

STATE-LED GENTRIFICATION AND RELOCATION IN BUDAPEST: VACATING A HOUSE IN FERENCVÁROS

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Abstract

Since the early 1990s the local version of the globalized urban strategy of gentrification has been present in the Hungarian capital, Budapest as well (see for example Tomay 2007), mainly in the forms of “urban rehabilitation” projects. The former industrial and working class district called Ferencváros has experienced the longest and most pervasive “urban rehabilitation” project in Budapest, resulting in a peculiar state-led gentrification of the area. More than 2000 families have been gradually relocated in the last two decades by the local government. My thesis focuses on Ferencváros, in order to analyze the personal and social consequences of the local governmental orchestrated relocation of the dwellers. I will argue that though their relocation is an essentially different process from the classical cases of displacement described in North-American cities (see Marcuse 1985), in its effects they have considerable similarities. The argument of the paper is based on a qualitative methodological apparatus. Apart from an ethnographic case-study about the “vacating” of a house with fifty families and the following-up of the relocated dwellers, I conducted interviews with the important actors from the local government as well. Apart from these qualitative data I analyzed statistics about the history of “urban rehabilitation” in Ferencváros. The results show that though in public discourse “urban rehabilitation” is depicted as a positive output of the local policies, it is rather a Janus-faced process through which social polarization and spatial segregation are increased.

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Introduction

“Sometimes I did not even know where I am, I did not find my way home”¹ said a Roma woman in her fifties – living in Middle Ferencváros since 1987 – in 2010. The discussion took place on the refurbished Ferenc Square, the middle of Middle Ferencváros, a piecemeal gentrifying neighborhood of Inner-Budapest. The quotation is a nice example of the pace and depth of the process of neighborhood change, which the original dwellers of this area have witnessed in the last two decades since the regime change. Though the case of Ferencváros has a very complex local history with multiple actors ranging from the original dwellers to the local politicians through the “gentrifiers”, the case is deeply embedded in the context of the city, national, regional and global scales. Gentrification is a useful concept to grasp both the locality and the global nature of this transformation.

Hungary, a post-socialist country on the semi-periphery of the neoliberal world economy has undergone crucial changes regarding the economic and political institutions in the recent two decades since the fall of the Berlin Wall in 1989. Instead of depicting the transition as a milestone in history, which separates two radically different epochs, I would rather understand it as an important turning point, where numerous institutional changes triggered certain path-dependent processes resulting in a since then ongoing chain of events. The chain of events marked by certain economic, political, cultural, social, ideological, etc. tendencies can be seen as an unfinished, and maybe never finishing phenomenon of transition. In the urban realm an important element of transition was the gradual appearance of gentrification. Gentrification was, on the one hand, at the same time partly a spatial manifestation of the emerging housing market and the commodification of urban space, and, on the other hand the result of the efforts made by the formerly extremely powerful party-state transforming into a

¹ During the thesis I will mark the emic quotations from the interviews with italics, with reference to the exact source where it is necessary. The expressions in quotation marks without italics are etic concepts.

politically weakened liberal state to adjust to a changing political and economic environment. Thus gentrification in the post-socialist context has an interesting theoretical significance: the role that the state – instead of the middle class urban pioneers – plays in facilitating gentrification needs further clarification in order to get a clearer picture about the nature of this phenomenon, which has been globally institutionalized as an urban policy (Smith 2002). In the first chapter, after taking a position in the definitional and theoretical debates concerning gentrification, I will show the peculiarities this phenomenon in the Budapest context. In my discussion I will focus on the concept of displacement.

In the second chapter I will go one step further and show how gentrification has come to be institutionalized in the form of “urban rehabilitation projects” in Ferencváros as a response to the disinvestment cycle in the urban core during the socialist period. Through analyzing the history of Ferencváros from the 18th century, and then focusing on the history of “urban rehabilitations” in Budapest I will highlight how the euphemistic concept of “urban rehabilitation” has been deployed to carry out state-led gentrification in order to attract private capital capable of upgrading the physical and social landscape of the inner city of Budapest, and more specifically the formerly working-class neighborhood of Middle Ferencváros.

The third chapter observes a specific case from the urban rehabilitation going on in Middle Ferencváros since 1986. I will analyze the case of a house, namely Balázs Béla 14, which has been vacated in order to be renovated by the local government. The core of the chapter is about the personal and social consequences of the relocation of the 50 dwellers, paying special attention to the question whether state-led relocation can be counted as a special case of displacement described in the gentrification literature or not.

The methods that I used during my research were interviews and participant observation, and the informants were the employees of the local government of Ferencváros and the

dwellers of Balázs Béla 14². Juxtaposing the “official” top-down and the personal bottom-up view of the process of vacating will provide the possibility to answer my research questions, which are the following:

- What are the mechanisms through which the relocation process is institutionally managed?
- How are the families affected by being relocated from their homes?
- What are the possible long-term social consequences of relocation?
- To what extent can relocation be seen as an instance of displacement described in advanced capitalist cities?

Choosing Ferencváros and the case of Balázs Béla 14 to observe gentrification in Budapest and to answer these questions were not accidental. The urban rehabilitation project going on in Ferencváros is the longest, most coherent, most sweeping project in the post-socialist history of Budapest, and is usually considered to be the number one best practice in the Hungarian professional discourse. However, based on some press articles and personal discussions conducted with dwellers of the neighborhood, it became clear that gentrification – or as the local politicians and many architects call it, rehabilitation – is not as innocent as it looks. The case of Balázs Béla 14 becomes more important when we take into account the fact that there are dozens of similar houses left in Middle Ferencváros awaiting renovation or demolition in the following years. Thus apart from a theoretical interest about the

² During my research it turned out that Gyula Bányai, a student of sociology at Eötvös Lóránd University Budapest is also working on a very similar topic for his thesis research. Given that at that time – August 2010 – there was only one vacation process going on in the 9th District, we decided to work together for a short period. Thus some of the materials that I have collected between August 2010 and October 2010 are the result of a limited cooperation on the field, mainly in the form of some interviews conducted together. However, the analyses of the data are completely our own work. Given our different theoretical backgrounds and the fact that Gyula finished his research in October 2010, while I continued until 2011 May, the outcome of our research is considerably different. See the thesis of Gyula Bányai (2010).

peculiarities of state-led gentrification in a post-socialist context the research has considerable policy relevance as well.

Chapter 1. Transition in the Urban Context: Gentrifying Budapest

1.1. Theorizing Gentrification

The term of gentrification has been widely used since its coinage in the 1960s (Glass 1964), and the phenomenon which it describes is well-studied. However, the concept has always been the object of severe debates among gentrification researchers. First of all, there has been a definitional debate in which the narrowness of the definition was contested. Taking into account that the phenomenon called gentrification has changed significantly in the last five decades (Hackworth, Smith 2001), in this thesis I will use a definition that does not focus only on the formulation of the original concept of Ruth Glass³, but on the intention of this formulation as well. While in the case of London in the 1960s gentrification was a relatively marginal process on the market executed by urban pioneers, today it is a multi-faceted, but globally institutionalized strategy of urban “regeneration” (Smith 2002). What makes the case of Hampstead in the 1960s similar to what happens nowadays in Harlem or in Ferencváros is the class character of gentrification⁴. As Slater emphasized (Slater 2009), if gentrification is defined as “the transformation of a working-class or vacant area of a city into middle-class residential and/or commercial use” (Slater 2009: 294), it enables us to grasp the instance through which low status social groups are replaced by more affluent dwellers. Thus based on the work of Loretta Less I will use the following definition in my thesis in order to be sensitive both to the “globalization” of the process and to the inherent social tension – “the

³ According to the gentrification research canon, Ruth Glass, at that time Director of Research of the Centre for Urban Studies in the University College London, was the scholar who coined the term of gentrification based on the neighborhood changes experienced in post-WWII London.

⁴ Using the contested concept of class is intentional here. I am aware that defining classes is highly problematic in our contemporary liquid modernity (see Bauman 2000), but I think that the term is useful in terms of stressing the conflictual nature of social stratification.

competition for space”⁵ (Glass 1964: XIX) – that the phenomenon carries in itself: gentrification is the process through which as a result of capital investment and physical upgrade a certain area is socially upgraded, while former less affluent dwellers are displaced (Davidson, Lees 2005: 1170).

Apart from the definitional debate, the major discussion in gentrification research has been centered on the theoretical explanation of the process itself. While the structural Marxist line of argument based on the rent gap – the difference between the potential and the actual ground rent – highlighted the importance of structural economic factors (Smith 1979, Smith 1987), the liberal humanist explanation focused on changing individual preferences due to the shift towards a postindustrial society (Ley 1980, Ley 1982, Ley 1986).

The well-known differences between the structural Marxist and the liberal humanist explanations have catalyzed many arguments for or against any of the sides, but in recent years it seems that after accepting the complex nature of the process and acknowledging the importance of both accounts (Hamnett 1991), a new debate has started to emerge. Fuelled by Tom Slater’s article (Slater 2006), the so called gentrification debate in the *International Journal of Urban and Regional Research* (IJURR) in 2008 shed light on the fact that there is a crystallizing new fault line among the researchers (see for example Allen 2008, Smith 2008, Wacquant 2008). Though this is not entirely independent from the structural – liberal opposition, the new question dividing the scholars is whether gentrification is depicted as a rather positive and innocent remedy against urban decay, or – as the critical researchers argued in the IJURR debate – as not the solution, but the problem itself, which increases social polarization and which inhumanly rewrites the urban texture by materializing the uneven development (Smith 1990) induced by the logic of neoliberal capitalism.

⁵ “Competing for space” refers not only to the human ecological take on neighborhood change elaborated in an evolutionary framework (see the Chicago School), but on the conflictual social processes induced by various structural – economic, political social, ideological – shifts.

Though this debate has an enormous theoretical and political importance nowadays, it is crucial to recognize that general statements about the nature of gentrification can only be made based on empirical examples, which are, to a great extent, context dependent. Loretta Lees (1994) showed on the examples of Barnsbury, London and Park Slope, New York that in the case of gentrification the national, city and neighborhood level context can induce considerable differences in the unfolding process of neighborhood change; however, it does not mean that it is impossible to find similarities between various cases of gentrification. While some researchers argued that there is an “Atlantic gap” between European state-led gentrification and North American market-led gentrification (Musterd and Van Weesep, 1991), even they were in favor of comparative studies both for theoretical and for policy related reasons.

The issue of context-dependency becomes an even more significant issue when scrutinizing gentrifying neighborhoods with existing theoretical apparatuses in localities which are not as well researched as the classic examples of North America and Western Europe, for example cities in post-socialist countries. As Judit Bodnár argued in her book on the “fin de millénaire” Budapest, “post-socialism offers a context in which many of the widely documented effects of globalization may be observed in a clearer, more pronounced form” (Bodnár 2001: 6). This is the reason why I chose Budapest; more specifically the 9th District of Budapest called Ferencváros in order to analyze the process of gentrification in this semi-peripheral location of the world system.

1.2. *Gentrification(s) Budapest Style*

Keeping in mind the importance of locality and turning back to the theoretical debate about the explanations of gentrification, which peaked in the 1980s, it is unavoidable to

shortly summarize the relevance of the two main theoretical approaches in the context of Budapest. In the case of the rent gap theory as early as 1996 Neil Smith argued that Budapest is a nice example from the post-socialist countries to verify this theory (Smith 1996). I think that the 15 years since passed have proved that besides its merits – namely that it problematizes the issue of structural changes, capital inflow and privatization – the theory has its limitations in the case of Hungary’s capital as well.

The reason for this is the mediating role of the state – more precisely the local governmental system – between the capitalist logic of accumulation manifesting in the freshly liberalized (housing) market of Budapest and the urban texture, including the lived, the perceived and the conceived space of the city (see Lefebvre 1991). In line with the dominant liberal ideology of decentralization – fashionable among the members of the so called “democratic opposition”, which after struggling against the socialist regime in the 1980s was able to gain political power after 1989 –, the local governmental system of Budapest was reshaped in a way to provide the highest possibly autonomy for the district level vis-à-vis the city level in the early 1990s (Ladányi 2008)⁶. This decentralized, two-level local governmental system resulted in a situation where 23 districts were created with extensive responsibilities – including the management of the majority of the housing stock inherited from the state socialist period – but without the necessary financial background to fulfill these duties (Csanádi, Csizmady, Kőszeghy and Tomay 2007). This situation led to increasing competition between local governments for scarce resources; both for private investors and for public resources (see the map of the districts in Budapest in Appendix 1). While seeking the best strategies for this intra-urban competition, the districts adopted various urban policies, which also manifested themselves in the form of various “urban rehabilitation

⁶ The local governmental system in Budapest has two levels: the city level has a relatively low autonomy, while the local governments of the 23 districts have among others most of the rights for taxation and they manage the social housing stock inherited from the state-socialist period.

projects⁷”, or in other words different variations of gentrifications. Since the urban rehabilitation projects were managed independently by the districts, the timing of and the strategies deployed by these projects varies from district to district, which results in completely different effects on the physical and social landscape of the areas. Thus accepting the importance of an emerging rent gap as a prerequisite of gentrification to occur, it has to be added that in the case of Budapest the concrete policies of the local governments were decisive in the materialization of the gentrification processes. The result is that at the same time there are parallel examples in the city of slum-clearance type of large-scale rehabilitation projects⁸, sporadic and pioneer-led “classic” cases in a clearly corrupt institutional environment⁹ and by intention socially more sensitive “social rehabilitation” projects¹⁰. Because of this diversity, the analysis of a certain case of a gentrifying territory in Budapest requires special attention to the institutions of the local governments orchestrating gentrification besides focusing merely on the structural factors providing the possibility for the process to be realized.

