regime political changes had begun. (Böröcz 1993, p.89).

Another important feature of the reform promoted by Kádár was the deal with the intelligentsia. After Stalin's death, several socialist bureaucracies had lost their legitimacy, which was based on the charisma of the leader and the emphasis on class struggle. As a consequence, there was an attempt to regain popularity by recruiting educated professionals into positions of power and reinterpreting socialism as a "scientific project". In Hungary the social contract with the professional class was carried further, and it was more consistently applied than in other socialist countries (Szelényi, *et al*., 2001, p.49-50). The Hungarian Socialist Workers Party (MSZMP) was so determined to recruit leaders from among highly educated segments of society that it was flexible on the idea that these new cadres join the party or express their loyalty to the principles of Marxism. Ironically, this flexible attitude toward the technocratic intelligentsia may have unintentionally played a role in weakening the legitimacy of the socialist system, as the new technocracy that moved into positions of power began to question the socialist regime (Péteri 1998, 2002). Eventually this was reinforced by the deep crisis that preceded the political transition and the arrival of *Glasnot* and *Perestroika*.

The new technocracy, led by large enterprise managers, placed the idea of property reform on the Party's agenda in the early 1980s. What they presented at this stage was not a full-fledged program of privatization, but a simple solution to the "property vacuum"[5] problem that plagued all socialist economies. It is now clear that with this maneuver the technocratic elite began to move the Hungarian economy in the direction of capitalism, and enterprise managers began slowly to renegotiate their property rights in order to legalize them by extending them beyond mere possession, obtaining significant control over what to produce and how to invest capital (Böröcz 1992).

[5] Böröcz (1993) argues that the Soviet-centered Empire was marked by property vacuum as the dominant property relation. With the term property vacuum Böröcz describes an unclear definition in the allocation of property rights.

At first, members of the political bureaucratic "old guard" fought against this change, but during the summer of 1989 in the Round Table negotiations that signaled the end of the monopoly of Hungary's Communist Party, they were defeated by the new technocracy. From this point onward, the new technocracy was free to complete the transformation of property relations in Hungary. But rather than simply stimulating the expansion of the second economy, policy makers began designing a variety of measures for the privatization of the public sector. In a matter of months, legislation was passed to create the legal framework for what was called "spontaneous privatization" (Rona-Tas 1997; Stark and Bruszt 1998, p. 58-64).

Spontaneous privatization

Forms of spontaneous privatization began in Hungary in 1988 still under the socialist regime (Voszka 1996, p.182). For a while, the transformation of individual firms from state hands to other proprietors had taken place through loopholes left open by two existing pieces of legislation that gave enterprise directors ample room for maneuver. The *Law of Enterprise Councils* (1984) formally transferred some ownership functions from ministries to these newly created bodies controlled by company management, and the *Law on Economic Transformation and the Enterprise Law* enacted in January and June of 1989, which included provisions for establishing joint stock and limited liability companies. This legal measure provided the vehicle for "spontaneous privatization" of state enterprises as it placed tremendous power in the hands of company management to negotiate and control the transfer of assets of state companies to private hands (Rona-Tas 1997, p.171; Böröcz 1993; Stark and Bruszt 1998).

The basic steps in the process were as follows: First, the management of a state-owned company sets up a large number of affiliates, companies of limited liability. Then they transfer all the assets of the state enterprise to the new companies so that the management of the first one, not the central state organs, is in charge of such assets. In that way the state enterprise becomes a virtual shell because it was being reduced to a legal structure without any direct productive assets. In a further twist, shares are issued for the affiliates and the value of them is steeply lowered. The state-owned company management, their kin and friends buy a substantial portion of the affiliate's shares at such preferential prices and, once the transfer is completed, the new owners increase the value of the shares by the same way they had been devaluated (Böröcz 1993, p.92-93). In short two mechanisms were used by manages to gain ownership rights over productive capital:

> "In one scenario, managers suppers the price at which stocks in privatized state firms are sold, use their *social networks* to obtain credits from banks, and then purchase shares at incredibly discounted prices. In other scenario managers establish private satellite companies alongside the firms they manage. These private satellites then acquire assets from the state firm in exchange for stock in the new company. […] In either case, managers are able to acquire significant ownership rights over state assets" (Hanley, *et.al*, 1998, p.13).

