MARKET VERSUS MERITOCRACY: HUNGARY AS A CRITICAL CASE

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Introduction

Michael Young introduced the idea of 'meritocracy' in his celebrated dystopian fantasy, *The Rise of the Meritocracy*, of 1958. Young meant his fantasy to serve as a warning. If merit, defined as 'IQ plus effort' and certified through educational attainment, were to become the basis of social stratification, then those who fared badly would be seen, and might well see themselves, as simply undeserving. Or, as he later put it, if merit is all-important, then those judged as having none are left 'morally naked' (Young, 2001).

Young's book was a notable success and, in Britain at least, his warning was well understood. Remarkably, though, in the United States, the idea of meritocracy was rather quickly removed from the satirical and critical context of Young's work and became used in an essentially positive sense. This transvaluation of the concept has to be attributed primarily to its adoption, during the 1970s, by a group of American 'cold-war liberals', among whom Daniel Bell was pre-eminent.

For these intellectuals, the attraction of the idea of meritocracy was that it provided a basis for countering egalitarian arguments of a kind they regarded as unduly 'socialistic': that is, arguments, often made under the inspiration of John Rawls' *A Theory of Justice* (1971), in favour of greater equality of *outcomes* as well as of *opportunities*. Bell and his associates maintained that if a high degree of equality of opportunity could be established, and especially of educational opportunity, and if social selection became based primarily on educational attainment, then a wide range of inequalities of outcome, in incomes, wealth and status etc., could be defended. These inequalities of outcome would reflect the differing levels of reward that individuals obtained - and indeed deserved or 'merited' - in return for their efforts in securing educational qualifications and

applying these productively in their working lives (see esp. Bell, 1972: 53-9; 1973: 440-55).

Moreover, Bell and his associates could claim support for their affirmative reinterpretation of meritocracy from within the mainstream American sociology of the day: in particular, from functionalist theories of industrialism or modernisation and from 'status attainment' research (for a crucial linking paper, see Treiman, 1970). They could draw on these sources to argue that increasing equality of educational opportunity and an increasingly dominant role for education in social selection were not only desirable processes of change, but ones actually in train and reflecting in fact functional imperatives of all modern societies. The technological and economic dynamism of such societies made it essential that all available human resources should be exploited as fully as possible, and progressive educational expansion and reform were essential to meet this requirement. In turn, employing organisations were compelled, in the interests of their own efficiency, to give prime importance to educated and qualified talent in their recruitment and promotion policies. As Bell summed up (1972: 30; cf. 1973: 454), 'The post-industrial society is, in its logic, a meritocracy'.

Subsequently, the positive conception of meritocracy, resulting from the American reception of Young's work, has gained wide political currency, returning from America to Europe and now often featuring as a key element in the ideology of parties of both the centre-left and centre-right. At the same time, though, the idea of meritocracy has been subject to often highly critical assessment by social and political philosophers (see e.g. Barry, 2005), while among social scientists extensive debates have occurred, and continue, in course of which the emergence, or even the viability, of education-based meritocracy has been called

into question on empirical grounds (see e.g. Arrow, Bowles and Durlauf, eds., 2000; Bowles, Gintis and Osborne Groves eds., 2005; Goldthorpe and Jackson, 2008).

In the present paper, we aim to make a further contribution to these debates that is distinctive in two respects. First, we counterpose to the American liberal argument that modern societies are 'in their logic' meritocracies a sharply contrasting argument, deriving from the classic European liberal tradition. This holds that a 'free market' economy - i.e. one operating within a liberal form of society - is not in fact compatible with meritocracy. And then, second, we consider a particular national society, that of Hungary, which, we believe, represents a critical case for the empirical evaluation of these two arguments.

Market versus meritocracy

The claim that an incompatibility exists, in both principle and practice, between a free market economy and any form of meritocracy is developed most rigorously in the work of Friedrich Hayek (see esp. 1960: chs. 5, 6 and 24; 1976: ch. 9).

Hayek is ready to endorse the idea of *la carrière ouverte aux talents* - but with the proviso that talent is often formed by socially privileged backgrounds and indeed that some types of ability may be the distinctive product of such backgrounds. He also stresses that in a liberal society limits must exist to the extent to which economic inequalities, as generated by the market, can be reduced, and to the extent to which more advantaged families can be prevented from passing on their advantages, whether economic, social or cultural, from one generation to another. Thus, in such a society, the idea of equality of educational opportunity is

inevitably problematic. Some association between children's class backgrounds and their educational attainment is always likely to prevail.

Moreover, Hayek insists that there are no objective criteria by reference to which merit can be established - nor, therefore, any objective means of rewarding individuals according to their merit. In particular, he rejects the functionalist view that rewards can in some way be calibrated in relation to the 'value to society' of different kinds of employment or occupation. For Hayek, economic activities and the goods and services that result from them can have value only for individuals - or for organisations with well-defined goals; and this value will be indexed simply by the prices that particular goods and services can command. In other words, in a market economy the rewards that individuals receive do not depend on their merits, as they or others may see them, but only on the value of what each individual has to offer on the market.

Consistently with this position, Hayek accepts that in a market economy individuals will often appear to be unfairly treated. Genuine talent and effort may be ill-rewarded while opportunism or sheer luck bring large returns. But the case for such an economy does not rest on the creation of social justice. It rests on the way in which it maximises economic efficiency and, still more importantly, underwrites individual freedom. Conversely, then, any attempt at meritocracy must, for Hayek, pose a threat to both efficiency and freedom. For if judgments of merit are made, and determine access to different kinds of employment and in turn rewards, this can only be done through some kind of arbitrary, external intervention in the working of the market.