In the theoretical debate about the explanation of gentrification Neil Smith’s rent gap theory was criticized from a liberal humanist perspective. David Ley argued that Smith assigns agency to abstract entities like capital in a Hegelian manner, while in reality only human actors can engage in social action (Ley 1982). Regarding gentrification, based on the example of Vancouver, he stated that a rent gap is only a necessary, but not sufficient, prerequisite of gentrification (Ley 1986). The real force that determines where gentrification is being realized from the several possible localities depends on the priorities and aspirations of the so called “new middle class”, which is a newly emerging social group mostly

⁷ The issue of “urban rehabilitations” will be more elaborated in Chapter 2.

⁸ The most paradigmatic and biggest development is the Corvin Promenade project in the 8th District, resulting in the demolition of 1100 flats.

⁹ The most well-known examples are the case of Király Street on the border of the 6th and 7th Districts, and the former Jewish Quarter surrounding Király Street.

¹⁰ Until 2010 the largest and most famous social rehabilitation project has been started in the Magdolna Quarter, in one of the most stigmatized areas of Budapest, in the heart of the 8th District.

consisting of highly educated and young professionals working in the creative service industries of the post-industrial societies (Ley 1980).

However, this explanation seems to be even less applicable for the Hungarian context than the structural account. Though the deindustrialization process from the late 1980s certainly triggered a shift towards a post-industrial society in Hungary, it has been accompanied with the polarization of incomes (Ferge 2010), which prevented the formulation of a strong “new middle class”¹¹ but induced the formulation of an expanding group of low status individuals called “underclass”¹² by János Ladányi (Ladányi 2008). As these vulnerable, low status groups – with an overrepresented population of elderly and Roma dwellers – have started to concentrate in the inner districts of Budapest, where the emerging rent gap was the highest, these areas have not been preferred by those middle class families who had the necessary effective purchasing power to buy new flats in the newly established housing markets. The general mobility trend for the 1990s and even for the first decade of the new millennium was an outward movement both to the agglomeration and to the outer districts of Budapest into suburban environments (Csanádi et al. 2010 pp. 235-238). Thus on the one hand the middle class was a less significant group in the social hierarchy than in advanced capitalist cities like Vancouver, and on the other hand the relatively insignificant middle class households tended to prefer the suburban lifestyle instead of inner city living in the by then considerably deteriorated inner part of Budapest.

¹¹ It has to be noted that the “new middle class” to which Ley was referring is slightly different from what is regarded as “new middle class” nowadays in Hungary. In the three decades passed from the 1980s the process of neoliberal globalization has intensified, which resulted in changes in the labor market and in the composition of different social strata. For example the role of “Western” expats in post-socialist countries is a peculiar feature influencing urban processes (Sykora 2005).

¹² In the so called “underclass debate” the use of the concept of underclass was heavily criticized by Michael Stewart claiming that the concept stigmatizes the most vulnerable part of the society (Stewart 2001). Ladányi and Széleányi argued that it is not certainly true in the Hungarian context, since the concept is not so much loaded as in the Anglo-Saxon literature (Ladányi and Széleányi 2001). I think that in limited cases the concept is usable, though I accept that in general – especially in policy papers - there is the need to specify who we think the “underclass” is made up of.

Hence Kyra Tomay (2007) was right in stating that until the first years of the 2000s there were only a few streets in Budapest where the “classic” pioneers were the main vehicle of gentrification, while – based on the example of Ferencváros – it is more characteristic that during gentrification a “middle class, but suburban” lifestyle was imported into the inner city. The difference between this latter group and the “pioneers” is that the “inner city suburbanites” are typically older (they are in their 30s), they have children, they live in a nuclear family and their lifestyle is much less “bohemian”. For this import of a “typically suburban group” into an inner city context a necessary physical environment is needed: the local governments coupled with the real estate developers are the main actors who produce these inner city spaces, for example through the refurbishment of old, densely built tenement houses into blocks with huge private gardens. But due to the relatively weak middle class, this production includes the production of (the image of) a certain “new lifestyle” as well, which apart from the “inner city suburbanites” targets the young professionals, the potential “new middle class”¹³. Thus, instead of a “new middle class” with the necessary purchasing power and a motivation for “inner city living” gentrifying inner city territories, there are the local governments and the private companies trying to “produce” this potential “new middle class” by reterritorializing the potentially gentrifiable areas.

1.3. State-led Gentrification, State-led Displacement?

Similarly to the critique of the rent gap theory in the Budapest context, the critique of the liberal humanist explanation of David Ley highlights the importance of theorizing the local level of the state (the district level local governments). There are precisely the local urban policies – besides the global economic flows and the national policies – which can determine

¹³ The homepage of the Corvin Promenade project is a good example for how real estate developers try to advertise the “new lifestyle” offered by the new-built residential developments. See <http://www.corvinsetany.hu/>.

whether an area with a considerable rent gap will be gentrified or not. Thus observing gentrification in Budapest makes it necessary to focus on the practices of the state besides scrutinizing macro-economic processes and changes in the social fabric. This statement is supported by the finding that Ludek Sykora articulates in his book chapter on the gentrification of post-communist cities. Drawing on the examples of Budapest, Prague and Tallinn he concludes that the eagerness of the property business to satisfy the demands of the newly emerging international (and national) professional class is supported by the local governments, who try to frame their efforts as a necessary step in the adjustment to the “necessary state” of the housing market, i.e. liberalization, deregulation and privatization (Sykora 2005)¹⁴.

To shed light on the role of the state in “leading gentrification”, the theoretical frame worked out by “state theorists” is a good starting point. Neil Brenner’s argument for the importance of theorizing the state is especially important: he attempts to link globalization studies with social scientific analyses of space (Brenner 1999). If gentrification is seen as a globally institutionalized element of the “neoliberal toolkit” (Clarke 2008) – as Neil Smith argues (Smith 2002) – then it can be linked with the Brennerian concepts of deterritorialization and reterritorialization, which he sees as the two dialectic processes giving the backbone of globalization. While as a result of globalization the level of the nation states is weakened in the functioning of the global economy, the sub- and supra-national levels gain an increasingly important role in orchestrating de- and reterritorialization, the necessary prerequisite for the temporal and spatial fixes for the inherently antagonistic process of neoliberal capitalism (see Harvey 2004). With regards to this thesis, the subnational level of the state has a special significance: through applying the Smithian and Leyian theories of

¹⁴ Similarly to the semantic strategy of the local governments to present their housing policies as “rehabilitation”, this rhetoric framing of their relation to the market processes is an essential feature of gentrification in Budapest, to which issue I will turn back in the second chapter.

gentrification to Budapest I showed how the local governments have a key role in producing space and catalyzing gentrification.

For a more precise theoretical framework it is unavoidable to define the concept of “the state” at this point. In the following I will refer to “the state” following Arextaga’s definition, where state is seen as “a significantly unbounded terrain of powers and techniques” instead of a “thing or system” (Arextaga 2003:398). This will be useful during the analysis on the case of Ferencváros, where the activities of different bureaus and departments have orchestrated the process of rehabilitation and relocation. Arextaga’s definition can be also useful in combining the structuralist and Foucauldian post-structuralist concepts of power, since both of these accounts can partly explain the mechanisms through which the power of the “state” has been translated into policies and practices resulting in the vacating of the house that I have studied.

However, accepting the relevance of the (local) state in institutionalizing gentrification in Budapest as an accepted policy response for “uplifting” downward spiraling neighborhoods, my thesis is not specifically about mapping the state’s role in the “production of gentrification”. Similarly to Tom Slater and to some other contributors to the aforementioned gentrification debate (see Slater 2008), I am rather interested in the social consequences of this state-led gentrification. Thus through presenting a case study from Ferencváros, the 9th District of Budapest, I will focus on the social effects of gentrification on those dwellers who have to leave their former homes.

As well as in the international debate, the replacement of the existing residents of a renewing territory by more affluent dwellers is an issue highly debated both in the Hungarian academic literature and in the press. While some researchers see gentrification as a process which is beneficial for both the gentrifiers and the old dwellers replaced by them (Aczél 2007), others problematize gentrification labeled with the euphemistic concept of “urban

rehabilitation” as a process through which the poor and the Roma dwellers are systematically cleansed and excluded from the potentially valuable and gentrifiable Inner-Pest districts (Csanádi, Csizmady, Kőszeghy and Tomay 2007, Ladányi 2008)¹⁵. Moreover, there was an ongoing press coverage of the process through which poor Roma families were moved to outer districts of Budapest from Ferencváros (see Népszabadság 2008). These articles generated emotionally heated discussions among academics, politicians and among the dwellers themselves both of the “recipient” districts and of Ferencváros.

A fruitful concept through which the local debate about the social consequences of “urban rehabilitations” in Budapest and the international debate about the social costs of gentrification in general can be connected is displacement. Displacement was defined by Peter Marcuse as “an involuntary move of a household” and it was divided into two main categories. Direct displacement is the process through which the dwellers are literally (physically) forced out from their homes, while through indirect displacement more subtle mechanisms lead to the same result, i.e. the changing commercial facilities in a neighborhood (Marcuse 1985). Through Marcuse’s argument and through its reinterpretation by Tom Slater (Slater 2009), displacement became a core concept through which the inhuman, unjust side of gentrification can be grasped. There are some empirical works on displacement – mainly from North America and Western Europe – that describe the negative effects on the displaced people (for example Clampet-Lundquist 2010, Gutzon Larsen and Lund Hansen 2008, Newman and Wyly 2006, Van Criekingen 2008). These either try to estimate the quantity of gentrification induced displacement or try to explore with qualitative tools the psychological and social effects of the phenomenon. They bring up the issue of destroying a community, of individual psychological harms, of increasing segregation and the polarization of the society.

¹⁵ However, it is interesting in itself – and I will turn back to this issue later –, that the Hungarian debate was not revolved around the concept of gentrification, rather around the “social effects of urban rehabilitation” (see for example Enyedi 2007). This conceptual inconsistency between the international and Hungarian literature does not mean, that the neighborhood changes experienced in the inner city of Budapest could not be categorized as gentrification following the definition of Slater (2009) and Davidson and Lees (2005).

Rowland Atkinson's systematic review is a nice summary of these claims and of the positive effects as well (Atkinson 2004).

Marcuse's analysis of displacement was based on empirical work in New York, where displacement and abandonment were described as spatial phenomena resulting from the housing market processes, affecting mostly the tenants and not the homeowners. In Hungary the homeownership structure is very different: the proportion of the social housing units and the proportion of the privately rented flats are 4-4%, while the proportion of the privately owned flats is well above 90% (Habitat for Humanity Magyarország, 2010). It follows then that the market induced displacement of tenants is a marginal phenomenon compared to the American example. However, through the so called "urban rehabilitation" projects many dwellers from bad quality social housing units have been relocated by the local governments. Especially in Ferencváros, where rehabilitation and the concomitant relocation of the dwellers was the most sweeping among all the inner districts, the question whether gentrification and the "involuntary move of the households" in the form of relocation is rather a beneficial, or a harmful process, is still a crucial question.

Methods

From a methodological point of view observing the social consequences of gentrification has always been problematic. Tom Slater (2006) gives a nice overview of the issue, and argues that at least in the recent decades the majority of the studies focused on the gentrifiers, which has both an easily acceptable methodological and an ideological explanation. The latter connects to the neoliberal turn and the concomitant emergence of a “new urbanism” described by Neil Smith (2002), which is characterized with the depoliticization of the concept of gentrification through reducing or denying the negative effects of displacement. This explanation can be supplemented with a methodological reason: observing the displaced people is particularly hard, since usually there is no exact record of their movement. However, there are some attempts to estimate the quantity of the displaced people (Newman and Wyly 2006) and the location of their new homes as well (Van Criekingen 2008). What makes these studies problematic is that their results are too diverse and depend very much on initial assumptions, on which the statistical apparatuses are built. We can understand the complexity of the question and the impossibility of objectivity if we compare the studies of Newman and Wyly (2006) and Freeman and Braconi (2004). Analyzing the same database, they come up with a completely different conclusion. One reason why the higher number of displacees estimated by Newman and Wyly seems to be more acceptable is the mixed nature of their methodology.

Indeed, many gentrification researchers focusing on various local contexts, from Slater (2006) to László and Tomay (2002) argues that it is impossible to provide a comprehensive argument about gentrification and neighborhood change without conducting qualitative inquiry focusing on the “original dwellers” of a “renewed” neighborhood. This insight and the

lack of qualitative studies dealing with the displaced people in the Hungarian context were my main reasons why I chose a mainly qualitative apparatus to study gentrification in Budapest.