A second version of spontaneous privatization saw Hungarian firms entering into joint ventures with foreign investors. In this case, management bought only a part of the shares, preferably a sufficient number so as to be able to play a balance between foreign private owners and the domestic state. This kind of transformation put the entire process in the hands of the Enterprise Council, that is, in the hands of management. The managers selected the outside investors, usually on terms favorable to them, with the condition of maintaining their current positions as local managers or gain controlling interests in a profitable venture carved out of the original state enterprise. Managers were also responsible of preparing their own company valuation. However, the difficulty of determining a fair price left a considerable room for maneuver in negotiating such contracts (Voszka 1996). According to an interviewee involved in the legislative reforms, the strategies of Hungarian managers did not differ from the ones that take place in a capitalist country: "this is the same way as in capitalist countries where people with power change the rules, making all the changes legal. In Hungary things were done following rules, including legal evaluations of how much an enterprise was worth, although those evaluations were in general very low, and therefore the small groups of managers could buy an enterprise or even receive a loan from a bank which later on they paid".

Fogarassy and Szántó illustrate manager's strategies by describing the privatization of a large enterprise. In this case, the authors show that the strategic interactions among top leaders influenced the process and outcome of privatization (2001, p. 92-103). On the one hand they may impede the initiative of the employees to acquire part ownership, and on the other, they may make things easy for the potential new owner in order to retain their positions.

Most of the literature on Hungary transformation suggests that the key actors in the process of "spontaneous privatization" were the managers of state-owned enterprises. In virtually all transactions whereby state assets were transferred to private owner, **symmetrical horizontal networks** determined the process. Without involving government organizations, managers of enterprises and occasionally foreign investors made decisions about the sale of state enterprises and assets. Bargaining involved clearly defined exchanges of favors among relatives and friends (Volska 1996; Albert and David 2000, p. 247-253).

The high incidence of hidden, informal transactions between managers in the reallocation of property relations concerning state assets through post-state-socialist property change indicate the importance of widespread and often very complicated systems of favors and tricks, privileges and exclusions, information leaks and deception. As Böröcz points out:

> Former state-socialist managers' informal social networks became such a crucial feature of the transformation that the structure of their informal ties has determined not only personnel selection, i.e., who will occupy top managerial and proprietarial positions in Hungary's post-state-socialist capitalism, but also the shape of the economic organization. Not only have former state-socialist managers shown tremendous resilience in the face of various pressures for their removal, even the changing company structures came to mirror the patterns of the networks endowments of their top managers at the time of the transformation (2000, p. 351).

Eyal, Szelényi and Townsley proposed in their book *Making Capitalism Without Capitalists* that the process of transformation of the Hungarian socialist regime was the result of something parallel to a managerial revolution in the West, where managers, not individual capitalists, became the new power bloc. According to the authors, only the former socialist technocrats who had social and cultural capital, that is, social networks, knowledge, information, expertise and the capacity to manipulate symbols, retained their positions in the post-communist transformation. If they possessed only political capital they lost their privilege, power, and prestige (1998, p.13). In the same vein, Böröcz suggests that "whom you knew in the ever more complex institutional maze of the Hungarian economy made all the difference in your ability to control the process. Manager's cliques and coalitions, formed during the preceding ten years were now perfectly well suited to become instruments to manipulate all elements of the transformation. Because the transformation involved the demolition and rewriting of the inherited legal and political structures, the rent extracted in the transformation by this group of managers was primarily not derived from political or even administrative position per se. It emerged mainly from informal social assets" (Szelényi, *et al*., 2001, p. 49-50).

How did manager's social networks become the seed of private enterprises and economic profit? We might characterize the evolution of manager's social networks in the following way. Before the transition, types of generalized reciprocity as described for the Chilean case, in which ego-centered horizontal networks were the basis for reciprocal exchanges of scarce resources. This informal system provided a wide net of solidarity. At some point, within an ego-centered network, narrower exocentric networks (tight networks) began to concentrate based on stronger levels of interpersonal trust where reciprocal exchanges occurred regularly. Eventually from these narrower networks and through the action of individual leaders a different type of vertical social network began to develop forming "action groups", which might become, as in the case of managers, small enterprises.[6] (Völker 1995).

In Hungary, managers recruited members of both their exocentric, as well as acquaintances of their ego-centered networks, including family and friends, to whom they could trust, and who had special knowledge or connections useful for their new economic endeavors (Albert and David 2000, p. 247-253; Kuczi and Makó 1997; Utasi 1996). The formal network capital of post-communist managers was based on positions in professional associations, on board of directors and supervisory boards, especially economist who were positioned in different advisory posts. During the brief transitional period when informal spontaneous privatization took place, a manager could organize an "action group" by recruiting members of his networks who possessed technical knowledge as well as valuable social connections (Bartha and Martin 1998, p.235).