Hayek is in fact forced to acknowledge that where, as in modern societies, the large majority of the economically active population do not work on their own

account but are employees, such intervention is in effect continuously made by employers: that is, through their decisions about whom to recruit, retain, promote, discharge etc. But, he argues (1960: 99), 'so long as a multiplicity of organisations compete with each other' in this respect - i.e. apply *differing* criteria of selection - 'this is not merely compatible with freedom but extends the range of choice open to the individual'. In contrast, what must necessarily undermine both efficiency and freedom is 'a situation in which a single comprehensive scale of merit is imposed upon the whole society' - whether a scale based on educational qualifications or any other criterion. For such a situation would only be possible under an entirely authoritarian political regime operating in effect some form of 'command' economy.

From a Hayekian standpoint, the most obvious examples of both the conditions for and consequences of meritocracy must then be those provided by the state socialist societies of the post-war Soviet bloc - which Hayek openly criticised on grounds of their economic inefficiency and political unfreedom alike. It is, at all events, these societies that on empirical grounds, can be taken as representing the most fully developed form of meritocracy, of an education-based kind, that has so far been realised - and even with due allowance being made for the various non-meritocratic privileges that were enjoyed by the families of the *nomenklatura*.[1]

In state socialist societies, educational provision was in all cases expanded and in most serious efforts were made to create a greater equality of educational opportunity, especially to the advantage of children of working-class and peasant backgrounds. At the same time, the educational system was used as a prime instrument of manpower planning and allocation. Research undertaken in these societies indicates that some reduction in inequalities in the educational

attainment of children of differing class origins was in fact often achieved, while especially strong linkages between individuals' qualifications and their class destinations - stronger than those generally found in western capitalist societies - were established.[2]

In consequence, then, of the dramatic regime changes that previously state socialist societies experienced in the years 1988-90, followed, in a number of cases, by the rapid introduction of relatively free market economies, a unique research opportunity arises for the further investigation of the sociological issues that were outlined above. We have in effect a kind of natural experiment by means of which the argument that a steady movement towards an education-based meritocracy is a functional imperative of all modern societies can be empirically tested against the rival argument that the new market economies of these societies will in various respects be inimical to such a development. We aim to exploit this opportunity by an examination of the Hungarian case, which, we believe, affords a number of distinctive advantages.

The Hungarian case

There are at least three features of this case that make it a critical one, given the nature of our interests.

First, after the takeover of power by the Hungarian Communist Party in 1949, the policies that were pursued with the aim of increasing equality of educational opportunity would appear to have been yet more radical and determined than those adopted in most other state socialist societies (Simkus and Andorka, 1982; Szelényi and Aschaffenburg, 1993). A major expansion and restructuring of secondary education was carried through, extensive provision was made for adult

education, all school and university fees were abolished, and bursaries and various forms of support in kind (e.g. subsidised canteens and dormitories) were established in order to help children from poorer families to continue in education beyond the new minimum period of eight years. In addition, from the early 1950s through to the 1970s a 'quota system' was in operation under which secondary schools and universities were required to fill at least half their places with students from working-class or peasant backgrounds, while students who were deemed to come from the former gentry or bourgeoisie were given lowest priority for university admission - although how far such 'negative discrimination' was effective is much debated (cp. Simkus and Andorka, 1982; Róbert, 1991; Hanley and McKeever, 1997; Szelényi, 1998: chs. 1, 7). Informing all these policies was a quite explicit Party view that the reform of the educational system, leading to wider opportunities, the maximum exploitation of talent and a new social distribution of knowledge, would be a key factor in the development of socialism (Ferge, 1979).

Secondly, while educational policy, at least up to the 1970s, revealed a high level of ideological motivation, Hungarian economic policy was characterised by a more innovative pragmatism (Kornai, 1986). Some relaxation of the more extreme rigours of a command economy already occurred in the wake of the 1956 uprising; and then in 1968 a series of reforms were introduced under the rubric of the 'New Economic Mechanism', followed by further 'liberalisation' in 1979-1981. Essentially, the reform process permitted, and even encouraged, a greater responsiveness to market pressures on the part of the managements of state enterprises and also entailed the formal recognition of small private sectors (for example, in artisanal crafts, construction, and hotels and restaurants) where the state was not able to ensure a politically acceptable supply of goods or services.

In addition, an increasingly important 'second economy' was allowed to develop, in agriculture, manufacturing and services alike, based largely on 'moonlighting' and family work. In consequence, Hungary became perhaps the most economically successful country within the Soviet bloc, at all events from the point of view of consumers ('the best barracks in the *laager*'), although with increased 'marketisation' inequality in earnings and household incomes rose sharply above the previously restricted levels, especially during the 1980s (Atkinson and Micklewright, 1998). In regard to employment, the effects of the reform programme are more difficult to asses. Earlier restrictions on job changing were relaxed and a relatively free labour market was created; but attempts at planning education and training in relation to forecast labour demands continued (Gabor, 1989). Throughout the socialist period entry into employment would appear, for the majority of young people, to have followed on more or less automatically from standardised qualifications obtained at the end of a primarily vocational education (Bukodi and Róbert, 2006).[3]

Thirdly, after the regime change of 1989, Hungary achieved the transition from a command to a market economy with less severe disruption and a greater eventual improvement in macroeconomic performance than did most of the other countries following a similar route. The 'transformational recession' (Kornai, 1994) of 1990-93 was, in comparative perspective, fairly short, and from 1996 to 2000 annual rates of growth of GDP were in excess of 4% - some of the highest in Europe. Other economic and social indicators likewise point to what could be seen as vigorous modernisation: for example, a sustained shift of the labour force from both agriculture and manufacturing into services, increasing urbanisation, expanding tertiary education, and a strong growth in professional and managerial employment (Bukodi and Róbert, 2006). At the same time, though, the

institutionalised full employment of the socialist era came to an end. In the new labour market, rates of unemployment have fluctuated but the general level of employment has remained low and the balance of economic power has overwhelmingly favoured employers and their managements, with few limitations being placed on their ability to hire and fire (Bukodi and Róbert, 2008a). Furthermore, after regime change inequalities in earnings and incomes have increased yet more strongly than under 'reformed socialism' (Kolosi and Róbert, 2004; Atkinson, 2008: Part III, section I). In short, the process of economic development and modernisation that occurred in Hungary during the socialist era has been continued, and in many respects accelerated, but now under the very different conditions of liberal capitalism.