Since it is hard to speak about a “Budapest model” of gentrification because of the relatively weak integrated municipal government compared to the much stronger district level local governments (for a more comprehensive elaboration on the issue see Chapter 1), I chose a certain district, namely Ferencváros, the 9th District to carry out my research. My reason for this is threefold. First, the case of Ferencváros has a special theoretical significance, since this is the district where the most families have been relocated since 1989, and since the phenomenon of relocation has not yet been confronted with the theories of displacement and gentrification observed in advanced capitalist countries. Second, in Budapest the local government of Ferencváros has carried out the longest and most coherent “urban rehabilitation” plan starting from 1986, which led to the most sweeping physical and social changes in the area. This is the reason why Ferencváros is often depicted in the public discourse as the best example for a well-managed project without letting space for critical voices, especially criticisms from the relocated people. And third, for a personal reason: at the moment I am living in Ferencváros, thus I have necessary background knowledge about the local context which is needed for deep ethnographic inquiries.

After choosing Ferencváros as the district in which to carry out my research I narrowed down my focus on a special case. Since a peculiar feature of state-led gentrification happening in Ferencváros is that the local government piecemeal relocates the old dwellers from the houses being demolished or renovated, it was reasonable to choose a house as a case on which I observe the usual mechanism of relocation. Thus I followed the case through which the local government “vacated a house” between August 2010 and May 2011. According to both the dwellers and the employees of the local government, the house was typical among the yet non-renovated houses both in physical and in social terms. This typicality makes it possible to

– cautiously – forecast some elements of future relocations being carried out in the upcoming years in the still “deteriorated” parts of Middle Ferencváros not yet “reached” by rehabilitation.

My research design had three elements. First, I conducted interviews with the employees of the local government and especially with the Bureau for Property Management, a special bureau which has the responsibility to negotiate with the relocated dwellers throughout the process. These interviews are good sources to reconstruct the “conceptual view” of the city and of the rehabilitation which transforms the city (see De Certeau). Second, I interviewed the dwellers themselves before, during and after relocation. Their view and their “tactics” is a useful, bottom-up counterpoint opposed to the top-down perspective of the local government. And third, I was able to observe “consultation hours” taking place in the local government, where the dwellers and the bureaucrats met personally in order to negotiate the relocation process and to choose between the different forms of compensation that the local government has to offer. These consultations were good occasions to observe how the tension between the top-down and the bottom-up perspectives is played out in a face-to-face situation. The connection between the three elements is the processual nature of the “vacating”: throughout the ten months I was able to follow-up and observe various aspects of relocation with various methods.

However, it is important to note that besides their strength in gaining a deep insight into certain social phenomena, qualitative studies have weaknesses as well. A special limitation of my research – which happens to be one of its possible strength as well – is rooted in the sensitivity of the issue I was studying. “Being relocated” for someone who had heard promises from the 1980s about rehabilitation as the remedy of Ferencváros’s problem is a crucial issue. Besides that moving is always an important personal event, a movement initiated by a public authority – the local government – can be even more disturbing. Even

more so, if we take into account that for many poor people in the house the quality of compensation could determine their entire following life. As a consequence, throughout the research I was constantly reminded by the dwellers how emotionally loaded their situation is in which they are forced to make important decisions in a very short term.

This excited atmosphere at the beginning and throughout the process was both an advantage and a disadvantage from the point of view of the researcher. On the one hand some families did not want to share information with a “stranger” as they feared missing out on the “opportunity of their lives”, but on the other hand some other families really appreciated that they could talk about their intensified emotions in such an important situation. Taking into account this sensitivity I tried to balance between the top-down and bottom-up perspectives and unmask the various mechanisms that lie behind the image of the Ferencváros rehabilitation labeled as the “best practice” of urban rehabilitations in Hungary by the professional canon.

Chapter 2. Rehabilitating Ferencváros: Institutionalizing a Remedy

2.1. The History of Ferencváros: A Downgrading Working-Class Neighborhood

In order to analyze a changing neighborhood it is essential to observe its history in the city context. In the case of Ferencváros the history of capitalist urbanization began in the 18th century, when right outside the city wall of Pest¹⁶, around the Hay Market¹⁷, situated at the Kecskeméti Gate, a new area started to be “urbanized”. Gradually, various inns and houses were built to serve the commercial activities taking place in the market, while in 1792 the dwellers of the newly emerging area chose Ferencváros as the name of the settlement, which refers to the Habsburg Emperor Francis I. At that time Inner Ferencváros¹⁸ was an almost entirely urbanized neighborhood, while in Middle Ferencváros agricultural activities determined the landscape. In the 19th century the pace of the urbanization process started to increase: the number of buildings in the area almost tripled between 1806 (220 buildings) and 1838 (529 buildings)¹⁹.

1838 was a milestone in the history of Pest: a Danube flood destroyed about 80% of the buildings in Ferencváros, which was on the one hand a huge catastrophe, but on the other hand with destroying the physical landscape it opened up the possibility to adjust the new buildings to the changing function of Budapest in the emerging capitalist markets in Central-Eastern Europe. Parallel with the rapid industrialization of Budapest, Ferencváros was “modernized” in a breathtaking pace. While various military institutions and industrial

¹⁶ Budapest, the capital of Hungary was founded with the merge of three settlements: Buda, Pest and Óbuda in 1873. Before that Pest was an important commercial city. The former city wall is regarded today as the divisive line between the inner city of Budapest and its midtown.

¹⁷ Today Kálvin Square is situated on the former place of the market.

¹⁸ Ferencváros is traditionally divided into three parts: Inner, Middle and Outer Ferencváros (see Appendix 2).

¹⁹ My sources to present the brief history of Ferencváros from the 18th to the 20th century were the works of Ambrus Gönczi, the leader of the museum called the Collection of Local History of Ferencváros (see for example Gönczi 2010).

factories were built in the second half of the 19th century, the number of residents in Ferencváros increased from 8,280 in 1851 to 30,000 in 1880 with the in-migration of industrial workers. The main industrial sector characteristic to Ferencváros was agricultural industry (the mill industry of Budapest was leading in Europe at that time), but chemical and construction industries were also crucial. This industrialization process was strengthened by the fact that Ferencváros had a key geographical position in Pest with its extending railway system and with its closeness to the Danube.

By the turn of the century the number of residents in Ferencváros reached its peak with 110.000 people (for a map of Ferencváros from 1884 see Appendix 3). This is the time when the first wave of intra-district economic restructuring started: the Inner part of Ferencváros was turned into a bourgeoisie residential area with important national and city institutions (for example the Museum of Applied Art, the third museum in Europe devoted to exhibit such kind of artifacts) as a result of the building boom, which peaked around 1896, and was catalyzed partly by the millennial celebrations²⁰, while the industrial activity had moved into the Middle and the Outer parts. These latter two parts were the places where the huge masses of industrial workers were settled. The working class character of these outer parts of Ferencváros was also determined by the fact that at the end of the 19th century Southern Budapest (where Ferencváros lies) was designated by the city leaders as a zone of “stinking industries”, because this way the usual northern direction of wind could ensure that the “stinking” gases would not disturb the majority of the city dwellers (Locsmándi 2008).

The working class character of Middle and Outer Ferencváros remained between the two world wars as well. This was the period when, due to the economic crisis and as a result of the Treaty of Trianon, a huge number of unemployed and/or homeless people appeared in

²⁰ Celebrating the millennial anniversary of the “Hungarians’ arrival” to the Carpathian Basin in 1896 was both an important series of symbolic events aiming to construct and strengthen the national Hungarian identity and a crucial catalyzer of the construction industry. The building boom at the end of the 19th century was also the consequence of the economic boom experienced in Europe.

Ferencváros concentrating either in “temporary” barracks²¹ or in illegal settlements²². Apart from these well-known examples of impoverished and stigmatized territories used as metaphors of urban decay in the common discourses, the majority of Middle Ferencváros was the home of industrial workers. The paradigmatic type of house in which the workers lived was a two, three or four storey high tenement house with a courtyard in its middle (Gyáni 1992). An important and Central European specific feature of these workers’ tenements houses is the outside corridor, which functioned as a kind of semi-public space: in the third chapter I will come back to this issue, which has important effects on how the dwellers perceive their homes in such houses.

Though it can be said that from the second part of the 19th century, Middle and Outer Ferencváros have been continually characterized as a working class part of the city, the residents were more heterogeneous than this categorization would suggest. It was the result of the architectural specificity of the tenement houses built in the fin-de-siècle period: the flats in a building considerably varied in their size. The closer the flat was to the first storey and to the street, the higher its status was; thus it was possible that in a building apart from a few dozen of small one-room-one-kitchen flats inhabited by four or five people, more convenient, bourgeoisie flats with two or three rooms could be found as well. This heterogeneity decreased after the Great Depression - when some bigger flats were divided into smaller parts to fit the demand of the impoverished tenants - but it has not yet vanished, differentiating even the most “problematic” parts of Ferencváros from a North American ghetto or from a French banlieue.

Shortly after the Second World War the housing stock of Budapest was appropriated and came to be managed by the state. After the bomb damages suffered by Ferencváros were repaired, the industrial production slowly restarted in a similar structure as before, but with a

²¹ See for example the case of Mária Valéria settlement existing between 1914 and 1961 in Outer Ferencváros.

²² For example the famous “Little Forest” on the border of Middle and Outer Ferencváros, which was demolished in 1941.

slightly larger importance of the chemical and the construction industry. At that time around 70.000 workers were employed by the factories of Ferencváros, quarter of them living in the district (Gönczi 2010).

During the socialist period the main focus point of the national housing policy was to increase the quantity of the available residential units in order to handle the shortage of flats, mainly in the forms of constructing new, modernist housing estates in the outskirts of Budapest. This housing policy, based on a modernist socialist ideology, contributed to severe disinvestment in the historical parts of the city (Kocsis 2009). While an enormous amount of money was spent on the construction of socialist housing estates, only the most necessary maintenance works were done in Inner Pest, including Inner and Middle Ferencváros. Thus, in these areas the quality of flats gradually decreased, which was coupled with the aging of the population, the decrease of its status and the increase of the proportion of the Roma population (Ladányi 2008). This gradual physical and social “downgrading” was the result of two phenomena: first, in the 1970s an attempt was made by the party-state to demolish both “slums” with bad quality flats and the so called segregated “gipsy settlements”, which were situated in the outskirts of cities and villages; and second, the original dwellers of the historical part of Budapest tended to prefer the newly built flats because of their better quality. Hence the result was the piecemeal restructuring of the spatial patterns of the society, through which the former dwellers of the demolished “slums” and “gipsy settlements” were dispersed partly in the deteriorating historical part of the city, while the more affluent original dwellers of these historical parts were moving outwards into newly built flats. This “downward spiral” of the Inner Pest²³ districts caused by disinvestment and the national housing policy continued until the transition started in 1989. At that time 90% of the flats in Ferencváros were state-owned; and in Middle Ferencváros 61% of them were categorized as “low comfort” (meaning

²³ Referring to the Inner pest districts I mean the 5th, 6th, 7th, 8th and 9th districts. See Appendix 1.

there was no bathroom in them), which was the second worst data in this dimension among the districts of Budapest (Götz and Orbán 2010:75).

2.2 The Remedy for Downgrading: Rehabilitating Budapest

Identifying the “downward spiral” experienced by the historical Inner Pest districts like Ferencváros and especially Middle Ferencváros during the socialist period, the city leaders tried to counteract the unfavorable mechanisms. Their aim was both to stop physical deterioration and to foster “social renewal” (Szívós 2009). For this reason, from the 1970s “urban rehabilitation” pilot projects were launched in the Hungarian capital. One type of pilot project was based on the idea to demolish former tenement buildings and to replace them with modernist high rises²⁴, the other idea was to “rehabilitate” a whole block of tenement houses with the physical renovation of the buildings and with the anticipated “spillover effect” of the social upgrade to the broader territory (Locsmándi 2008)²⁵. The result of these projects was described with the concept of “socialist gentrification” by Hegedüs and Tosics (1991), since the original dwellers were relocated into flats in similar conditions like their previous ones, while the renovated flats were taken over by new, more affluent dwellers. Apart from the socially questionable output of these projects, their management was also problematic: due to organizational and financial reasons the projects could not be finished on time.

Drawing the lessons from these not-so-successful experimental projects and acknowledging the importance to “do something” with the downward spiraling historical districts, the leaders of the city created a rehabilitation plan in 1987 for renovating 104.000 flats in Budapest in the next decades. However, due to the regime change starting in 1989 the

²⁴ Szigony Street in the 8th District and the block between Mihálkovics and Haller Streets in the 9th District are the most well-known examples.

²⁵ The well-known and many times analyzed example is the so called 15th Block in the 7th District (see Szívós 2009 and Hegedüs and Tosics 1991), but there were attempts to use the same method in Middle Ferencváros next to Ferenc Square as well.

plan was never realized. The only district which used some parts of it was Ferencváros – this process will be analyzed in the next section.

