

István Kovács – Balázs Molnár – Miklós Szánthó

MAKING HUNGARY GREAT AGAIN

2010-2022

INTEGRITY, COURAGE, DIGNITY

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Foreword

Back in 2010, when the conservative government was granted its first two thirds majority by the Hungarian voters, few would have thought this would mean more than a short intermezzo for the Right in power, which followed logically from the catastrophic mismanagement of the country by the previous socialist government. In fact, that year became the starting point of a new era. The twelve years the Right spent in power from 2010 till 2022 brought many challenges: a global economic crisis, natural catastrophes, a migration crisis, and finally a global pandemic that put the entire humanity to the test. It is in the Hungarian national character, shaped by history's lessons, to look first at the problems, pains and losses we faced. Only once those are accounted for do we dare to take pride in our successes.

However, thanks to the achievements of the last little over a decade, Hungary has regained her dignity. We have grown the number of our citizens by over a million. A century after Trianon, a legal bond recognized by national and international law was finally formed between the Hungarian state and our compatriots living beyond our borders.

The minimum wage has grown from 73,500 Forints to 200,000 Forints since 2010. The economic policies which opted for building and expanding a work-based society over direct subsidies has produced clear results: in the period between 2010 and 2021 900 thousand new jobs were created, and 4.7 million Hungarians were employed by December, 2021. It wasn't just that the employment statistics improved, the value of work also grew. The Hungarian average wage in 2010 was 202 thousand Forints, in 2021 it rose

to 493 thousand. Family policy aims to reverse the unfavorable demographic trends, and as a result young couples living in Hungary were 24 per cent more likely to have kids in 2021 than in 2010. The number of weddings is also higher than at any point in the last two decades.

Hungary's greatest achievements were in the fight against poverty: we saw the introduction of free meals and schoolbooks for children, lower utility prices and housing subsidies for the families. These measures helped the most underserved Hungarians with the lowest income the most. Between 2012 and 2019 the percentage of those of our compatriots who lived in deep poverty fell from 27 to 8. While in 2010, 75 per cent of the population was not in a position to cover the costs of a sudden emergency, by 2019 this number halved and fell to 34.8 per cent. In 2008, 14.5 per cent of pensioners had severe financial difficulties, by 2019 this number was reduced to 6.3 per cent. The number of children who lived in deep poverty rose from 23.5 per cent to 25.4 per cent between 2006 and 2008. In 2017, this ratio decreased to 14.9 percent, and by 2019 it was reduced to 11 per cent.

Recently regained Hungarian dignity was put to the test, and is still being put to the test, by the coronavirus crisis. The pandemic wrought severe economic damage, threatened a national tragedy and overclouded our everyday lives. Thanks to medical science, Katalin Karikó, and a government strategy that procured eastern vaccines along with the western ones, we managed to overcome one wave after another. 2021 saw a record GDP growth and our lives, we thought, were slowly, but surely returning to normal. However, in early 2022, Russia invaded our eastern neighbor, Ukraine, sparking a bloody war.

A characteristic feature of our age is that political accusations levelled at the government bare no relation to the facts. But facts must matter, and it is objectively true that we have left behind the most successful 10-12 years in our last one hundred years, despite a series of emergencies that we had to deal with. The

efficient handling of these crises serves as another indication of Hungary's resilience. We have built a solid foundation, and thus, in the 2020s, we have a reasonable chance to surpass even the achievements of the 2010s. In April, 2022, the Hungarian people delivered a clear verdict on the day of the general elections, as the government received a popular mandate never before seen since the transition to democracy.

I recommend this book by the Center for Fundamental Rights, detailing over a decade of conservative government, to those readers who wish to attain a wider understanding of the practical achievements of Hungary's government between 2010 and 2022, and who wish to gain insight into the intellectual background and the strategic thinking behind those results.

Gergely Gulyás

Minister of the Prime Minister's Office

Introduction

“Making Hungary Great Again” is a volume published by the Center for Fundamental Rights, which sums up the findings and conclusions of our research into the twelve-years in office of the Orbán Government between 2010 and 2022. The research and the volume itself are based on the following three key words: Integrity, Courage and Dignity.

First of all, let us start with a little numerology. The 10th anniversary of the Orbán Government’s taking office coincided almost to the day with another anniversary in 2020. It was in early May 2020 that the parliament celebrated the forming of the first freely elected National Assembly thirty years previously. These two milestones, these two dates and anniversaries, staked out a vantage point for us in the year 2020 from which it is easier to compare and observe the historical perspective.

One cannot understand 2010 without understanding 1990. The truth of 1956, Hungary’s sovereignty as well as her European commitment, were clinched then and there. The mixed success of the regime change experiment, the burden of the comment “you should rather have made a revolution” and the post-communist era of no consequences, however, stayed with us for two decades after 1990. Between 2006 and 2010, Hungary relived an accelerated version of her drawn-out 1980s history. It took no time at all for the credibility and moral and political deficit of the ruling power to drive Hungary into an economic, social and public safety crisis, which resulted in not just a fatal derailment for a single term of government but a host of systemic problems. The political system and state organization established after 1990 had to be replaced

with a new one, which is what we witnessed in a little over a decade following 2010.

The political system prevailing in Hungary in 2022, however, cannot be made sense of without knowing the situation in 2010. Hence, in Chapter One, entitled “Integrity”, we examine the point of departure, from which the national governance was launched in May 2010. The key to the situation at the time was facing the state of affairs honestly, which required an inventory not only of the prevailing situation but also of Hungary’s problems accumulated over decades, including the legacy of the socialist and the post-socialist eras. A detailed discussion of this is inevitable because, without it, one cannot understand the Orbán Government’s political philosophy, strategy and actions.

What does this post-socialist heritage consist of? It consists of socialism’s four most severe crisis phenomena, a major burden even decades later. Since the size and composition of the population is a factor determining the strength and state of any nation on Earth, we discuss the evolution of the *demographic crisis* first. Then, we examine the *inception and growth of public debt* because Hungary was already facing major challenges at the time of the “transformation crisis”, an inevitable element of the regime change, due to a shrinking population and increasing public debt. Another – less discussed but more significant – set of problems arose from declining standards of living and the *social crisis* that culminated in the eighties. This is discussed because the Antall Government, which took office thirty years ago, took over a country in which – contrary to what some people claim – millions of people were struggling to make ends meet. Last but not least, mention is made of a *systematic undermining of national consciousness and national culture, by internationalist forces*, whose unfavorable consequences are, unfortunately, still evident today.

In addition to the legacy of earlier left-wing liberal governments, that of the regime change also had to be faced honestly back in 2010. Although the transformation that took place in 1989/90

was of a historical scale, whereby Hungary regained her legal sovereignty and freedom, certain extremely harmful circumstances and processes still persisted. These include the controversial results of the negotiated transition, the clash between opinion-forming and decision-making elites, the myth of the socialist elite as “experts”, the half-hearted justice, the lack of lustration, the way the economic and media elites transferred their power and the unclear functioning of the “regime change system”.

After socialism and the post-socialist phenomena of the period of the regime change, we reviewed the “last eight years”, i.e., the period of left-wing liberal governance immediately before the Orbán Government took office in 2010. We explored how they reintroduced the “regime change system” from 2002, how Péter Medgyessy was replaced by Ferenc Gyurcsány and the direction Hungary took in the meantime. This was a time when some of the crisis phenomena of socialism started to reappear: debt was growing, and credit-financed economic growth was tailing off. As a direct consequence, Hungary fell back from its regional leader’s position to that of a regional laggard. To make matters worse, the economic crisis was followed by another social crisis, with the growth of the middle class grinding to a halt, and then a serious crisis of the rule of law, democratic deficit and public safety issues. All these processes inevitably generated changes in the party system. The Alliance of Free Democrats (SZDSZ) and then the Hungarian Democratic Forum (MDF) were fatally weakened. The Hungarian Socialist Party (MSZP) shrank, and the right-wing Jobbik grew into a medium-sized party. A new, green party called Politics Can Be Different (LMP) was formed. At the same time, an alliance between Fidesz and the Christian Democratic People’s Party (KDNP) – Fidesz-KDNP – succeeded in developing a new majority and a central field of power.

The 2010 parliamentary election brought a two-thirds victory for the Fidesz-KDNP alliance, and the new cabinet announced a government based on national issues. Finally, the Integrity chapter

discusses the measures taken in this spirit. Once at the helm, Viktor Orbán immediately embarked on crisis management to restore public safety and public spending and address structural problems in the economy. New foundations were laid to deal with the issues of transferring governance, and an entirely new governmental structure and a new scheme for the distribution of functions and work were adopted. The governing parties' parliamentary groups played a key part in this as engines of "governance without government", mass-producing laws from the very first moment: in its first 56 days of its tenure, the Hungarian parliament passed no fewer than 49 laws. One historic moment was the adoption of a law enabling the preferential naturalization of ethnic Hungarians living as citizens of other – mostly neighboring – countries.

The newly formed government made it clear from the outset that reorganizing the country would require facing problems honestly and taking immediate action, partly because of issues dating back decades and partly because of the left-wing liberal governments' failures. The 29-point economic action plan was designed with this in mind. A deliberate overhaul of Hungary's public affairs and finances was begun.

The beginning, the first weeks following the change of government are therefore discussed separately in Chapter One. We then describe a little over a decade of government itself, from mid-2010 to mid-2020, but instead of following a simple chronological logic, we present it based on four important substantive elements. "Courage" seems to be the single most appropriate word to describe these four chapters collectively, referring to the direction and depth of the changes made by the governing parties, which held a two-thirds majority for much of the timeframe concerned. In Chapters Two to Five, we explore the impacts of governance and the opposition's maneuvers on the party political system, the transformation of the Hungarian state and economy as well as the Government's crisis management policy.

Chapter Two focuses on the transformation of the party system. Its importance is illustrated by the fact that, a dozen years later, the left-wing parties are trying to modify this particular factor in their quest to triumph over the governing parties. This is because governance during the period concerned relied on a single governing force, that is, the Fidesz-KDNP coalition – a structure that has been used several times in Hungary’s history but only now empowered with a constitutional majority. A stable parliamentary majority behind the Government was a feature of the 2010-2022 period, and this has always provided the basis for nation-building governance.

In Chapter Two, the main organizing principle of governance starting in 2010 is described in terms of the so-called “central field of political power”. In our view, the existence of a divided, polarized opposition (or oppositions) alongside a dominant governing party is only one possible form of its manifestation. We also see a key systemic principle in the ability of the governing party to represent the views of the vast majority of voters regarding the most important issues for society, occupying a central, or majority, position in a “substantive” sense. In such cases, the views of the vast majority of people concerning matters of critical importance to society is advocated by the government, “representing national causes” and the opposition, even if undivided, is bound to find itself in a minority position if it opposes this political direction.

It is also important to highlight the importance of state reform, as it was an indispensable prerequisite for subsequent successful changes. By 2010, not only was the functioning of the Hungarian state created by the regime change unsustainable, but the 2008 global economic crisis had also led to a crisis of the liberal welfare state model throughout Europe. Thus, from a practical point of view, a new, more efficient state organization was necessary, one that was more capable of making decisions and acting on them, one that could promote Hungary’s national interests in international and European politics. There was a need for a strong state, capable

of tackling economic and social challenges more effectively as they arise, one that can also respond more successfully to potential crisis events. In order to build a strong state, it was essential for the new government to break away from the neoliberal paradigm of market dominance and the essentially weak state paradigm of “good governance” and instead adopt a “good government” approach that favors an active, intelligent and strong state.

The establishment of a system of government offices, districts (as a subdivision of counties) and government agencies called “government windows” led to the evolution of a citizen-friendly state after 2010, where the state is for its citizens and not vice versa. Also covered in this chapter are the creation of the constitution, government based on parliamentary sovereignty and strengthened chancellery governance along with the restoration of public order and safety, both of which had been compromised under left-wing governments.

This is followed by a review of other key changes besides state reform and the reorganization of the Hungarian economy. The overview of the steps taken towards a stable and competitive Hungarian economy begins with an analysis of the first major task of tackling public debt, which was growing at an alarming rate when the new government took office in 2010, and which was, to make matters worse, primarily denominated in foreign currencies and owed to foreign creditors. Launched in parallel was the project of creating a work-based economy and society, with close to a million new jobs, perhaps the most successful operation of the past decade in terms of national strategy. The Government has also embarked on a series of risky, controversial steps, much attacked internationally, the aim of which was to create a new type of burden sharing between domestic and international players in the Hungarian economy.

We also review the processes aimed at reversing one of the most serious mistakes made following the regime change: excessive privatization whereby Hungary’s strategic sectors were

sold off, often to foreign investors. We first discuss the return of the Hungarian banking sector to domestic majority ownership, highlighting in particular, a special governmental solution, also referred to in this volume as multi-purpose measures and multifunctional incentives. Governmental measures of this kind, with multiple simultaneous positive impacts, are considered one of the most important innovations of the past twelve years. Similar decisions have also been made to change the strategically risky ownership structure in the service sector in a way that is more favorable to the national interest. This is followed by a discussion of the foundations of years of economic growth and the positive impacts of the tax cutting policy, as well as international responses to Hungary's economic achievements. Last but not least, Chapter Five reviews the most important multifunctional economic actions in various specific fields.

Examining the government's crisis management practices became necessary again while we were working on this volume. Just like between 2010 and 2013, governmental "rescue" operations turned into something of a daily routine from spring 2020 in response to negative trends in the global economy, this time triggered by the economic shock caused by the coronavirus pandemic. Our research showed a renewed emphasis on a values-based and people-centered governmental philosophy. The basic principles of governance remained unchanged even during these periods: national sovereignty, political and governmental stability, a work-based economy and society, family friendly policies and a consistent refusal to apply austerity measures. For us, one of the most important lessons of both these periods of crisis is the increasing involvement of nation states and the recognition of the limitations of European Union action. While the nation states' crisis management capabilities and willingness remained more or less intact, the federal solutions that many had hoped for simply failed. All this, i.e., a courageous belief in the need for an

independent Hungarian nation state and the empirical evidence supporting it, framed the period under review.