Given these features of the Hungarian case, we can then derive expectations from the two arguments that we previously outlined - what we may label as the 'meritocracy as functional imperative' (MFI) argument and the 'market versus meritocracy' (MVM) argument - that are of a clearly divergent kind. If we focus on the positions of individuals within the class structure and on the role of educational attainment in the transition between class origins and destinations, we can spell out such expectations in regard to the 'origins-education-destinations' (OED) triangle on the following lines.

(i) *The association between class origins and educational attainment.* Insofar as a reduction in this association was achieved in the state socialist era through policies directed specifically to this end, then, under the MFI argument, such a reduction should be maintained as liberal capitalism takes over the modernisation process or, at very least, should not to be reversed. Thus, in an analysis of socioeconomic status attainment in Hungary, Luijkx *et al.* (2002: 134-5 and Table

1 esp.) suggest that the socialist educational reforms have to be seen as generally pushing in same direction as the - supposed - functional imperatives of modernisation: that is, towards the more effective exploitation of human resources wherever in society they may be located. From this standpoint, therefore, there is little reason for this movement to be checked after the passing of socialism. In contrast, under the MVM argument, there is no expectation that any reduction in class differentials in educational attainment achieved via socialist intervention should be sustained under liberal capitalism. And, indeed, the importance of class background for children's educational performance and careers would be seen as likely to increase if, as in the Hungarian case, class inequalities in incomes significantly widen and greater possibilities for the expression of parental inequality in children's education arise through the development of secondary schools of both a more academically and socially selective kind (Lannert, Mártonfi and Vágó, 2006).[4]

(ii) *The association between educational attainment and class destinations*. Following from the MFI argument, the strong association established in socialist Hungary between educational qualifications and class position should in general be preserved and indeed further developed in response to the need for employers to select employees on the basis of their educational attainments, whether taken as warranting skills and expertise or as signalling productive potential. In this respect again (cf. Luijkx *et al*. 2002), the socialist programme of creating an education-based meritocracy, even if conceived within the context of a command economy, would still appear entirely consistent with the functional requirements of liberal capitalism. However, following the MVM argument, there is no expectation that the strength of the association established in the socialist era between educational qualifications and employment - and thus class position -

should be maintained. Rather, in the transition from a command to a decentralised market economy, this association should, if anything, weaken. Once the educational system is no longer used as an instrument of manpower planning and allocation, and employers are free to apply their own criteria in selecting personnel, they will be likely to take into account a range of other attributes of employees or potential employees than their formal qualifications - depending, say, on the nature and context of the work involved.

(iii) *The association between class origins and class destinations*. Given the expectations under the MFI argument, first, that the association between class origins and educational attainment should not strengthen with regime change and, second, that the association between educational attainment and class position should not weaken, the further expectation would then be that, all else equal, no increase should occur in the origins-destinations association. Indeed, insofar as the movement towards an education-based meritocracy in socialist Hungary led to a reduction in this association - or that is, to greater social fluidity - then with liberal capitalism this tendency should continue. However, under the MVM argument no expectation of such greater fluidity arises. In this respect, the expected weakening of the association between education and class destinations might offset a strengthening of that between class origins and education - or might not. Crucial here would be how far the further criteria of social selection that employers apply, in addition to that of educational attainment, are also ones associated with individuals' class backgrounds. In so far as they are, then a stronger origins-destinations association could result or, that is, a decrease in social fluidity.

In the remainder of the paper, these divergent expectations concerning changing associations within the OED triangle will be subject to empirical evaluation.

Data and variables

We use data from five surveys, based on face-to-face interviews with probability samples of the Hungarian population: the Social Mobility and Life History Surveys of 1973, 1983 and 1992, the 2000 Way of Life and Time Use Survey, and the 2005 EU-SILC module for Hungary.

We construct the three variables of major interest to us in the following ways. Class origins are treated by coding basic data on respondent's father's occupation and employment status, at respondent's age 14, to an eight-class version of the CASMIN class schema (Erikson and Goldthorpe, 1992: ch. 2) as shown in Table 1. (On the applicability of this schema to communist and post-communist societies, see Evans and Mills, 1999; Titma, Tuma and Roosma, 2003; Gerber and Hout, 2004). Class destinations are treated by coding data on respondent's occupation and employment status to the same class categories.[5] Educational attainment is treated by coding data on respondent's highest level of education to a six-category variable, as also shown in Table 1.

[Table 1 here]

As the basis for our analyses, we pool the data of the five national surveys and then distinguish within the pooled data seven ten-year birth-cohorts, as shown in Table 2, whose members can be regarded as having significantly differing

experience of the successive phases of Hungarian political and economic history over the last century.[6]

[Table 2 here]

The first - i.e. the earliest - of these cohorts, comprising men and women born 1915-24, can be regarded as transitional in that it is made up of individuals who completed at least their full-time education in the pre-socialist period and who, in most cases, would also have some experience of employment in this period as well as under socialism. The second cohort is also transitional in that many of its members, too, would have completed their education before regime change, although most of their working lives would then fall in the socialist era. The third and fourth cohorts are then the truly socialist cohorts. Their members were educated and would have spent at least substantial parts, if not all, of their working lives under socialism. The fifth and sixth cohorts are again ones involved in regime transition. Their members were educated in the socialist era but the most of the fifth cohort and some of the sixth will have experienced working life under both socialism and capitalism. And finally the seventh cohort, men and women born 1975-84, can be taken, in regard to both education and employment, as largely, if not entirely, representing the first generation of the emergent capitalist society.