After 1989 the economic and political environment changed radically, which did not leave intact the urban processes of Budapest. The economic crisis caused by the shift from an economic system dominated by redistributive logic and central planning to a system based on the capitalist logic of market was more severe than the crisis during the Great Depression (Ladányi 2005I): one third of the employees lost their jobs in Hungary and at the same time spatial segregation patterns have changed. The areas mostly affected by this crisis were the typical working class areas, like Ferencváros.

Parallel with the economic transformation and crisis the political system was changed as well. The Inner Pest districts in the new, two-level administrative system were forced in a situation where they had to respond to the intensifying downgrading with various policies. Public and market resources were scarce due to economic depression, so the local governments either had to decrease their spending or had to attract private capital in order to finance their expenditures. It has to be added that similar tendencies were described in the capitalist cities after the 1970s as well, when following the neoliberal turn in the world economy, interurban competition for capital has significantly increased, leading to the emergence of qualitatively different urban regimes (see Harvey 1989). Similar regimes were formed after the regime change in Hungary, and “urban rehabilitations” were deployed in Budapest to deal with the new structural conditions. Through rewriting the urban texture they were able to reterritorialize their districts, through which they could have more favorable positions in the intra-urban race for capital.

In this competitive environment, determined by market forces, privatization of the social housing stock seemed to be a good strategy for the local governments, at least in the short-term, as it rapidly increased their revenues and decreased their expenditures. However,

privatization was a highly selective process, through which the most deteriorated flats – in which the most “problematic” (old, poor, Roma) dwellers were squeezed during the socialist regime – remained in the hands of the local governments, as these vulnerable sitting tenants did not even have the minimal financial resources to buy their homes (for the inequalities of privatization see Bodnár 2001 and Dániel 1996). Privatization definitely increased the revenues and decreased the expenditures of the local governments in the short term. However, in the long term it only prolonged some problems: the fresh home-owners became responsible for the maintenance of their property without having the necessary capital for it, while the poorest residents living in the most dilapidated flats were trapped into the more and more dysfunctional social housing system. The privatization of the housing stock can be understood as a process having different consequences for different social groups: for those who could privatize their flats for an extremely low price it was a “shock absorber” (Locsmándi 2008), through which they felt somewhat compensated for the negative consequences of the economic crisis after 1989. But for those who were poorer than being able to receive this “generous gift from the nation” (Dániel 1996), what remained after privatization was a stigmatized, narrowed down, and extremely deteriorated lower segment of the housing hierarchy in which they could felt to be trapped.

As an effort to respond to this worrying situation, “urban rehabilitation” projects have been gradually developed by the local governments. In 1994 the city leaders created the Urban Rehabilitation Fund to support district level rehabilitations through redistributing the revenues gained from privatization. In 1997 the Urban Rehabilitation Program of Budapest was accepted, which had the explicit aim to foster projects in localities where spontaneous renewal did not begin by the market forces. In the next years the requirements for getting support from the city level were made stricter: the local governments were pressed to design long-term projects with more and more complex interventions (for example besides physical

renovation of residential buildings they had to refurbish public spaces). As the requirements have become more and more complex, the meaning of the concept of “urban rehabilitation” has been gradually altered. While during the socialist period “rehabilitation” was aimed to physically renew and socially uplift a certain area, after the transition the physical renovation was pushed into the forefront regardless of its effect on the local dwellers, and only in the 2000s has the “social” aspect been slowly taken into consideration once more. The appearance of the various types of “urban rehabilitations” nicely represents this shift: while in the beginning of the 1990s “laissez faire” rehabilitation (meaning rehabilitation without a coherent plan) was the most widespread tool, market-based rehabilitation based on more coherent action plans and regulations has become more widespread from the second half of the decade, and the first so called “social urban rehabilitation” pilot projects integrating “soft programs” aiming to keep the original dwellers in the renewed territory has been launched in 2005 (Alföldi 2008).

All in all, urban rehabilitation has become an increasingly accepted tool to deal with the consequences of urban decay caused by socialist disinvestment. But what were the social effects of “urban rehabilitations” designed mainly to solve physical problems? Most of the analyses agree that the publicly subsidized urban rehabilitations in Budapest systematically benefited those districts and those buildings, which were in a socially more favorable situation (Csanádi, Csizmady, Kőszeghy and Tomay 2007, Csanádi et al. 2010, Somogyi Szemző and Tosics 2007).

Apart from this unevenness it was also described that in the inner part of Pest, where the majority of rehabilitation projects were carried out, gentrification(s) has started. Though depending on the type and pace of rehabilitation projects different districts are characterized with different versions of gentrifications, it seems that their common feature is the replacement of the original low status social groups with better-off residents (Csanádi,

Csizmady, Kőszeghy and Tomay 2007, Csanádi et al. 2010, Ladányi 2008). Though this replacement has already been documented, the interpretation of this social change is controversial both in the public discourse and in the academic literature.

2.3. The Production of Rehabilitation in Ferencváros

In the case of Ferencváros, the history of urban rehabilitations began in the 1980s when both a slum-clearance type and three “block” type of projects were carried out in the district. Based on the experience of these projects and on the plans made for large-scale rehabilitation in Budapest in 1983, a “detailed urban plan” was made by Gábor Locsmándi for the rehabilitation of the whole district, which came to be implemented in 1986. In this plan Locsmándi promoted the “softer” version of rehabilitation compared to the slum-clearance model, as he saw it less drastic both in physical and in social terms. However, due to the lack of financial resources and the changes brought by the transition in 1989, the rehabilitation was slower than expected. Another effect of the narrowing financial resources was the shift from a socially conscious plan towards a plan focusing primarily on physical renewal (Locsmándi 2008).

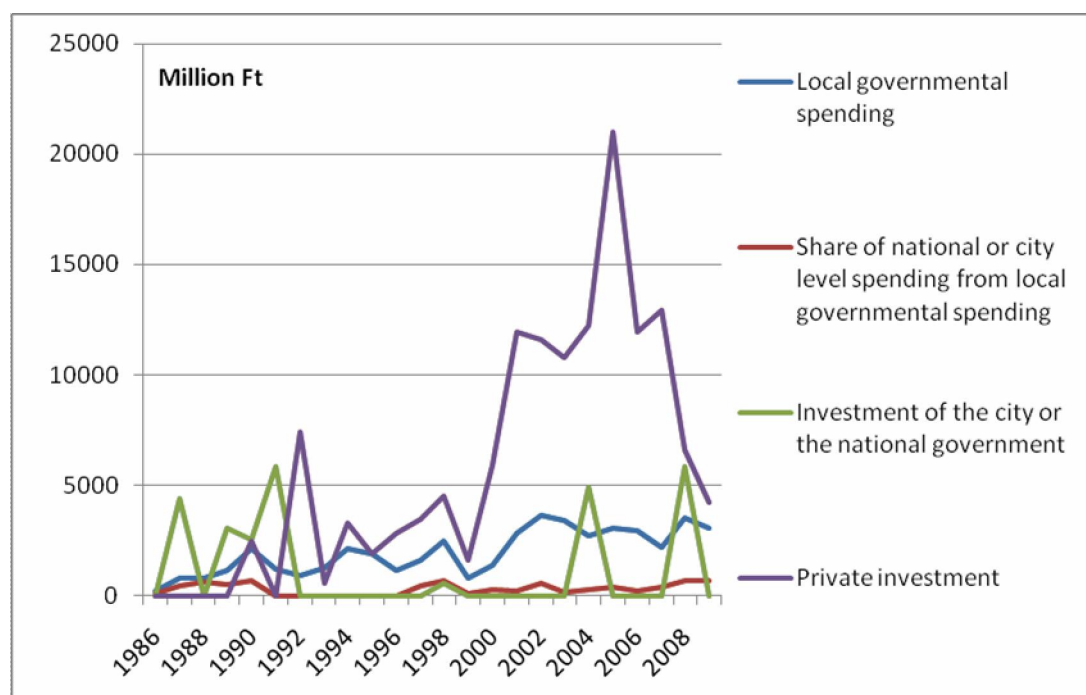
After the regime change the first democratic local governmental elections were won by Ferenc Gegesy in Ferencváros, who was able to win the following four elections as well, so from 1990 until 2010 he was the mayor of the district. This peculiar situation enabled him to carry out coherent, long-term plans in Ferencváros. As early as 1993 Gegesy and the local politicians – firstly among all the other districts in Budapest - announced that they were committed to continue and realize the “urban rehabilitation” designed by their socialist ancestors. Being so quick with this announcement, the local government had the possibility to call for a moratorium on privatization in 1994 – which otherwise would have been possible

for each sitting tenant of any social housing units based on the Housing Law introduced in 1993 – in the areas potentially affected by the rehabilitation in order to prevent the fragmentation of the ownership structure. Through this moratorium 7300 bad quality social housing units remained in the hands of the local government, through which it was ensured that Ferencváros was later able to carry out a step-by-step, long term, state-led urban rehabilitation project involving market actors.

After 1989, in a gradually expanding market environment, rehabilitation in the case of Ferencváros meant basically three things. In the case of the deteriorated, non-privatized housing stock two options seemed to be viable. A bad quality residential building could be demolished, after which the land was sold to a private investor, who built a new building on the emptied plot. The other option was to renovate these buildings and keep them as social housing units. In the first case capital and private actors were needed, in the second case renovation was financed mostly by the Urban Rehabilitation Fund (founded by the local government of Budapest). As a result of receiving financial support from the city of Budapest, the renovated flats were not allowed to be privatized until five years after the renovation. However, after these five years the sitting tenants were able to privatize their flats, with similarly beneficial conditions as after 1989 in other districts. The complex process of rehabilitation – including privatization, tendering, relocation of the dwellers, the construction of plans, etc. – was managed by various departments and bureaus of the local government, but it was held together by the SEM IX Ltd., a special non-profit organization based on a French model, where the main shareholder of the organization is the local government, but private actors have ownership as well.

Though the two options (demolition or renovation) coupled with the refurbishment of public spaces such as parks and playgrounds remained the backbone of “urban rehabilitation” in Ferencváros throughout the 25 years passed from 1986, the priorities between these options

have shifted in this period depending mainly on macroeconomic trends and the alterations of the national housing policy. Table 1 shows the dynamic of these shifts through the changes in the sources of money spent on rehabilitation.



1. Table. Source of money spent on rehabilitation in Ferencváros between 1986 and 2010. Data from the Local Government of Ferencváros (Gegesy 2010).

Based on Table 1 we can differentiate four phases of rehabilitation. The first took place between 1986 and 1992 and was characterized by the dominance of either the government or the city of Budapest in financing the projects. After accepting the Act on Local Governments in 1990 and after announcing the continuation of the urban rehabilitation in Ferencváros in 1993, the second phase was dominated by the local government, as the leader of the process. The market actors had already been present, but their role increased only after 2000 in the third phase of rehabilitation. This increase can be explained with three factors. First, the property market of Budapest has experienced a rapid boom resonating with the economic

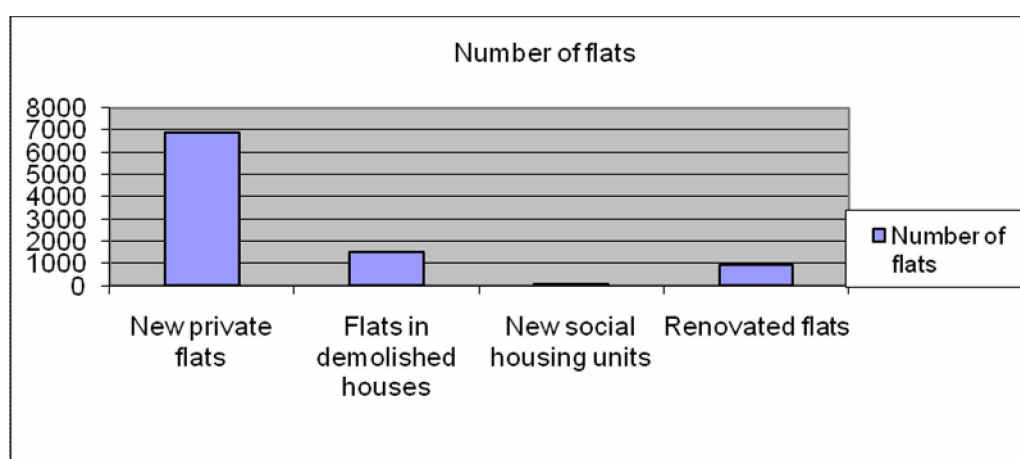
boom in the world economy. Second, the housing policy of the Orbán government between 1998 and 2002 supported the purchase of owner-occupied residential units through supporting housing mortgages, which benefited mainly the middle-class young couples with little children (Hegedüs 2006). And third, the local government gave up the linear direction of rehabilitation leading from the inner to the outer part of Middle Ferencváros and marked out three other “focal points” in order to multiply the investment possibilities. Thus real estate development became an outstandingly good financial strategy, leading to the mushrooming of the newly built condos, especially in Ferencváros, where the first two phases of rehabilitation and the commitment of the local government to “renew” Middle Ferencváros considerably decreased the risks of being involved in the property business. The end of this phase came with the global economic crisis of 2008, and now with the burst of the real estate bubble it seems that the leading role of the local government is needed once more to secure the continuation of neighborhood renewal²⁶ and to counteract the lack of private capital on the housing market.