In the last chapter entitled “Dignity”, we had two main goals: to show the most important achievements of the Government between 2010 and 2020, thereby also supporting our conclusion that the year 2010 marked a turning point in Hungary’s history after the regime change, when not just a simple change of government took place, but also a change of prevailing political attitude and a profound intellectual shift. This eventually resulted in a Christian Democratic government and state organization based on national conservative values.

As summarized by the Director of the Center for Fundamental Rights “(...) *Hungary is stable both politically and economically. The state and the large social welfare systems are functioning safely. Courage based on integrity, and inventive solutions applied in politics or the economy, may, however, often appear to be ends in themselves, if the stakeholders – society as a whole – do not recognize their whys and wherefores, i.e., why it is necessary to fight and to continuously engage in conflict when, because of the latter, yet paradoxically, stability and safety are (already) given. The category of dignity, one that is not so much political as rather emotional and “interdisciplinary” is what may answer this in summary.*

Modern social science and political analysis often measures the effectiveness of governance only from a technocratic perspective, using a “professional slide-rule”, forgetting the fact that there are other, more important – or at least more far-reaching – aspects that are also relevant. Primarily, the question of what the general objective is besides managing the country and keeping everyday life running smoothly. Experience drawn from governance over the past ten years leads to the assumption that this forward-looking goal is to regain national dignity and autonomy, “making Hungary great again”. Showing that, one hundred years on, Trianon can and must be remembered by nation-building.” (Szánthó, 2020).

Finally, it is worth noting that the standard for governing capability in Hungarian politics today can be identified with the governance witnessed during the years between 2010 and 2022. As András Giró-Szász put it in the title of his work that we often turn to: governance in the national era is determined by the coexistence of “thought and power”.

INTEGRITY

I. THE END OF AN ERA AND THE START OF ANOTHER

1. The legacy of socialism

This study cannot, and does not, aim to discuss all the consequences – still affecting life in Hungary in 2010 – of the crisis in which the Hungarian version of what was called “existing socialism” ended. An attempt will, nonetheless, be made to review the most important factors and briefly mention the key elements of the harmful legacy of socialism, which needed to be honestly faced and tackled after the change of government in 2010. We will therefore focus on the heaviest of the burdens that had been borne by the Hungarian nation for decades by the time of the change of government in 2010, to show the context in which changes were made from that year on.

1.1 Demographic crisis

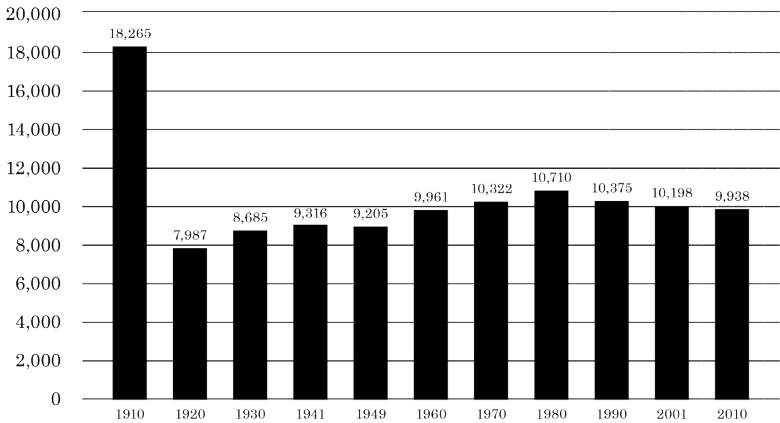
The size and composition of its population, and the births-to-deaths ratio, are key factors affecting the power and condition of every nation. Hungary’s population suffered multiple devastating shocks during the 20th century, including the Trianon Dictate which tore the nation apart, the horrible civilian and military losses in both world wars, and then the 1956 revolution and the subsequent wave of emigration. Nonetheless, Hungary’s population increased by about one and a half million between 1949 and 1980, as indicated by the following chart, but started to decrease from 1981.

The demographic downturn observed in the last decade of socialism in Hungary was due to various factors. It was by about that time that the social changes most aptly referred to as the

“secularization-modernization-urbanization” trio, had made their overwhelming impact (Gallai, 2019, p. 20). What this meant, in practice, was that hundreds of thousands were moved to cities, mostly into small – smaller at least than most homes in villages – apartments in blocks of flats. This then resulted in a transformation of the traditional way of life, it changed people’s values and concept of family, while these processes of transformation were intensified by an increase in consumption.

The demographic downturn in Hungary was also driven by economic factors. It is clearly not just a coincidence that this took place from the years when the impacts of the oil crisis reached the Hungarian economy, when the modest but stable increase in standards of living was cut short, and the number of marriages and births started to plummet. One telling statistic is that real incomes dropped by 14 percent between 1978 and 1990.

Figure 1
Hungary’s population
between 1910 and 2010 (thousands of people)
(own editing, based on Gyarmati, 1996)



And we cannot even say that the socialist leadership made no attempt to improve demographics: Even families with two children were entitled to family allowance from 1966. A childcare allowance was introduced in 1967 and from 1969, was provided for three years after birth. This system was further developed from 1973, resulting in a growing birth rate until 1975. From that year, the overall fertility rate began to decrease, and from 1981, Hungary's total population even started to decline. The latter trend was driven primarily by an – also negative – change in the mortality rate. An unfortunate, still enduring legacy of that period is some of the world's worst mortality rates among Hungarian men aged 35-65 (Romsics, 2010, pp. 469-470).

This was, of course, also accompanied by economic impacts. These trends put an end to the process of social transformation, regarded as positive at least regarding the sustainability of the pension system, when an increasing number of economically active people was sustaining a decreasing number of economically inactive people. The writer Gyula Fekete was one of the first to draw attention to these problems. He was already reporting the signs of a demographic crisis in the sixties, but at that time, it did not attract sufficient public attention. One cannot be but deeply affected, even today, by Fekete's summary of the state of affairs in 18 points.¹ In summary: at the time of the regime change, a Hungary facing negative demographic processes, social-structural problems, a declining birth rate and the disintegration of the traditional family model, was given a chance to change things for the better.

¹ Gyula Fekete's 18-point demographic summary published in 1992 as part of a collection of his writings entitled "Véreim, magyar kannibálok! Vádirat a jövő megrablásáról" (My brethren, Hungarian cannibals! Indictment concerning the robbing of the future), is now available on-line on the Demography website (n. d.)

1.2. Increasing public debt

There are multiple connections between the adverse demographic trends and the next cumbersome legacy of socialism, a deeply indebted state. Paying the price for today's excessive spending will become increasingly difficult for a country with a shrinking population, and the burdens of public debt will make it impossible – among other things – to provide families with state support. In fact, Hungary was already facing major challenges at the time of the “transformation crisis”, an inevitable element of the regime change, as a result of a shrinking population and increasing public debt.

The origins of the Kádár era public debt go back a long way. As also described by Attila Mong, author of the most widely known monograph on the topic, the roots of Hungary's indebtedness should be sought in the Kádár era consolidation following the 1956 revolution. His dictatorship was based on a peculiar deal – besides the presence of the Soviet intruders – enabling large groups of society to make some headway each year. In exchange for improving standards of living and for the availability of public services, Hungarians retreated from public life under a “tacit bargain” – tacit also in the strictest sense of the term. People were not allowed to exercise their political freedoms, and they did not complain about it.

This arrangement turned into an acute problem when weakening international economic growth combined with socialism's lack of competitiveness suddenly made it impossible to continue raising standards of living, to which people had by then grown accustomed. The world was hit by two oil crises in the seventies – in 1973 and in 1979 – in just six years, pushing oil prices to about eight times higher than before (Honvári, 2006, p. 460). Since Hungary was heavily dependent on imported oil and since its price had to be paid in foreign currency, socialist leaders had

two options: abandon the standard of living policy applied so far or start borrowing abroad and accumulate public debt so that they could pay for the increasingly costly imports. The Kádár regime's political and central bank leaders took the second option, which led to an increase in Hungary's public debt from 14 percent of GDP in 1970 to 60 percent by the end of the decade, and to 80 percent by the time of the regime change (György, 2017, pp. 199-201). To exacerbate matters, the bulk of the debt was denominated in foreign currencies and owed to foreign creditors; moreover, the public knew practically nothing about this immense burden until the regime change.^{2,3}

These were the “foreign currency loans of the day”, whose burdens had to and still have to be borne by subsequent generations of Hungarians. Moreover, in contrast to common misconceptions, the gargantuan amounts borrowed in this way were not spent on over-consumption (Pogátsa, 2016, p. 14). Much of the amount borrowed was initially used to offset the deficit caused by the increase in import prices and the resulting deterioration in terms of trade. These financial resources were later wasted, by a Hungary already trapped by debt in the eighties, on making ever-increasing interest payments and offsetting exchange losses (György, 2017, pp. 199-201). Calculations by Károly Lóránt showed that although

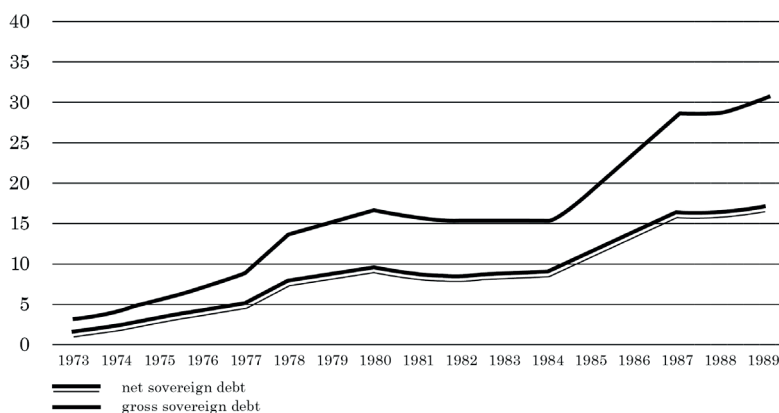
² The last prime minister of the one-party state, Miklós Németh, recalled November 1988, when he took office, with surprising integrity. “Now I knew exactly that the entire regime was based on lies – I knew it even though I was a party member, and exactly because from May 1988, I was also a member of the Political Committee” (Oplatka, 2014, p. 17).

³ The so-called Social Contract, which appeared in 1987 in the underground newspaper “Beszélő”, circulated by the then opposition, was already demanding that “the government's obligation to provide information must be extended to data of public interest regarding Hungary's situation (e.g., the size and structure of the public debt, the amounts of due repayments and interest payments)” (Parevo, n. d., p.

Hungary repaid the previously borrowed amounts between 1978 and 1984, it could not halt the debt spiral resulting from this debt trap.⁴

And while the structure of Hungary's industry was transformed in accordance with the Soviet Union's requirements – in line with the CMEA agreements – the former Soviet 'protective umbrella' over Hungary had disappeared by that time. Despite Hungary joining the International Monetary Fund in 1981, during the Polish state of emergency, the so-called Volcker shock – the spillover of US interest rate hikes – rendered Hungary's debt servicing increasingly expensive. The problems were exacerbated by the fact the Hungarian economy experienced very low growth rates in the eighties (Árvai & Rácz, 2017, pp. 48-52).

Figure 2
Hungary's public debt
between 1973 and 1989 (USD million)
(own editing, based on Hungarian National Bank, 2020)



⁴ For details, see: Lóránt (2009, p. 1).

As a result of this dramatic debt accumulation process, Hungary's total debt amounted to roughly 20 billion dollars by 1990. Around 3.5-4 billion dollars of debt had to be repaid each year, while a mere 4 billion dollars flowed into the Hungarian economy – the remaining amount was used exclusively for debt servicing (Debreczeni, 1998, p. 152).

1.3 Deterioration in standards of living, social crisis

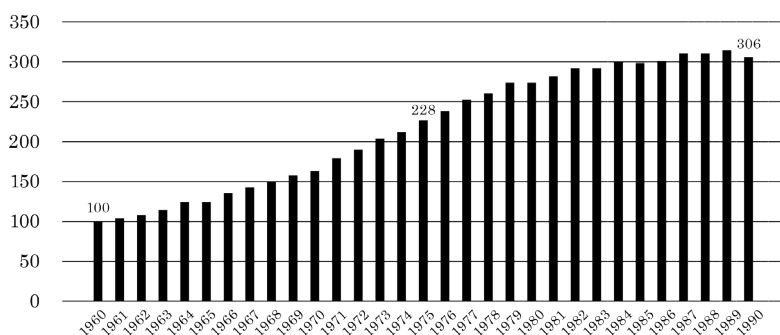
The most distinguishing feature of socialism in Hungary after 1956 was the so-called 'Kádár deal'. Thus, the system was referred to, in the Soviet sphere of interests, as 'Goulash Communism' or 'fridge socialism'. In brief, this arrangement meant that, in order to avoid another revolution, another 1956, the Hungarian state tried to enable as many people as possible to prosper, modestly but reliably, while maintaining political and human rights repression.

This deal could be maintained as long as it could be funded by economic growth. The aforementioned changes in foreign trade and the growing competitive disadvantage of the socialist economy, however, resulted in the collapse of one side of the deal, while the other side was undermined by people's rapid disappointment in the regime and the emergence and growth of a political opposition in Hungary. This process came to a head in the decade of the regime's crisis (Bihari, 2005, p. 302 and p. 304), i.e., the eighties, at the end of which the socialist system itself collapsed, mainly under the pressure of external factors. The last prime minister of the single party state, Miklós Németh, confessed that during the 1981 state of emergency in Poland, Hungary had as little as three or four days' worth of foreign currency reserves and a simple

“clerical error” would have been sufficient to render the country insolvent (Oplatka, 2014, p. 112).