Class origins and educational attainment

We begin our analyses by considering possible changes over time in the association between individuals' class origins and their educational attainment as measured by their highest level of qualification. In Table 3 we show the results

we obtain if, for tables crossing origins with highest qualification for each of our birth cohorts, we fit two loglinear models and a further logmultiplicative model that are by now well-known in the relevant literature. As throughout the paper, men and women are treated separately; but, in this case, the results show little difference by gender.

[Table 3 here]

The first model, the independence model, proposes no association between class origins and educational attainment and is obviously far from reproducing the data. It serves us simply as a baseline. The second model, the constant association (CA) model, then proposes that an origins-education (OE) association does exist across the seven cohorts and is in fact of the same strength and on the same pattern for all cohorts alike. This model also reveals a significant lack of fit to the data, although, with both men and women, the proportion of cases misclassified and G^2 are substantially reduced. Finally, the uniform difference (UNIDIFF) model (Erikson and Goldthorpe, 1992) proposes that from one cohort to another the log odds ratios defining the OE association rise or fall by a common factor - i.e. that the strength of this association increases or decreases in a systematic way. This model again fails to give a satisfactory fit, for either men or women, but in both cases alike it does make a significant improvement on the fit of the CA model.[7] We may thus conclude that while from cohort to cohort there are some changes in the pattern of the OE association that the UNIDIFF model cannot capture, there is also change in the overall strength of the association, and that the β parameters returned under UNIDIFF model - i.e. the factors by which the log odds ratios involved are to be multiplied - are therefore of interest. These parameters are plotted in Figure 1.[8]

[Figure 1 here]

Again, what we find is essentially the same for men and women. As between the first and second cohorts a sharp fall in the strength of the OE association is apparent, thus suggesting that some reduction in class differentials in educational attainment was already achieved before the communist takeover (cf. Simkus and Andorka, 1982). This is plausible since the main progressive achievement of the quasi-fascist Horthy regime of 1920 to 1942 was a series of reforms of both primary and secondary schooling (Cartledge, 2006: 376-7). However, it is also important to note here that many men and women in these two cohorts - as in later cohorts also - benefited from the extensive adult education programmes introduced after 1947 to which we have earlier referred. Moreover, there are clear indications that such programmes, which included both evening schools and correspondence courses, were of greatest value to those individuals who, as children, had no more than primary or basic vocational education - allowing them to acquire in later life secondary and even tertiary vocational qualifications.[9]

Reverting to Figure 1, the decline in the OE association between the first and second cohorts can then be seen to continue with men and women in the third and fourth cohorts, whose education took place within the early socialist era. However, with the fifth cohort, many of whose members would be educated under the conditions of reformed socialism, a reversal of trend occurs: the OE association strengthens. And this strengthening tendency is then maintained with the sixth and, for men, with the seventh cohort also. Thus, for individuals who were mainly educated under capitalism, the origins-education association is found at around the same level as with the second cohort. Or, in other words, most of

the reduction in class differentials in educational attainment that was achieved during the earlier period of socialism disappears.

What, then, is the wider significance of these findings for the rival MFI and MVM arguments that we earlier set out? We may note, first of all, that for the earlier cohorts we distinguish, our findings parallel those earlier reported by Luijkx *et al.* (2002) in their analyses of socioeconomic status attainment in Hungary: i.e. they underwrite these authors' conclusions that some decline in the correlation between social origins and educational attainment was in train before the socialist era *and* that this decline was then strongly continued under socialism.[10] However, while Luijkx *et al.*, influenced by some version of the MFI argument, would regard this continuing trend as the outcome of political influences simply reinforcing the inherent exigencies of modernisation, our more extended analyses must throw doubt on this interpretation. They reveal that the weakening of the OE association was not in fact sustained even to the end of the socialist era, and that it was not then re-established following the capitalist re-energising of the modernisation process. This last point in particular would seem difficult reconcile with MFI expectations.

In contrast, the failure of the OE association to continue to weaken once specific political measures designed to achieve it lost their force or - like the quota system - were withdrawn is very much what might be expected under the MVM argument. And so too is the finding that later birth cohorts show in fact a stronger OE association than those educated in the heyday of state socialism: that is, in view of the widening of class inequalities that began already under reformed socialism and that was intensified in the free labour market created after regime

change and of the greater possibilities open to parents with superior resources to use them to their children's educational advantage.

Education and class destinations

We turn now to consider changes across our seven birth cohorts in the relation between individuals' educational attainment and their class destinations. An initial issue is that of the point in individuals' employment histories at which class destinations should be established. Usually analysts have no choice but to work with respondent's 'last' class position - i.e. his or her class position at the time a survey was undertaken - which means that individuals in different birth cohorts will have their class destinations determined at correspondingly differing ages. This can then create problems of interpretation. However, the Hungarian surveys of 1973, 1983 and 1992 record respondents' complete employment histories so that it is possible to determine their class position at any age. We seek to take advantage of this possibility and then to adapt appropriately our treatment of respondents to the 2000 and 2005 surveys, for whom we can establish only their last class position.

First, for men and women in our four earliest birth cohorts - i.e. those born between 1915 and 1954 - we take as their destination class their class position at age 32, as indicated in the employment histories of the 1973, 1983 and 1992 surveys. Second, for men and women in the three later cohorts we focus on those in limited age-ranges at the time of the 1992, 2000 or 2005 surveys, so that we can take as their destination class their last class position as recorded when they were fairly close to age 32. Thus, destinations are established for individuals in the fifth cohort (born 1955-64) from the 1992 survey at ages 28-37; for those in the sixth cohort (born 1965-74) from the 2000 survey at ages

28-35 and from the 2005 survey at ages 31-37; and for those in the seventh cohort (born 1975-84) from the 2000 survey at age 25 and from the 2005 survey at ages 25-30.[11]

In treating the relation between education and class destinations, we move to a regression approach: that is, for each cohort separately, we take class of destination as the dependent variable in a multinomial logistic regression analysis in which educational qualifications and class origins are the explanatory variables. For the purposes of this analysis, we collapse the two agricultural classes, Class IVc and VIIb, with Class IVab and Class VIIa+IIIb, respectively, since in the later cohorts numbers in the agricultural sector become rather small. Further, we treat educational qualifications as a continuous variable, each level being scored by the modal number of years of full-time education involved (as shown in Table 1); and for respondents to the earlier surveys for whom we fix class of destination at age 32, we work with their highest level of qualification at this same age. We present the results that are of main interest to us - i.e. the effects of education on class of destination controlling for class origins - in graphical form. Those for men are shown in the upper panel of Figure 2.