Experiencing piecemeal all the four phases of urban rehabilitation between 1986 and 2010, the urban landscape of Middle Ferencváros – both in physical and in social terms – went through radical changes. Table 2 presents the magnitude of the physical changes in some aspects. We can see that in terms of the affected residential units rehabilitation resulted in the construction of almost 7,000 owner-occupied flats, which were built in 4-5 storey high condominiums on the remains of the demolished old buildings. The potential buyers of these new flats were more affluent families than those originally living in the area. In order to cleanse the lands for new residential buildings 1,490 social housing units were demolished. At the same time 936 flats were renovated, and many of them privatized after five years passed following their renovation. However, in the same period, during the last two decades only two

²⁶ At the moment the most likely future horizon is that rehabilitation will speed up again, because the local government won circa 10 million Euros from the EU with the “József Attila social rehabilitation project”, which will be carried out between 2011 and 2013 in the outer part of Middle Ferencváros.

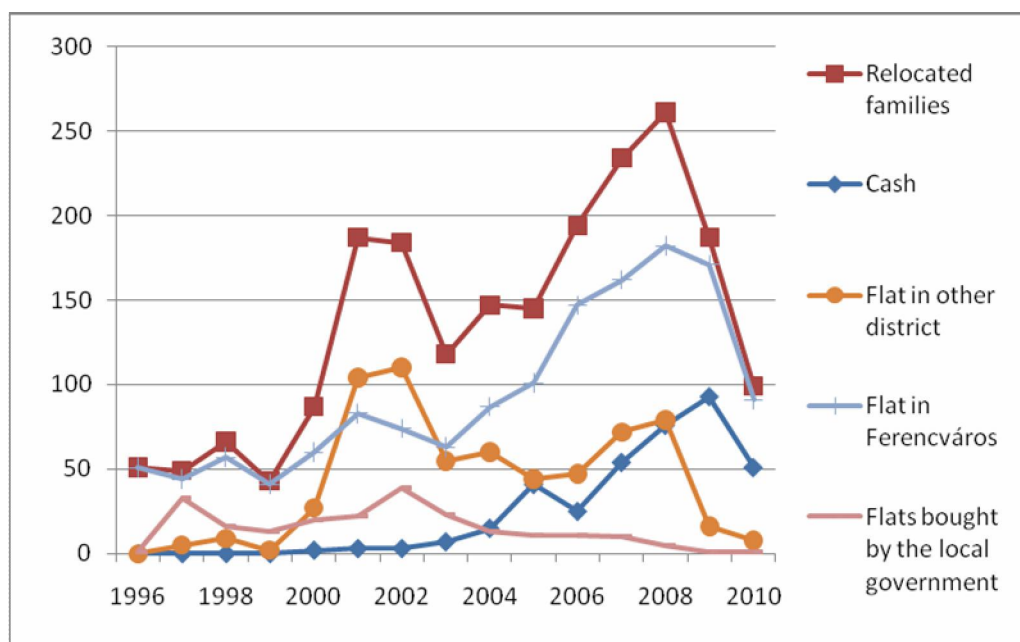
buildings with 52 social housing units were built. The consequence is that the number of social housing units in the district has decreased radically from 1989. In that year it was 29,000, in 1994 it more than halved to 12,000; in 2005 it was only 6,033, while in 2010 there were only 4,700 in the whole district. This trend is typical everywhere in Hungary: the local governments try to get rid of their properties in order to back out from the responsibility to maintain them, while the sitting tenants support this attempt, because they believe that the anomalies of the state-led management could be prevented with private property.

It is interesting though that in Ferencváros this delayed, but still rapid process of privatization was parallel with urban rehabilitation, which is clear sign of the fact that the social aspect of renewal was secondary to physical upgrade. But what happens to those people who were formerly living in these social housing units? Apart from the sitting tenants who have the necessary financial background to benefit from the preferential conditions of privatization supported by the state, in the case of Ferencváros relocation was a key mechanism through which tenants of social housing units became actors of the housing market.



2. Table. Number of flats built, demolished and renovated between 1986 and 2010 in Middle Ferencváros.

It did not matter whether a house affected by rehabilitation was demolished or renovated, the tenants had to be relocated in order to carry out the works. The process of relocation has been regulated both by the national housing law and the local regulations specifying the national law. In Ferencváros the process has always been carried out by a special bureau of the local government: the Bureau of Property Management (BPM). The main rule is that the families living in houses “being vacated” are eligible for compensation because of their forced move. They are either compensated with a social housing unit at least in a similar condition with their present one, or they are compensated with cash. According to the present local regulations, the flats in exchange cannot be bigger in their size with more than 10m² than the former one, while the cash option depends on the size and the location of the flat. Table 3 shows some data about activities connected to the compensations.



3. Table. Number of families taking part in various forms of compensation and number of different flats used as replacement flats in Ferencváros.

We can see that 2000 was a turning point in the dynamics of relocations as well: at the same time when the market actors increased the pace of rehabilitation, the number of relocated families quadrupled between 1999 and 2001. The role of the local government at this time was to provide the necessary environment for new constructions and renovations through managing the process of relocation. In the first years of this market boom the strategy of the local government was to buy flats in other districts and relocate the dwellers there, since there were not enough vacant social housing units in the district that they could have offer as compensation. However, it became clear that moving the dwellers into other districts is problematic in two ways: first, the maintenance of the housing stock of the district spreading all around Budapest is a difficult task, and second, that the press problematized this form of relocation by framing it as the “displacement of the poorest gipsy families and the relocation of the problems caused by them” (Népszabadság 2008). Thus, as the local government has started to minimize the purchase of properties outside Ferencváros, the proportion of those who “chose” the cash option has increased.

To understand what it means to choose between the compensatory options I briefly summarize the institutional forms in which compensation takes place. When it is decided that a house needs to be vacated, the first step is that the local government informs the dwellers about the decision and about the two ways of compensation in a mail. After receiving the mail the dwellers are asked to visit the bureau of the BPM in order to negotiate with the bureaucrats. If they choose the replacement flat option then in the first round they are offered a flat. After seeing the flat they can either accept or decline it. In case of declining they are offered a second flat. If they still do not like the second one, than they have to accept the third one. However, at any point, even after seeing the third flat, they are able to switch to the cash option, when depending on the size and the location of their original home they get a certain,

fixed amount of money. In this regulatory framework there can be two types of dwellers who have been compensated with cash: those who explicitly chose it from the very beginning or those who wanted to get a replacement flat but for some reason were not satisfied with those which were offered to them. Hence the increasing proportion of those compensated with cash visible on Table 3 can either be the sign of the changing strategies of the dwellers or the changing mechanism of the allocation of the flats by the BPM.

The decision about the allocation of the available vacant flats among those dwellers who choose the “flat in exchange” option is a crucial question. The framework of the allocation is regulated by the national law and the local regulation: the flat has to be at least the same in its size and similar in its condition, and it cannot be bigger with more than 10m² ²⁷ However, there is a considerably big room for the workers of the BPM to decide who “deserves” which vacant flat. This non-regulated, non-transparent part of the compensation is of crucial interest, since this is the moment which determines the future of the relocated families. In the next chapter I will show in detail a concrete example how this allocation procedure is carried out and how it contributes to the social consequences of gentrification.

2.4. Rehabilitation and Rhetoric

The peculiarity of the urban rehabilitation in Ferencváros is manifold. It is the longest and most coherent plan carried out in Budapest, it happened in a district where the most social housing units were preserved from being privatized in the early 1990s, it affected the biggest area and it is treated in the professional discourse as the best-managed Hungarian example of rehabilitation. It is therefore not surprising that there are many studies on the “Ferencváros model”. These studies have an interesting feature: those written by sociologists or social

²⁷ The reason for this is twofold: officially it aims to defend the tenants from a radical increase of housing related costs, but from the interviews it turned out that the employees of the local government see it as a prevention not to give way to unjust advantages for a few dwellers.

workers usually highlight the exclusionary nature of the process through which the most vulnerable groups are forced out from a renewed neighborhood (Ladányi 2008, Csanádi, Csizmady, Kőszeghy, Tomay 2007, Locsmándi 2008, Tomay 2007, Dósa 2009), while some economists, urbanists and the local politicians stress the advantages of physical renewal without mentioning its social costs. For example, on a recent conference organized by the Association of Hungarian Urbanists on sustainable urban rehabilitation - where most participants were “urban developers”, “urbanists” and architects - Ferencváros was the topic of a key round table discussion showing how the local government was able to achieve such a sweeping neighborhood change with its policies, and it was referred to several times as the most successful example in Hungary. However, an interesting element of the discourse was the absence of the social perspective, and hence the relatively low weight of the critical voices (Boclé, Gegesy and Aczél 2011).

An interesting event where the critical and the non-critical voices were able to engage in a debate was a workshop called “Urban rehabilitation, social exclusion and the Roma population of Budapest” held at CEU on 19 November 2010, where both the chief-architect of the district and the social workers employed by the local government were present. While Margit Sersliné Kócsi, the chief architect, focused on the international renown of Ferencváros and on the future plans of the district, the social workers articulated their criticism concerning the rehabilitation project. They raised two interesting issues: firstly, that it is extremely hard to carry out social work in an environment where the in- and out-migration of the population is extremely high – especially among the poorest social groups who are in need of these social services -, and secondly, that the compensatory process managed by the local government can easily be discriminatory. The debate was not completely elaborated, since Sersliné left the workshop early to participate at another event, but it became clear by the end that although the communication of the local government focuses on the striking change in the physical

landscape, “the composition of the local population has changed, since it was among the initial intentions as well” (Vibling 2010). This latter statement, the changing social composition – in fact, the social upgrade – of Middle Ferencváros was underlined with a quantitative study by Kyra Tomay. Though she analyzed the data from the censuses taken in 1990 and 2001, before the housing market boom and the intensification of the rehabilitation, it was clear even then that the proportion of the young people with higher educational degrees increased while the proportion of the old and disadvantaged groups decreased. Gábor Aczél, the former leader of SEM IX Ltd. managing the major part of rehabilitation also admits that the social characteristics of the residents in Middle Ferencváros have changed. However, as one of the main protagonists of the process, his main argument is that all the social groups affected by the rehabilitation – the new dwellers moving into the area, those who remain and those who move out – benefited from the process (Aczél 2007).

In the next chapter I will argue that Aczél’s statement is not accurate: applying the concept of displacement worked out by urban theorists on the Ferencváros context, I will show that there are dwellers for whom relocation has similar consequences to the effects of displacement described in advanced capitalist cities from the 1970s. Furthermore, I will show that in some cases not only can relocation cause dispossession on the individual level, but it has worrying results on the macro level as well. Thus the rhetoric of the local government needs to be unmasked: relocation is a Janus-faced process contributing both to the production of a middle-class neighborhood and to social polarization. However, the misleading rhetoric of the local government has systemic causes: the position of the local government vis-à-vis the market actors and the national government creates a situation in which the displacement of the less-affluent groups is difficult to avoid, or in some cases it is even desired by the local governments themselves.

Chapter 3: Vacating a House: The Case of Balázs Béla 14

3.1. *On the Slope from a Place to a Space*

The history of the three-storey high Balázs Béla 14 can be taken as an example typical of most of the old houses of Middle Ferencváros. It was built in 1896, during the biggest housing market boom of Budapest, as a tenement house for “mixed-income” residents. As it was usual in Budapest, some flats on the street frontage were bigger in their size, designed for more wealthy tenants and thus ensuring the social heterogeneity of the community. This heterogeneity decreased a little bit in the 1930s, when after the Great Depression many flats were divided into smaller, one-room-one-kitchen flats, which converted the house into a “working-class” house suitable for the workers of the nearby factories. After World War II the flats were nationalized and reallocated mainly to factory workers.

As the oldest dwellers of the house could remember back, in the 1960s the majority of the inhabitants in the house were young couples with their children. Moving in or out of the house was rare, as the lease was valid for an indefinite period and changing the flat was a long bureaucratic process. The considerable change – at this time a generational change – in the composition of the dwellers started in the 1980s, according to the older tenants. At that time some of the “original” dwellers died and their vacant units were allocated to new residents, mainly young couples with similar social status to the former dwellers. Those informants who already lived in Balázs Béla 14 at that time have nostalgic memories from this period. The continuously reappearing element of these nostalgic stories is the courtyard in the middle of the house and the open corridors connecting the flats. These peculiar semi-public spaces paradigmatic in Central and Eastern Europe provided the possibility for social interactions for

the neighbors: both of the places are exclusive in the sense that only the dwellers and their guests have access to it, but it ensures that those coming home or leaving the house should pass in front of the windows and doors of the others.

