THE UPPER MIDDLE CLASS: A NEW ARISTOCRACY? POSING THE QUESTION FOR POST-COMMUNIST HUNGARY

István György Tóth and Iván Szelényi

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1. Introduction

In the June 2018 issue of *The Atlantic*, Matthew Stewart published an article entitled 'The birth of a new American aristocracy' and carrying the subtitle: 'The 9.9 percent is the new American aristocracy. The class divide is already toxic and is fast becoming unbridgeable.' Well, *The Atlantic* is not a major social science journal (certainly not in the same league as the *American Journal of Sociology* or the *American Sociological Review*), so perhaps there is no need to pay it much attention… Nevertheless, there is some serious academic writing on the subject, especially by Richard Reeves and Robert Putnam (and some mainstream sociologists/demographers whom we cite later in this chapter), who also express concern over greater social closure (or less 'fluidity') at the top of US society; and so the question of a 'New Aristocracy' – at least in the US – may deserve some consideration.

At the same time, mobility studies report on a decrease in social fluidity in the post-transition countries, which to some extent runs counter to previous expectations about rising meritocracy following the collapse of socialist regimes (including Kolosi et al., 2003; Breen and Luijkx, 2004; Jackson and Evans, 2017).

In what follows, we first look at the findings and predictions of the US literature of social closure at the top. Then we review how Hungary fares in international comparison with regard to social mobility developments, especially at certain points in the vertical hierarchy. Then we attempt to identify social processes that point to closure at the broadly understood top of society (the highest quartile or so). While it is impossible to pinpoint the 'exact' place of the cleavage border, we argue that it is certainly well below the often targeted 'top 1 per cent'.

2. Context and plan of analysis

Over the past few years, much attention has been paid internationally to the increasing share of income and wealth in the top 1 per cent (or even 0.1 per cent) of the population. 'We are the 99 per cent' became an inspiration even of social movements. The rapid growth of income and wealth going to the very top is indisputable, but it is less clear what the social implications are of such an increase in inequality. Thomas Piketty, for instance, indicated that it is only the quantitative increase in inequalities that characterizes modern capitalism, but the nature of social stratification may also change: we may be on our way to 'patrimonial capitalism' (Piketty, 2014: 173). The patrimonial character of society implies not merely increased inequality, but also reduced social mobility and less fluidity (Andorka, 1982; Erikson and Goldthorpe, 1992). Some at the top of society may increasingly become 'rentiers' (Sorensen, 2000), whose income, wealth, human capital and social capital may be greater than they could have earned in competitive markets and who may therefore be increasingly 'inheritors'.

Most recently in the US literature, more attention has been paid to the increasing gap between the top centile/decile and the bottom centile/decile. The most recent US literature (Putnam, 2015; Reeves, 2017) reports on the increasingly 'rank-like' separation of the upper middle class from the rest of society. It tends to identify three mechanisms in the pre-production of the privileges of the upper middle class: 1) the concentration of capital, wealth and inheritance of such wealth, 2) the chances of receiving an elite education and 3) assortative mating – hence the tendency of people to marry within the same economic class.

According to Reeves, the greatest gap occurs between the top 20 per cent and the remaining 80 per cent (Reeves, 2017: 23). Empirical studies by Pablo Mitnik and his co-authors support this hypothesis (Mitnik et al., 2016). According to David Grusky, since 1979 there has been no change in the bottom 80 per cent, but the incomes and wealth of the top 20 per cent have grown substantially (cited by Reeves, 2017: 23). Family real incomes in the top 81–99 per cent grew from $100,000 in 1980 to $180,000 by 2012, whereas in the bottom 80 per cent they stagnated (Reeves, 2017: 24). Robert D. Putnam offers a similar argument. The wealth (net worth) of Americans with university education (which by and large coincides with the top 20 per cent) grew between 1989 and 2013 by 47 per cent, while the wealth of those with only high-school education shrank by 17 per cent (Putnam, 2015: 36). According to Guy Standing, we live in a 'Second Gilded Age', when an increasing proportion of incomes comes to rentiers – people who are now thriving from rents collected from physical, financial and intellectual property holdings (Standing, 2017: xi).