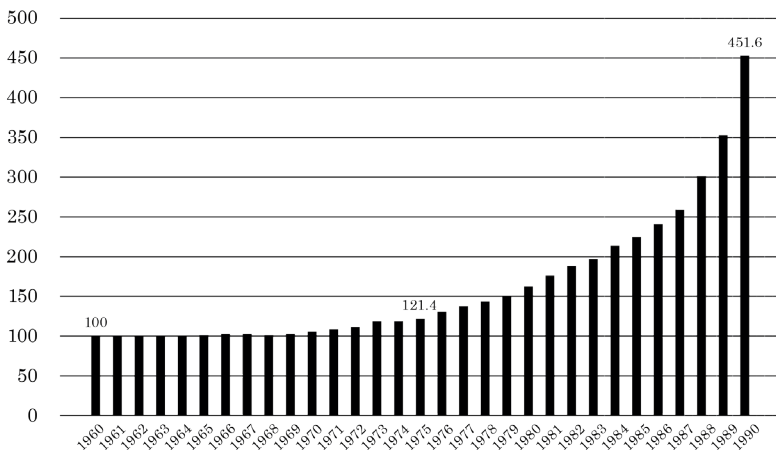
While the regime had long relied on the growth of the Hungarian economy, the deceleration of growth quite logically constituted the material basis of change and people’s disillusionment with the system. And this also limited the possibilities for state socialism to increase real wages. This is clearly indicated by how the so-called fifth five-year plan in 1978 envisaged a 4.5 percent annual national income growth – a rate then regarded as ‘modest’ – in view of the oil price crises and the fact that it was becoming increasingly difficult to raise external funds for modernization. Finally, this resulted in a mere 1 percent annual growth rate (Bogár, 2003, pp. 330-331). Subsequently, during the period of the sixth five-year plan (1981-85), the gross domestic product (GDP) grew by an average of less than 2 percent a year, followed by a 0.5 percent increase between 1986 and 1990.

Figure 3
Growth of the gross domestic product
in Hungary between 1960 and 1990
(own editing, based on Hungarian Central Statistical Office, 2020a)



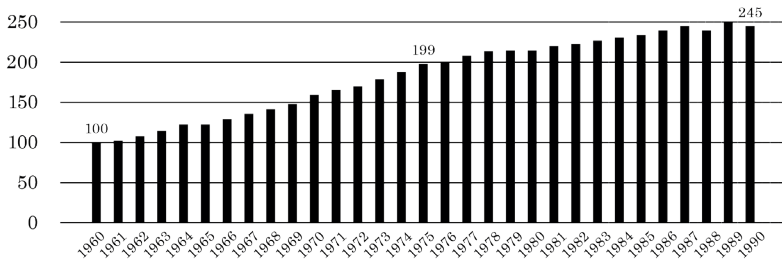
Moreover, however much the party leaders of the time promised in the late 1970s and early 1980s that the international price increases “would not spill over” (Oplatka, 2014, p. 107), they ultimately did, and inflation was unleashed. Previously, the “three-sixty a kilo” bread had been a symbol of socialist price stability, with the rate of inflation never exceeding a few percent a year, for decades on end. By contrast, the leaders of the regime faced with this crisis let the price increases hit people directly, so the consumer price index increased by 9.1 percent in 1980 and soared as high as 17 percent in 1989, the regime’s final year (Kornai, 2014, p. 224).

Figure 4
Consumer price index
in Hungary between 1960 and 1990
(own editing, based on Hungarian Central Statistical Office, 2020a)



Of course, this was also reflected in the value of people's incomes. While in the sixties and seventies, real incomes grew by a total of 116 percent⁵, during the eighties, they only increased by 16 percent. Therefore, while between 1960 and 1979, real incomes expanded by an average of 5.8 percent a year, the corresponding rate was only 1.6 percent between 1980 and 1989. Less dynamic growth in household income inevitably led to less dynamic spending. The per capita consumption index more than doubled between 1960 and 1980 (up 108 percent), while between 1980 and 1989, it increased by only about 20 percent, followed by an outright drop of 5 percent in 1990.

Figure 5
Per capita real income index
in Hungary between 1960 and 1990
(own editing, based on Hungarian Central Statistical Office, 2020b)



⁵ The source of data from this point on until subsection 1.4 is, unless another source is indicated, the HCSO's long-term data series (Hungarian Central Statistical Office, 2020b).

Unsurprisingly, the above macroeconomic processes led to the impoverishment of ever wider sections of the population, while the effects of the unfolding social crisis impacted increasing numbers of people. Mention has already been made of the fact that Hungarian men's early mortality ratios were among the world's highest, but its causes have not been discussed. An important factor in this was the self-exploitative lifestyle, with many people working in the so-called 'second economy' or on backyard farms to help their families make ends meet, or in the hope of social advancement. By the final years of the regime – 1986-1987 – the time spent working in the 'second economy' had increased to an average of nearly four hours a day or half the time spent working in their full-time jobs (Romsics, 2020, p. 481). This kind of income earning 'double life' was already common practice in the 1960s in agriculture, in small industry, tourism and intellectual professions. According to one estimate, by the mid-seventies, seven million people, i.e., most of the country's population, were affected by the phenomenon, including wage earners and their dependents (Teller, 2006 pp. 32-37).

The negative health trends – and the social crisis in general – were also aggravated by growing alcohol consumption and smoking, one of the 'trademarks' of existing socialism. The number of suicides and people with various mental illnesses and depression also reached new heights (Romsics, 2010, pp. 494-496). Furthermore, one of the foundations of the regime, the myth of equality, a lie which was nonetheless continually promised, was increasingly contradicted by reality: the difference between the bottom and top income deciles grew between 1982 and 1990 from 3.8 times to 6 times (Romsics, 2020, p. 488). Last, but not least, socialist industrialization, sparing neither people nor their environment, as well as the resulting air pollution and damage to the natural environment, also caused a lot of harm. It was no coincidence that one of the main motives of the regime change, underlying one of the largest self-organized civil movements, was the fight against the construction of the Gabčíkovo-Nagymaros dam.

1.4 National awareness and national culture

It is an indubitable fact that, in terms of purely statistics, the years of socialism saw great progress in the mass consumption of culture, from book publishing to theatre-going to the number of new book titles and thus the number of books printed. However, there are various reasons for taking a closer look at the cultural policy and concepts relating to the Hungarian nation in the decades before 1990. From the very beginning, socialist internationalism had serious negative impacts, as it classified the previously strong Hungarian national consciousness as chauvinism and fascism, and even persecuted it. Anti-clericalism was another dominant feature of the communist dictatorship; especially during the first decades of socialism, particular emphasis was laid on persecuting and breaking the country's strongest and most extensive network, that of Christian churches. At the same time, the destruction of autonomous livelihoods and organically established local civic and peasant communities resulted in the disappearance of societal organizations that traditionally played key roles in Western civilization (Teller, 2006, pp. 103-104).

Socialism is an international ideology, by nature, and by birth. However, its practical implementation in Hungary was necessarily internationalist, not only for this reason, but also as an antithesis to the former "revisionist-fascist" Kingdom of Hungary, and was ensured by the presence of Soviet troops. The Hungarian nation was labelled "guilty" by the communists, mainly for its role in World War Two. On the other hand, the communists themselves – inspired by Révai - thought in terms of socialist patriotism and proletarian internationalism (Gyurgyák, 2007, p. 506), naturally led by the Hungarian Workers' Party as the 'vanguard', subordinate to the ever more advanced Soviet Union. Mátyás Rákosi identified nationalism as "our most dangerous enemy" (Gyurgyák, 2007, p. 508).

All these appeared symbolically too: this is how the red star found its way onto the Rákosi coat of arms and the Hungarian flag, and later onto the Kádár coat of arms, right in the middle, above the Hungarian flag. This is also how the first cartel constitution of the Hungarian state was adopted, as a servile transposition of the Stalinist constitution (Act XX of 1949). Attempts were also made at attaching new meanings to the most important holidays of Hungarian statehood, in accordance with socialist mythology. This is how March 15 was incorporated into the “revolutionary youth days”. They also tried to convert August 20 into a celebration of the new bread and the country’s constitution.

The leaders of socialism also had the same attitude towards ethnic Hungarians living outside Hungary’s borders, whom they regarded as practically “non-existent”. An important role in this was played by the fact that, unlike in other neighboring socialist countries, where nationalism was a dominant legitimating factor, Hungarian socialist leaders replaced this with a slow but steady increase in consumption and welfare, in line with the with the ‘Kádár deal’ (Bárdi, 2017, p. 143.). Nonetheless, a ‘rediscovery’ of responsibility for Hungarians living outside the borders was one of the main points on which the two main opposition groups agreed. These groups were increasingly organized by the last decade of the dictatorship: the urban-human rights focused line (from which the Alliance of Free Democrats (SZDSZ) evolved) and the line based on the tradition of ‘folk writers’ (from which the Hungarian Democratic Forum (MDF) evolved). The dictatorial repression of the Hungarian minority living in Transylvania and the destruction of Hungarian villages thus became one of the greatest mass experiences of the regime change.

The stifling of national consciousness was also the purpose of the censorship that was increasingly widely practiced during the decades of socialism on television and radio, in newspapers, and especially, in periodicals printed for intellectuals, by confidantes of the party state. One of its key motives was to keep the true

details of the 1956 revolution secret, although there were also other important taboos such as religiousness, freedom, the way European democracies functioned or the leading role of the workers' class. Indeed, a considerable proportion of books printed before 1945 were methodically shredded and attempts were made to practically wipe certain writers from Hungarian literature (Horváth, 2013, p. 82). While there was no 'opposition channel' to compete with Hungarian state television, Free Europe Radio and samizdat publications, which gradually appeared from the late seventies, were, although limited, forums for expressing opposing opinions. Samizdat publications then came to foster the organization of the opposition to the regime; the most important such underground publication was "Beszélő", which brought together some key figures who later formed the Alliance of Free Democrats (SZDSZ). Public forums of intellectuals evolved from an increasing number of semi-public gatherings, which started to be organized from the mid-eighties. The most important such gathering took place in 1987 in the village of Lakitelek, which led to the establishment of the Hungarian Democratic Forum (MDF). Although dialogue between the main opposition groups still took place in both the samizdat Beszélő and in Lakitelek, a schism appeared and widened between the 'liberal-human rights', i.e., the 'urban' camp, and the right wing-national or 'folk' camp (in terms of the great 20th century divide splitting the Hungarian intelligentsia).

The everyday life of Hungarian society was seriously affected by the deliberate destruction of national consciousness and culture – as 'complications' of the above phenomena – not only back in 2010 but still today. The same is true of the demographic issues, indebtedness and social crisis discussed above, since the unborn children of the eighties are missing from today's Hungarian population, the loans from the eighties are still being repaid indirectly, and the price for the massive social and environmental problems of the 1980s is still being paid today. This in itself would

have been enough of a burden for the post-regime-change period, but the fact that the transition was somewhat “one-sided” was an additional burden. The following is a brief discussion of what the “one-sidedness” of the regime change comprised and the legacy it left in Hungary in 2010’. Then we will consider the failure of the ‘regime change system’ that unfolded under the left-wing governments after 2002, in the light of the preceding events.

2. The legacy of the botched regime change

Unlike in many other countries in Central and Eastern Europe, the regime change in Hungary did not happen through revolutionary transformations which sharply ended the old system but through a protracted, gradual, negotiated transition. It is still the greatest merit of the process that the changes occurred without any bloodshed, although not entirely without violence. The party state's repression went no further than dispersing gatherings by force and arresting people in 1988, and in the systematic surveillance of the opposition using the secret services in 1989 (Kiszely, 2001, pp. 287-208). From the second half of the eighties, the so-called reformist-communist forces were even present in the state party, the Hungarian Socialist Workers' Party (MSZMP). During this period, several legislative amendments were made, aiming to modify the regime and bring the country closer to pluralist democracy and the market economy. This democratization process was accelerated by the activities of the last party-state Parliament: while only 192 laws were passed between 1949 and 1985, 132 were passed between 1985 and 1990 (Kukorelli, 2006, p. 44). The main reason for this increase was that, following a constitutional amendment in 1987, the Presidential Council, which had previously been functioning as a de facto legislative body, was no longer authorized to substitute Parliament in its legislative functions.

1988 was the decisive year regarding the collapse of the MSZMP: in May, János Kádár was dismissed as secretary-general and succeeded by prime minister Károly Grósz. The advance of the reformists within the party led to the separation of the posts of secretary-general and head of government in 1988, with Grósz being succeeded by technocrat Miklós Németh. Although at the end of 1988, it looked as if the orthodox communists might bring

about a violent regime change, in 1989 the reformist-communists ultimately prevailed in the state party. In January 1989, Imre Pozsgay, an MSZMP politician who had been drifting closer and closer to the 'folk' wing of the emerging opposition, referred to 1956 as a 'people's uprising' instead of 'counter-revolution', as it had been called previously. The MSZMP's quick adoption of the newly coined term already revealed the growing identity crisis of the state party and, at the same time, proved the falsehood of the (re)transformation of the state party in 1956. The state party was finally dissolved in October 1989, immediately becoming the Hungarian Socialist Party (MSZP).

An overview of these events is important in that they clearly demonstrate that several key events of the regime change were linked to the reformist communists. Thus, paradoxically, post-socialism, as the dominant Hungarian crisis symptom in 2010, is rooted in the last years of socialism. The skillful 'advance' of the communist functionaries' brought a series of compromises with it that continued to have an impact in 2010 and, in many ways necessitated a 'second revolution', this time based on strong popular legitimacy. Some key reformist laws were not passed by the regime changers but by the last party-state Parliament. This was also the case with the enactment of the National Roundtable negotiations. The most important comment on the interpretation of 1956 was made by a reformist communist. The first prime minister of the transition, Miklós Németh was, for many, the party state's last head of government, despite his genuine democratic legitimacy. The price for this bloodless transition was that for many years after 1990, communist functionaries, censors and cadres were still able to try and teach lessons to Hungarians about the true democratic attitude.

As will be seen later, eerily similar phenomena unfolded in Hungary on the 20th anniversary of 1989-90: domestic crisis coupled with the ripple effects of an international crisis, a democracy deficit, a social crisis and a technocratic prime minister.

It is therefore first and foremost necessary to review the bad compromises of 1989-90, which resulted in lasting, mostly harmful, effects spanning decades.

2.1 The negotiated transition

Informal talks were held between the leading opposition groups from the end of 1988 with a view to starting bilateral negotiations with the state party as a result of their joint action. The aim was to prevent the state party from playing the various opposition organizations off against each other and this aim was achieved at the time. On March 22, 1989, a forum called Opposition Roundtable (EKA) was formed by eight organizations. The members of the Opposition Roundtable proposed that bilateral negotiations be conducted with the MSZMP on the following key subjects: act on political parties, media act, penal code and code of criminal procedure, electoral code, act on referenda, the repealing of rules impeding the democratic transition and the provision of guarantees preventing a violent reversal of the transition. The MSZMP – EKA negotiations were preceded by nearly two months of preparatory consultations (Bihari, 2005, p. 367).

