

FROM SPATIAL INEQUALITIES TO SOCIAL WELL-BEING

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Social Well-being Issues in Europe: the Possibility of a More Competitive Europe⁷

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It can hardly be disputed that social well-being issues, including the mitigation of social and spatial inequalities are one of the timeliest tasks to be solved for the people of Europe today. This task is now becoming more important even for America, whose citizens for a long time, not only much more accepted social inequalities than the European people, but the attitude towards them was one of the main indicators and a key factor of the difference between the US and the European social model. According to a book published in 2008 Americans and Europeans think about poverty, inequalities, the redistribution of income between the rich and the poor, social protection and welfare in a different way. Americans are more or less on the general opinion that the poor should help themselves. In contrast, Europeans believe it is primarily the job of the government to lift people out of poverty' (*Alesina–Giavazzi, 2008, 27.*). Alesina and Giavazzi, the two authors of the book, think Europe's whole future depends on how it can get rid of today's social attitude, how it will reduce its well-being activities and how it will be able to catch up with the American model.

There are lots of people, who disagree with this, and they come not only from European societies and their (mostly left-winged)

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politicians, but also from the representatives of various sciences. In the field of European science more and more people just proclaim that Europe's 'Americanization' is not a solution, the American model should not be adopted and it is necessary to preserve those advantageous features of the European system that are connected to its social base, even if they are different from the American one (*Kazepov, 2010*).

But even the opinion of the US political and academic sphere is subject to change. Barack Obama, the US president in his speech held at the Center for American Progress Research Institute in 2013 highlighted the risks of the increasing wealth inequalities and called for their mitigation⁸. Joseph E. Stiglitz in his work published in 2012 under the title 'The Price of Inequality: How Today's Divided Society Endangers Our Future' reveals the negative economic consequences of social and economic inequalities, and at the same time he points out that 'excessive inequality is detrimental to productivity and slows down growth' (*Stiglitz, 2012*).

The Nobel Prize-winning American economist strongly criticizes the current US inequality system based on income and other economic factors where 1% of Americans control 40% of national wealth and also that the top 1% enjoys the best health care, the best education and the benefits of their property, while the other 99% are excluded from them (*Stiglitz, 2012*). He also states that converting economic power into political power is the major cause of inequality, i.e. the whole contemporary political system of the US governs for the benefit of the 1% (*Stiglitz, 2012*).

The introductory chapter is aimed at neither analysing the European and American social models and their associated social inequality issues nor providing an alternative of the two models, and elaborating proposals in this regard. The task undertaken here is only to indicate social well-being problems, especially those related to the lack of it, which have already reached global level, and to provide a detailed analysis of some of them but only in the contemporary Western, Central and Eastern European and Hungarian context. By the presentation of the different types of social well-being issues, social and spatial inequalities we want to convey the main objective of our book: calling for the need to

⁸ http://hvg.hu/vilag/20131204_Obama_ot_pontot_vazolt_a_tarsadalmi_egyen/

intensify the research of European and national social well-being systems. We do this, among other things, to point out, that mitigating social injustices, handling social inequalities, increasing social well-being should be actual objectives of European culture. Maybe the realization of these goals – especially in a competition interpreted only in strict economic terms – does not provide benefits in the race with the American society. To achieve these goals a very high amount of resources is needed, because these targets are particularly expensive. In fact, in the short term it is not even sure that they will serve for the efficiency of the economy, but they surely will strengthen the joy, satisfaction, and social-driven competitiveness of people living in European societies. And they will – certainly in the long run – ensure the more dynamic development of the economy as well.

Social well-being issues in Western Europe

In Western Europe there have been obvious signs of the economic decline and its adverse social consequences since the 1980s. The oil crisis in 1972, the subsequent indebtedness process and the financial crises in the 1980s in the 1990s and in 2008, the changes and the turbulence in the level of GDP per capita have put an end to the period based on optimistic, unbroken economic development opportunities, which characterised the 1960s.

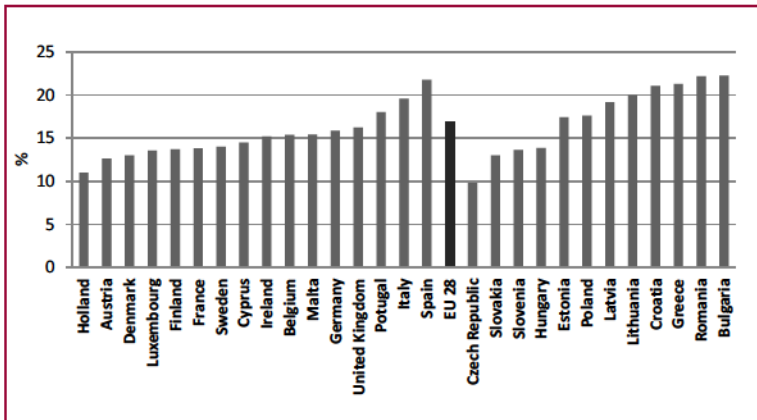
The basic welfare objectives of individual nation states were gradually built down, the eradication of poverty, the provision of full employment and supply for all became ideas impossible to carry out in more and more countries. The retreat of welfare goals brought about hundreds of social problems. Among them it is especially important to mention long-term unemployment which hit the European states in varying degrees, showing strongly fluctuating index values in different periods (for example, between 2000 and 2014), and then growing figures after the 2008 economic crisis⁹.