While inherited wealth or rental income can equally be the source of economic growth, there are no mechanisms to force the productive investment of inherited wealth or rent-like income. Inheritors may behave much like feudal landlords, rather than investing their inherited wealth in rational, profit-maximizing ways. The inheritance of wealth may not only play an important role in the top 1–5 per cent but can also be socially consequential in the top 5–20 per cent (here the main mechanism is the inheritance of real estate property and pension funds). According to Reeves (2017: 63), about 50 per cent of the children of those who were born into the top quintiles of wealth themselves end up in the top quintiles, and only a third are downwardly mobile in terms of family wealth. While unexpected, it is interesting that social reproduction may be less tight at the bottom of the social hierarchy. According to Mitnik et al. (2015: 118–19), there is less fluidity among the top 10 per cent of income earners than among the bottom 10 per cent. This seems a possible feature of America: many first-generation immigrants are in the bottom quintile, but the children of those European, Chinese, Indian and Latin American immigrants are upwardly mobile.[1]

It is likely that the main driving force for the reproduction of the upper middle class as a 'privileged estate' is the inheritance of real estate, rather than of capital. We know that the growth in average real estate was not much different from the growth in real incomes. It could hardly be otherwise, since entry into the real estate market has to be linked to real incomes. During the past three or four decades, however, there has been mind-blowing inflation in certain sections of the real estate market (such as certain neighbourhoods of Manhattan, Boston, San Francisco, etc., to mention just US examples). Real estate owners in these areas have earned extraordinary 'rental income'. And the children of those who invested in these areas started off with large inheritances and a major advantage over children in the 'bottom 80 per cent'.

Another important mechanism behind the upper middle class as a privileged estate is education at elite schools. In the United States, the children of those who attended Ivy League colleges[2] tend to have an advantage at the time of

[1] Mitnik et al. (2015) might have arrived at a different conclusion if they had limited their study to African-Americans: locked into an 'underclass' position, their upward mobility is very limited (Conley, 1999).

[2] The Ivy League usually refers to Brown, Columbia, Cornell, Harvard, Princeton, Pennsylvania and Yale universities and Dartmouth College.

admission (this is usually referred to as 'legacy admission').[3] Such class reproduction is reinforced by the fact that, in order to do well in the nationally accepted standardized admission tests (SATs) it is advisable to attend expensive private high schools, where teachers are better qualified and more highly motivated, and where their major aim is to provide students with very high SAT scores (see Khan, 2011). We also know that the way in which objective tests (like SATs or IQ tests) are defined is highly correlated with the privileged class (Rivera, 2015: 276), as they 'measure' the 'intelligence' and knowledge of the upper middle class. Recruiters from elite companies (especially law firms) tend to offer positions to people who are similar in their 'habitus' to themselves (Rivera found most astonishingly that even among Ivy League graduates – once one controls for grade point average (GPA) – upper middle-class kids had a better chance of getting a job (Rivera, 2015: 14–16)). And, of course, such elite institutions also pay higher salaries. What are the historical dynamics of such upper middle-class privileges? Putnam argues powerfully that the closure of the upper middle class is becoming more and more rigid over time (Putnam, 2015: 187).

The third mechanism behind the stricter closure of the upper middle class and the reproduction of the underclass is *assortative mating*, or marrying within the same 'class' or 'estate'. According to Putnam, during the first half of the twentieth century it was more common to marry across the class boundary; but in recent decades people have been increasingly likely to marry partners with a similar education. Schwarz and Mare (2005) support this hypothesis with empirical data. According to them, during the period 1940–60 class homogeneity among marrying partners declined, but during the period 1960–2003 it increased.

Some authors presuppose that greater inequality is likely to be accompanied by less social mobility. This has been described as the 'Great Gatsby curve' (see Krueger, 2012, following Corak, 2006). American society has historically been characterized by high levels of inequality; nevertheless, it was widely believed to be open. It was the 'American Dream' that in this society everybody could achieve anything with enough hard work.[4] Recent research on social mobility has cast doubt on this assumption (Jäntti et al., 2006). Quite a few scholars began to suggest that in recent decades the increased inequality in US society has been followed by decreased social mobility. Arguably, then,

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[3] Elite universities do not usually publish data on such 'legacy admission', but it is estimated to represent about a third of the student body (Rivera, 2015: 12).

[4] James Truslow Adams – writer and historian – is acknowledged as the first author to have coined the term 'American Dream' in his *The Epic of America* (1931) – see Reeves (2017: 15).

US society more and more matches the 'Great Gatsby curve'. Nevertheless, the remaining vital question is: where is the critical cut-off point? Is it the top 1 per cent, the top 10 per cent or the top 20 per cent (some call the top 10–20 per cent 'upper middle class') where class reproduction becomes more rigid.