[Figure 2 here]

If education had no differentiating effect in regard to class of destination, then with the form of presentation of Figure 2 the points for all classes would be piled up together at zero, together with that for the reference class, Class I. Conversely, the more these points are strung out to the left, the wider the range of the effects of education. At the same time, the spacing of the points indicates

the pattern of these effects. From Figure 3, the following conclusions may thus be drawn.

Over the first three cohorts, the effects of education on men's class positions, as recorded mostly in the pre-reform socialist era, clearly increase. Widening 'gaps' emerge as between the chances of men being found in class positions associated with white-collar employment (Classes I, II and III) rather than in those involving manual work; and then again as between the chances of their being found in skilled manual work (Classes IV and V-VI) rather than non-skilled manual work (Class VII). However, with the fourth cohort, whose members' class positions are recorded under reformed socialism, this trend is maintained only in that the gap created between the chances of obtaining skilled rather than non-skilled manual work widens further. And then with the remaining cohorts, whose members' class destinations in their late twenties or early-to-mid thirties largely relate to the capitalist era, this gap is much reduced, while no others increase, so that the graph for the last cohort, men born 1975-80, is not greatly different from that for the second cohort, men born 1925-34.

The lower panel of Figure 2 shows corresponding results for women. Some differences with the results for men are apparent. The increasing effect of education in relation to class destinations, though observable over the socialist cohorts, is not so marked as with men but then can be seen to continue through to the sixth cohort. However, this is mainly the result of education still strongly differentiating the chances of women being found in manual (Classes V-VI and VII) rather than nonmanual (Classes I,II and III) employment. The large gaps earlier opened up in women's chances of employment as between the nonmanual classes do not continue to widen after the fifth cohort. And then with the last

cohort the differentiating effects of education in general diminish. Again as with men, the similarity between the graph for this cohort and that for the second cohort is notable.[12]

The foregoing results might be regarded as inconsistent with those reported by economists who have stressed the increasing importance of education - and especially of higher education - as a means of gaining access to high-income employment in Hungary following on regime change (e.g. Svejnar, 1999; Kertesi and Köllö, 2007). To throw further light on this issue, we show in Figures 5 and 6 probabilities of access to Classes I and II of our schema, or, that is, to the professional and managerial salariat, for certain categories of men and women defined according to class origins and educational attainment. These probabilities are estimated under a logistic regression model similar to that from which Figure 2 derives except that the form is now binomial - i.e. holding (or not) a position in Classes I or II is the dependent variable - and interaction effects between the two explanatory variables of class origins and qualifications are included and generally prove significant if not large.[13]

[Figure 3 here]

In the case of men, Figure 3 shows that for those with tertiary qualifications, the effects of their class origins on their chances of access to the salariat, while perceptible in the first cohort, more or less disappear over the next four cohorts - when, one could say, education-based meritocracy prevails - but then re-emerge with the last two cohorts whose members' class positions are mostly recorded under capitalism. For men without tertiary qualifications, Figure 3 reveals that class origins always play a greater part in their chances of access to the salariat,

even in the socialist era. But, again, while origin effects narrow somewhat down to the fifth cohort, the last two cohorts show a reversal of this trend. Thus, one may note that for men in the third, fourth and fifth cohorts, who would enter employment under socialism, the probability of being found in the salariat for those of non-salariat background holding tertiary qualifications exceeds that for those of salariat background who lack such qualifications by as much as 70 percentage points - but that by the last, capitalist, cohort, this difference has shrunk to only a little over 50 percentage points.

In the case of women, the results of Figure 3 display a fairly similar pattern to that found with men, but with the effect of regime change - as in our previous analyses in this section - being apparently 'delayed', though then quite strong. Thus, for the last cohort, the difference in the probabilities of access to the salariat as between women of non-salariat origins with tertiary qualifications and women of salariat origins without such qualifications is only 35 percentage points, as against one of 55-60 percentage points for women in the third, fourth and fifth cohorts.[14]

On this basis, we may then conclude that even though earnings returns to higher education have risen, the importance of class origins for entry into better-paid forms of employment has also increased in the capitalist era - a conclusion that is in fact confirmed by other recent research (see Blaskó and Róbert, 2007). Higher education is the major factor governing access to professional and managerial employment, just as under socialism. But we have earlier shown how the association between class origins and educational attainment has strengthened, and to this we can now add the observation that tertiary qualifications no longer seem to produce more or less the same 'class returns' - nor in fact the same

earnings returns (Bukodi and Róbert, 2008b) - for individuals of all class origins alike. The chances of entry into the salariat for individuals with tertiary qualifications but from relatively disadvantaged class backgrounds would appear to be declining, while the chances for individuals without such qualifications but who are themselves of salariat background are improving.