⁹ Changes in the unemployment rate in the EU: 9.2%, in 2000, 6.8% in 2008, 9.2% in 2010, 10.95% in 2013 and 10.1 % in 2014 (www.geoindex.hu/munkanelkuliseg).

The increase of poverty¹⁰, including urban poverty¹¹ also poses serious difficulties for European countries, although Figure 1., for example, suggests that the differences in poverty risk among European households are large. In particular, differences between Western and Eastern European countries are striking even in comparison with the EU average.

Urban poverty is difficult to estimate, not only because the very poor live mostly in disadvantaged areas, small towns and villages but also because urban poverty is less visible. This kind of poverty is multi-factorial (mainly in non-European countries), the poor living in cities are highly vulnerable, the official institutions often do not even know how many of them there are, where, which slums they live in. According to the United Nations' Centre for Human Settlements, today one out of six people lives in large urban slums or in arbitrarily occupied properties¹².

Figure 1: Income inequalities in the European Union (2010)



Source: European Commission, Eurostat, cross sectional EU-SILC, 2011 UDB August 2013

¹⁰ In 2010, nearly 81 million EU citizens lived in income poverty, about 40 million people were poor from a financial point of view. 38 million people lived in households where the adults worked much less than they could. (Source: Eurostat, online data series: tsdsc100, tsdsc270, tscsc280, tsdsc310, tsdsc350, ilc_pees01). In the EU income poverty is the dominant form of poverty, which in 2012, affected 17.1% of the Union's total population. (Summary: Sustainable Development in the European Union, Eurostat, epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/..HU/237HU-HU.PDF)

¹¹ In 2011 the proportion of urban poverty in the EU countries was 27.23%.

¹² Sheridan Barthelt: Children of Urban Poverty (<http://www.csagyi.hu/jogyakorlatok/nemzetkozi/item/288-a-nagvarosi-szegenyseg-gyermekei>)

The spatial social migration – the inflow of mostly unskilled guest workers, migrants moving from Asian and African countries into developed European countries in massive scale – not only increases the number of the urban poor, but also brings in new panels of social deprivation, and the threats of social conflicts¹³.

As a result of the reduction of the previous goals of the welfare state, the reduced amount of the state's (or even the European Union's) resources to redistribute, the fears of public and non-government employees, operators of losing their jobs or their market, the contradictory effects of the global economy, the polarization consequences of global urbanization, the strongly growing discontent of civil societies, protests, strikes and often a multitude of brutal street conflicts swept throughout Europe. In almost all regions of the world, not only in Europe anti-globalization social movements are becoming more and more common as well. The social and economic injustices of globalization, the new movements protesting against environmental hazards, the various anti-globalization, anti-capitalist and globalization criticising groups are gaining new force.

The social and spatial inequalities in Western Europe

Not everyone accepts that globalization is one of the most fundamental components of reducing poverty in the developing world; therefore the problem is not globalization itself, but other structural barriers to the spread of globalization and power factors (Munck, 2005). Many people criticize the aggressive, and also the homogenizing effects of the lifestyles, cultures and social consumption patterns mediated by globalization as well as calling attention to the increasing risks of the decline of national and local cultures. These opinions are increasingly less willing to accept that global capital wants to control not only the economy, but also the states and social life (Hay-Marsh, 2000; Wilkinson, 2002).

It is more and more obvious that the transformation of the world economy, the growing intensity of the world-wide econom-

¹³ In 2010, approximately 3.1 million immigrants came into the EU member states, while at least two million emigrants left the member states of the European Union. According to the most recent data available migration slightly increased in 2010 compared with 2009. (epp.eurostat.ec.europa.eu/statistics_explained/.../ Migration...migrant.../hu)

ic, social and cultural relations, the processes of globalization have controversial social consequences. Globalization, the effects of global capital movements all over the world, and even in Europe transform the social and power structure, new spatial and social relations are formed. The settlements previously holding power have got into a disadvantaged situation, while others came forward, new metropolitan powers have emerged, often leaving their national governments behind and creating supranational decision-making systems.