The formal negotiations on the transition began on June 13, 1989: the state party, the Opposition Roundtable and the so-called ‘third side’ formed the so-called National Roundtable (NEKA). At the beginning of the talks, the Opposition Roundtable wanted the mandate of the National Roundtable to be limited to the abovementioned issues and decisions enabling the democratic transition and considered the issue of a new constitution as the task of the National Assembly after the free elections. On the other hand, the MSZMP wanted the last state-party National Assembly to adopt the constitutional amendments agreed on by

the National Roundtable. Strangely, these strategic goals and the compromises negotiated from them, still determined the Hungarian constitutional order more than two decades later.

The course of the negotiations was affected by several external factors: (1) the by-elections held between July and August 1989, which resulted in the election of joint opposition candidates – usually from the MDP – to the National Assembly to replace the recalled MSZMP representatives; (2) the opinion polls, which in July 1989 would have given the MSZMP a 37 percent lead in an election, had fallen to 23 percent by September 1989; (3) the reburial of Imre Nagy and his associates on June 16, 1989, attended by a quarter of a million people, and the death of Kádár prompted the masses to reconsider their political views (Bokor, 1990, p. 609); (4) changes in the international environment and the results of the partially free Polish elections led to the overwhelming majority of the Hungarian opposition concluding that it was worth compromising with the MSZMP in order to achieve free elections (Tölgyessy, 1999, p. 20). Regarding the date of the direct election of the head of state – essentially because of the significant likelihood of Imre Pozsgay being elected head of state – the SZDSZ and Fidesz did not sign the political agreement that concluded the National Roundtable negotiations, but they did not veto it. Eventually, the two parties forced the postponement of the presidential election through a referendum with a narrow majority of voters.

The elements of the National Roundtable agreement were passed into law, practically unchanged, between October 16 and 20, 1989. Six cardinal laws were passed on the basis of the agreement; they provided for the comprehensive amendment of the Constitution, the establishment of a constitutional court, the operation and financial management of political parties, the election of members of parliament, the amendment of the penal code and the amendment of the criminal procedure law (Gallai, 2005, p. 227). As part of a comprehensive amendment to the communist constitution of 1949, the name ‘Hungarian People’s Republic’ was

replaced by the (third) ‘Republic of Hungary’. These laws came into force on October 23, 1989, the same day that Mátyás Szűrös, Speaker of the House, proclaimed the Republic of Hungary in his capacity as interim head of state.

The very fact that the opposition parties themselves would have made constitutional amendments other than those they negotiated with the MSZMP showed that several important amendments were made to the Constitution almost immediately after the first free elections. For the sake of governability, the leading governing party, the MDF and the largest opposition party, SZDSZ, agreed on constitutional amendments at the end of April, 1990.⁶ These were passed by Parliament: thus, the scope of the two-thirds law was narrowed (for instance, economic governance, i.e. the budget law, was excluded from its scope) and the institution of the ‘simple motion of censure’ was replaced by that of the ‘constructive motion of censure’. In exchange for the guarantee of governability, the SZDSZ was allowed to nominate the President of the Republic – who was ultimately elected by Parliament – and the head of government approved the nominees for president of the public service radio and television who were backed by the liberals.

In summary: the negotiated transition facilitated peaceful changes, an impressive achievement at the time – with Russian troops still present in Hungary – and enabled the 1990 elections to be held. Imre Kónya, a key participant in the negotiations – later the head of the MDF group in parliament, and Minister of the Interior – aptly described the situation when he wrote that they had not been “equal-ranking parties” and that their key consi-

⁶ This agreement is now remembered as the Antall-Tölgyessy Pact. Although one page of the draft of the political agreement bore the signatures of István Balsai, Imre Kónya, Katalin Kónya-Kutrucz and László Salamon, while that of János Kiss and Iván Pető appeared on the other, this historical deed was, nonetheless, achieved essentially by the two politicians on the respective party lists, i.e., József Antall and Péter Tölgyessy.

deration at that time was that “the way to free elections was clear” (Kónya, 2016, p. 156). The significance of the latter is further heightened by the fact that four and a half decades had passed since the last regular multi-party election in Hungary.

At the same time, it is also true that the agreement was reached between a state party with dwindling popular support and emerging opposition forces without any real voter legitimacy, apart from a few by-election successes. It can also be pointed out – from an easier, but unjust, position of posterity – that this negotiated form of transition was not conducive to a clear division between the dictatorship and the democratic system succeeding it. Inevitably, there were limitations to the compromises that could be reached (Kahler, 2014, 20., p. 73-74).

Moreover, the agreement between the opposition and the reformist communists legitimized, to some extent, a dominant group of the former leaders of the dictatorial regime, tacitly accepting them as legitimate participants in the new democracy. The fact of the agreement, but also the reformist communists’ partnership in this process, might also have contributed to the fact that former MSZMP leaders and ideologists can still count themselves among the pioneers of change.⁷ It does not seem too

⁷ A more recent example of this phenomenon is how Attila Ágh, former MSZMP ideologist said the following on January 3, 2020 at the beginning of the programme entitled “Freedom, comrades’, or thirty years since the regime change” on Klubrádió: “There are two narratives today about the events that unfolded from ’89: one is the official Fidesz narrative, alleging that everything was done by Viktor Orbán, and the other, still dominant narrative, that of the democratic opposition, claiming there was a Western intelligentsia and it had an opposition path. (...) And both narratives have a kernel of reality. The reason I started by pointing this out is because what I am saying conflicts with both accepted narratives or conventional evidence. Because what I am propounding is the ridiculous idea that the decisive change in ’88-89 was initiated by the MSZP, that is, the ‘reformist circles’ in the MSZMP, and that it was a real mass movement that brought about political innovations which we have been using ever since. But then, the ‘past belongs to those who cultivate it’.

far-fetched to claim that the government taking office in 2010 had to tear up the “agreement of the intellectual compromise of ‘89, i.e. the falsehood of moral relativism raised to the level of politics” (Lánczi, 2006, pp. 429-430).

2.2 The war of the elites

As we have already noted, the ‘folk v. urban’ dispute emerged, or according to many, an old Hungarian intellectual controversy re-emerged like a resurgent stream, in the second half of the eighties. Its legacy is still felt today, not just in 2010. MDF, which dominated the ‘folk’ camp was established in 1988 and had a privileged partnership, particularly during its first year of existence, with the reformist communists committed to certain national causes, such as that of ethnic Hungarians living outside Hungary’s borders. This was specifically why they were the most heavily criticized by the members of the ‘urban’ camp who also organized themselves into a movement, a network and then a political party called Alliance of Free Democrats (SZDSZ) in 1988. The latter on the other hand, were accused of having prominent members whose parents had been prominent figures of the party state and of organizing attacks against the ‘folk’ camp in international media. József Antall, Hungary’s first freely elected prime minister, referred to these disputes, saying “these are conflicts between departments, disputes between faculties. Intellectuals: with sociologists and philosophers on the one side, hating the other side comprising writers, poets and historians, full of national emotions – these two groups simply hate each other. Just like at a university where members of two departments do not talk to each other. And it also makes my position very complicated.” (Osskó, 2013, p. 68).

At the beginning of the regime change – such as at the gathering in Monor in 1985 – the two elites were still able to hold a dialogue, which continued to be possible for quite some time in 1989 during the work of the Opposition Roundtable. Finally, however, in August 1989, a fault line developed between the MDF and the SZDSZ towards the end of the negotiations concerning the very issue of a ‘radical regime change’. Eventually, the latter refused to sign the National Roundtable (NEKA) agreement. This was explained by their suspicion that Pozsgai and the MDF, which was, according to surveys, the most popular political formation, had already agreed on power sharing and on the direct election of the president before the general elections. Therefore, the SZDSZ and Fidesz initiated a referendum simultaneously with the execution of the agreement – exercising the new rights provided by new statutory rules – to have the presidential election postponed until after the parliamentary elections, and they managed to collect the over 100,000 signatures required for a referendum.

Then in November 1989, the referendum was a success, thanks to which the SZDSZ – as the apparently most radical proponent of the regime change – was spectacularly strengthened, tripling its supporters between September 1989 and January 1990. However, the Free Democrats who came second in the March 1990 elections and won the October local elections, came into sharp conflict with the governing coalition in the following term. The SZDSZ gradually abandoned its radicalism and anti-communist stance, while adopting a kind of ‘protector of democracy’ position, a party fighting against ‘authoritarian’ and ‘anti-Semitic’ governance.

The free democrats participated in the Democratic Charter movement, which, building on the intellectual network of the liberal–human rights democratic opposition, but in alliance with the post-communist elite during the right-wing government of the 1990s, laid the foundations for the social-liberal government that started in 1994 and lasted until 2010, with four years of

interruption. This cooperation was still continuing in 2018 (Szalai, 2018, p. 133).

2.3 The myth of the socialist elite as ‘experts’

The myth of ‘technocracy’, ‘experts’ priority status’ and ‘expert governance’⁸ was a dominant element of regime change in Hungary, which even remained so for quite some time thereafter. It is rooted in the decades of socialism and most probably stems from the introduction in 1968 of what was called the ‘new economic mechanism’. This was when the state party’s reformist wing tried to transform and liberalize the economic system of dictatorship by developing an ‘expert’ image. Although they were sidelined for a short time, from the eighties onwards, the bureaucrats of the state party and the party-state were again increasingly involved in running the state. As a matter of course, the members of the ‘late Kádár technocracy’ found themselves in confrontation with the ‘communist nomenclature’ (Szalai, 2018, p. 130). The first group represented a kind of a ‘human-faced socialism’, in contrast to the older, old-fashioned, orthodox, hard-liner communists, who were therefore mostly despised by the public.

⁸ “A cabinet considered an expert government is one that is led not by a party politician or a member of parliament, one among whose members there are a significant number of individuals who are not party politicians either but experts of their portfolios or, in the case of the head of government, of the extraordinary task at hand. An expert government is usually established in an extraordinary situation, with an extraordinary, politically limited mandate for a specific period of time”. This is how politicians described the essence of the concept. (Körösenyi, Hajdú & Ondré, 2015, pp. 44-45).

In November 1988, with the election of Miklós Németh as prime minister, this elite group first made it to the top and exercised the left-wing's crisis manager expert type governance involving multiple rounds of austerity measures, a practice also resorted to several times since. As regards the latter, it is worth noting that the government of the day had little choice other than financial cuts. Several key figures of subsequent social-liberal cabinets featured in Németh's government (including Gyula Horn, Péter Medgyessy, László Kovács, Judit Csehák and László Békesi), i.e., the same expert elite who played a key role in social-liberal governance up to the year 2010. As Erzsébet Szalai put it, "the late Kádár technocracy became the ruling and controlling power of the capitalist regime change, and the democratic opposition became the ideologist of the same regime change" (Szalai, 2018, p. 132).

Another comparative advantage this group enjoyed was their perfect command of the Hungarian political parlance of the day, i.e., the so-called 'sociologizing language'.⁹ The reason this is relevant to our subject is that – although strongly challenged from the second half of the nineties – this 'vocabulary' dominated politics in Hungary until 2010 when the social-liberal government ultimately failed. This was a 'depolutizing', 'apolitical' and 'neutral'¹⁰ technocratic discourse presenting certain decisions as being 'of necessity' and without any alternative, which was still apparent in the Bajnai government's self-definition (Szűcs, 2012, p. 147). In this political linguistic context, it is the intellectuals

⁹ "As Zoltán Gábor Szűcs put it, "good governance requires primarily technical/professional expertise and the actual problem facing the country is that politicians 'are not sufficiently versed' in their fields of expertise, they have no 'long-term visions', and all they do is 'make politics' while they always and forever fail to implement 'public finance reform' which is the alpha and omega of good politics" (Szűcs, 2006, p.99).

¹⁰ András Körösnéyi's adjectives, for details see: Szilvay (2013).

that know the good and optimum solutions while politicians only run the ‘political works’ and are tasked with implementing ‘reforms’ (Szücs, 2012, pp. 130-131). One may also refer to this as a ‘reformist ideological continuum’, something that even dominated the world of political sciences (Fodor, 2009, p. 6).

Contributing to the myth of expert government was not only the fact that such governments were in office in years of détente and peaceful transition (Oplatka, 2014, pp. 341-342) or that such governments were formed by more modern and screen-friendly individuals, but also by the fact that they increasingly shared responsibility with the opposition. Challenges such as the dramatic indebtedness and various crises in Central and Eastern Europe (German refugees, revolution in Romania) could not be tackled without the involvement of the opposition after a while, due to the loss of confidence in party state politicians. Although they did not formally join the governing coalition, the opposition parties were becoming increasingly involved in government. This in turn led to an increasingly apolitical government, which had started to shift towards a pluralist democracy, assuming the position of a ‘master of consensus’ (Osskó, 2013, pp. 94-96). By contrast, the public had less and less patience with the multiplying conflicts among the naturally increasingly pluralizing opposition parties, particularly as the transition crisis was intensifying. There is no exaggeration in this remark made about the Németh government by one of the key figures of the regime change looking back from a longer perspective: “for quite a while it became a benchmark for each subsequent power” (Tölgyessy, 1999, p. 24).

2.4 Uneven justice and the lack of a lustration process

An important issue of the decades of post-socialism related to the alliance between the liberal and post-communist elites was the failure to honestly and completely confront the crimes of communism, administer justice and conduct a lustration procedure. It cannot be argued, however, that no such attempts were made. The first freely elected parliament for instance, made it its first and most urgent task to enshrine in law the historical significance of the 1956 revolution and freedom fight.¹¹ It also passed several annulment and reparation laws acts without any serious debate.¹²

However, the negotiated nature of the transition, the relative popularity of the last party-state leaders and the gradual ‘liberalization’ of the ‘soft dictatorship’ of the Kádár regime made the administration of justice, and especially its legitimization, very difficult. It has still not been clarified whether there was any informal agreement at the roundtable negotiations to the effect that none of those running the dictatorship would be held to account. SZDSZ MP Gáspár Miklós Tamás reported such an agreement, referring to it as a generally known fact; however, nobody has since managed to document the existence of such a pact (Kahler, 2014, pp. 74-75).