The findings reported in this section do therefore serve to confirm those of the earlier research to which we have referred (see n. 5) in showing that in Hungary, under the conditions of a command economy, well-defined linkages were set in place between educational qualifications and type and level of employment - so that in fact the education-class (ED) association was stronger than typically found in liberal capitalist societies. Our findings are also, to this extent, in line with those of Luijkx *et al.* (2002) of a generally increasing correlation, through at least to the period of reformed socialism, between individuals' education and the socioeconomic status of their first job on entry into the labour market. However, consistently with the MFI argument, Luijkx *et al.* see socialist policies as being in this regard supplementary in their effects to those of the underlying modernisation process - just as in the case of the reduction they report in the correlation between social origins and educational attainment. However, our own results, as they extend into in the capitalist era in Hungary, again call into question this line of interpretation. If it is a functional imperative of modern societies that individuals' class positions should be ever more closely related to their educational qualifications, it is difficult to see why in Hungary, as the modernisation process was continued and indeed accelerated under capitalism, the education-employment linkages established in the socialist era should not have been further strengthened - rather than the ED association tending in various respects to

weaken, while class origins take on renewed importance at least as regards access to the salariat.[15]

In contrast, from the standpoint of the MVM argument, the pattern of change we show is in no way surprising. It is what might be expected as employers gained increasing freedom from the constraints of a command economy and were able to apply their own criteria in their selection and personnel policies generally. In a free market economy individuals' qualifications, whatever their overall importance, will still represent only one consideration for employers among a range of others - to which differing weights will then tend to be given in regard to different types of employment in different sectors and enterprises. And among these other considerations are likely to be ones relating to individual attributes of a kind less likely to be acquired in schools or colleges than through class-specific processes of socialisation: for example, personal physical or psychological attributes, social skills, life-style characteristics and social networks. Even though scarcely reflecting merit in any sense, such attributes may still have real productive value for employers, as for example, in the expanding services sector of the economy, or may at all events be increasingly taken by employers as providing informative signals of the productive potential of employees in the context of the rising numbers of those who hold higher-level qualifications (see further on the Hungarian case Blaskó and Róbert, 2007 and, more generally, Bowles and Gintis, 2000, Jackson, Goldthorpe and Mills, 2004; Osborne Groves, 2005; Jackson, 2006, 2007).

Class origins and class destinations

For our evaluation of the MFI and MVM arguments, it is the nature of change in the OE and ED associations that is of most obvious importance since quite contradictory expectations arise. However, it is also of interest to consider the origins-destinations (OD) association, even though in this respect it may be somewhat less easy to discriminate between the two arguments. As earlier noted, from the standpoint of education-based meritocracy as a functional imperative, there is no reason why regime change in Hungary should lead to any strengthening in the OD association, nor why, if any weakening in this association was achieved under socialism, it should not continue under capitalism. But, from the standpoint of 'market versus meritocracy', a strengthening in the OD association is at all events a possibility: that is, if the expected increase in the OE association is not offset by the expected decrease in the ED association in that other factors that become important in influencing class destinations are at least as closely linked to class origins as is educational attainment.

To investigate change in the OD association across our seven birth cohorts, we revert to a loglinear modelling approach, directly analogous to that we followed in regard to the OE association. In Table 4 we show the results of fitting the independence model, the constant association - or, in this case, constant social fluidity (CSF) - model and the UNIDIFF model to 8 x 8 class mobility tables for each cohort for men and women separately. We treat class destinations in two ways: as determined at around age 32, as in the previous section, but also, since this is the more usual procedure even in cohort analyses, as determined at time of interview in different surveys.

[Table 4 here]

In the following, we focus our attention on the results relating to class of destination at c. age 32, but it can be seen that those relating to class of destination at time of interview show much the same picture. For men and women alike, the CSF model fails to fit the data, but the UNIDIFF model, while also failing to fit, makes a significant improvement on the CSF model. We would therefore conclude that although the UNIDIFF model cannot capture all aspects of change in the OD association across our cohorts, shifts in the overall strength of this association do occur, and these we then indicate through the plots of the parameters in Figure 4.

[Figure 4 here]

Here again it can be seen that our results are on similar lines with both ways of treating class destinations, although, as might be expected, using class at time of interview tends to 'smooth' the sharper changes that show up using class at c. age 32. In the case of men, the strength of the OD association falls substantially over the first four cohorts, levels out with the fifth, and then rises again with the sixth and seventh. In the case of women, the same kind of curve is apparent, although the levelling-out starts somewhat earlier, with the fourth cohort, while a clear upturn appears only with the seventh. In other words, cohorts entering employment and establishing their class positions in the earlier period of state socialism in Hungary did so under conditions of increasing fluidity within the class structure, which, in the light of our earlier analyses, it seems plausible to link with the development of a form of education-based meritocracy involving a weakening in the OE association and a strengthening in the ED association. However, to judge from the experience of later cohorts, the level of fluidity tends to stabilise

already in the period of reformed socialism and then, with the transition to capitalism, and with the reversal of trend in the OE and ED associations that we have shown, a reversal occurs in the OD association also: fluidity within the class structure decreases (cf. Róbert and Bukodi, 2004).[16]

As it turns out, then, our analysis of change in the OD association does allow us to say more as regards the evaluation of the MFI and MVM arguments. In particular, the MFI argument must be further called into question by the strengthening of the OD association that is found with the two most recent cohorts. If it were the case that the socialist version of education-based meritocracy created in Hungary after 1949 served simply to meet exigencies of the modernisation process that, under any political regime, would sooner or later have imposed themselves, it is difficult to see why, as the modernisation of Hungarian society proceeded under capitalism, this meritocracy and the higher levels of social fluidity that it evidently generated should not have been maintained. On the other hand, under the MVM argument, the observed decrease in social fluidity, while not necessarily predicted, is in no way problematic, and might indeed be expected given the rise in economic inequality that began in the period of reformed socialism and that was then accentuated once capitalism was established.[17]

Conclusions

In this paper, we have taken the case of Hungary as a critical one for assessing empirically two arguments on meritocracy which we have labelled as the MFI and MVM arguments. The MFI argument treats a movement towards meritocracy -

and essentially education-based meritocracy - as a functional imperative for all modern societies. It thus sees no incompatibility between such meritocracy and the social order of free-market capitalism. Indeed, in the context, first, of American cold-war liberalism and now widely in centre-left and centre-right politics in Europe, the main appeal of the idea of education-based meritocracy is found in its potential for legitimating the inequalities of income, wealth and status that free-market capitalism generates. The main significance of the MVM argument is, then, that it directly challenges this position. It seeks to show, from the standpoint of classic European liberalism, the incompatibilities that must arise between the political creation of a meritocracy and the operation of a free-market economy and a truly free society. As regards an education-based meritocracy, these incompatibilities are revealed, on the one hand, in attempts to remove the influence of class (or other sociocultural) background factors on children's educational performance and careers; and, on the other hand, in attempts to make educational attainment the overriding determinant of the type and level of employment, and thus of the class positions, to which individuals gain access. At least beyond a certain point, such attempts can be pursued only at cost of unacceptable curtailments of the freedom of parents and of employers alike.