The new entrepreneurial class was then the people that had cultural and social capital. As a Hungarian informant told us: "the winners of the transition were individuals, who knew how things worked from the inside, mainly those who worked in the financial sector". According to this informed individual, the connections and contacts of managers were not necessarily based on kinship relations but more often on relations acquired when they were members of the Communist Party, at work and in sport groups. In these contexts, groups of men would, for example, go out to hunt for several days during which they ate, drank and joked together strengthening their social networks: "most of the successful commercial leaders around 50 years old were entrenched in the Communist Party networks".

[6] In her study on social networks in East Germany, Völker (1995) found that under communism the problems for every citizen were: how to guarantee individuality and trustworthiness of others, and how to obtain goods in short supply. To solve these problems people had two types of networks: niches, that is, a small group related by strong ties that were composed by people with whom one could talk about their own personal situations and discuss political events; and a large net of instrumental weak ties that served as provision networks. During the transition both parts of the network changed somewhat, provision networks became ties important for information and advice in financial matters; on the other hand, niches, became less important for their former function as freedom of political opinions was less controlled. Therefore, the differences between them and the weak ties became minuscule.

Another situation where meaningful social networks were built up was the diplomatic career: "If you wanted to be a diplomat you had to take a course in the USSR where there was a specialized school. During that period, the future diplomats were organized in aged-groups, lived in the same dormitories, went together to drink vodka, hung out and had a good time". The connections between Hungarians and foreigners who went to this school are still used: "for instance, if a politician lost his job in the transition period he could look for one of his old close comrade who was well located in a large enterprise. In a social gathering, while drinking and eating, he could complain: 'I used to be a cadre, a member of the *Nomenklatura*, but now I lost my political job, how I am going to maintain my family?', and his friend might say: 'don't worry, as you have contacts with the Russians, I will put you in charge of the oil imports from Russia to Hungary…. We have been together for many years and we trust each other'".

Ganev (2001) exemplified the dynamics of manager's social networks during the transition in Bulgaria through the analysis of Multigroup, the strongest economic conglomerate after 1989. The logic of Multigroup enrichment is the logic of the state's impoverishment. The dynamic, which propelled this enterprise to the highest peaks of economic and political power, was redirecting the flow of resources from a circuit operating within the confines of "state-run institutions" to a more open-ended cycle with several "privatized" companies. This was possible because Multigroup's high-ranking officials relied exclusively on the expertise of former communist state officials who had occupied various sensitive positions within the communist state and who knew "how things work". Its president was married to the daughter of the director of Military Counter Intelligence, which gave him access to networks comprised of secret service officials and other insiders from the state administration. The vice-presidents and general directors of the expanded conglomerate were all former heads of the most powerful department of State Security as well as heads of strategic departments of the Ministry of Internal Affairs, which included the department of Information and Analysis. Others were former directors of state-owned enterprises (oil industry, industrial investment and micro-processing) and eight more were former deputy-ministers who served under the *ancient regime*. In other words, Multigroup created an environment in which "stored knowledge" about the Bulgarian economy was transformed into economic profit. The biography of Multigroup's strongmen suggests that it is the ways in which individuals are "connected" to networks which control information and access to different resources that really matters when it comes to comprehending the dynamic of "economic reforms"- their personal, cultural, religious, ethnic and psychological predispositions may be considered as spuriously significant attributes (Ganev 2001).

Conclusions

Accepting Karl Polanyi´s statement, that economic action is embedded in social relations, we intended to study in this paper the importance of social networks in the process of transition from a centralized communist society to a capitalist market economy.

Under the communist regime, social networks acted as intermediary structures, which allowed individuals and groups to cope with the deficiencies resulting from the formal system. People maintained ego-centered relations through which, they exchanged scare goods and services. At the same time, they relied on compact exocentric networks composed of relatives, friends and colleagues, with whom they could exchange scare resources, and also discuss personal and political matters.

Manager's exocentric networks better informed of what was going on in the communist world, exchanged vital information on the new direction that the economy and the political system were taking, before they were common knowledge. These exocentric networks began to evolve into vertical action groups that promoted legal and property reforms, which eventually, allowed them to have a greater control of the state's assets. By creating limited liability and joint stock companies, enterprise management was able to transform state-owned firms into private companies that were left in hands of their close social network. During this process that was called "spontaneous privatization", managers regarded the extension of their social networks as the principal condition of development. Social networks thus operated as one of the mechanisms by which non-economic assets - expertise, practical knowledge, and most important, informal network assets- were converted into ever more decisive control and ownership.