The territorial demands of global economy polarize the regional social structure in a specific way. New types of spatial dependencies, social inequalities are formed between regions favoured by global economy and regions that do not receive global capital, or regions which, are left behind by transnational multinational companies settling down somewhere else due to global-level decisions.

Although the needs of global capital in the beneficiary regions provide jobs and even global work culture, in the case of regional and local level, they generate income and other types of inequality, while in the case of abandoned areas, they bring about unemployment. According to what was said at the meeting of the leading top executives of the largest transnational companies in 1995 “in the coming century, twenty per cent of the working population will be enough to keep global economy at the present dynamism” (*Martin–Schumann, 1998*). Some professional assessments on the future development of world economy expect rising unemployment and increasing poverty as a consequence.

There is a great number of scientific works drawing attention to the dangers of social inequalities induced partly by global economy; while others give a full and sharp criticism of global processes based on capitalist systems as well. Among them the book *‘Le nouvel esprit du capitalisme’* (*The New Spirit of Capitalism*) by Luc Boltanski and Éva Chiapello published in 1999 is outstanding; here the authors present the historical development of capitalism, its transformation broken down into different periods and social inequality-generating effects with strong criticism (*Boltanski–Chiapello, 1999*). Here it is worth mentioning again Stiglitz’ book *‘The Price of Inequality: How Today’s Divided Society Threatens Our Future’* published in 2012, and the book *‘The Capital in the 21st Century’* written by French economist Thomas Piketty, published

in French language¹⁴ in 2013 and in English language in 2014. In the latter book, which received significant international attention, the French economist not only criticizes, but even claims that today's income, property and increasingly severe economic inequalities already threaten the future of the entire capitalism (Piketty, 2014).

The worldwide facts clearly show the concentration of wealth. According to the data 0.5% of the world's population owns more than a third of the global wealth (net worth) (Credit Suisse, 2010, *inequality.org*). Another data indicates that 1% of the richest owns nearly half of the world's total assets (<http://www.nbr.co.nz/sites/default/files/credit-suisse-global-wealth-report-2014.pdf>). It is evident from the works of Saskia Sassen, the American sociologist and of others that big cities and metropolitan regions play a major role in the development and organization of world economy. They are strategic locations, because they are the centres of innovation, production and services (Hall, 1996; Sassen, 1991, 2000, 2007, 476.). The dynamic operation of the post-Fordist economy, the growth of the service industry is mostly ensured by big metropolises. These growth poles command economic development. They are the places where international capital appears, where international skilled labour emerges as well as the places of the development of information technology, of the organization of relations between nations and of social and cultural diversity. It is the metropolitan regions that offer competitive advantages for global companies as well.

Behind the key social and economic roles of metropolitan regions we can find powerful economic and social processes of centralization which can be observed in the developed countries of Western Europe (and even in the United States and Japan). Starting from the 1960s and 1970s the concentration of the service sector and skilled labour in metropolitan regions, the rise of multiregional and interregional, later multinational, transnational corporations and the consequent strong development of big cities and their peripheries is a continuous process (Veltz, 1996).

The concentration processes taking place in the European metropolitan regions result in significant spatial differences due to the uneven development of areas affected by concentration processes

¹⁴ Piketty, T. (2013): *Le Capital au XXle siècle*. Seuil, Paris

Piketty, T. (2014): *Capital in the Twenty-First Century*. Belknap Press, Cambridge, MA

and those excluded from them. According to the French Veltz, the spatial structure of France, which was created on the basis of the concentration of global economy in metropolitan regions, is bipolar, which may be characterised by strong inequalities between the Paris region and the other regions (mainly the Southern district) (Veltz, 1996, 33.). Phillipe Cadena states that the 117 municipalities with over two million inhabitants concentrate the most powerful institutions, the wealthiest families, and even a part of country-specific poverty (Cadena, 2000, 139.).

Mollenkopf and Castells used the term dual society for indicating inequality problems (Mollenkopf–Castells, 1991). The term used by them is associated with the spatial and social inequalities which developed as a consequence of globalization, with the advantages of regions and spatial groups linked to global economy and the disadvantages of the excluded ones. The term ‘société duale’ or ‘dual city’ expresses the economic and social contradictions between groups living in large metropolises, urban regions which are linked to global economy and old industrial cities, urban regions hit by the crisis, large housing estates inhabited by the poor, small cities and declining, small rural areas (Ascher, 1995, 126.).

However, the concept of dual society is debated by several experts, because dynamic urban regions are also structured and declining regions also have groups of high social status. For this reason, for example, Ascher proposes using the structure of three-part societies based on the place occupied in the Fordist wage structure instead. In this distribution on the one hand, there are people of stable socio-economic status in the public sector or at private companies, on the other hand, there are people who are in unstable position and who are excluded from the labour market. Within the first large group a further differentiation is possible in terms of safety, and those being in precarious position would form the third group. The three groups live three different ways of life by leading different urban lifestyles (Ascher, 1995, 130.).