The question of who is at the very top of the emergent capitalist society has also been hotly debated in post-communist countries, including Hungary. The issue of who are the 100 wealthiest individuals, or who belong to the 'top 10,000' has generated much heat. Are they former communists, who have converted their political capital and social networks into private wealth? Are they oligarchs, who are beginning to privatize even the state? Or are they the clients (or 'straw men') of the political elites? Inspired by recent American literature, we turn this question around. What if Putnam and Reeves are right and the critical divide is not between the top 100 (or the top 10,000) and the rest, but between the top 10 per cent and the rest – even in a post-communist country like Hungary? Hence the purpose of this paper is not to ask whether the 100 wealthiest individuals (or even the top 10,000) are 'oligarchs' or 'corrupt', but to try to identify (as far as the available data allow) whether there is an increasingly 'exclusive' upper middle class – as is claimed by some in the US – in post-communist countries generally, and specifically in Hungary.

In Hungary in 1989–90 there were expectations of change in the social structure – of a shift away from a reasonably egalitarian socialist system (where social mobility was slowing down but achievements were mainly based on political loyalty) to one where increased inequality would be compensated for by a stratification based on achievement and merit. The shift from socialism to market capitalism was in many respects progressive (Kornai, 1994; 2005; Kolosi and Tóth, 2014); nevertheless, in international terms Hungary today belongs among those countries where inequality remains limited, but social mobility is also modest (to say the least), and where it is doubtful if political loyalty has indeed been replaced by meritocracy. While the emergent capitalist economy brought somewhat increased inequalities, compared to other post-communist countries these remain rather modest. We also know that among the 'new rich' – and here we are talking of the wealthiest 100 – many are 'first generation' wealthy, and hence (at least in this respect) upwardly mobile; but there are also indications that there are cleavages within society which make meritocratic advancement doubtful. It has been questioned how meritocratic post-communist Hungary is (Tóth, 2010), and following the 'Great Recession' even more questions are being posed about the meritocratic nature of socio-economic advancement in this country (Tóth and Branyiczki, forthcoming). The main purpose of our paper is to ask whether there are such cleavages; and if so, where they are.

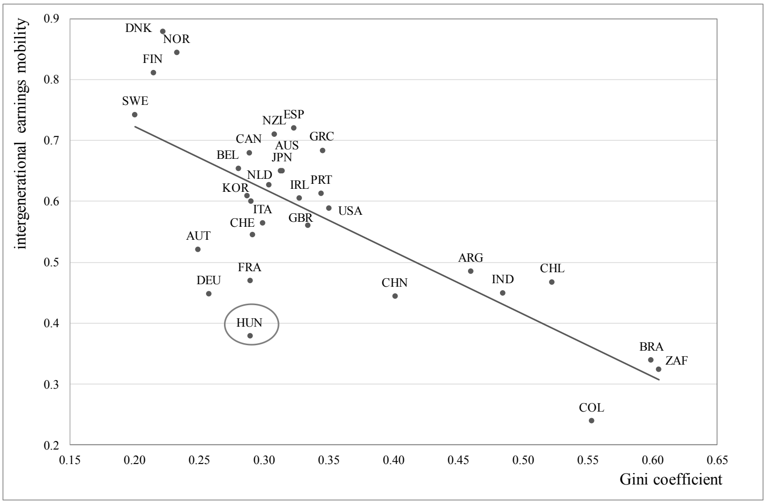
Before addressing the substantive issues, we have to make some qualifications. First, there are relatively few empirical studies on this particular subject, and hence we have to offer more hypotheses than conclusions. Furthermore, contrary to the highly politically motivated discourse ('we are the 99 per cent', *Occupy Wall Street*, etc. – even to some extent Piketty, 2014 and others), we do not think the critical cleavage is between the top (or bottom) 1–2 per cent and the rest (see also Mihályi and Szelényi, 2019, forthcoming). There is quite a large 'ante-chamber' to the top 1 per cent (though this 'ante-chamber' itself may be internally diversified). Similarly, quite far down the social hierarchy is a fairly large population at risk of falling to the very bottom. Finally, social inequality and the chance of upward/downward mobility are, of course, influenced by political regimes; but our crucial hypothesis is that the critical cleavages cannot be reduced to one or another political regime: they are uniquely Hungarian features of post-communist transition. And while some post-communist countries may take a different trajectory, others may be quite similar to the Hungarian one.