¹¹ We quoted the first sentence of Act XXXVIII of 1990 on this almost word for word. Moreover, it was this law that made October 23 a national holiday, which is also remembered as the day of the proclamation of the Republic of Hungary in 1989.

¹² One example is Act XXXVI of 1989 that overturned court judgements handed down in connection to the 1956 revolution.

The settlement of the so-called ‘agent question’ was also beset by the difficulties of the process of administering justice. Paradoxically, lustration – vetting of individuals – took place in a number of those Central and Eastern European countries that had suffered tougher dictatorships. In East Germany, for instance, transition was followed by quick and radical lustration actions (Stan, 2009, p. 263). In Poland, criminal justice was only permitted to be administered based on international law, extending it, beyond intentional murder, to other crimes against humanity and war crimes as specified in international agreements. In the then Czechoslovakia, on the other hand, a wide-ranging and punitive lustration law was adopted in 1991. The legislation they introduced banned key servants of the communist regime from all major public positions for a period of five years, with the exception of being representatives (Dedelsky, 2009, p. 45). After the division of the country, the ‘agent law’ was not implemented in practice in Slovakia, while the Czech Republic extended its validity several times and opted for an even more radical confrontation with the past.

In Hungary, besides the destruction of some of the lists of agents, a serious problem with lustration was that the superiors of the dictatorship’s agents, the readers of the reports, were quickly returned to key positions. According to lists found since, the fictional ‘parliamentary fraction’ of Chief Directorate III of the secret service might have had a larger number of members in the first parliament after the regime change than the (30-strong) post-communist successor party fraction.¹³ And the situation was further complicated by the fact that, despite some personal and

¹³ Criminal law expert Péter Hack, former SZDSZ MP said “If the lists that have come to light are more or less true, one may venture to say that Chief Directorate III had a larger fraction in Parliament in 1990 than the MSZP did.” For details, see: Mihancsik (2005).

institutional changes, many people continued to work in the same or similar positions (Tótkés, 2015, pp. 83-84) and no new secret services were established. Meanwhile, public access to documents carried the risk of victims being humiliated again, for instance due to hidden details of their private lives being exposed. In the end, it was only possible to regulate some partial areas, and with controversial effectiveness to this day. In 2013, however, the National Remembrance Committee was established, partly on the international model, to explore the communist past methodically and scientifically.

The accountability of the most brutal perpetrators of the regime, the implementation of so-called criminal justice, was greatly hampered by the sharp conflicts arising among the parties immediately after the regime change. While before the 1990 elections, the Alliance of Free Democrats were still accusing the Hungarian Democratic Forum, which eventually formed the government, of failing to support a radical regime change, between 1990 and 1994, the very same Alliance rejected the radical justice program. And they did so despite the free democrats promising in their election pamphlet entitled “IMMEDIATELY” that, should they form a government, the SZDSZ would “IMMEDIATELY propose that individuals from the previous regime who had violated the law be brought to justice” (Debreczeni, 1998, p. 268).

It was precisely in this context that one of the most symbolic laws of the regime change was the subject of one of the most influential disputes of the era. Above all, there was the question of the culpability of the perpetrators of the reprisals, murders, manslaughters and treason committed between 1945 and 1963, but particularly in connection with the 1956 revolution. The bill based on the German model and known as the ‘Zétényi-Takács Act’ after the names of the MDF MPs who submitted the draft as a solution to the above would have resolved this difficult legal situation by suspending the statute of limitations for crimes committed under international law. Thus, the statute of

limitations for such acts would have started to run again from May 2, 1990, with the formation of the first freely elected parliament. However, the Constitutional Court declared the Zétényi-Takács Act unconstitutional and annulled it on the motion of the head of state. According to the then President of the Constitutional Court, the Constitutional Court “has always remained within the limits set by the principles of legal certainty, legal continuity, legality, and the inalterability of closed legal relations as a general rule” (Sólyom, 2001, p. 542). According to the decision, “legal certainty based on substantive and formal principles takes precedence over justice, which is always partial and subjective” (Constitutional Court Decision 11/1992. (III. 5.)).

This decision has been heavily criticized to this day, as it raises serious moral issues and the passage of time makes it impossible to hold those actually responsible to account (Ablonczy, 2011, pp. 43-44). Later, an amendment to the law on retrials, which would have enabled justice to be done procedurally, was also rejected by the Constitutional Court (Constitutional Court Decision 42/1993. (VI. 30.)).

In summary: the incomplete and uneven justice administered after the regime change remained a source of moral objections for many even two decades later. This is also proven by the fact that hundreds of people queued up outside a small cinema on the Buda ring road showing the film “Bűn és büntetlenség” (“Crime unpunished”) about the life of Béla Biszku, one of the party-state leaders in June 2010, after the 2nd Orbán Government was formed (Mandiner, 2010a).

2.5 Retention of power (economic and media elites)

“(...) form a ruling class that considers itself to have lost political power. They have been forced back into economic positions; indeed, they prepared this – in military terms – “structured defense in depth” systematically, so that they have trenches behind them to retreat to. They have withdrawn from the first line of political power only to keep a firm grip on the second or the third line, including economic positions. This was effectively facilitated by the close relationships they had developed over recent years with Western business circles. (...) These half-party – half-expert minister-type individuals or party functionaries who used to talk badly of one another, are now mutually assisting each other. One finds their way to a Western company, where they recommend another” – this is how József Antall, prime minister of the regime change, summed up in 1992 the way communist networks survived (Osskó, 2013, pp. 87-88). Indeed, even later,¹⁴ several authors documented in various ways the existence of this type of power retention, primarily in the economy¹⁵, in culture and in the so-called ‘civil’ sector. These actors continued to benefit even after the regime change from this relationship capital they had

¹⁴ This phenomenon was also discussed by contemporaries and decision-makers of the day. For instance, Imre Kónya, MDF floor leader between 1990 and 1993, recalls in his memoirs how members of parliament from rural Hungary complained about this during the Monday morning fraction meetings. “The MPs largely shared the discontent and impatience of their communities regarding the fact that the same individuals were still in good positions who had been there even before the regime change and that hardly any criticism appears in the press concerning the previous regime and those who ran it” (Kónya, 2016, p. 427).

¹⁵ Historian Gábor Mező has been documenting the operation of the communist-post-communist network in more than 80 parts so far on the Pesti Srácok online portal (Mező, n.d.).

accumulated before the regime change. This is how the ‘ossified structures’ from the Kádár era survived and continued to function (Terllér, 2014, p. 366).

The power of networks is well demonstrated by the examples of the left-wing heads of government after the regime change, with careers that are intertwined and sometimes built on each other. The first of these, Gyula Horn, made a name for himself in foreign affairs during the years of socialism and also built himself up in Western Europe from the eighties. Péter Medgyessy, an important member of the technocratic elite in the eighties, worked as a financial expert for various banks, then was Minister of Finance in Gyula Horn’s government, only to return to politics again, as candidate for prime minister, after another four years in banking while his political side was in opposition. Medgyessy was close friends with Piroska Apró whose daughter and son-in-law – Ferenc Gyurcsány – played a key role in his election campaign in 2002. And it was the very same Gyurcsány who replaced Péter Medgyessy at the helm in 2004. Gyurcsány himself was followed as prime minister in 2009 by Gordon Bajnai, his old friend and colleague, who had been a minister in Gyurcsány’s government. It is therefore clear to see that an unbroken personal chain was formed by post-socialist heads of government.

And all this was particularly evident during the sale of state assets, the process called privatization. The bulk of privatization took place under the left-liberal government of 1994 and 1998, whose associates undoubtedly benefited from the process (Lánczi, 2004, p. 16). It is worth reviewing the example of a former prime minister. The writer of a portrait of Ferenc Gyurcsány – later vice-president of his party – also discussed the phenomenon at length. József Debreczeni wrote: “there can be no doubt that, compared to the previous right-wing government, the networks of relations that were woven during the previous regime, or in some way go back to it, have now increased in value during privatization, and in general in the economy, society and public life”. This appeared

in the chapter entitled “multiplication of wealth” in József Debreczeni’s book about Ferenc Gyurcsány, (Debreczeni, 2006, p. 128). The book also reveals that Gyurcsány and other members of the Communist Youth League working in the public sector at the time had already made deals during the Antall Government, with the tycoon Gyurcsány on one side and his former comrades, later co-workers and then governmental colleagues on the other.¹⁶

Gyurcsány, then building himself up as an entrepreneur, privatized several large companies, including an aluminum factory, a financial training and publishing company, a printing company, etc. When the ex-prime minister privatized Motim Rt., an aluminum company, the necessary loan was granted by Magyar Kereskedelmi és Hitelbank Rt., whose chairman of the board was his own mother-in-law, former chief of staff to Prime Minister Gyula Horn. Moreover, Gyurcsány also ran a Members’ Club on the country’s main square, next to the Parliament Building, symbolically expressing the intertwining of the political and the economic elite (Debreczeni, 2006, pp. 138-145).

A key role in the maintenance of post-socialism was played by a sector that was privatized and privileged in a particular way, i.e., the media. The media, which was almost 100% state-owned until 1990, was privatized in multiple steps and in many directions. The common element was that nearly all the new foreign owners and Hungarian tycoons who acquired substantial shares in the media, kept the overwhelming majority of the existing journalists, editors and editors-in-chief in place. The latter had already been inclined towards the Alliance of Free Democrats from 1989 (Debreczeni,

¹⁶ One good example of this is György Szilvássy, later minister overseeing the secret services, and another is Ferenc Rákosi, Szilvássy’s colleague. As Gyurcsány put it – talking of their meeting again in 1991 after a while – “That’s when I got to know Szilvássy again. That was a decisive circumstance for our lives” (Debreczeni, 2006, p. 158).

1998, pp. 281-282), although in the early nineties they were still on good terms with the young democrats (Fidesz) and the socialists who were also on the opposition side at that time.¹⁷ The MSZP also indirectly acted as a media owner, as through one of their party foundations they had a stake in Népszabadság, the largest daily newspaper, whose majority shareholding had been sold to a foreign investor. Also crucially, the locally practically unrivalled county dailies were transferred into foreign ownership; however, as part of a special informal deal, the old communist journalist elite also retained their positions (Debreczeni, 1998, p. 285). It can be noted that, on the whole, other countries in the region, such as Poland, have undergone incomparably more profound changes (Janke, 2013, p. 263).

From 1992, Fidesz was finding itself increasingly in confrontation with the free democrats and, accordingly, with the media elite as well (Pokol, 1995, p. 34). This process was marked by several spectacular episodes. Sources of the day show that a proper media campaign was launched against the party. At the same time, the first right-wing government, and particularly its prime minister and the larger governing party, were operating all the time under a barrage from the mainstream media, yet all their attempts at strengthening a right-wing media failed. Although towards the end of their term in office, they tried to make more resolute steps towards achieving some media balance, in retrospect, all they managed to achieve was to push opposition media workers into the position of victims. No significant improvement was

¹⁷ According to a survey carried out at the time, Fidesz, the MSZP and the SZDSZ were favoured by 38%, 13% and 12%, respectively, of the members of the National Association of Hungarian Journalists while the right-wing MDF was supported by a mere 6% (Janke, 2013, p. 266). In 2000, however, the MSZP and the SZDSZ were preferred by 29% and 24% of journalists, respectively, while the right-wing governing parties (Fidesz, the FKGP (the smallholders' party) and the MDF) were favoured by 22%. (Janke, 2013, p. 270).

achieved by the launch of two major – foreign-owned – commercial television channels or by the spread of online media either. A younger, but also unilaterally committed generation of liberal journalists were offered opportunities at both the commercial television channels and the first online media which grew into the largest.¹⁸

Later, this media elite also played a very significant role in shaping the outcomes of elections. In 2006, the left-liberal prime minister of the day talked, in his infamous ‘Őszöd speech’, about their confidential relationship with certain media. As he put it: “And we had to simultaneously try and make progress with these issues, maintain cooperation and good faith among ourselves, secure the support of the coalition partner and prepare the managers and leading publicists of the most influential papers for what they should expect. We had to engage them in this process. We had to learn not to keep whimpering but keep moving forward” (Gyurcsány, 2007). The fact that Ferenc Gyurcsány and his circle exercised direct control over certain media became crystal clear after 2006. At any rate, it is a fact that no material change occurred regarding media balance prior to 2010, although a number of important right-wing media workshops had begun in the meantime. The fact that the balance of power remained unchanged for decades and that the left-liberal media often has a more profound influence on public opinion than the left-liberal parties themselves is a post-socialist characteristic that can be traced back to the period of the regime change.

¹⁸ In summer 2002, the political right, which had come to be the opposition by that time, had one daily paper (Magyar Nemzet), with a circulation of 100,000, comprising about a quarter of the market for high-quality political daily newspapers, and two larger weeklies (Demokrata and Heti Válasz). It was about that time when the first Conservative television channel, Hír Tv., was launched, after a heated debate on media conditions.

2.6 The regime change system

András Láncki wrote: “since most people had no idea about how a modern pluralist democracy works, what an election campaign is, what the power of modern media means (it was not by chance that the commercial channels started operating under the Horn government), people were socialized to the conditions of the emerging democracy by the reformist communists and their allies, the free democrats” (Láncki, 2002, p. 37). We have discussed above the kinds of agreements concluded during the negotiated transition and how the disintegration of the opposition of the socialist regime began. This was accompanied by the development of the myth of an ‘expert elite’, and while justice was badly compromised, the economic and media elite’s retention of power was virtually uninterrupted. These were all important cogs in the post-socialist machinery, but we also need to scrutinize the functioning of the system as a whole, the practice of the “regime change system”, to understand what happened between 2002 and 2010, and the status quo that had evolved by 2010, which then had to be changed.