Inequalities are manifested not only between metropolises, global city regions and other regions but also within the internal structure of global cities and metropolises as spatial economic inequalities between the core city and its urban neighbourhood. Veltz for example describes the relationship between the core and the peripheral area of the Paris region as a pyramid patterned spatial hierarchy (Veltz, 1996, 33.).

The development opportunities of urban networks created by the globalizing world economy, and the development opportunities of cities and their urban regions (as well as of the involved national societies) are strongly differentiated. Between cores and peripheries, and within certain localities social polarization, the system of gradually increasing spatial inequalities has strengthened; the economy and the upper classes are concentrated mainly in city centres with favourable conditions, and in good suburbs, while the poor, the disadvantaged, the lower social classes are located in bad conditioned city centres and dilapidated urban neighbourhoods.

Social tensions became apparent even in global cities or 'showcase cities' as they were named by Boltanski and Chiapello. The development differences between the residences of the elite – including the expert groups or the management of multinational companies, or the homes of economic and political decision-makers – and the neighbourhoods inhabited by the educated middle-classes, and the marginalized, the disadvantaged, and the unemployed have become obvious (*Boltanski–Chiapello, 1999*).

Sassen's analyses confirm the structural regional disparities in inner metropolitan regions; the differences between city centres and peripheries, or urban neighbourhoods which beyond the different historical determination originate partly from the territorial specificities of the location of global capital at companies, partly from the social class orientation and resulting lifestyles of the residents living in the urban region. According to this, companies being truly in global positions (and according to Sassen's '*Global City*') the so-called 'new class', i.e. high-income managers, highly skilled occupational groups, employees with equity portion generally live in city centres, while the employees of routine national companies, as well as people belonging rather to the national middle classes live in the peripheries of urban regions (*Sassen, 1991*).

Social well-being issues in Eastern Europe

The oil crisis, the debt, the negative consequences of the financial crisis did not spare the countries of Central and Eastern Europe either. The social problems resulting from the global economic crises in the 1970s and 1980s, however, emerged in a spe-

cific context, in the circumstances of the Central and Eastern European socialist states. These systems could be characterized by a centralized, one-party based power system and redistributive mechanisms, i.e. a social administration system based on the redistribution of financial resources. Their additional features included the lack of local (corporate, regional) autonomy, exclusive state ownership, neglected market conditions, the absence of social participation, lack of civil society organizations and movements, and last but not least, the presence of the party-state manoeuvring between “soft” and “hard” dictatorship perching on and intimidating the daily lives of individuals, and the complete absence of the freedom of speech.

The existing socialist systems concealed the different social problems and inequalities for a long time. Unemployment was held ‘behind the gates’, spatial and social polarization, residential segregation were denied, it was believed the whole thing could be solved by building new housing estates, with equally small apartments. Paying homogeneous wages also served for hiding social inequalities, as well, as the (declared and presumed) homogeneous development of new industrial cities, the unilateral communist ideologies communicated by the press, and the media.

However, the second half of the 1980s brought some changes, as it was impossible to continue to conceal the worsening economic and financial problems of the Central and Eastern European countries, the systems maintained and supported by foreign loans had become unsustainable, the predictable collapse of the Soviet bloc was appreciable as well as the shaping of a new world power system.

Due to the economic and social problems, entangled into each other, several countries faced not only social conflicts, but also freedom fights and riots. The 1956 Hungarian Revolution, the 1968 Prague Spring, the workers’ strikes in 1956 in Poznań, in 1970 in Gdańsk, as well as in 1976 in Radom and in Ursus, broke out due to the difficulties of everyday life (especially the continuous increase of prices) people formulated the needs for the displacement of power, the goals of civil rights, alternative publicity, the freedom of association, the recreation of traditional communities and social networks.

The 1956 Hungarian Revolution, the 1968 Prague Spring, the effects of the new French, German, American leftist movements in

the 1960s on Eastern Europe, including Hungary (*Heller, 1968*) and the 1968 Hungarian economic reform movement¹⁵ called the new Economic Mechanism resulted in new phenomena in Hungary: the introduction of the so-called Hungarian model, the evolution of a kind of 'soft' dictatorship and greater freedom to the press. Thanks to the economic reforms, the Hungarian model exhibited some special features such as the slow organization of market elements, the development of the so-called second economy¹⁶, the limited but yet independent operation of larger companies and cities (mainly county towns). Last but not least, it resulted in the slow rise of the bourgeois class, which means not only the emergence of social differentiation, but rather its manifestation, the publication of scientific works on the whole phenomenon. In this, in addition to social scientists, some representatives of the press and the opposition groups played an important role.