3. The 'Great Gatsby' and the Hungarian situation

We have adapted *Figure 1* from a recent OECD publication (OECD, 2018a). The horizontal dimension represents income inequalities, while the vertical shows a measure of intergenerational social mobility. Krueger (2012) was inspired by the hero of the 1925 novel by F. Scott Fitzgerald. Jay Gatsby – driven by the American Dream – rather ruthlessly scales the income ladder – from the very bottom to the very top – just to win the love of the girl he admires, but who is out of reach socially. Hence Krueger coined the term the 'Great Gatsby curve', indicating that increased social inequalities are likely to challenge the 'American Dream'.

The theoretical relationship between inequality and mobility has not been sufficiently clarified. Nevertheless, the hierarchical relationship described in the social mobility research (Andorka, 1982; Kolosi et al., 2003) (namely that the chances of mobility between neighbouring income categories is greater than social mobility between more distant categories) may have a lot to do with inheritance (it is easier to stay in, or next to, the social status one was born into than it is to move much further up or down). As *Figure 1*, shows this seems to be the case in many countries.

Figure 1 *Intergenerational earnings mobility and income inequality*



Note: Mobility proxied by 1 minus the intergenerational earnings elasticity. Income inequality measured by the Gini coefficient of the mid-1980s to early 1990s.
Source: OECD (2018a: 196, Chart 4.9).

In this paper, we are primarily interested in Hungarian data. As can be seen, for some reason Hungary is 'off the chart': while income inequalities are reasonably low, social (earnings) mobility is surprisingly modest. It is, of course, conceivable that *Figure 1* underestimates income inequalities. We know that in survey research the top 5–7 per cent of income earners are likely to be under-represented or completely missing (B. Kis and Tóth, 2016). Also, the incomes reported in the Top 100 lists are far higher than we could find in survey research. From the data on the Top 100, it looks like many 'jumped the queue' (Kolosi and Szelényi, 2010). But it would be wrong to conclude from this that with the market transition, society as such became more open. In this paper, our aim is to investigate whether there are cleavages that predetermine who has the chance of reaching the top and where those cleavages are.

4. Inequalities in post-communist Hungary

Income inequalities and the rise in such inequalities can only be described as a multi-stage process. The first stage began during the second half of the 1980s and was characterized by rapid and deep changes in the economic structure. With the collapse of trade between the socialist countries and the bankruptcy of socialist large companies (and their eventual privatization), the rate of employment fell sharply. About a quarter of the labour force was pushed into unemployment/early retirement or onto the margins of the labour market. These were typically the less educated (or among the better educated, those who could not convert their skills for the changing labour market). A wall started to rise up between the educated and less educated.

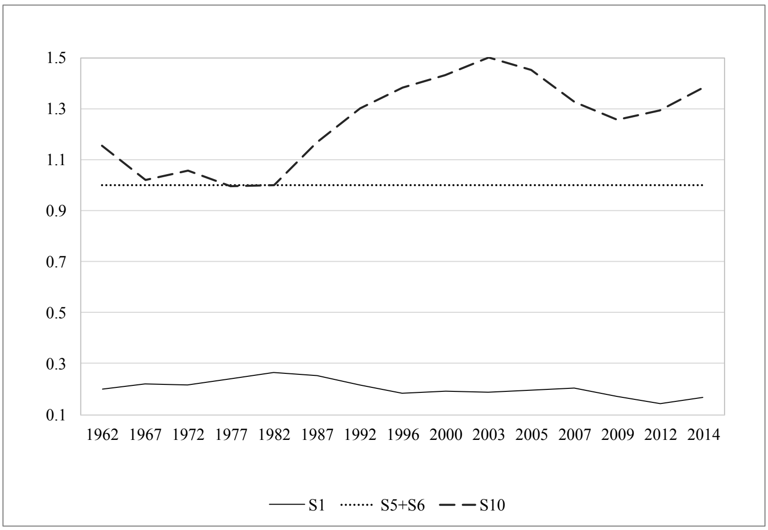
During the next stage, multinational capital (in the form of foreign direct investments in various sectors of the economy) played a critical role in launching economic growth and technical modernization. The ensuing technical changes increased demand for highly skilled young professionals, and the chances of less-skilled, older people obtaining jobs declined. The return on education during this epoch increased, even though there was a substantial expansion of tertiary education in Hungary during the 1990s.