As a result, the transformation of the ownership structure of Hungary, at least in the first phase of property change was not realized in the formal sphere, but on the contrary, it involved the rampant, wholesale informalization of virtually all assets of the economy (Böröcz 1993). After the political transformation took place, the processes of privatization was centralized in the hands of the State Property Agency founded in 1990. However, almost irrespective of the presence or absence of the state's formal institutions or regulations, the informal relationships still determined –to large degree- the processes of market liberalization.

Bibliography

Adler-Lomnitz, Larissa (1971). Reciprocity of Favors in the Urban Middle Class of Chile. In: Dalton, G. (ed) *Studies in Economic Anthropology. American Anthropological Studies*, 7, 93-106.

Adler-Lomnitz, Larissa (1977) *Networks and Marginality*. San Francisco: Academic Press.

Adler-Lomnitz, Larissa (1981). *Horizontal and Vertical Relations and the Structure of Urban Mexico*. Latin American Research Review, 17, 51-74.

Adler-Lomnitz, Larissa (2000). Reciprocity and The Informal Economy in Latin America. In: McRobbie, K and Polanyi, K. L. (eds) *Karl Polanyi in Viena: The Contemporary Significance of The Great Transformation*. Montreal: Black Rose Books, 246-254.

Adler-Lomnitz, Larissa (1988). *Informal Exchange Networks in Formal Systems: a Theoretical Model.* American Anthropologist, 90(1) 42-52.

Adler-Lomnitz, Larissa (1994). *Redes Sociales, Cultura y Poder: Ensayos de Antropología Latinoamericana*. México: FLACSO-Miguel Ángel Porrúa.

Adler-Lomnitz, Larissa and Ana Melnick (1991). *Chile's Middle Class. A Struggle for Survival in the Face of Neoliberalism*. Colorado: Lynne Rienner Publishers.

Albert, Fruszina and Dávid Beáta (2000). *A kapcsolathálózatokról*. In: Növekedés alulnéztben. Tárki Monitor jelentések, December, 247-253.

Barozet, Emmanuelle (2002). *L'échange de faveurs au sein des couches moyennes chiliennes: de l'entraide informelle á la régulation social*. Paris : EHESS.

Bartha, A. and Martin, J. P. (1998). *Managerpaths*. Hungarian Acta Oeconomica. 49, 230-239.

Böröccz, József (2000). *Informality Rules*. East European Politics and Societies. 14(2), 348-380.

Böröccz, József (1993). *Simulating the Great Transformation: Property Change under Prolonged Informality in Hungary*. European Journal of Sociology, XXXIV, 1(May), 81-107.

Carasciuc, Lilia (2001). *Corruption and Quality of Governance. Center for Strategic Studies and Reforms*, Transparency International: Moldova. Mimeo.

Dinello, N. (2001). *Clans for Market or Clans for Plan: Social Networks in Hungary and Russia*. East European Politic and Societies. 15(3). pp. 589-624.

Eek, D. and Rothstein, B. (2001). *The casual mechanism between trust in authorities and trust in others: An experimental approach*. Research Proposal to the Swedish Science Council.

Eyal, G., Szelenyi, I. and Townsley, E. (1998). *Making Capitalism Without Capitalists. The New Ruling Elites in Eastern Europe*. London: Verso.

Fogarassy, G., and Szántó, Z. (2001). Privatization and the Tertius Gaudens. In: Lengyel, G. and Rostoványi, Z. (eds.). *The Small Transformation*. Budapest: Akadémiai Kiadó, pp. 44-69.

Gábor, I.R. (1997). Too Many, Too Small: Small Entrepreneurship in Hungary - Ailing or Prospering?. In Grabher, G. and Stark, D. (eds.) *Restructuring Networks in Post-socialism*. Oxford: Oxford University Press, pp. 158-175

Ganev, Venelin (2001). *The Dorian Grey Effect: Winners as State Breakers in Post Communism*. Communism and Post communism studies. 34(1).

Gelbach, Scott (2001). *Social Networks and Corruption*. The 2001 Annual Meeting of the American Political Science Association. Mimeo.

Grossman, Gregory (1983). *The 'Shadow Economy' in the Socialist Sector of the USSR*. In: The CMEA Five Year Plans (1981-1985) in a New Perspective, Colloquium 1982, NATO: Economie and Information Directorates, pp. 99-115.

Hankiss, Elemér (1990). *East European Alternatives*. Oxfod: Clarendon Press.

Hanley, E., Matějů, P., Vlachová, K., and Krejčí, J. (1998). *The Making of Post-Communist Elites in Eastern Europe.* Working papers of the research project "Social Trends" 4/1998

Hellman, Joel (1998). *Winners Take all: The Politic of Partial Reform in Post-Communist Transition*. World Politics. 50, pp. 203-234.