The “regime change system”¹⁹ – dubbed a ‘power game’ by Gyula Tellér (2004) when first articulated in 1994, included both the redistribution of state resources rooted in socialism and the struggle for state resources, as well as the resulting ‘preservation of weaknesses’ in the economy, and the satisfaction of the needs of the social sector, consequently, the weakening of capital owners,

¹⁹ The author later summed up the concept as follows: “This system, which replaced socialism, which perpetuated the wrestling towards regime change and has been operating for twenty years now, but which has failed in terms of the original intentions and desire for regime change, is a failed, “stuck halfway” system, a poor ‘macro-sociological construct’ which follows developed civic democracies in terms of form but differs radically from them in terms of content” (Tellér, 2014, p. 351)

thereby making it more difficult to achieve economic progress. As Tellér pointed out, an economic and social sphere that was “underperforming in relation to its obligations”, because it was based on the extraction of income from those who were able to perform better, was joined by the political sphere, in line with the logic of a democratic multi-party system. This is because the opposition at any time is interested in opposing the government which wants to change the ‘regime change system’ and which is thus unable to deliver on its electoral promises, and in supporting the economic and social interest groups that are organizing themselves (‘phalanx development’). And then when the opposition can form a government after winning the election in an auction of promises, only the roles are switched, the logic of the system remains unchanged (Tellér, 2006, pp. 205-217).

Moreover, as Tellér explained in a later paper, in the decades following the regime change, the above system was also driven by investors’ interests, which provided loans to enable the system to operate and thus implement certain economic and social supports. At the same time, they were later paid for with interest, which then reduced the room for maneuver of the government again. Just like privatization, which was supposed to follow the British model, but was in fact implemented too quickly, too cheaply and at too great a social cost. It also extended to strategic sectors, such as energy and public utilities, which exacerbated the situation as they ended up in foreign hands. (György, 2017, pp. 136-143). For instance, in other V4 countries, the state retained some degree of ownership in the telecommunications sector even after privatization: 25 percent in Poland, 51 percent in the Czech Republic and 49 percent in Slovakia (Tóth, Baksay, Bilek, Czakó, Gáspár & Orbán, 2003, p. 16).

These trends weakened not only the prevailing Hungarian state leadership and Hungary’s sovereignty, but at the same time, strengthened the influence on Hungary of certain circles of foreign

investors and other countries, so they proved ‘doubly harmful’ decisions.

Another important element in the ‘regime change system’ was the relatively low number of economically active people compared to other countries, and consequently a relatively high number of economically inactive people. At the same time, satisfying the – often justified – electoral needs of these groups both perpetuated the existing transitional post-socialism and led to a barely sustainable contest of promises. The state resources available for distribution were, at the same time, scant compared to those of Western democracies, which also pushed decision-makers towards indebtedness. Thus, the battle between the wrestling political opponents became a perpetual feud, keeping Hungary financially dependent (Teller, 2013, pp. 346-351).

And this logic was also applied in the elections. From 1994, the ‘party embedded in society’ (Tóké, 2015, p. 98), indeed ‘not even a party but a way of life’ (Lánczi, 2002, p. 58), i.e. the socialists, traditionally and certainly had the backing of the majority of urban voters, together with, in general, the majority of economically inactive people (pensioners and those living on annuities), public servants and the trade unions which had clashed with the Fidesz government on several occasions (with which they then even established electoral alliances) as well as the technocratic elite whose members had gained economic positions during the regime change. The liberal SZDSZ managed to supplement these voters thanks to its relatively high popularity among intellectuals living in Budapest and in other large towns as well as its decisive influence among the opinion-forming media elite, both in Hungary and abroad. The ‘heyday’ of this allied structure was in the first half of the 2000s, the time of Hungary’s EU accession, and it was the disintegration of this system of alliances that enabled the surpassing of the regime change system from 2010 onwards.

3. The legacy of the left-liberal governments between 2002 and 2010

To put it simply, the reason why it is necessary to present the history of 2002 and 2010 before evaluating the year 2010, i.e., the Orbán government, is that the new government's assessment of the damage, facing up to the magnitude of the problem and learning from the mistakes of its predecessors, were parts of looking at the situation honestly. Without the 'content of the previous parts' the benchmark, the zero milestone, the relation system would be missing from the assessment of governance.

Of course, it cannot be said that everything had gone wrong in Hungary between 2002 and 2010: undoubtedly, the legacy of the left-liberal governments was not only – literally and figuratively - debts and deficits. There were certain governmental and national achievements which the proponents of the governments of the time discussed primarily in a context of 'modernization' and in a cultural context, in their apologetics (Gréczy, 2010). It would be difficult to dispute, however, that Hungary was worse off before the elections in 2010 than in 2002 in terms of some very important indicators and, primarily, from a psychological aspect and regarding people's belief in the future²⁰. It cannot have been a mere coincidence that the outgoing socialist governing party's candidate for prime minister was not one of the three prime ministers of the preceding eight years in office, but a new player, Attila Mesterházi.

²⁰ For example, in January 2010 a Medián opinion research institute reported that only some 10 percent of people were expecting improvement in their own households' financial positions and in Hungary's economic situation, and that was the most optimistic result since October 2008 (Infostart, 2010).

3.1 The regime change system ‘reinvented’

Although many of the years between 2002 and 2010 could be considered key years from various perspectives, in the long term, the annals on Hungarian democracy will probably focus on 2002 and 2010. The events of the two election years symbolized the following years as well: 2002 already contained 2003-2006 and 2006 contained 2007-2010. While it was in 2002 that the ‘regime change system’ was ‘invented’, it was 2006 when this power structure reached its peak and then began a rapid decline.

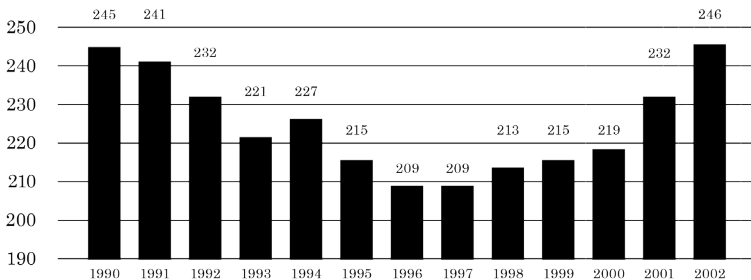
The incumbent center-right government led by Viktor Orbán stood a better chance of winning the 2002 elections than any other previous governing party. The leading governmental force, i.e., the civic Fidesz and the right-wing party of the regime change, i.e., the MDF, formed an electoral alliance and their support exceeded 40 percent.

During the four years of right-wing governance, standards of living increased steadily, by 15 percent overall compared to 1998 levels and had reached their 1990 levels by the last year of the term. The positive economic processes were not questioned even by economist Péter Medgyessy, the socialist’s candidate for prime minister, who had been a member of both the last party-state government and the socialist cabinet led by Gyula Horn from 1996 (Csizmadia, 2004, pp. 108-109). Instead, the MSZP’s campaign was redistribution led, the core message of which was that, even if it were possible, the right-wing government would refuse to give people enough money.

In retrospect, it is a clear and documented fact that in 2002 the left wing tried to build on the well-established Kádár deal of the dictatorship period and the nostalgia associated with it. In contrast to Fidesz, which relied on a civic base of supporters, the MSZP built their election logic on appealing to public servants

and economically inactive groups, while also trying to attract certain sections of the working population. Their program offering what they called a ‘welfare regime change’ comprised various promises. They promised a 50 percent pay increase to public servants, tax exemptions to those earning the minimum wage, one-off and regular extra allowances for pensioners (including the gradual introduction of a 13th-month pension), higher and 13th-month family allowance for families and higher scholarship fees for students in higher education. The originally more restrained program was drafted as part of the election promise contest; practically a total improvisation, disregarding all the economic risks they also saw. Moreover, somewhat unusually, they scheduled the majority of their commitments for the first 100 days of the government’s term of office.²¹

Figure 6
Per-capita real income index
in Hungary between 1990 and 2002 (100=1960)
(own editing, based on Hungarian Central Statistical Office, 2020a)



²¹ For details, see: Pethő (2009).

Another factor in the final outcome of the 2002 general elections could have been that the MSZP – in contrast to its earlier decision – started to oppose the status law that would help Hungarians living outside the borders take up jobs in Hungary, threatening an influx of 23 million Romanians. During the last weeks of the campaign, they also accused László Kövér, one of the regime-changing Fidesz politicians, of having wanted to hang people, using a manipulated voice recording. Both political actions were linked to the aforementioned billionaire businessman Ferenc Gyurcsány, one of the chief organizers of the MSZP campaign at that time. The political divide was at its greatest between the two rounds of the election when Fidesz also took up the gauntlet and launched an effective but ultimately inadequate negative campaign. Large numbers of young people attended the mass demonstrations supporting the governing party, which marked the beginning of a slow but sure erosion; during the following years, the MSZP managed to turn the majority of yet another important group of voters against itself.²² Overall, from both an economic and a moral perspective, the socialists essentially put the future of the country and their own party at risk in the long run, in exchange for the short-term objective of winning the elections.

After the left-liberal victory in the elections, Péter Medgyessy formed a government and implemented the first 100-day program and even announced a second one during the weeks preceding the local elections.²³ By the autumn of 2002, the MSZP had reached its historic zenith and, in alliance with the liberals, won the local

²² According to the youth research carried out once every four years, 49, 59 and 66 percent of party voters below 35 years of age supported Fidesz in 2000, 2004 and 2008, respectively. This was clearly in contrast to Western European trends where young people generally vote for liberal parties (Kmetty, 2019, p. 146).

²³ As part of this, they raised the social policy allowances for home making and provided support to municipalities and farmers in need. For details, see: Origo (2002).

elections as well.²⁴ The left-liberal government could already be sure that they would accomplish one of the key objectives of the regime change; Hungary would join the European Union during their term in office. Eventually, this event took place on May 1, 2004. Hungary's EU accession provided Hungary and the Medgyessy, and later the Gyurcsány, governments with substantial additional resources in the medium term – in addition to its prestige value – and, moreover, further strengthened the international relationships of the left-liberal side. Accomplishing the 'Brussels connection' did not supersede, but rather reinforced, the socialists' conventional compulsion to conform to the requirements of foreign power centers. It was at this time when the fault line in Hungarian politics became apparent, separating the left-liberal side, which approached Brussels without any criticism, from the sovereigntist Fidesz, a party that is also aware of the negative impacts of accession but which is a nonetheless pro-membership, i.e., a 'Eurorealist' party.²⁵

At the same time, it quickly became clear that the socialist prime minister had insufficient control over his party. Since 1990, the MSZP had been organized on the basis of so-called platforms, i.e., the divisions within the party during the regime change had ossified, typically in the form of camps around various stronger politicians. The difficulties were exacerbated by the fact that Medgyessy's past as a secret service agent (under the code name of D-209)²⁶ compromised his relationship with the SZDSZ, a party

²⁴ Gábor Demszky was re-elected Mayor in Budapest – despite a socialist candidate also running for the position. The left-liberals were victorious in the Budapest districts (their candidates won 17 of the 23 districts). As for rural Hungary, left-liberal parties won 17 of the 19 counties and socialist or free democrat mayors were elected in 17 of 22 county towns.

²⁵ On this phenomenon regarding sovereignty, see our earlier study: Alapjogokért Központ (2019).

²⁶ For details, see: Torkos (2002).

founded by individuals who had been under surveillance by the services.

The first serious signs of crisis appeared in 2003 and were followed by what was essentially a replay of the failure of socialism, played in fast forward. The coalition came up against major economic problems in 2003. The general government deficit reached nearly 10 percent in 2002, and the increase in public debt also started to accelerate. In 2003, a total of three attacks were launched against the Hungarian forint - another sign of the vulnerability of the national economy (Csizmadia, 2004, pp. 149-150). Taken together, this immediately jeopardized the planned introduction of the euro in 2006. Although the Medgyessy government secretly started to prepare the necessary austerity measures for an adjustment, the necessary steps were not announced at that time due to the ongoing campaign for the 2003 spring referendum on Hungary's EU accession. However, a fierce professional and political debate started between the left-wing government and the heads of the independent financial institutions – appointed by the previous prime minister –, the governor of the central bank and the Hungarian Financial Supervisory Authority (PSZÁF) (Gazsó, Giró, Szász & Stumpf, 2003, p. 33). The President of the Hungarian Central Statistical Office and the PSZÁF were both replaced. The target date for adoption of the euro was postponed by the government first to 2008 and then to 2009 in 2004.

The socialists' intra-party feuds in 2003 simultaneously evoked the past and foreshadowed the future and the subsequent party splits. The party's difficulties were exacerbated by the increasingly frequent conflicts between the old-school socialist leaders' bureaucratic management style and the 'reformist' ideas of up-and-coming young party members. This was compounded by the clashes between the prime minister and the party elite. At this time, public discussion of the debates within the MSZP became increasingly frequent (Tóth & Török, 2015, pp. 69-71), and the aforementioned chief advisor to the prime minister, Ferenc Gyurcsány, who was

appointed Minister of Children, Youth and Sports in 2003, was making his heir-apparent program increasingly public, more openly criticizing Medgyessy's economic policy (Debreczeni, 2006, pp. 262-263).

At the very beginning of 2004, the prime minister replaced his minister of finance and Tibor Draskovics, the new minister of finance, immediately introduced austerity measures and raised the annual deficit target. Those measures were less likely to affect the socialist voter base, so the active, working classes were again targeted. At the same time, huge amounts of money continued to be spent on building motorways, symbols of the government's modernization efforts.²⁷

By 2003, the popularity of Péter Medgyessy and his government had soared to a level never seen before by any government; however, the support of his cabinet proved to be as volatile as the heights to which it had risen (Gazsó et al., 2003, p. 25). Fidesz successfully reorganized itself in the spring of 2003 and an even stronger Viktor Orbán was then elected head of the opposition party, which now functioned as an alliance with a larger membership and a more hierarchical structure. It had already become clear at that time that the political left was not able to make the fundamental choice between a reformist-social democratic line and a conventionally socialist – in a social sense, conservative – line. Thus, and because of Medgyessy's personality, many programs were announced but most of them failed to materialize (*ibid.* p. 30). This phenomenon became even more pronounced during the second term of Ferenc Gyurcsány's government, which we will discuss in more detail, since it was partly this unresolved strategic dilemma that led to the

²⁷ At the same time, they failed to construct even half the 800 kilometers of new motorways by 2006, one of their election campaign promises in 2002. For more on this, see: Dudás (2005).

total bankruptcy of the left-liberal government in 2009. However, this phenomenon is also worth examining at this point because it also played a key role in Péter Medgyessy's downfall.