Between 2003 and 2008, income inequalities narrowed somewhat. During these years, the welfare redistributive policies of government, which transferred income from the upper middle classes (by robust tax/transfer measures, public sector pay rises, etc.) to the lower middle classes played an important role. As a result of the Great Recession (especially driven by increased unemployment), inequalities and the proportion of the population below the poverty line grew until 2013. Thereafter, inequality and extreme poverty were both moderated. The right-wing party (Fidesz), which won the 2010 election, made an effort to broaden its social base among the electorate. The critical aim was to win over voters in the lower and upper middle classes by introducing a 16 per cent flat income tax rate and offering various family support schemes. Nevertheless, the main feature of this period was not just lower deprivation rates and an apparent moderation of measured inequality in the lower half of the distribution, but the allocation of rentier positions to social groups that were seen as crucial to the stability of the political system. Rent-seeking is increasingly coming to replace profit-seeking in contemporary Hungary (Mihályi and Szelényi, 2019, forthcoming).

The dynamics of inequality changed from one stage to the next. The first period was characterized by the exit of the less educated into unemployment or early retirement. In the next phase of intensive technological change, the higher-educated and better-skilled labour force enjoyed a relatively large increase in returns to education. Then came a move in the state's policies on taxation and family support to target the middle and upper middle classes. And finally, in the fourth period, there was a shift toward rent-seeking and conscious state policies to provide rents to those who were expected to be politically loyal to those in power (Mihályi and Szelényi, 2016; 2019 forthcoming).

Between 1962 and 1982, the proportion of total income earned by the top 10 per cent fell somewhat; but between 1982 and 2003 (especially with the transition to the market economy) it grew gradually. Between 2005 and 2009, this trend altered somewhat; but between 2012 and 2014 the privileges of the top 10 per cent increased again (and while we have no recent data, we assume that this continued between 2014 and 2018) (*Figure 2*). The share of total income going to the bottom decile went in the opposite direction: between 1962 and 1982 it grew, and then declined between 1982 and 2003. This was followed by moderate growth, but it again went into decline later on. The dominant trend is stagnation, rather than growth or decline (our data suggest that extreme poverty might have declined somewhat).

Figure 2 *The ratio of income shares of the bottom and top deciles, in relation to the combined share of the 5th + 6th deciles in Hungary, 1962–2014*



Note: S1, S5, S6 and S10: shares of total incomes received by the respective (bottom, fifth, sixth and top) deciles.

Source: Tóth (2015: 19). Data sources: 1962–87: based on Central Statistical Office (KSH) income statistics by Atkinson and Micklewright (1992) HI1 Tables; 1992–96: Hungarian Household Panels, Panel I–VI. Waves, 2000–14: TÁRKI Household Monitor.

As we indicated earlier, the share of incomes of the top decile is likely to be underestimated. According to B. Kis and Tóth (2016), the number of unrepresented top households in the TÁRKI Household Monitor survey grew from 160–170,000 in 2007 to some 280,000 by 2014. Comparison with EU-SILC also suggests that the 'losses' in the Hungarian Central Statistical Office data are similarly biased. The authors found that income surveys tend to be reasonably accurate at the 93–95th percentiles, but not beyond that. In 2014, it was estimated that top earners (the unrepresented 5 per cent in the surveys) might have earned about 23 per cent of all incomes (B. Kis and Tóth, 2016). The next 5 per cent (estimated from the top of the survey sample) might have earned about 12–13 per cent of total income, so we estimate that could be around 30 per cent for the 'real' top decile.

5. The internal stratification of the top decile

The top decile is internally rather heterogeneous (Tóth, 2018). Szakonyi (2018) estimated that in 2018 about 200 Hungarian families had net assets of over HUF 8 billion. [5] An additional 2,000–2,500 households had assets of just over HUF 1 billion. There is no credible way of estimating the incomes of the 'top 10,000' families, as there is considerable variety in how assets are allocated among consumption, savings and investments. A rough estimate indicates that the threshold for the top 10,000's assets may be HUF 300–350 million, with an annual household income of around HUF 30–35 million. In terms of family wealth, those households at the pinnacle of the top 10,000 could have a thousand times more than those at the 'bottom' of the top 10,000. It should also be noted that the top 10,000 families represent only about 1 per cent of the top 10 per cent!

Kolosi and Fábián (2016) offered a macro-estimate. They suggested that the top 5 per cent could be seen as 'wealthy' (in 2015 they drew the line between 'wealthy' and 'not wealthy' at around HUF 70 million of assets). They also estimated that half of the population possessed no wealth (their average wealth was at best HUF 7 million, including their place of residence).

As far as the top 10 per cent is concerned, in 2014 average household earnings might have been as low as HUF 5–6 million, though in household surveys the proportion of the population which could not be reached or refused to answer is about 5–7 per cent.[6]

[5] Exchange rate is HUF 280 to the US dollar (August 2018).