At that time – from the 1960s until the 1980s – the courtyard was full of flowers and plants, which were taken care of by the dwellers living on the ground floor. Both the courtyard and the corridors were ideal places for the little children to play in, especially in the warmer months. Moreover, given the extremely small size of the one-room-one-kitchen flats, it was almost necessary to expand the homes in the direction of the semi-public spaces²⁸. Neighborly ties were formed, friendly services were exchanged, but mainly separately on each storey. However, these peculiar physical features not only contributed to social cohesion through providing physical space for community activities, but it resulted in a panopticon-like situation, since everyone being present in the courtyard or in the open corridor was potentially visible by almost each of the neighbors through their curtains (see Foucault 1995). The disciplinary function of space was supported with the presence of the concierge, employed by the state in order to clean and maintain the semi-public spaces²⁹.

It is important to note that not only the community appears in a nostalgic frame in the interviews with the older dwellers, but the former disciplined nature of the house is appreciated as well. The reason for this is that in the past the house was much more similar to a homelike “place”, while from the 1990s it has gradually started to transform into a much more alienated “space” in the old dwellers’ eye. To understand this shift Loic Wacquant gives a good starting point (Wacquant 2007). He states - based on the examples of the American hyperghettos and the French banlieues - that as a result of the neoliberal economic regime, the

²⁸ An important ethnography of the so called “Dzsumbuj” slum in Outer Ferencávros describes in details how the small size of the flats subverts the inherently middle-class concept of “home” and “intimacy”, though given that in Balázs Béla 14 the flats were more heterogeneous in their size, the private and public spheres of life were not so radically merged (see Ambrus 2000).

²⁹ The role of the concierges during socialism was peculiar in the society: apart from “keeping order” in the house in the material sense they were many times important source of information for the state security organizations; thus they had a special status in the community of the houses.

lower segments of the societies are simultaneously deproletarianized and precarized (Wacquant 2007). Not only is the modernist notion of a homogeneous working class dissolved into various fragmented stratum of oppressed groups (students, immigrants, etc...), but this social phenomenon has spatial consequences as well. According to Wacquant, the loss of a unifying working class identity and the exclusion from the formal labor market through precarization implies that the territories occupied by the newly emerged precariat will be stigmatized, which contributes to the increasing spatial alienation of the dwellers. “Fixed” and “stable” places turn into spaces with a “potential threat” and “weakening social collectivity” (Wacquant 2007, pp. 69-70).

Though the intensity of this shift described by Wacquant cannot be compared to the Hungarian case, there are some very similar elements of it that have occurred in the micro-society of Balázs Béla 14 as well from the 1990s with the arrival of the third wave of incoming families. This period appeared in many interviews – taken mainly with the dwellers who arrived in the first two waves – as *“the beginning of the slope”*, through which the house becomes a place *“where you want to escape from”* or a *“place where such things happen, that after them you do not know if it is better to cry or to laugh”*. The reason for this is that in this third wave mainly poor and Roma families arrived, people who can be counted as “the losers” of the transition process, since most of them had problems with finding a job and were uneducated.

The change in the social composition of the house was depicted by the old dwellers with stories connected to the transforming function of the semi-public spaces. As an informant put it: *“it became like a circus – there was always something happening, and we just laughed, and laughed...”*. There are stories of family quarrels taking place on the corridors and there is a story, mentioned several times by various informants, about a family, which slaughtered a pig in the courtyard. The most symbolic elements of the change were the disappearance of

flowers and plants and the “desertification” of the courtyard – “*the gipsy kids ruthlessly destroyed them*” as an old man put it – and the constant presence of young newcomers around the front door – several women complained that they are either drunk or high, and it is hard to pass them without hearing some nasty or offensive remarks. Though none of the informants had personal experience of violence within the house apart from verbal abuse, there was certainly a sense of conflict, which can be best explained with the different attitude of the different dwellers towards space and with their different class positions.

While, as David Harvey argues (1990), less well-off people in worse housing conditions tend to continuously appropriate space in order to compensate that they cannot have command over it, more affluent social groups are able to command space through spatial mobility and ownership of various goods, such as proper housing and cars. Harvey’s account is a very general one – since he is speaking about general structural changes in neoliberal capitalism – therefore in the case of Balázs Béla 14 it needs further specification. In my view until the late 1980s the - at that time already relatively low-income - population of the house deployed a cooperative strategy of appropriating space, which was both the result of the paternalism and the repression of the state. Each family in the 1980s had to have a job, which provided a relative security of income, and the concierge system coupled with the state security system guarding the “socialist ethic” tried to prevent the “misuses” (crime, drug abuse, etc.) of space. From the late 1980s, and especially after the regime change in 1989, unemployment – and its concomitant social, economic and existential vulnerability – appeared and started to increase, and the concierge system was abolished. The former “place” in the house dominated with a cooperative community started to transform into an increasingly alienated “space”, where the third wave of incomers were able to appropriate the semi-public spaces, and where the former cooperative community ties were weakened.

Many families from this third wave arrived from the countryside or from other Inner Pest districts, and from the late 1990s there were families who were relocated here as a result of “urban rehabilitation” programs. Compared to the previous decades, the Roma people were overrepresented, and as a new phenomenon unemployment caused severe problems. A good example is the case of a Roma family who illegally sublet a social housing unit in Middle Ferencváros in the early 2000s. After that house was renovated in the framework of rehabilitation, they got a replacement flat in Balázs Béla 14. Since the family consisted of the grandparents, their three sons with their wives and the six grandchildren, it was more than problematic that they got a one-room-one-kitchen flat on the ground floor. The grandfather said in an interview that “when the grandchildren come home from school the adults should leave the flat” and that “it happened many times that I had to sleep on the streets, in nearby parks”. Taking into consideration that the adults could get only temporary informal jobs, it was not surprising that many of them spent their time in the courtyard or around the main entrance on the street. Though for the older dwellers the young Roma men seemingly spending their time chatting, drinking and chewing sunflower seeds by the entrance was a clear sign of “*the gipsyfication*” and the “criminalization” of the house, for the men it was the way of appropriating space and valorizing its use value. More precisely, apart from “*horsing around*” and “*bullying each other*”, they shared much useful information with each other, most importantly various possibilities for informal activities, such as collecting and selling metal or trading with used pieces of furniture.

Interestingly enough, the “third wave incomers” concentrated mainly on the ground floor, since these flats had a less favorable position in the house (eg. they were less bright). Thus the house became vertically divided: the second and the third floors were mainly inhabited by older dwellers, while the ground floor and the courtyard were used by the newcomers. While this division was problematized by most of the dwellers from the upper storeys, it was not an

issue in the interviews taken with the dwellers of the ground floor. For them the house was an acceptable, or even convenient place to live in social terms, while for the others compared to the 1980s and early 1990s the spatial alienation process was a striking, worrying and sometimes shocking experience.

The spatial alienation through the conflicting lifestyles and conflicting spatial strategies of the different groups is inseparable from the physical deterioration of the house. Due to the housing policy of the socialist period, Balázs Béla 14 was not renovated before 1989, and after that as a result of the ban on privatization and of the urban plans identifying Balázs Béla 14 as a potentially “rehabilitated” house disinvestment continued. The local government spent only the minimal amount of money on maintaining its social housing units, which resulted in rapid physical decay. However, though the house itself was “*left to rot*” as all the dwellers perceived it, many flats were renovated and maintained by the tenants with their own financial resources. Apart from painting and changing tiles – which, according to the lease, is the responsibility of the tenant – the most usual works were the building in of showers, toilets and porticos. In the official statistics of the 50 occupied flats in the house 25 were without toilet and shower, 6 without toilet or shower and only 20 had both of them, while in reality many families upgraded the level of comfort without reporting it to the local government. The result was that through the “personalization” and renovation of the flats only a few of them (my estimation is that around 12-15) actually remained comfortless (without shower and toilet), and the very small living spaces were extended with the porticos as well. In spite of this tendency to “*get the maximum out*” of their own flats, the dwellers did not take care of the common spaces any more. Their argument about why they did not try to “personalize” the semi-public spaces was twofold: first, it was an angry reaction to the local government’s policy, which intentionally spent minimal money on maintenance knowing that the fate of the house is either renovation or demolition; and secondly, it was a “tragedy of the commons”

situation, which was intimately connected to the alienation process and to the dissolution of the community of the house.

Apart from the social and physical processes in the house contributing to the shift from its place-like perception to its space-like perception, there was another tendency appearing in the interviews which contributed to spatial alienation, namely the emergence of “urban fear” in the wider neighborhood. Alienation was not specific to Balázs Béla 14; rather it was a general process in the old houses, which have not been renovated, and the psychological and social consequences of the phenomenon affected the whole non-rehabilitated area around Balázs Béla 14. Moreover, while in the house there were no examples of any violent event, there were some stories about robberies, fights, car thefts and burglaries from the neighboring streets. It has to be added that while the objective number of violent incidents experienced directly by the informants has decreased in the recent years, the perception of the neighborhood remained “dangerous” and “fearful”. A possible reason why the incidents are less regular is connected to the other side of the coin, or in this case the other part of the duality that emerged in Middle Ferencváros in the recent two decades: rehabilitation has reached the house from three different directions at the same time, changing the social composition of the area. Around Balázs Béla 14 three flagship projects of rehabilitation were realized in the last few years in three different directions: one block away in the western direction there is the newly constructed Lenhossék Park surrounded by new residential and commercial units (see Appendix 5); northwards the second building is a huge freshly built university building belonging to the Medical University (see Appendix 7), and eastwards two blocks away there is the newly refurbished Ferenc Square (see Appendix 6), the middle of Middle Ferencváros

The story of this latest development is a good starting point to understand the dualism existing in the rapidly changing neighborhood. The refurbishment of Ferenc Square was carried out with EU funds and it was finished in 2006 creating a park with a playground and

with security guards out of a “disgusting square where only the homeless people went”, as one of the interviewees put it. However, immediately after its reopening, an article was published reporting that “The dwellers of the neighborhood were happy in June that they got a new square... [but] the square was invaded by teenage youngsters, who were rude and who swore, so the little children were taken somewhere else to play, and the fountain became dry after two days of functioning.” (Bohus, 2006) This moment of social tension is a paradigmatic sign of the fact that while gradual physical upgrading makes the neighborhood “nicer and nicer”, the social problems, which are connected to the poor and Roma dwellers of the area in public discourse is still present. This duality of Middle Ferencváros is “handled” by the local government with the introduction of disciplinary policies (they install cameras and hire security guards) and reinforced by the market actors with the commodification of the renewed spaces (new cafés, hotels and shops started to mushroom). For the old dwellers the disciplinary measures are legitimate and the commercialization is appreciated aesthetically (though they hardly use the new amenities), since they see it as a sign of a future promise that they will be able to escape from their alienated living environment. Whether this promise is realized depends on the outcome of their relocation, which leads us to the analysis of the process in the next section.

3.2. Negotiating Relocation

Analyzing the dwellers’ changing perspective of urban space and their homes, and showing the physical problems and the urban fear triggered by the downgrading, alienated neighborhood, it is not surprising that most of the dwellers were happy when the relocation process started and it seemed realistic that they would be able to move into a more livable environment through the compensation offered by the local government. This hope was on the

one hand intensified with the example of the renewing parts of Middle Ferencváros, while on the other hand blunted by the rumors spreading around about former dwellers being forced into poor outer parts of the city. Thus in August 2010, when the rehabilitation officially reached Balázs Béla 14 with a formal letter sent out to the dwellers, the atmosphere in the house quickly became tense. First the tenants from the second storey got the letter, the next week the first storey followed, and on the second week finally the ground floor received the short paper announcing that the tenants should leave by December 2010³⁰, and in order to negotiate compensation they should go to the office of the BPM.

Given the vertical division of the house and that the letters were sent out storey by storey, the result was that on the first week when the dwellers were able to meet personally with the employees of the BPM negotiations were less problematic. This was due to the fact that most of them belonged to more affluent groups. However, it became clear quite early that the negotiation process would not be as easy as most of the dwellers imagined. The problems that arose during the next nine months can be separated into three categories: there was an overarching logistical problem, there was a double transparency problem and a general tension between the “conceptual, strategic view” of the bureaucrats and the “personal, everyday, tactical view” of the tenants (see De Certeau 1988).

The logistical problem can be interpreted as a classical distributional problem of economics. The local government had scarce resources to allocate between those dwellers who chose the replacement flat option as compensation, ie. there were only a limited number of flats that they could allocate between them. The regulations set only a wide frame in which the bureaucrats had a relatively large room to maneuver. The set of vacant flats which could be allocated were from three sources: they could be vacant flats – similar in their conditions to the Balázs Béla 14 flats - in non-rehabilitated areas of Ferencváros; they could be vacant flats

³⁰ In reality the vacating project lasted by May 2011 because of various logistical problems, and mainly because Ferenc Gegesy was replaced by János Bácskai as a mayor after the local governmental elections held in October 2010.

in other districts bought by the local government formerly (see Table 3); or they could be newly renovated flats from the former phases of rehabilitation. The peculiarity of the freshly renovated social housing units is that the size of the flats usually increased, thus it makes it very hard for a relocated dweller with a small flat to get a replacement flat in a renovated building, since the local regulations do not allow a replacement flat to be bigger than the original flat by more than 10m²³¹. The number of flats in other districts is very limited, since the local government stopped buying them in 2008 due to a change in the public procurement regulation (see Table 2). The problem with the vacant flats in Ferencváros is that many of them lie in similar or even worse environment than Balázs Béla 14, so the dwellers did not prefer to move out from the center or to change their alienated spaces to a similarly alienated one.