Kornai, Janos (1992). *The Socialist System*. New Jersey: Princeton University Press.

Kregel, J.A. (2000). On the Economic Implications of (mis)Understanding Markets in Transition Countries. In: McRobbie, K and Polanyi, L. K. (eds.) *Karl Polanyi in Vienna. The Contemporary Significance of the Great Transformation*. Montreal: Black Rose Books, pp. 108-115.

Kuczi, T., Makó, C. (1997). Towards Industrial Districts? Small-Firm Networking in Hungary. In: Grabher, G., Stark, D. (eds.), *Restructuring Networks in Post-Socialism: Legacies, Linkages and Localities.* Oxford: Oxford University Press, pp. 176-189.

Ledeneva, Alena (1998). *Russia's Economy of Favours: Blat, Networking and Informal Exchange*. Cambridge: Cambridge University Press.

Ledeneva, Alena (1999). *The Network Economy in Post-Soviet Russia*, Social Market Foundation Review. 15(Aug.).

Lengyel, G. and Rostoványi, Z. (eds.) (2001). *The Small Transformation: Society, Economy and Politics in Hungary and the New European Architecture*, Budapest: Akadémiai Kiadó.

Lonkila, Markku (1997). *Informal Exchange Relations in Post-Soviet Russia: A Comparative Perspective*, Sociological Research Online. 2(2).

Mayer, P (1968). *The Significance of Quasi Groups in The Study of Complex Societies*. ASA, 4.

Partha Dasgupta and Ismail Serageldin (2000). *Uses of Social Capital in Russia: Modern, Pre-Modern and Anti-modern*, Post-Soviet Affairs. 16(1), pp.33-57.

Péteri, Gyorgy (1998). *Academia and State Socialism: Essays on the Political History of Academic Life in Post-1945 Hungary and Eastern Europe*. Atlantic Studies on Society in Change, No. 94. East European Monographs, No. 501; Boulder, Colo: Social Science Monographs. Highland Lakes, New Jersey: Atlantic Research and Publications.

Péteri, Gyorgy (2002). *Purge and Patronage: Kádár's Counter-revolution and the Field of Economic Research in Hungary 1957-1958*. Contemporary European History. II, Part I.

Polanyi, Karl (1957). The Economy as an Instituted Process. In: Polanyi, Arensberg and Pearson (eds). *Trade and Market in the Early Empires*. New York: The Free Trades.

Rona-Tas, A. (1997). *The Great Surprise of The Small Transformation: The Demise of Communist and The Rise of The Private Sector in Hungary*. Ann Arbor: Michigan State University Press.

Rose, Richard (1994). *Getting by Without Government: Everyday Life in Stressful Economy*. Studies in Public Policy, 227, pp. 2-27.

Rose, Richard (1999). Getting Things Done in an Antimodern Society: Social Capital Networks in Russia. In: Dasgupta, P. and Serageldin, I. (eds.) *Social Capital*. A Multifaceted Perspective. Washington, D.C.: The World Bank.

Rothstein, B. (2003). Social Capital in a Working Democracy. The Causal Mechanism. In: Osterud, O. (ed), *Power and Democracy: Critical Interventions*. London: Ashgate.

Sik, Endre (1994). *Network Capital in Capitalist, Communist and Post-communist Societies*. International Contributions to Labor Studies. 4, pp.73-93.

Stark, D. and Bruszt, L. (1998). *Postsocialist Pathways. Transforming Politics and Property in East Central Europe*. Cambridge: Cambridge University Press.

Szelényi, S., Szelényi, I., Kovách, I. (2001). The Making of The Hungarian Post-Communist Elite: Circulation in Politics, Reproduction in the Economy. In: Lengyel, G. and Rostoványi, Z. (eds.) *The Small Transformation*. Budapest: Akadémiai Kiadó. pp. 44-69

Utasi, Agnes (1996). *A few Hungarian Pecularities of Interpersonal Relations*. Working Paper of Political Science No. 7, Institute for Political Science of the Hungarian Academy of Science Budapest.

Völker, Beate (1995). *Should Auld Acquaintance Be Forgot…?.* Institutions of Communism, the Transition to Capitalism and Personal Networks: the Case of East Germany. Amsterdam: Thesis Publishers.

Voszka, Eva (1996). Privatization in Central Europe: Can It Be Designed?. In: Lijphart, A. and Waisman (eds.). *Institutional Design in New Democracies. Eastern Europe and Latin America*. Boulder, Colorado: Westview Press.