The difficulties became more serious in the 1980s due to the fact that the signs of economic decline became perceptible even in Hungary. Between 1956 and 1980, according to the Central Statistical Office data, the growth of GDP significantly declined, which was due to the phenomena of economic downturn. As a result of the oil crisis between 1976 and 1983 the price of the Soviet oil sold in the CMEA markets more than quadrupled.

The country's western currency debt continued to rise, real earnings have fallen, and although social unrest intensified, social movements had not yet started. The Hungarian model, the 'soft' socialist dictatorship, the consumption opportunities which were very limited in comparison to what was expected, but which were still better compared to the other socialist countries, as well as the operation of the second economy prevented large mass demonstrations for a time. However, the end of the 1980s brought a change.

¹⁵ The new economic mechanism was a comprehensive reform of economic management and planning, which was introduced in Hungary in 1968. With the reform, the role of central planning decreased and corporate autonomy increased in production and investment, and prices were liberalized, i.e. beyond the officially fixed prices, the prices of some products could freely follow market demand and finally the centrally determined wage system was replaced by a more flexible, company regulated system within certain limits.

¹⁶ The second economy was introduced in the 1980s. This includes legal, for-profit activities, carried out in private sphere areas for the purpose of supplementing income: for example, backyard and subsidiary farming, private housing, and small-scale industrial activities.

Several groups of the Hungarian society, especially the elite social strata, but also the small and middle classes wanting to consume (hopping out to shop at the neighbouring Austria) were not satisfied with the quantity and the quality of life opportunities offered by the 'soft' dictatorship. Therefore, at the end of the 1980s, more and more social conflicts broke out leading towards the change of regime. They were based on the cooperation of formulating civil society forces, including employees' groups and political opposition groups (*Szirmai, 1999; Albert, 2001*).

However, the content and social basis of conflicts largely differed from each other. The social movements, the political unrest mobilized by the opposition's political forces, the goals to change the political power structure, the employees' actions were less aimed at changing the political system than were motivated by people's fears of losing their jobs, and by the need to protect job opportunities even if they provide low income, but ensure security for the people. This demand (for example, in case of the erupted social and environmental conflicts in the new Hungarian industrial cities), although for a short-term only, ensured the survival of the socialist system, and also temporarily relieved the general crisis of the regime (*Szirmai, 1999*).

The social and political changes of the 1990s quieted political (including environmental issues motivated) conflicts, for a long time, it seemed, the new civilian political system would give way to the enforcement of a wide range of social interests, among others on the basis of integrating civil society actors into the political system. During the institutionalization process the former social movements transformed into political parties; in the past they never had any chance for such type of organizational change, while some social movements kept their movement profile even after the change of regime, but with limited functions and political space (*Szabó, 1993*).

During the processes of the 1990s, the interests of the elite were largely satisfied and several of the leading personalities were elected into local and central power systems, their living conditions significantly improved. The modern civil society and economic conditions and the developing market economy created the possibilities for the highly awaited consumption. However, the civil society got into peripheral position. It was partly due to the fact that the powers of social movements, which seemed to

have strengthened previously, became weaker due to the fact that party building proved to be a much more powerful process than movement organization. And this was not favourable for the organization of social conflicts, which gradually calmed down.

The 2000s, the emerging contradictions of new global interests again led to a different situation. The threats of the 2000s, including the mortgage crisis from 2007 to 2008 and the global economic and financial crisis after 2008 originated in the United States. Today we already know that in the years 2000-2001 in America, due to the huge fall of property prices, people started to buy houses and flats. People were able to take out large amount of loans from the state, which they had to repay only in 30-40 years time (in those years, unprecedented in American history, 65% of the people had owned their houses or flats, of which only a small part had been paid). The mortgage crisis starting in the financial markets had brought economic downturn in the US, Japan and Europe. The crisis hitting investment banking, the run-away exchange prices, foreign currency loans, had their impacts on people's everyday life, several individuals lost their homes, and they were also threatened by losing their jobs. This, again, gave rise to social mobilization processes.

Poverty, rising unemployment led to protest strikes, and often inflicted a series of brutal street conflicts in countries such as Italy, France, and Spain. Although the Hungarian society's conflict culture is differentiated, it differs from the tensions generated by the civilian forces of Western societies, and other mobilization factors, and differs from the Western type of stronger conflict readiness which is capable of articulating community interests as well. The social unrest among the Hungarian population started to increase vigorously, namely because the global financial and credit crisis did not spare the country either.