A case such as that of Hungary is critical in that a transition has occurred, over a fairly short period, from state socialism, under which a form of education-based meritocracy was relatively highly developed, to a new liberal capitalist society. On the evidence of the socialist era alone, one cannot reach any decisive evaluation of the two arguments that concern us, although they lead to interpretations of this evidence of quite differing kinds. In the light of the MFI argument, the efforts of the regime to create an education-based meritocracy can be seen as simply one way of responding to the functional imperatives of modernisation; whereas, in the

light of the MVM argument, these efforts would appear, rather, as part of a larger ideologically-driven programme aimed at creating quite distinctive forms of economy and society. However, with the transition to capitalism, the two arguments give rise to clearly divergent expectations. Following the MFI argument, there would seem no reason why the movement towards meritocracy achieved in the socialist era should not be sustained as the modernisation process continues and is in fact revitalised under capitalism. But, following the MVM argument, this movement should be checked, if not reversed, as the incompatibilities between meritocracy and the operation of a liberal capitalist society are demonstrated.

We have then sought to evaluate these rival expectations on the basis of the extensive data that are available for Hungary on the relation between individuals' class origins, their educational attainment and their class destinations - the OED triangle - over the period of interest to us. Through analyses of the changing experience of seven ten-year birth cohorts, ranging from men and women born 1915-24 to those born 1975-84, we have shown that it is in general expectations under the MVM rather than under the MFI argument that are empirically confirmed. First, the weakening in the OE association that occurred with cohorts educated during the earlier years of state socialism is reversed already with those educated during the reform period, at the same time as market mechanisms came to play a greater role in the economy and class inequalities in incomes increased; and the strengthening OE association is then sustained with cohorts educated chiefly under capitalism, as class inequalities became yet wider and greater possibilities emerged for them to be reflected in children's education. Second, the tight linkages between employment and education that were created under early state socialism were in certain respects loosened from the reform period onwards,

so that with our last, capitalist cohort the ED association has clearly weakened; and, at least as regards chances of access to the professional and managerial salariat, the influence of individuals' class origins, in addition to and in interaction with their qualifications, significantly increases. Thirdly, we have shown that the weakening in the OD association which is apparent across those cohorts whose education and early working lives fell within the prime years of the state socialist meritocracy was not maintained with subsequent cohorts, and that again in fact a reversal occurs.

These results do, then, have implications for the significance that should attach to other recent research findings relevant to the OED triangle. In the case of the weakening in the ED association, it may be noted that this is not in fact a finding specific to Hungary or other formerly socialist societies that have made the transition to capitalism but rather one that is now quite widely observed (Breen and Luijkx, 2004) - with evident problems for the MFI argument (cf. Jonsson, 1992, 1996; Jackson, Goldthorpe and Mills, 2004). In the case of the OE and OD associations, in contrast, our results for Hungary do run contrary to those suggesting that in the later twentieth century the most common tendency in modern societies is for both these associations also to weaken - gradually but steadily, and thus consistently with the MFI argument. However, it should further be noted that the researchers chiefly responsible for the work in question (Breen and Luijkx, 2004; Breen *et al.*, forthcoming) do not seek to represent their findings as necessarily supporting the MFI argument - rather than, say, reflecting the specificities of a particular historical period, so that, within a longer-term view, they could be equally consistent with ideas of 'trendless fluctuation' (Sorokin, 1927/1959) in inequalities of condition and opportunity alike. In the light of our own results, this caution would seem well founded. Analysis of the

Hungarian case undermines the idea that progressive movement towards an education-based meritocracy is a functional imperative of all modern societies, regardless of the form of their economic and political institutions, and indeed two quite contrary conclusions are indicated. First, such movement, at least beyond a certain point, requires political intervention in the economy and wider society of questionable compatibility with a free market economy and a liberal democracy. And, second, within a liberal capitalist context, there is little reason why the operation of markets should serve to promote education-based meritocracy rather than setting limits both on the extent to which the influence of class background on individuals' educational attainment can be reduced and on the extent to which such attainment can then determine their distribution within the class structure.

Notes

[1] Solga (2006), in discussing East Germany, regards the importance of party membership for access to more advantaged class positions as being incompatible with education-based meritocracy and sees this as emerging only after reunification. However, she recognises the special nature of the East German case and even then (2006: 156) the extent to which - to her surprise - class restructuring did in fact occur on the basis of 'skill assets' rather than 'political loyalty to the command system'. Other authors (e.g. Szelényi, 1998: ch. 5; Titma, Tuma and Roosma, 2003; Gerber and Hout, 2004) note the quite limited extent to which party membership or *nomenklatura* status, as opposed to educational attainment, influence intra- or intergenerational mobility chances in the state socialist societies they study.

[2] The extent of the reduction achieved in class differentials in educational attainment has been a good deal debated, and not least in the Hungarian case (see e.g. Simkus and Andorka, 1982; Róbert, 1991; Szelényi and Aschaffenburg, 1993; Hanley and McKeever, 1997; Szelényi, 1998). However, there is much greater consensus on the creation of strong qualifications-employment linkages (see e.g. Andorka, 1976; Pohoski, Pöntinen and Zagórski, 1978; Meyer, Tuma and Zagórski, 1979; Zagórski, 1984; Mach and Peschar, 1990; Solga and Konietzka, 1999).