[6] According to our empirical studies, household surveys do not generate reliable data for households with assets of HUF 50–70 million or annual household income of HUF 10–15 million.

There are four different groups of people in the top 10 per cent (Tóth, 2018). At the bottom of the top 10 per cent (thus among those who constitute the top 90–95 per cent of the population), we find the 'regular bourgeois middle class' (better-paid professionals, engineers, medical doctors, university instructors and administrators, lawyers, middle-ranking civil servants and managers/owners of medium-sized firms). Their annual household income might be around HUF 5–15 million and their net assets around HUF 50–70 million.

The next strata – those above the 95th percentile – cannot be measured from household survey data. First there are 'hot-shot' lawyers, leading medical doctors in hospitals, media personalities, elected politicians at the national and local level (the more important localities) and the managers or owners of medium-sized firms. Annual household income is somewhere in the region of HUF 15–35 million and their net worth is HUF 50–300 million. This group is followed by the 'top 10,000' – the owners/managers of large firms, leading scientists, artists, sportsmen and 'inheritors' of rare pieces of art or real estate, whose annual household income may range from HUF 35 million to HUF 250–300 million and whose net worth starts at around HUF 300 million.

Then come the 'super-rich' – the 'top 100'. In terms of age, they are between 45 and 75. In 1990 quite a few of them were 40–50 years old, and some were the deputy managers of formerly state-owned firms; they then privatized those firms or – in the course of privatization – collaborated with western investors. Intriguingly they tended to be in industry.

6. Social mobility after market transition

Before market transition, Hungary was among the countries with the most extensive research on mobility (Andorka, 1982; Haller et al., 1990; Breen, 2004). Nevertheless, during the past 25 years few systematic data were collected on social mobility. And so in this paper we have to rely on relatively scarce data sources.

Kolosi and Tóth (2008) compared data from the 1992 Hungarian Household Panel Study with a 2007 longitudinal study and found that 10 per cent of the subjects (during the 2000s, this represented about 8 per cent of the Hungarian population) had drifted into the *underclass*. Across the labour market, mobility – whether upward or downward – was relatively limited. They calculated a 'transition matrix' (based on economic well-being) from 1992 to 2007 (*Table 1*).

Table 1 *Transition matrix among various categories of material well-being index*

		2007			
		Lower 25%	Middle 50%	Upper 25%	*Altogether*
1992	Lower 25%	57.4	36.1	6.5	*25.2*
	Middle 50%	18.4	59.4	22.1	*49.6*
	Upper 25%	9.4	42.7	47.9	*25.2*
	Altogether	*26.0*	*49.3*	*24.7*	*100.0*

Source: Kolosi and Tóth (2008: 28).

Almost 60 per cent of those who were in the bottom quintile in 1992 were still there in 2007, whereas in the top quintile less than 50 per cent had retained their position. Following the market transition, there was upward and downward mobility, but mobility in general seems to have been greater in higher-status groups than in the lower ranks (hence it may be the opposite of what Mitnik et al. found in the US). It should be noted, however, that the bottom quintile is 'cut out' from a relatively homogeneous larger group (like the bottom half of society), while the upper quintile is suspected of being 'cut off' (more distant) from the middle.

Researchers have also concluded that the same variables played a key role as determinants of economic well-being in both 1992 and 2007: education and cultural capital. The position that people occupied under socialism was also important. The economic conditions of families were increasingly and more consistently linked to socio-demographic characteristics. Therefore, since the 1980s 'status inconsistency' (Kolosi, 1987) – a good description of the earlier socialist epoch – seems to have declined substantially. Society has increasingly become hierarchically ordered, with education playing an ever-greater role in the making of such a hierarchy (Kolosi and Tóth, 2008).

The OECD report cited above (OECD, 2018a) also explored the movement between income quintiles, but it does so inter-generationally. The key question is how 'sticky' the bottom is (are children likely to end up in the same social position as their parents?) or how 'sticky' the ceiling is (what are the chances of the children of the 'top dogs' staying in the higher status groups, where they were born?). According to the report, Hungary is especially sticky – on both the floor and the ceiling (OECD, 2018a: 38, Table 1.1). Downward mobility from the top quintile is especially small in the US, UK, Germany, Luxembourg and Hungary (among the OECD countries). The children of the lower middle class in Hungary (and Germany) had more chance of being downwardly mobile than upwardly (OECD, 2018a: 179, 203). It is also worth noting that next to the USA, it is in Hungary where the effect of education is strongest.