In the years prior to 2008, the year of global economic crisis, Hungarian banks and financial institutions also had taken a series of measures that enabled the population to get home mortgage loans relatively quickly and easily. 2003 was an outstanding year in terms of housing loans, when the amount of home mortgage loans one and a half-fold increased in comparison with the previous year; from 992 billion HUF to 1,437 billion HUF¹⁷. This

¹⁷ 1 Euro=302,93 HUF (Hungarian Forint) (2015.02.26.)

is explained by the fact that the state provided considerable interest subsidy in that year. However, it is clearly seen that as an outcome of the global economic crisis, the amount of housing loan subsidies fell back to more than one third. According to the Central Statistical Office's estimates, in 2011, approximately 1 million 900 thousand people – that is, every fifth Hungarian person – were affected by the problem of mortgage loans (CSO, 2011¹⁸). The social discontent was increased by the totalling effects created by the transition process the historical contradictions and global processes. The gaps deepened between different social groups, different regions, urban regions and their internal spatial units as well, social polarization intensified and social inequalities became even more significant.

The interests of the elite have also changed. While in the past it was not in their interest, only to put only those minor problems on the conflict territory that they had the ability to deal with and did not mean any risks for the safe operation of their political power structure, in recent years a growing number of political actions initiated by national and local elites or even opposition groups have emerged in the political 'arena'. These groups have already been interested in making certain kinds of tensions manifest. At the end of 2014 several civil society movements showed up in the streets of big cities and Budapest.

Social and spatial inequalities in Eastern Europe

A comparison of the income data between European countries (including Western and Eastern Europe, and Hungary) clearly shows the Eastern European countries (though internally differentiated) disadvantaged positions, partly as compared to Western European countries, and partly as compared to the EU average.

The differences originate mainly from the historical and economic disparities (including GDP differences) between the western and the eastern, so-called post-communist countries, from urban characteristics, from specific divisions, the characteristic features of the adaptation to globalization process, from productivity and employment factors, from belonging to the

¹⁸ In 2014 25% of households living in metropolitan regions had loan debts.

European Union, and the dates of EU accession (and also the expectations related to it), and last but not least, from the malfunctions of the European cohesion policy. Although the EU has made a number of important strategic decisions that aimed at the mitigation of regional inequalities but in the majority of cases they proved to be unsuccessful¹⁹ (Horváth, 2004; 2015).

The political and economic changes starting in the early 1990s in Central and Eastern European countries, the development of market economy, the EU accession and its support systems created opportunities for economic and income convergence. The real processes had not only brought partial results, but also the recognition that convergence creates very big differences, for example in the case of the 'Visegrád Countries'. This is supported by the latest research, stating that Poland and Slovakia have much more successfully realized their income convergence, than Hungary. Among other things, it shows that household incomes between 2005 and 2013 increased the fastest in Slovakia and the least in Hungary (Szivós, 2014, 58.).

Recent social scientific researches show that over the last 10 years sharp structural changes can be observed in Hungary manifesting in the growing impoverishment of the middle class, in the lagging of lower classes and in the deepening of social gaps. According to Eurostat data for 2011, 31% of Hungary's population is exposed to the risk of poverty and social exclusion (Hegedüs–Horváth, 2012, 16.).

Domestic researches verify the visibly strengthened impoverishment in the lower segments of the income distribution system. Today, about one and a half times as many people live on incomes of less than eight years ago. The separation between households and employment has increased in households; the proportion of persons living in households where the head of the household is employed and there are other public employees increased, but the proportion of people who live in a household where there are absolutely no active employees increased as well.

¹⁹ The European Commission's various cohesion reports (such as the ones of 1996, 2004) claim several times that the disparities between regions despite structural policy measures have remained essentially unchanged. Horváth, 2004/9. 963.) (<http://www.matud.iif.hu/04sze/05.html>).

Taking a glance at the composition of income, we find that the households of employees the rate of labour incomes increased, while in the households of the non-employed the share of social incomes increased (*Tárki Háztartás Monitor [Household Monitor], 2012, 6.*).

As the data of Társadalmi Riport 2014 (Social Report, 2014) indicate the rate of people exposed to the risks of poverty and social exclusion in Hungary is not only the highest of all the 'Visegrád Countries', but has been steadily rising since 2008, while the Poles, the Slovaks and the Czechs could reduce the risk ratio of people exposed to such risks between 2005 and 2013 (*Szivás, 2014, 61–62.*).

Poverty data obviously do not express the results of research in the social structure, since they refer only to one of its factors. The social inequality system is the consequence of not only one but of several explanatory factors which compose a specific system of relationships such as the level of education, occupational prestige, job sharing, advocacy, power relations, income, wealth, consumption, cultural, territorial and housing conditions. However, the unequal distribution of cultural capital plays the most important role in it (*Kolosi, 2010*).