[3] It is relevant to note here that the educational system of pre-communist Hungary was already strongly influenced by the Germanic model, with well-defined vocational 'tracks' at both secondary and tertiary levels providing a high degree of integration with the labour market (Simkus and Andorka, 1982).

[4] From the 1990s a major development in secondary education in Hungary has been the growth of a new type of 'structure-changing' gymnasium which appears to be widely regarded by parents and children as providing a better route into tertiary - and especially university - education than secondary vocational education, which has in turn declined in popularity (Fazekas and Varga, 2005; Lannert, 2005).

[5] Where at time of interview respondents were unemployed, retired or otherwise inactive, their class allocation was based on their last employment.

[6] Within each birth cohort, we include in our analyses all individuals aged 20 and over at time of interview - i.e. in one or other of the five surveys we draw on - but with a cut-off at age 69.

[7] The lack of fit is scarcely surprising given the large Ns involved.

[8] There are some dangers in estimating parameters under the UNIDIFF model where it does not fit the data since in this case they may be influenced by marginal effects (Firth, 2005). However, in this - as in other similar cases in the paper - the fit of the model, as indicated by the other statistics presented, would seem good enough for the danger not to be a major one at least insofar as emphasis is placed on the general pattern revealed by the parameters.

[9] It may be noted that Breen *et al.* (forthcoming) in a comparative study of changes in class differentials in educational attainment, question the quality of some of the Hungarian data that we here use primarily on the grounds that the qualifications distributions of men and women in the same birth cohorts show significant differences from survey to survey. However, their assumption that

qualifications tend not to be enhanced in later life does not appear valid for the Hungarian case. The changes that appear in educational attainment within cohorts across surveys - i.e. as cohorts age - can be shown to have clear systematic features on the lines indicated in the text. That is, the proportion of individuals with only primary or basic vocational education regularly falls while the proportion with secondary or tertiary vocational - but not academic - qualifications correspondingly rises. (Results are available from the authors on request). Given the expansion of provision for adult education, it would seem reasonable to regard these changes as being largely real rather than merely representing error. It is then possible that changes could in turn occur in the association between class origins and educational attainment within birth cohorts across surveys, and the nature of this effect might perhaps itself differ across cohorts as the uses made of adult education change (cf. Bukodi and Róbert, 2008a). But, in any event, on the basis of the more extensive Hungarian data-set that we have available and using somewhat more refined class and educational categories than Breen *et al.*, we further find that what they would regard as the minimally acceptable model from the point of view of data quality does in fact fit the data we use for men and women alike: i.e. a model in which the origins-education association is allowed to differ within cohorts across surveys but in which the survey effect is the same for all cohorts. (Results are again available on request).

[10] Luijkx *et al.* use the same 1973, 1983 and 1992 surveys as do we but supplemented by a further survey from 1993 undertaken in the context of a comparative study of social stratification in eastern Europe after 1989.

[11] There is good evidence for supposing that the rate at which changes in employment lead also to changes in class position falls off rather sharply after

around age 35. We chose the slightly lower age of 32 as that at which we would fix class of destination for individuals in cohorts for whom we could draw on complete employment history data since this age could be more readily approximated with individuals in the more recent cohorts for whom we have to rely on class at time of interview. Our procedure with the latter does of course result in a significant loss of cases, the extent of which can be seen by comparing the Ns reported in Table 2 and Figure 2.

[12] As a check on the results of Figure 2 we have undertaken an analysis of the pooled data with birth cohort as a variable and have then examined cohort*education interactions. For both men and women, these prove to be significant on a pattern consistent with the interpretation of Figure 2 given in the text.

[13] Most notably, the association between educational attainment and class destinations was stronger for men and women of Class IV (largely peasant) and Class VII origins than for those of Class I or II origins.

[14] The numbers of men and women represented in our youngest cohort do become relatively small in these analyses. However, it is reassuring that the results we report for this cohort are broadly confirmed by those obtained in analyses of a larger 'capitalist' cohort - i.e. men and women born 1975-90 - although on the basis of somewhat lower quality data than we use here (Bukodi and Róbert, 2000b).

[15] It might of course be argued that under classic socialism educational requirements for different forms of employment were no more than 'credentialism', and this seems to be the line taken by Luijkx *et al.* (2002: 132-3)

in explaining why they actually find some fall in the correlation between education and first job under reformed socialism - contrary to the expectation that greater marketisation should bring an increased return to educational investment. However, while this argument obviously has force in the case of, say, the diplomas in Marxist-Leninism that certain party and state officials were pressed to obtain (Eyal, Szelényi and Townsley, 1998: 27,36), education-based meritocracy must always be prone to some degree of credentialism (cf. Collins, 1979) and we are not aware of any evidence to show that this problem was generally more marked in state socialist than in liberal capitalist societies.

[16] It can be seen from Figures 1,2 and 4 that with men, the trend in both the OE and ED associations reverses between the fourth and fifth cohorts while the OD association levels out at this point before then strengthening. With women, the reversal in trend in the OE association also occurs between the fourth and fifth cohorts but that in the ED and again in the OD association occurs only between the sixth and seventh cohorts. We do not as yet have any explanation for these differences but hope to investigate the matter further.

[17] Gerber and Hout (2004) have demonstrated a decline in fluidity within the Russian class structure in the transition from state socialism to a more market-based economy which might seem comparable to the Hungarian case that we have analysed. However, Gerber and Hout further show that this decline came about essentially as a 'period' rather than as a 'cohort replacement' effect and via the mechanism of 'regression towards origins' in the course of worklife mobility. Following a similar line of analysis (results available on request), we find that as regards the changes we have shown in both the ED and OD associations, the preferred model is one that includes both effects, although cohort effects

seem generally the more important. This result we find unsurprising given that the transition from a command to a market economy was far less abrupt and the 'transformational recession' far less severe in Hungary than in Russia.

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