This discrepancy between the available vacant units and the desires of the original dwellers about their new homes had to be handled by the bureaucrats during the consultation hours. While for the first two groups of the dwellers – those whose habitual residence is elsewhere and those who live in bigger flats and thus more likely eligible for a renovated replacement flat – there were minimal problems with matching their needs with the available options, for the third group the constraints imposed by the scarcity of desirable flats was clearly disappointing and problematic. The strategy of the bureaucrats was that they not always shared the maximal amount of information with the dwellers in order to prevent them becoming indignant and in order to decrease the pressure from the side of the dwellers on themselves. This strategy was questionable at the least: some dwellers complained about the “*chaotic*” way of managing relocation, and it was not rare that some families – and usually the most vulnerable ones – had to wait weeks or even months to get a replacement flat.

³¹ The case of the recently renovated Balázs Béla 5 is interesting in this regard: the typical working class house was reconstructed in a way that many new flats exceed 70 m². Since the average size of the non-renovated flats is around 30m² (Anova Ltd. 2010), it is easy to understand that the majority of the relocated dwellers – more precisely the poorer part of them - does not have the opportunity to get a replacement house in such houses.

Moreover, the pressure on the BPM could not be completely decreased: in order to “exploit the chance of their lives” the tenants deployed various tactics to influence the bureaucrats. An old man brought flowers to one of the female employees, other families used threatening rhetoric during the consulting hours, and there were some who tried to side-step the BPM by directly approaching the mayor.

In the end it seems that only one of these tactics was somewhat useful: when the family was able to be assertive without being rude or impolite, and when they happened to have some background information about the available vacant flats from other sources than the BPM, then it was possible that the relocation process had more positive results for them. In one such case the family asked for a replacement flat in a specific house without waiting for the BPM to choose one for them, and in the end they were able to get a flat in that specific house they asked for.

Besides these tactics the more decisive factor in getting a “good” flat was how the employees of the BPM categorized the dwellers. Though all of them stated defensively in the interviews that they complied completely with all the regulations – which was true - , it was obvious that the room left for their own decisions by the regulations made way for subjective factors. An expressive example is the story of the H. family. Moving into one of the one-room-one-kitchen flats on the ground floor in the early 1990s, H.F. (the mother) and H.T (the son) were always on the margins of the labor market, but they continuously had enough income to make their living through jobs like cleaning or dishwashing. In 2008 the mother had undergo a surgery, and as a consequence she was not able to work for months. Due to the missing wage of the mother the family could not pay the rent and the utilities for several months; thus their lease was modified by the local government from an indefinite period to a definite, one-year-long period. Though later they were able to pay back their arrears, their lease was not made indefinite again. During the negotiation process, the bureaucrats, based on

the fact that this family had problems even with paying the very low rent, wanted to give them a flat in Outer Ferencváros, and secondly in another district. Since both flats were too far from their workplaces and were too small for the two of them, in the end they decided to choose the cash option, which they did not want at all in the beginning. When I asked the administrator about the background of their decision, she stated that *“if they could not pay the costs of the flat until now, they will not be able to pay later either. There were dwellers, who were thankful after I convinced them not to move into a bigger flat, because of the higher costs.”* It becomes clear from this argument that the bureaucrats do have the possibility to influence allocation, and it is also clear that their impression about the dwellers gained from the “file” of the tenants about their history as a client of the local government plays an important role in this process.

But it is not only the amount of information shared and the way the decision about allocation is made which contributes to an asymmetric communicative situation: the language used by the employees of the BPM seemed to be problematic and exclusive as well. The official bureaucratic and legal language was sometimes hard for the dwellers – especially for the elderly and for those who had little education – to understand, which made them feel uneasy and exposed during the negotiation. This issue came up in many interviews, and made the dwellers describe their feelings with the words like *“a duck losing balance on ice”* or *“like a puppet”*. Some of them had *“fears that I will become homeless”* or felt *“being treated like an animal”*.

The logistical problem and the questionable subjective factors in it were handled by the employees of the BPM with keeping back some information from the dwellers. However, this is only one side of the double transparency problem, which could be observed during the relocation process. Apart from not always sharing information with the tenants beyond what is required by the law, another problem is that there was basically no communication between

the various departments of the local government regarding relocation. The most striking manifestation of this inadequacy was revealed through a tragic story in the beginning of October 2010. M. and his grandson lived in a one-room-one-kitchen flat, but officially the lease was contracted with M. and his son, who due to his drug related problems left the household several years ago. When it turned out that both M. and his son, the two official renters were eligible for compensation, the son announced that he wanted to choose the cash option and required half of the money. M., who was struggling with psychological problems after the death of his wife happening a few years ago, could not deal with this threat of losing their homes as a result of being forced to move, since the half of the money would not be enough for them to buy a similar flat in Budapest. M. was not able to deal with the pressure of forced movement, and committed suicide in October. It is notable that during relocation BPM did not consult with any other department of the local government, including the Family Services, which are designed precisely for the purpose to support the families in need by providing advice and various social services. Obviously, the death of M. was not the fault of the BPM, but in my opinion the involvement of other mediating agents and departments of the local government (the Family Services, for example) could considerably contribute to making the process during which the dwellers are forced to move more humane.

Beyond the logistical and the double transparency problems present during the process of negotiation there was an overarching tension between the perspective of the dwellers and the perspective of the officials of the local government. This tension could be described with the theory of Michel De Certeau: here the conceptual, strategically planned city is set against the everyday life of the “users” deploying their tactics (De Certeau 1988). One can easily observe this inherent tension between the bureaucratic logic and the personal stories/situations of the dwellers in a concrete moment of realizing the plans of the conceptual city (i.e. during the relocation procedure). This tension could be made more meaningful by applying David

Harvey's political economy of the capitalist city (Harvey 1978), where the use value of space functioning as a "home" is opposed with its exchange value potentially valorizable in the capitalist market. Based on these oppositions the rationale behind the bureaucratic logic can be interpreted as the local government's effort to reterritorialize – in this case to gentrify – Ferencváros, which is feasible only if the local politicians are able to find external financial sources. The main source – as we saw in Table 1 – is the investment of the private actors from the market. In this sense the local government can be seen as a mediating agent between the market interests and the local dwellers. It is true that in the case of Balázs Béla 14 the renovation was carried out with the support of the city through the Rehabilitation Fund, but even this act can be seen as part of the policies through which the "beautified" and parallelly gentrified neighborhood could be transformed into an area that is attractive both for capital and for socially more prestigious dwellers than the original ones. In my view this pressure, to comply with the needs of the market and to gentrify Ferencváros in an environment characterized with shrinking resources and a deteriorated housing stock, led to the problems emerging during the negotiation process. And thus, as a striking manifestation of these tensions, we arrive to the issue of displacement. In the classic pieces from gentrification research displacement is theorized as the process through which the less well-off original dwellers are forced out from a physically upgraded area. In the next section I will analyze whether the relocation of the dwellers carried out by the local government can be categorized as displacement.

3.3 "Starting a New Life"

The core of the debate around the social effects of gentrification is displacement, which in the case of Ferencváros is not purely a market induced phenomenon. Actually, given the

low number of tenants on the market, it is only a marginal phenomenon compared to relocation. But in order to observe the social consequences of relocation in the theoretical framework borrowed from the field of gentrification research, it is unavoidable to define the relation between displacement and relocation. I argue that the concept of displacement defined as “an involuntary move of a household” (Marcuse 1985) covers some cases of relocation, which can be defined as the local government-led forced movement of the dwellers. The notions of “involuntary” and “forced” are crucial here and their meaning needs further clarification with examples from the house.

I showed the process through which Balázs Béla 14 and similar houses in the neighborhood experienced a shift from a “place”-like condition to an alienated “space”-like situation. This shift was coupled with the continuous promise from the part of the local government that rehabilitation would reach each house in the neighborhood, and its concomitant effect of a ban put on privatization, which created a sense of “being trapped” for many dwellers. The consequence of spatial alienation and the high hopes attached to rehabilitation in the future was that many original dwellers were actually looking for the moment when they have to leave their homes and – more importantly – when they get compensation in the form of cash or replacement flat. However, even in the cases when a dweller was very much expecting the moment to be able to escape from Balázs Béla 14, it is not obvious that it cannot be considered displacement. The reason for this is the fact that many tenants were disappointed by the compensation, and retrospectively felt cheated by the local government for some reason. In order to analyze the various consequences of being relocated it is useful to introduce three categories I had used for describing the residents of the house.

The members of the first and smallest group, which means approximately 10 families, were able to move out from their flats in the recent years. Though their habitual residence is

elsewhere than Balázs Béla 14, they kept their lease in order to be eligible for the compensation when rehabilitation reaches their house. The fact that they could either buy a house or double up with someone having a flat in a better neighborhood, while continuing to pay the rent and the utilities of their Balázs Béla 14 homes is the sign that they were socially upward mobile, they were able to command space through their spatial mobility, and hence they can be counted as more affluent than the other residents of the house. Their flats either remained vacant, or have been used very rarely, or in some cases they were illegally sublet to poor people for a price below the market rate. During the negotiation process they were in the most convenient situation: the moving up procedure did not affect their real homes. As a result, usually the families from this first group were the quickest in finishing negotiation and signing the contracts in which they accepted the compensation.

The second group is the group of those who lived in the bigger flats of the house, and covers approximately 15 families. Getting a big social housing unit in the state socialist housing allocation system could be the consequence of two factors: either the family had more than two children, or they had informal connections with state bureaucrats responsible for the allocation. It has also been documented during socialism that the system of flat allocation has systematically benefited the more affluent dwellers (Kocsis 2009). Thus in Balázs Béla 14 living in a bigger flat usually – but not always - meant that the family belongs to a higher social status group than the average of the house.

The people from the third group, consisting of approximately half of the families from the house (approximately 25 flats), were living in a typical working class one-room-one-kitchen flat with less than 35m². The social heterogeneity of this group is much bigger than in the former two, therefore I divided this largest group into three subgroups based on some relevant socio-demographic characteristics of the families. In the first sub-group there are the older retired people, many of them living alone or in a couple. They typically lived most of their

lives in Balázs Béla 14 and now as a pensioner they have a fixed, but usually low monthly income in the form of a pension. The families from the second subgroup have family members present in the labor market, but they are usually on its “fringe”, which means that they have either underpaid part-time jobs, or full-time, undervalued jobs where they work for not much more than the minimum wage. Many families from this subgroup are single mothers with one or two children. In the third subgroup the families do not even have the opportunity for moderate legal income: these families are excluded from the formal labor market and thus they are forced to secure their income through informal activities and from welfare benefits.

For the first group, whose permanent residence was elsewhere than Balázs Béla 14, relocation was hardly a traumatic or completely involuntary move. They were expecting it; moreover, some of them were even waiting for it, in order to be able to realize a profit from their position of being a tenant of a social housing unit in a potentially rehabilitated house. Their daily lives were not affected; rather, they were able to get a nice amount of cash or to move into a renovated flat that they will be able to privatize under very beneficial conditions in a few years. In their case Aczél (2007) is right: rehabilitation is clearly beneficial for them, it can be said with the words of Zsuzsa Dániel (1996) – who used this expression to describe the effect of state supported privatization in the early 1990s on the more affluent sitting tenants – that they got a “generous gift from the nation”. However, it is important to mention the backside of this “gift”: those illegal subtenants, who sublet the vacant flats from the official tenants in the informal housing market, had to immediately leave their homes, and they were the ones who got no compensation at all. In the case of Balázs Béla 14, according to my informants there were two such families, both of them belonging to the vulnerable social groups struggling for daily survival. The fate of these people is unseen in the official statistics, though their movement can clearly be counted as instances of displacement.

In the second group the consequences were not as clear. Although living in a flat that was larger than the average was an explicit advantage during relocation – they were eligible for a greater amount of cash and they had a higher chance to get a freshly renovated replacement flat in Middle Ferencváros – the perception of the process was much more diverse in this group than in the first group. While many felt the outcome similarly positive like those in the first group, a sound and paradigmatic critique of the process came from a family who lived in one of the biggest flats of the house with three bedrooms. The explicit aim of their in-move in the 1970s was that they wanted to live a *“decent bourgeoisie life in a decent bourgeoisie flat”*, to which the mother was used to when being brought up in Buda. Thus the couple raised their three children in Balázs Béla 14, and apart from the *“gypsification”* of the house they were satisfied with their living environment. When the negotiation process started, they wanted to get a replacement flat close to their original – they were emotionally attached to Middle Ferencváros - but it became quickly clear through their informal contacts in the local government that there was no available flat for them close to Balázs Béla 14. Thus when the official negotiation started, they chose the cash option and they bought a flat nearby from the compensation money and from loans. In the end, they were able to move into a flat that they imagined for themselves – because of their accumulated financial, cultural and social capital -, but they were very critical of the relocation process itself. Apart from criticizing the logistical problems and the style of the communication in the BPM, their main criticism was directed towards the fact that they felt like *“being forced out from the social housing system”*. Had it been their choice, they would have avoided the housing market, and for this reason they felt dispossessed from a social benefit by the state, while it was *“trying to get rid of their responsibilities”*, as they put it.