According to a more recent study the social structural situation of individuals is primarily determined by the possession of capitals; cultural and social capital. By a person's economic capital we mean the existence or the absence of the individual's income, assets, savings and properties. By cultural capital we mean consumption of high culture (theatre, museum, classical music, books) and new culture (e.g. Internet, visiting social networking sites, involvement in recreational sports). By social capital we mean the number and quality of social contacts (*GfK–MTA TK Osztálylétszám, 2014*).

The most recent social structure researches indicate that the most significant determining factors of the social position a person occupies in stratification are, in addition to age, the place of residence and educational attainment (*Tárki Háztartás Monitor [Household Monitor], 2012; GfK –MTA TK Osztálylétszám, 2014*).

A polarization process is taking place in the contemporary Hungarian society in several aspects. This is reflected in the country's territorial divisions which are manifested by the gaps which can be observed namely between the capital city and metropolitan areas, between small towns and rural residences.

According to this, members of the upper classes, including the highly educated, typically live in metropolitan or urban residential areas. The lower classes of the society are concentrated in small town and rural residential areas (Kolosi, 1987; GfK–MTA TK *Osztálylét-szám*, 2014).

This polarization process is manifested also by the significantly diminishing number and ratio of the people belonging to higher social classes, and at the same time the collapse of the middle class has strongly accelerated, while the ratio of poor classes has increased (GfK–MTA TK *Osztálylétszám*, 2014). For these reasons, until today a broad middle class stratum, which would be vital for modernization, has still not been formed. This verifies the distorted structure of the Hungarian society (Kolosi–Tóth, 2014, 14.).

The ongoing social processes in Central and Eastern Europe follow major Western European trends. The degree of urbanisation is high (64-76%), since economic activity, global capital, and urban population are all concentrated in metropolitan regions (Illés, 2002). However, urbanization slowed down in the 1990s, which was a significant difference compared to Western Europe as the ratio of urban population has been slowly increasing since the 1990s, whereas it was still decreasing in Central and Eastern Europe. This trend changed noticeably in the last few years with the decline of population halting in some cities and in some cities this process has even reversed. Suburbanization processes gained momentum during the transition thanks to a strengthening housing and real estate market, the establishment of market economy, and last but not least to a slow but steady growth of the middle class, leading to an increasing demand for new homes (including detached houses). In the first half of the 1990s, the inner polarization of cities was reflected in the simultaneous trends of the ‘citification’ of downtown areas and the forming of slums (Lichtenberger–Cséfalvay–Paal, 1995). The trends of gentrification and marginalisation were emerging in cities but more recently they have appeared in urban regions as well. One reason for the latter process is the increasing rate of social exclusion caused by city centre rehabilitation projects (Enyedi–Kovács, 2006). People in higher social classes, including those who are highly educated with high income tend to live in big cities while those in the lower classes are typically concentrated in small-towns and rural residential areas.

Europe's competitiveness

Europe's above-mentioned social and economic tensions (most of which are also global), such as poverty, unemployment, income and wealth inequalities, social conflicts are very much criticised in the European Union. Anti-EU sentiments are on the rise among several social groups in numerous countries. This is demonstrated by the strengthening of extreme right- and left-wing political parties that oppose multiculturalism, the free movement of labour and globalisation and seeking to exclude immigrants and guest workers from poorer member states and continents.

The main reasons for critical attitudes and sentiments towards the European Union are anomalies perceived in EU member states, the institutional systems of the EU and those of member states, their rules and regulations, intervention policies and in the creation and sharing of the EU's financial resources. Many countries believe that they pay in too much and get little back, while others feel that the amount of subsidies granted to them is insufficient.

The fundamental reasons behind these anomalies are Europe's social and regional inequalities (that also exist on a global level), and the internal difficulties of different societies. Contemporary modern capitalism is incapable of providing remedy to social tensions, which results in disparities constantly reproducing themselves. As a result, left-wing, Marxist and neo-Marxist egalitarian ideologies are disappearing, in part due to the failure of the so-called "existing" socialist regimes that are now defunct.

Meanwhile, it should also be recognized that there are professional groups, such as sociologists, geographers, and lately also economists, who from time to time express a desire to create societies that may not be completely egalitarian but would be more equal than the ones that exist today, while also mitigating inequalities and contradictions in existing ones. Efforts toward this can be seen within the European Union as well. While it is not our goal to summarise or even briefly list those EU documents that aim to ameliorate social problems and address regional inequalities by creating new models for competitiveness (*for instance, cohesion reports, the Cologne Summit of 1999, the Lisbon Summit of 2000 or the Gothenburg Summit of 2001*), we must still point out that these documents and the fundamental competitiveness concepts have shown significant changes by including

more and more social factors alongside the mainly economy-oriented criteria of competitiveness.