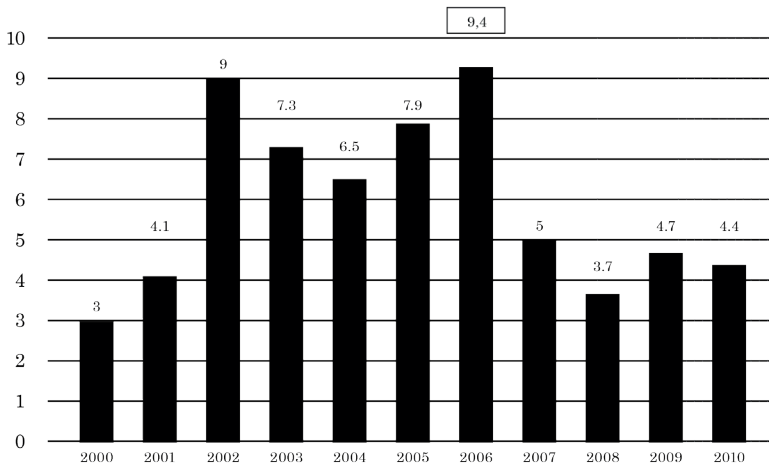
First of all, let us review how the prime minister was replaced in mid-term. While Péter Medgyessy, lacking adequate concepts to go by, was more and more on the defensive against Fidesz which was gaining ground in opinion polls, Ferenc Gyurcsány turned against his superior and presented himself as an alternative to Medgyessy at internal forums and his roadshows. In contrast to the prime minister's ideology of a 'national center' and his proposing to 'bury trenches', Gyurcsány's rhetoric was focused on planned and deliberate conflict with the opposition, including the fight against what he referred to as the 'Fidesz shadow state' (Debreczeni, 2006, 248-249). Gyurcsány, a representative of the socialists' reformist wing, which was somewhat closer to the SZDSZ in terms of content, criticized Medgyessy especially for his social policy which Gyurcsány felt failed to create adequate opportunities and for his failure to reform the large welfare systems (*ibid.* pp. 248-252).

The first European Parliament elections in Hungary in June 2004 were won by Fidesz, 13 percent ahead of the socialists. This caused panic in the latter's camp, as they rightly feared that it marked the beginning of a trend which might even result in a two-thirds victory for the increasingly unified right wing in the majoritarian Hungarian electoral system. There was a growing demand to replace Medgyessy, and the government crisis in the summer was ultimately triggered, as a *casus belli*, by the removal of the liberal minister of economy accused by the prime minister of corruption. In just two days, it became clear that what was really at stake was not the survival of the SZDSZ minister, but that of the prime minister due to the weakening of Péter Medgyessy. Although the socialist party elite had intended Péter Kiss, the minister representing the traditional socialists, to succeed Péter Medgyessy, the congress party vote on this was won by a large margin by Ferenc Gyurcsány. The latter was also more acceptable

to the free democrats, so could form his government in September 2004.

The new prime minister was faced with a difficult decision, taking over in mid-term, he would have had to implement a series of reforms and budgetary corrections continually delayed by his predecessor, which would obviously have reduced his chances of being re-elected in 2006. Gyurcsány subsequently confessed this dilemma in some detail in his infamous Őszöd speech in the summer of 2006. Finally, self-interest won out over governmental action in the country's best interests, and the new government devoted the remaining more than a year and a half until the elections to confrontations with the opposition.

Figure 7
Changes in the budget deficit
in Hungary as a percentage of GDP
(own editing, based on Hungarian Central Statistical Office, 2020a)



Gyurcsány above all tried to give the technocratic socialists a distinctive ideological image. To this end, he tried to adopt and implement in practice the Blairian social democracy – the so-called Third Way – which he had regarded as a role model for many years. This seemed a strange choice of direction in Hungary because the two countries were very different in terms of relations, history and social stratification. There were, however, certain third way type patterns that could be easily incorporated into the MSZP's governance. The concept of preferring private ownership to state ownership was, for instance, easily embraced by the socialists who were at the forefront of privatization – something quite unusual for a left-wing party.

Gyurcsány's confrontational politics proved successful within the MSZP – and even in the SZDSZ – for quite some time. Eventually, the prime minister, by his own admission, went against the – in many aspects liberal²⁸ – concept of dual citizenship for Hungarians living abroad, in the run-up to the referendum on December 5, 2004, with a “set of arguments designed to be easy to understand ” (Debreczeni, 2006, p. 325). Moreover, the MSZP and the government used such blatant social demagoguery during their campaign that a subsequent president of the party – Attila Mesterházy – was forced to go to Transylvania to apologize for it.²⁹

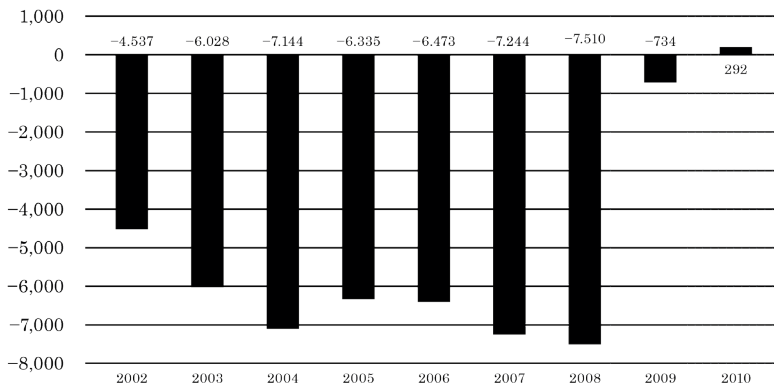
²⁸ The globalist-liberal British weekly *The Economist*, for instance, expressed its support of the possibility of dual citizenship on multiple occasions. See for example: *The Economist* (2012).

²⁹ To this day, Ferenc Gyurcsány has not done so, and his party has since launched several campaigns against Hungarians living abroad. For Attila Mesterházy's apology, see: Mandiner (2013).

It was also crucial for the future of the country that Gyúrsány, like Medgyessy, started a new type of redistribution. Part of the broad welfare package had been implemented before the 2006 elections, partially as an extension of Medgyessy's program.

Some of the holes in the budget were plugged by selling off important state assets, others by borrowing. Both these strategic decisions increased Hungary's exposure to foreigners. Meanwhile, the current account imbalance had been a growing problem all along. This meant that until 2008, when the global crisis broke out, our domestic consumption continuously and increasingly exceeded the income generated by the Hungarian economy. Thus, the financing of the Hungarian state and economy became increasingly vulnerable in the years before the 2008 crisis.

Figure 8
Development of the current balance of payments
in Hungary between 2002 and 2010 (EUR million)
(own editing, based on Hungarian Central Statistical Office, 7.3.19.1.)



Nonetheless, the redistribution-spending policy proved successful in the short term. Gyurcsány's one-man communication campaign yielded results virtually from the start³⁰ and restored the MSZP's chances in the 2006 elections. Although they fell behind Fidesz again for some time in 2005, they had caught up by the end of the year and went on to win the 2006 elections. The resulting proportions of mandates were similar to those of the 2002 elections – indeed, the socialists even gained some ground overall. This was the first time since the regime change that a government had been mandated for a second term and some analysts even started to discuss the prospects of a decade of socialist governance. However, the country's budgetary situation and the lies about it that came to light changed the course of events completely in the long term. Before discussing these, it is worth briefly touching on some of the features of the years 2002-2010 that largely determined the room for maneuver of the government that took office in 2010.

³⁰ According to surveys conducted by Szonda Ipsos Gyurcsány's popularity increased from 25 percent in October 2003 to 43 percent in September 2004 and up to 53 percent in March 2006. By the end of the year Fidesz's lead over the MSZP dropped – according to results produced by four opinion research institutions – from 17-27 percent to 4-9 percent among respondents saying they would definitely go to vote and for a specific party (Debreczeni, 2006, p. 321).

3.2 Indebtedness and arrears

As indicated earlier, the country's indebtedness was one of the worst, if not the most damaging, legacies of socialism. After the regime change, privatization, which was stepped up from the mid-nineties, managed to reduce the Hungarian government debt to 58 and 53 percent of GDP by 1998 and 2002, respectively. Although some economists argue that certain negative processes had already begun in the second half of 2001, partly as a result of the September 11, 2001 terrorist attack, nobody doubted that one of the Maastricht criteria for adopting the euro of a debt-to-GDP ratio of no more than 60 percent could be met.

However, from 2002 onwards, the left-liberal government gradually abandoned the fundamental principle, upheld by the two former prime ministers, Gyula Horn and Viktor Orbán, that the Hungarian state does not borrow funds, especially foreign loans, for current welfare spending. The abandonment of this tacit agreement resulted in short-term political success, but medium-term economic difficulties. The latter, of course, affected not only government politicians of the time but Hungary as a whole.

In total, the gross debt of the Hungarian government increased by more than two and half times in nominal terms by the end of the first half of 2010, compared to the debt level in the first half of 2002.

It is worth noting, of course, that the amount itself of the debt carries little information, therefore in economics, it is usually expressed as a percentage of the total output of the economy, i.e., the annual gross domestic product (GDP). In GDP terms, the increase does not seem as dramatic as it does in nominal terms, nonetheless it still reached a critical level. Especially if one adds the fact that the majority – 56 percent³¹ – of Hungary's financial liabilities were

³¹ Data as at the end of 2010 Q3 (Ministry for National Economy, n. d.).

owed to foreign entities and nearly half – 48 percent, up from 25 percent in 2002 – were in foreign currency (György, 2017, pp. 210-211). Moreover, between 2001 and 2008, the seven years before the crisis – a slight exaggeration – GDP growth was 21 percentage points (from 52 to 73), a record for EU member states in negative terms. Nearly all the other member states managed to reduce their indebtedness over this period (Palócz, 2013, p. 55).

Moreover, it was not just this increase in public indebtedness, but other areas were also affected by the state's peculiar financing logic. Firstly, the Hungarian state withdrew from areas where its presence would have been important. The Orbán Government's housing subsidy policy was seen by the left-liberal government as excessively generous, thus it virtually stopped providing extensive support for forint-based mortgages. This resulted in short-term savings for the state, but longer-term losses, as people turned to a toxic product, foreign currency loans, mainly in Swiss francs, sold by foreign-owned banks, ignoring the exchange rate risk inherent in the loans. In just a few years, foreign currency lending grew to thousands of billions of forints, and Hungary has paid a heavy price for this since 2008.

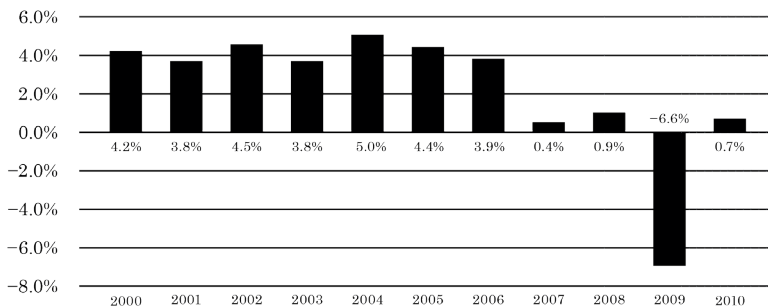
Secondly, the state also took a back seat in financing municipalities, while imposing additional burdens on them, such as the costs of administering pay rises for public servants. From the second half of the 2000s, indebtedness also increased here, primarily by issuing foreign currency bonds, and these burdens had to be consolidated after 2010.

Thirdly, in the corporate loan markets, the state did not withdraw but acted – indirectly – as a competitor, as the Hungarian state had to borrow ever larger amounts, at ever higher interest rates, thus increasing the cost of borrowing on the corporate market too. Hungarian businesses, particularly Hungarian-owned ones, found it increasingly difficult to raise funds, with increasing collateral required and rising interest rates. Moreover, pay rises in the public sector were pulling up wages in the private sector; however,

businesses could not keep pace with employers in the public sector and wages in the private sector remained lower during his time. The repercussions of these trends were most painfully felt towards the end of the decade, during the deepening economic crisis.

In addition to its increasing indebtedness, another serious economic legacy of the 2002-2010 period was that the Hungarian economy was gradually falling behind its regional competitors, particularly the other V4 countries. Typically, while economic growth in Slovakia and Poland was peaking, Hungary was stagnating because by then severe budget cuts were needed, due to market pressure, as a result of the preceding years' overspending.

Figure 9
Changes in Hungary's
gross domestic product between 2000 and 2010
(own editing, based on Hungarian Central Statistical Office, 2020a)



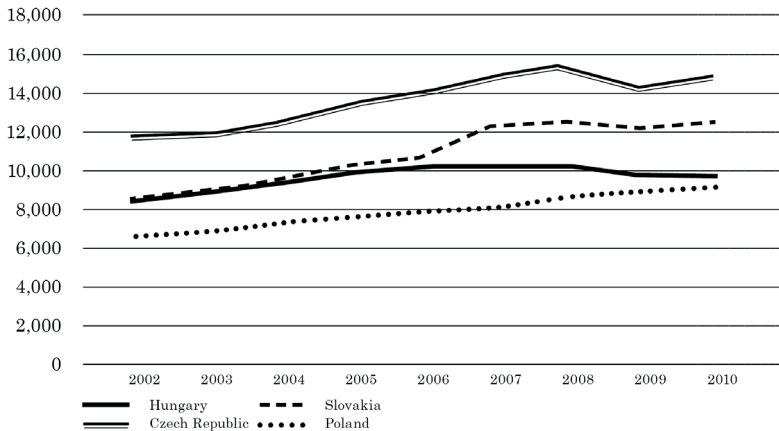
In 2001, the last full year of the Orbán Government, Hungary still had the highest GDP growth rate. In retrospect, the average growth rate of the 2002-2006 period does not look bad either, but this should be put into context with the two factors. On the one hand, growth at that time was accompanied by severe indebtedness. On the other hand, Hungary was already underperforming compared to the average growth rate of its neighboring countries.