We have already indicated that most Hungarians in the top 10,000 in terms of income and wealth are first generation: very few in this category inherited their wealth from their parents. This is not surprising, since those who made it to the top of the wealth hierarchy during the market transition are only just beginning to pass on their assets/positions to their children.

7. Patterns of mobility: are there any indications of stricter closure at the top of Hungarian society?

In this section, we test a few hypotheses with scattered empirical evidence. Our first point: the 'social closure' in Hungarian society should not simply be perceived as a linear process. The first closure process occurred during the mid-1980s, when mobility processes started to decline in Hungary – that was a period of stagnation, with obsolete technology. Tertiary education was also rather closed (only about 10 per cent of the cohort could enter university). In addition, the allocation of housing was guided by political considerations, and only senior party and state officials had access to high-quality health care. At the top of the social hierarchy was an elite 'caste' or 'estate'.

During the market transition, new technologies were introduced, which increased the demand for a highly qualified labour force. There emerged an increasing number of new, market-driven positions – hence it appeared to be a golden age for those who had received university education during the mid-to-late 1980s. However, an expansion of education has since occurred, increasing the supply of highly skilled individuals. During the 1990s, there was an explosion in the numbers entering university education – up from 10 per cent of the relevant population to 40 per cent. This should have added up to an increase in social mobility. However, taking all things into consideration, there was increased *closure* rather than opening. Soon after the market transition, the transformation of the economic system slowed down. New positions for highly skilled experts continued to arise in new organizations in high-tech industries; but in other sectors of the economy, the upward mobility of the increased number of newly trained university graduates was blocked by earlier generations.

The significance of inherited wealth also increased. The real estate market is very diversified in Hungary: the rural housing market blossomed in the period 1965–85 (though in small villages with fewer than 2,000 inhabitants, depopulation was already under way, with a concomitant collapse in the housing market). In the 1970s and 1980s, especially in urban areas, the investment in apartments was an early sign of private capital accumulation and transfer of family wealth to the next generation. After the market transition, there were two booms in the real estate market: in the late 1990s and then after 2015. While the real estate values in rural areas generally declined, in the better urban neighbourhoods there was massive inflation in real estate values.[7] This led to a huge redistribution of real estate wealth. It is reasonable to assume that it also resulted in a substantial increase in wealth inequalities.[8] Furthermore, we can discern an increasing transgenerational inheritance of privileges in the educational system. Analysis of various competence scores shows a particularly strong effect of parental background on children's performance. According to the 2012 PISA (Programme for International Student Assessment) study, family background has an especially strong influence on the school performance of children. About 30 per cent of the maths results of 15-year-olds can be explained by their family background. This is the second-worst result in the OECD countries, where the average is around 20 per cent (Csapó et al., 2014).

During the first couple of decades of socialism, class affirmative action meant that at least at the level of tertiary education the effect of class background declined substantially. This began to change after the 1960s, and over the past two or three decades the impact of family background has kept increasing. The appearance of new private schools – especially where education is offered in a foreign language – might have played a significant role, since only better-off parents could afford to pay the rather high tuition fees. Education in private high schools is certainly an advantage for university admission and facilitates access to the elite US and UK universities. Even at high school, some students spend a semester as 'guest students' in the US or elsewhere, which gives them a tremendous advantage in their further studies. While the children of better-off parents probably are over-represented among university students, the Hungarian university system is not as stratified as the American or British (a degree from Budapest's ELTE university does not offer any particularly great advantage on the job market over a degree from the University

[7] We have a data shortage for real estate values by regions. But for estimates of real estate values, see József Hegedüs, Eszter Somogyi and Nóra Teller in this volume.

[8] Wealth inequality does not appear to be especially high in Hungary. Nevertheless, the top decile owns about half of our wealth (OECD, 2018b). In the US, the Netherlands, Latvia and Denmark, about two thirds of all wealth belongs to the top 10 per cent. In Belgium and Italy, it is around 40 per cent. Since Hungary is a relatively egalitarian country, the 50 per cent wealth ownership by the top decile is surprising and can be attributed to the large share of home ownership in this country.

of – say – Pécs). Therefore, a larger gap is created between those who complete their university education in Hungary and those who study abroad (though it is unknown how many foreign-trained young Hungarians will ever return to Hungary).