In order to solve Europe's economic and social problems not only new EU documents but also various new theoretical concepts were created. We must mention two such comprehensive works that convey important ideas relevant to this book, the second of which has played a fundamental role in the empirical research underpinning this study. The first one offers theoretical scientific answers to the crises of the 1980s and the second one to those of the 2000s, respectively.

The Brundtland Report, prepared by the United Nations of the World Commission on Environment and Development, is aimed to tackle the social and economic problems of the 1980s (*Our Common Future, 1987*).

The Report, written by an independent commission of scientists appointed by the Secretary General of the UN, was aimed at developing criteria for worldwide environment-friendly sustainable development up to the year 2000. According to the Brundtland Report, one of the main causes of that era's crises was that 'many social objectives fell by the wayside' (*Our Common Future, 1988, 17.*). The challenges the world is facing such as the social and economic crisis signs mostly stemming from the environment, demographic problems, poverty, food security, energy and climate concerns, and ecological stresses need remedy. This requires a new concept, the theory of sustainable development. The Report urges for 'a new era of economic growth – growth that is forceful and at the same time socially and environmentally sustainable' (*Our Common Future, 1988, 18.*).

Therefore, the concept calls for a new kind of economic growth programme: accelerating economic growth in a way which provides harmonious development and which preserves and extends natural resources – whose final goal is prosperity.

The appearance of this concept led to numerous debates and questions, concerning mainly the definition and applicability of sustainability. There were debates on what social sustainability should give weight to: only social problems, other economic and environmental problems or the complexity of these phenomena. The question what should be sustained also raised several disputes: the state of the natural environment or the level of social development (*Enyedi, 1994*).

Although the debates have not calmed down yet, the theory of sustainable development has made a lasting impact on the policy practices of both the EU and various European governments. The concept led to the development of tools for practical solutions, political programmes, support systems and tenders were elaborated. In addition to the countless studies examining the questions of sustainability, there have also been manuals and summaries published on 'best practices' to assist affected social actors and local governments.

Facts show however, that due to systemic political barriers and conflicting social interests, all these have not decisively mitigated economic, social and environmental problems yet. Several studies show that significantly fewer social powers are interested in sustainable development than in 'unsustainable' one. Profit-oriented development which destroys the environment, raises social problems and serves for the interests of a minority of European societies only. The balance of power that would favour change is also missing, as is the cooperation of professional groups that should theoretically be interested in ensuring the equal prevalence of economic, environmental and social factors.

Even European civil society forces have failed to substantially transform social practices and development policy decisions and to help turn theory into practice, thereby enabling European societies – although the way and degree of the marginalisation of social groups are necessarily different in the various countries and political systems – for social participation and integration.

Due to conceptual problems, neither the Brundtland Report, nor its supporters (who were numerous, as indicated by Susan Murcott who found some 57 definitions of sustainability [see *Fleischer, 2002*]) could truly interconnect economic, environmental, and especially social criteria systems. And although they emphasised the importance of all the three systems, they gave priority to business (and environmental) aspects and concerns, and social aspects were only deemed important in the context of these two.

Perhaps this is why many researchers insist that social crises need to be solved by the one-sided stimulation of economic development, that is, by strengthening economic competitiveness. There are also European scientists who advise on reducing the still existing European model of redistribution and state involvement in social matters and strengthening an American,

market-based model since the state lacks the resources necessary to support social aspects (*Alesina–Giavazzi, 2008*).

Europe's future still remained in question after the publication of the Brundtland Report as economic, social and environmental problems have been steadily escalating. Today, it has become increasingly obvious to European national governments, and to the scientific community that both global and European economic crises are self-reproducing in nature, leading to new, adverse social consequences and threats of social conflicts. New solutions that transcend old paradigms are needed to address increasing structural inequalities, social polarisation, social and economic differences between various regional levels, the increasing number of social groups that are excluded from global advantages (including advantages related to EU accession), the inequalities among metropolitan regions, between urban and rural areas, between core and peripheral regions, and the dichotomies among peripheries. We believe that the Stiglitz Report is an outstanding concept that provides these solutions, as its theoretical model obviously transcends not only the Brundtland Report but a series of other analyses and policy concepts. It is because (in order to achieve sustainable development) it does not concentrate on economic growth and its social and environmental sustainability aspects. Instead, its central concept is social well-being and (sustainable) social development which rests on the three equal pillars of economy, environment and society.

The importance of a social development model based on the Stiglitz Report is huge since it also provides answers to contemporary worldwide economic and social problems. It offers the possibility of social integration and development while stimulating the economy – emphasising the well-being of the countries, regions and societies in question instead of production. This approach – with an adequate social and political support – could reform the social practices of European countries (including their urban development) and would create a new, socially oriented competitiveness model which could integrate social interests. Theoretically, this model can build on earlier welfare state traditions, integrate affected social groups, and, through widespread participation processes, stimulate the economy and all social actors.