Though it is an important critique against the local government slimming down its social housing system, more crucial personal problems arose among the third group. Psychological

distress, rising rents and housing related costs, a sense of “being forced out from Ferencváros” and the in-move into similarly alienated spaces were the most important disadvantages the people had to suffer. Even from this group, many dwellers felt at the beginning that their relocation was legitimate and that its outcome would be positive for them, but they were the ones who realized very quickly that this hope would not necessarily be realized. They were the ones who were worst affected by the logistical problems of the BPM – because they had the smallest flats – and they were the ones who were often labeled as “problematic” by the bureaucrats because of their worse social and financial conditions.

Basically, three kinds of results were possible for them, but each of them had considerable threat for their future lives. Those who were lucky enough to get a replacement flat that was acceptable for them had to face with their rents and public utility costs rising, sometimes doubling. Being on the margins of the formal labor market (or being excluded from it), this was clearly a circumstance that could lead to their eviction in the future. An old lady moving to a renovated replacement flat one block away from Balázs Béla 14 said that she now has half as much money for food than she used to have. After being kept waiting for her move for months because of bureaucratic reasons and after feeling that “*maybe I will not be alive until this whole fuss ends*”, the radical decline of her living standards was a traumatic experience, not to mention the emotional turbulence that she had to live through because of leaving the flat which was her home for more than forty years.

The hardships that this old lady had to suffer as a result of her relocation is nothing compared to the tribulations of those, who initially wanted to receive a replacement flat and then it turned out that the BPM could not offer anything acceptable, even after months of waiting for it. One such family – the already mentioned H. family – realized only in October 2010, that it was impossible for them to get a replacement flat that they initially wanted to have in order to stay close to the workplace of the son. After realizing that for them only the

cash option remained, they started to look for a flat nearby. However, until May 2011 the only solution they could find was to move into the 8th district into an illegally sublet flat. Similar things happened to approximately five families: they had to enter the housing market and they ended up in little stigmatized pockets of outer districts such as the 4th, the 8th and the 10th. Their movement to a similarly stigmatized neighborhood and their necessary entering into the housing market makes their situation very similar to those who are displaced by the market in Northern America and Western Europe (see Atkinson 2004).

The third possible result was the situation when the members of the third group wanted cash as compensation from the beginning. In these cases the dwellers had to supplement the amount of compensation with additional loans in order to buy a slightly better flat (obviously they wanted to make their housing conditions better). It is important that being indebted for these people with insecure and undervalued positions in the labor market is a dangerous situation; some of them mentioned their fears about the high monthly payments. However, all of them agreed that they had to make this decision in order to participate in the housing market and “escape” into a better living environment.

All in all, what we can see is that in spite of the initial high hopes attached to the relocation imagined as a good way to escape from Balázs Béla 14 into a better living environment had mixed results. For the first group it was clearly a “generous gift from the nation”, and mostly for the second group as well. But for some families in the second group and almost for the entire third group relocation was a traumatic experience and had consequences that have long-lasting effects both on the micro and on the macro level. On the micro level, the families experienced considerable psychological distress and many of them had to handle their rising housing related costs. On the macro level it can be said that many families ended up in outer districts in areas where very similar physical and social processes are happening to the physical and social deterioration of Balázs Béla 14 experienced after

1989. Such newly emerging “problematic” areas can be found in the 4th, 8th and 10th districts, and in some cases in Northern Hungarian villages³². This “out of the frying pan into the fire” situation is a worrying sign of the emergence of new spatial segregation patterns and the relocation of the social problems into unseen territories instead of their alleviation.

Thus I would argue that relocation, the main vehicle of state-led gentrification in Ferencváros, is a process that has mixed outcomes. In approximately half of the relocation cases the dwellers can be seen as winners of the situation, but in the other half of the cases – and to this part belong the less affluent and more vulnerable families – relocation can be interpreted as a clear example of displacement described by the classic pieces of gentrification research (Marcuse 1985, Slater 2006). The mechanism which leads to this polarized outcome has three steps. In the first the BPM allocates the houses, and here the dwellers categorized as “problematic” and the dwellers having only a small flat can be easily treated secondarily. In the next step those who could get an acceptable replacement flat can easily “fall out” of the social housing system due to their rising expenditures. And the third step is the functioning of the housing market: the families who choose the cash option, who could not get an acceptable replacement flat and who “fell out” from the social housing system due to their high costs are prey to the housing market, where as a result of the capitalist logic unfolding during the process of uneven development the least well-off actors are squeezed into the “inclusions of the post-industrial landscape” (Ladányi 2008), such as the newly emerging stigmatized neighborhoods of the 4th, 8th and 10th districts, or the rural ghettos in Northern and Eastern Hungary (see Virág 2010).

³² The connection between the rehabilitation projects and the rural “ghettoization” specific to Hungary and to other Eastern European countries is a very important and complex issue. For further readings in the topic see Virág 2010 and Ladányi and Virág 2009.

Conclusion

Although gentrification is not yet a well-known concept in Hungarian public discourse about the transformation of certain inner city neighborhoods, it is used in academic discussions to categorize the complex changes of the urban landscape (see for example Tomay 2007). Accepting the viewpoint that what has happened in Budapest since the regime change can easily be connected to the global trends described as neoliberal urbanism provides the possibility both to revise and deepen the existing analyses based on North American and Western European cases and to observe the Hungarian trends through a less provincial lens. In the course of my thesis I highlighted the special features of the different types of gentrification processes happening in Budapest. Facing a situation where the mainly state-owned housing stock of the inner city was significantly deteriorated and where these bad quality buildings were inhabited with more and more impoverished tenants, the newly formed local governments and the municipality of Budapest tried to intervene into the urban processes with the institutionalization of “urban rehabilitations” after 1989.

With a semi-peripheral position in the neoliberal world economy and with the introduction of the two-level local governmental system in 1990, the district level local governments found themselves in a path dependent situation, where their strive for attracting private capital contributed to the emergence of various forms of state-led gentrification. During my thesis research I focused on the “rehabilitation” of Ferencváros, which is the most sweeping example of state-led gentrification in Budapest. The core phenomenon on which I centered my analysis was the relocation of the original dwellers by the local government. The phenomenon, as an integral part of rehabilitation was both criticized and defended by various studies. The main line of criticism was that relocation excludes the most impoverished groups from the renewed inner city (see for example Ladányi 2008, Csanádi, Csizmady, Kőszeghy,

Tomay 2007), while defenders stated that given the regulated compensation mechanism even the relocated dwellers benefit from their move (Aczél 2007). Similarly to the debated process of relocation, displacement, the “involuntary move of a household” (Marcuse 1985) has been a crucial issue in the international gentrification literature since the coinage of the term.

Juxtaposing the existing literature on gentrification and displacement with my qualitative study on urban rehabilitation and relocation in Ferencváros provided the main line of my argument. After showing the history of rehabilitation and its institutional background, I focused on how Balázs Béla 14 was vacated between August 2010 and May 2011. Borrowing the concept of “place” and “space” from Loic Wacquant (2007) I argued that from the 1980s there was a “slope” towards increasing spatial alienation in the house. Considering the changing social composition of the residents and their dissatisfaction with their living environment, relocation seemed to be a legitimate and desirable intervention. However, by the time the process got to the phase of negotiation between the representatives of the local government and the dwellers, it became clear that the results of forced movement would be mixed.

Dividing the residents into three groups made it possible to show that relocation is a Janus-faced process, through which the initially more affluent tenants were able to benefit from their move, while their less well-off neighbors could easily find themselves in a similarly, or even more vulnerable situation. Approximately half of the fifty families suffered from the process in some way: either because of its negative personal or negative social consequences. The reason for this is twofold. First, there were three problematic elements in the negotiation process, through which the residents and the bureaucrats agreed on the way of compensation. Apart from a logistical problem (due to the scarcity of available replacement flats) and a double transparency problem (the BPM did not communicate properly either with the dwellers or with other bureaus of the local government), there was an overarching tension

throughout the negotiations between the conceptual, top-down view of the bureaucrats focusing on the exchange value of the territory and the personal, bottom-up view of the residents focusing rather on the use value of their homes.

But the problems arising during the negotiation were only the first step through which the “losers” of the relocation process could be dispossessed. Those who got an acceptable replacement flat can easily “fall out” of the social housing system due to their rising housing related costs in a second step. And finally, those who chose cash as the form of compensation – either voluntarily or forced – and those who fall out of the social housing system are exposed to the mechanisms of the housing market, which tend to contribute to the spatial segregation of the most impoverished households. The potential results of these three steps are very similar to the negative effects of displacement. Hence I argue that although there are important differences in the form market induced displacement and local government-orchestrated relocation takes place, in their effects a significant proportion of the realized relocations are very similar to the consequences of displacement: psychological distress and rising housing related costs on the personal level, the loss of affordable housing, spatial segregation and the polarization of the society on the social level.

It is easy to understand that in the prevailing economic and political system the local governments in Budapest have an interest both in cutting their social expenditures and in minimizing the number of those who are in need of such welfare benefits. Thus after shedding light on the problematic elements of state led relocation in Budapest, the criticism of the relocation of the social problems instead of their alleviation and the possible policy solutions should be oriented towards two targets at the same time. The first should be the local governments themselves, which do have the possibility to make the process less traumatic with “humanizing” their negotiation protocol. But the other target is equally – if not more – important. There is no hope for less exclusionary urban renewals in the long term unless the

political framework (in the case of Budapest the two level local governmental system) and the dominant economic ideologies (more precisely the neoliberal dogma aiming to redistribute wealth from social wages to capitalist wages) are challenged. For the adequacy of these criticisms further research is needed. A possible direction for the future could be a comparative study contrasting the differences in relocations within different districts of Budapest, with the possibility to quantify the amount of those relocated people whose situation becomes similar to those who are victims of market induced displacement.

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Appendices

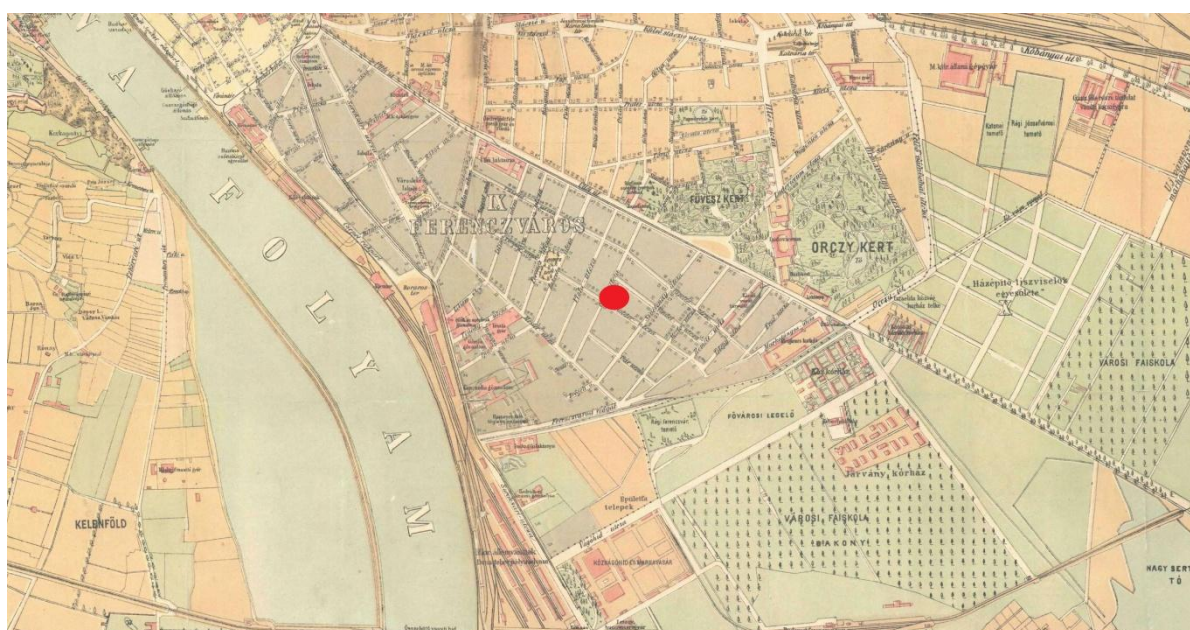
Appendix 1: The districts in Budapest (only those districts are numbered which are mentioned in the text)



Appendix 2: The Map of Ferencváros from 2001 divided into Inner, Middle and Outer Ferencváros. The dot marks Balázs Béla 14.



Appendix 3: The Map of Ferencváros from 1884, twelve years before the construction of Balázs Béla 14. The red circle marks the place where Balázs Béla 14 will be built.



Appendix 4: The photo of Balázs Béla 14



Appendix 5: A photo of the fenced Lenhossék Park with an ongoing renovation in the background.



Appendix 6: A photo of the refurbished Ferenc Square



Appendix 7: A photo of the new Medical University building. A new-built residential building reflects on its glass surface, while in the background there is a vacant building, which will be turned into an office-complex in a one or two years.