According to recent Hungarian studies on educational mobility (see Péter Róbert in this volume), there is a strong correlation between the educational attainment of parents and of their children, and as a result of the Great Recession this correlation became even stronger. According to Róbert, the Hungarian educational system is rather selective; and far from weakening, the influence of parental status is – if anything – getting stronger (see Róbert's chapter in this volume).

Social closure is also reinforced by marital homogeneity. This subject was carefully researched in the United States, but relatively little is known about assortative mating in the post-communist world. It is certainly likely that during the early years of socialism, cross-class marriages were quite frequent; but the openness of mating started to decline as early as in the 1970s and 1980s, when mating between the children of discrete groups became more frequent – intellectuals with intellectuals, cadres with cadres.

Earlier Hungarian studies, in line with international research, indicated a decline in hypergamy (the likelihood of women marrying men of higher social status) in 1980–2010 (see Esteve et al., 2012). The 2011 and 2016 Hungarian Central Statistical Office data from the census and micro-census indicate an increase in homogamy (people marrying mates of similar social status) and a slightly larger decline in hypogamy (hence, more women are tending to marry 'down').[9]

8. Conclusions

American scholars (in the main) began to claim that, with stricter closure in the top decile, a new 'aristocracy' may emerge. We do not particularly like the term 'aristocrat' – it is ahistorical – but we do appreciate the reason for using it. If indeed the privileged at the top of society are increasingly getting there through inheritance rather than achievement, it indicates an important shift in the legitimacy of market capitalism and liberal democracy (we would prefer on theoretical grounds to use the term 'ruling estate', or even 'caste' –

[9] Hypogamy grew when the education of men increased more rapidly than the education of women. Nevertheless, this coincided with a decline in lasting homogeneous marriages, since the divorce rate increased. The effect of hypergamy is pointing in the opposite direction (marriages are more stable when husbands have a higher level of education).

though, like 'aristocracy', that is similarly problematic, albeit for different reasons). The main point is, however, that 'meritocracy' (which according to Michael Young (1958) is also a problematic concept) and status gained through 'achievement' (the American Dream) are losing credibility. The purpose of our paper has been to explore whether there are similar tendencies in emergent market economies, especially in Hungary.

Hungarian society is by no means as unequal as American (even allowing for some underestimation of inequality due to the lack of good-quality data on the top percentiles of Hungarian income distribution). At the same time, our data support the hypothesis that following the Great Recession the share of total income going to the top deciles has increased; though we have no data for after 2014, there is good reason to believe that this trend has continued in recent years. After the 2018 election, when the right-wing Fidesz party won its third term with a two-thirds majority, left-wing and liberal commentators often claimed that it was based on support from uneducated, rural voters. In our view, matters are far more complicated. The major beneficiaries of the last eight years of right-wing government have been the people in the top decile. We have no exit-poll data, but we assume that support for the status quo may have been substantial even in the top decile.

With the paucity of data, we cannot really test the sociologically more relevant hypothesis. Is the cleavage between the top decile or quintile and the remaining 80–90 per cent becoming more rigid than it used to be?

As regards the deviation in the Hungarian patterns from the general predictions of the 'Great Gatsby' curve and the surprisingly low social mobility in Hungary, it is difficult to draw general conclusions. However, from the data available to us we cannot reject the hypothesis that there is less fluidity at the top than at the bottom of the social hierarchy. The low overall social mobility in Hungary may be a consequence of special and strong cleavages between various segments of Hungarian society. There are social groups where transition is stickier; though in others it may be less sticky. While we need more data, it is reasonable to assume that inflow and outflow to the top decile are stickier than anywhere else in the social structure.

Even if there is a 'sticky ceiling' – i.e. the upper middle class is becoming like a 'caste' or an 'estate' – that does not mean that within this 'class' (or whatever it is) meritocratic/achievement-based selection has ceased to exist. The reduced fluidity between classes/estates/castes does not mean that within the different categories education/achievement is no longer an important selection criterion. In addition, at least some parts of the upper classes may face strong competition on a global level, where the only advantage they have – if they have any – is their human capital. Furthermore, we do not even claim that extraordinary mobility – from the very bottom right to the top – is not possible. But we do suggest that there are fewer opportunities for inward and outward mobility at the top of society (in the top decile or quintile). And this, from a societal and political point of view may be problematic. On the one hand, it may cause efficiency losses for the nation's human capital. On the other hand, those experiencing a fall-behind feeling may contest the legitimacy of the system. Those who cannot compete (regardless of the level of their human capital – i.e. some humanist intellectuals, as well as some of the low skilled) will support protectionism on the global market – a direct route to further closure, illiberalism and right-wing populism.

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