Hence, despite the economic leadership's decision to base its economic policy not on domestic drivers, such as consumption and the strengthening of Hungarian-owned companies, but on attracting large foreign companies and their growing exports, by 2006, the Hungarian economy's growth reserves were exhausted and even foreign loans were no longer a solution. Almost immediately after winning the election, Ferenc Gyurcsány proposed an austerity package. Called the 'New Equilibrium Program', the austerity plan included a series of tax increases, including a special 'solidarity' tax for private individuals and businesses, increased employee and health insurance contributions, introduction of a minimum contribution base, an increase in the recently reduced VAT rate from 20 percent to 25 percent, an increase in interest tax and capital gains tax, an increase in vehicle tax;³² a tax on pensions, a three-stage increase in excise tax, an increase in special taxes called health contribution and simplified entrepreneurial tax, an increase in duties, and cuts in energy price subsidies.

³² The vehicle tax increases – which did not generate substantial revenues – became symbols of Gyurcsány's governance. That was the time when the number of privately owned cars with Slovakian number plates increased and when Slovakia overtook Hungary in terms of economic development and a variety of other indicators.

Although the primary goal of rebalancing public finances was largely achieved, it was accompanied by a decline in economic activity in many respects: businesses, in particular were hard hit by the increased tax burden, which made life more difficult for the middle class, while unemployment and the shadow economy grew, and the inflation rate began to rise. At a time when both the global economy and the European Union were enjoying growing peace, and the other economies in the region, particularly the other V4 countries, were growing rapidly, Hungary slammed on the brake (Kitta, 2010, pp. 63-68). When the global crisis broke out, Hungary had its foot firmly on the economic brakes and its debt levels were rising.

Figure 10
Changes in the per-capita gross domestic product
in the V4 countries between 2002 and 2010
(own editing, based on Hungarian Central Statistical Office, 2010)



3.3 Social crisis, the breakdown of embourgeoisement

As previously mentioned, the regime change system, and the 'reinvented' version of it after 2002, was based by less on economically active, tax-paying employees and entrepreneurs than on economically inactive people and those more dependent on the state. So, the socialists decided to put the lion's share of the burden on the shoulders of the middle class, the bourgeoisie, while ensuring they protected the interests of their core supporters, especially pensioners.

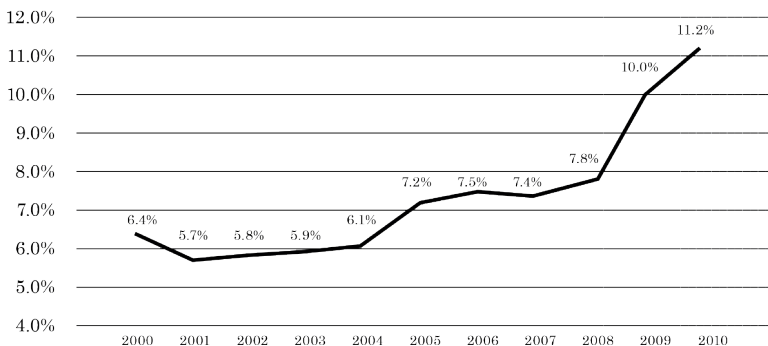
By 2006, the imbalances had become so bad that they could not even have accomplished this unspoken but clearly identifiable objective. Thus, for example, the tax increases introduced from summer 2006 onwards, such as the increase in taxes on the earnings of those working while also receiving old age pension, the VAT increase and, to some extent, the cuts in the energy price subsidies, also hit vulnerable groups hard. Moreover, the root cause of the problems remained unchanged, with the lack of jobs continuing to determine the living conditions of some of the economically inactive, exacerbated by the impact of the austerity measures.

As for employment, the 2006-2010 period was a period of labor market crisis caused by the regime change. About one and a half million jobs vanished in Hungary in the early nineties, of which only about half a million were replaced, and these were swept away by the 2008-2009 crisis. It should be noted that while in Hungary about 30 percent of jobs were lost during the regime change, Poland and the Czech Republic only lost 20 percent and 10 percent, respectively. The problems were exacerbated by the dual economic structure that had evolved, where well-capitalized multinational companies paying low taxes operated alongside Hungarian SMEs whose aggregate tax rate had increased to 57.5

percent by 2010 (György, 2007, p. 207-2012). This naturally also reduced businesses' employment potential, thus hindering the creation of a work-based economy.

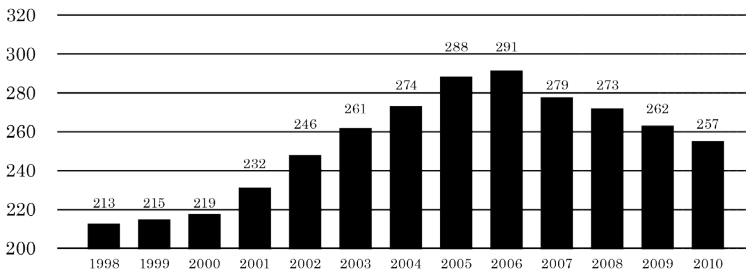
In spring 2009, an influential socialist politician, Erika Szűcs, made a “revealing confession” about the collapse of the regime change system at a corporate managers' forum in Ajka. According to the report on the event (Management Forum, 2009), the minister said that the regime change's greatest debt to society was in the field of employment, where there had been no substantial progress in two decades. She added that Hungary had not yet tackled the question of employment since the regime change in a thorough or sufficiently differentiated way. She also discussed in detail the fact that about a million people of working age were receiving various social benefits and, of them, 210,000 were receiving regular social support and, the greatest number, 460,000, were disability pensioners below 62 years of age. She noted that at least half of the million people were on social benefits in lieu of employment.

Figure 11
Changes in unemployment
in Hungary between 2000 and 2010
(own editing, based on Hungarian Central Statistical Office, 2020a)



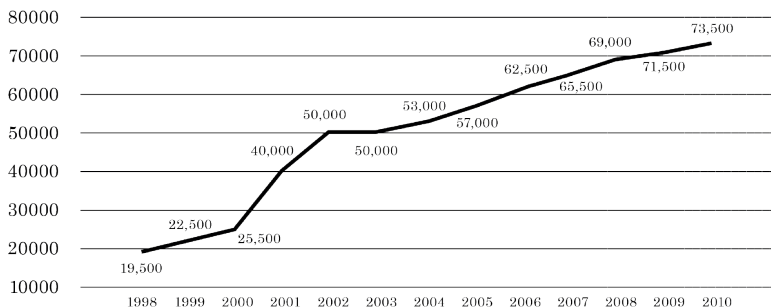
The next basic question after the existence of jobs is the recognition of work, i.e., wages. There were problems with this in Hungary until 2006, but at least there was some increase. The period 2007-2010 also saw an interruption in this trend and a halt in income growth. The evolution of the real per-capita income index 1998 and 2010 (see Figure 12) is very revealing. Compared to the base year of 1960, there was a 33 point increase between 1998 and 2002, followed by a 45-point growth between 2003 and 2006 and a 34-point drop between 2006 and 2010. In other words, real incomes increased by a total of 11 points – relative to this base – during the eight years of left-liberal government, i.e., averaging just 1.38 points a year, compared with the more than 8 point annual average seen under the civic government.

Figure 12
Per-capita real income index
in Hungary between 1998 and 2010 (basis year: 1960)
(own editing, based on Hungarian Central Statistical Office, 2020a)



One factor that had a major impact on the functioning of the Hungarian economy as a whole may have played a role in all this. Namely the development of the minimum wage and the guaranteed wage minimum. i.e., ‘trade minimum wage’. There was also a philosophical difference in the thinking of the two political sides. During its term in office, Fidesz substantially raised the minimum wage, but at the same time, from 2002, it levied a 12 percent personal income tax on it, ending its previous tax exemption. This was abolished by the socialists, but granting this tax exemption made it more attractive for people to register with the minimum wage, thus increasing the shadow economy. Obviously, the tax exemption of the minimum wage prompted a casual alliance between entrepreneurs and workers, whereby part of the actually higher wage was settled officially tax-free and the rest was simply ‘pocketed’. Experts estimate that about half of minimum wage earners at that time also had an additional income from work, which is an astonishing proportion, by international standards (Balog, 2014, p. 16).

Figure 13
Changes in the gross minimum wage
in Hungary between 1998 and 2010
(own editing, based on Hungarian Central Statistical Office, 2020a)



Of course, this practice of tax evasion increased the burden on employees and entrepreneurs who regularly and lawfully paid their taxes. Above all, the burden on the middle class increased, since while minimum wage earners, and lower income earners in general, often chose to avoid taxes out of necessity, the elite had access to a myriad of affordable 'tax optimization' techniques. The middle class was also hardest hit by the above phenomena, from foreign currency loans to austerity measures and from shrinking incomes to employment problems. In general, the middle classes were usually negatively affected by the preferential choices of social-liberal governments and their focus on a needs-based principle. While Péter Medgyessy initially applied universalist principles by raising the family allowance, his turning the civic government's housing subsidies into a needs-based form of assistance, followed by Ferenc Gyurcsány's termination of the family tax allowances for families with one or two children, indicated clear political preferences.

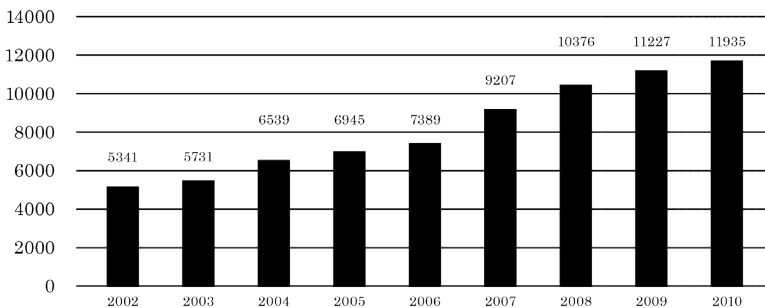
This, however, does not mean that by withdrawing resources from the middle classes, the social-liberal government was able to keep a strong protective umbrella over those most greatly in need during the crisis. This has been shown in several surveys, but it is, of course, worth looking at the whole period together. While in 2001, 41 percent of Hungary's population lived in impoverished households, accounting for 38 percent of all households, this had changed to 44-37 percent and 49-42 percent by 2008 and 2010, respectively. Furthermore, while the number of people aged under 20 dropped from 2.4 million to 2 million between 2001 and 2010, the number of those in this group affected by at least two of the five poverty indicators (comfort, appliances, unpaid bills, overcrowding, living below subsistence level) increased by 114,000 (*ibid.* p. 285).

Besides many of the factors mentioned above, the dramatic increase in the cost of utilities may also have played a decisive role in the persistence or worsening of poverty. The price of gas rose

from €3.88/gigajoule in 2002 to €11.90/gigajoule in 2010, a three-fold increase for medium-sized households, according to Hungarian Central Statistical Office (HCSO) data. The price of electricity doubled over the same period, from €0.072/kWh to €0.13/kWh.

Given these figures, it is not surprising that the collapse of the left-liberal coalition government was directly triggered by a referendum also about livelihood issues. On March 9, 2008, more than 3.3 million people said ‘No’ to visit fees, hospital stay daily fees and tuition fees in a Fidesz-KDNP-initiated referendum, an unprecedented turnout in the history of referendums in Hungary (Stumpf, 2008, pp. 39-40). In fact, the socialists gradually turned against part of their own core voter base, partly due to the crisis and partly in pursuit of their own neoliberal ideology. This was clearly illustrated by the fact that more than 40 percent of the total population voted against them in the social referendum and that more people had never voted for the Fidesz-KDNP coalition in a general election before, or since.

Figure 14
Changes in the household energy price index
in Hungary between 2002 and 2010 (100=1960)
(own editing, based on Hungarian Central Statistical Office, 2020a)



We have already provided detailed economic statistics to show that Hungary was in a bad position at the onset of the global economic crisis in fall 2008: the high level of public debt compared to other countries in the region, its difficulties in financing and signs of political stability made Hungary particularly vulnerable to speculators.³³ Not only were the Budapest Stock Exchange and OTP, the largest Hungarian bank, attacked, the situation was exacerbated by the central bank's insufficient foreign exchange reserves at the time.

Within a few hours, the Gyurcsány Government, realizing that market financing was impossible, turned to the International Monetary Fund and the European Union for help. The IMF, the EU, the World Bank and the Hungarian Government reached an agreement within two weeks, and Hungary received a 20-billion-euro credit line in exchange for strict credit conditions (Bod, 2011, pp. 196-202). As part of the agreement, the Gyurcsány Government undertook additional tough austerity measures (Bohle & Greskovits, 2012, p. 242), including promising to further reduce the deficit in the coming years, strengthen the stability of banks and take additional steps towards a more sustainable pension system. Repayment of the loan was set for the period 2010-2014, almost exclusively during the next government term.

³³ Gordon Bajnai – then Minister of National Development and Economic Affairs – said of watching the manager of one of the largest hedge funds on television: “the interview starts with the reporter asking: what kind of a return did you make in September? And he answered that September was already history, but my Hungarian friends put three percent in my pocket today. And then he went on at length, what is the first thing that makes you feel like flying off the handle, and the second thing that makes you wonder why we didn’t do better during the past 18 or 8 or 6 or 4 years, why we didn’t make such speculative attacks impossible”. (For details, see: Mozgó Világ, 2008).

As far as social policy is concerned, the socialists had to abandon their original plans as in September 2008, they had based the 2009 budget on 3 percent assumed growth. From an electoral point of view, it was crucial that, while they had planned to spend about a fifth of the expenditure on benefits for pensioners, their staunch supporters, now they had to modify this and undertook to cut the 13th-month pensions. The government also promised to freeze certain social benefits and public sector salaries in the context of the IMF loan agreement³⁴.

All this was followed by further announcements on March 30, 2009 by a new prime minister-designate, Gordon Bajnai. The third socialist prime minister in five years, introduced the HUF 1,200 billion additional austerity measures with the memorable phrase: “it will hurt”. The measures taken then included, for example, axing the 13th-month pension and the 13th-month public sector salary, cutting spending in many public institutions along with other measures resulting in minor savings but sending very negative messages, such as freezing the amount of the family allowance for two years and reducing the payment of child benefit and the child care fee to two years from three, from May 1, 2010 onwards (Lakner, Pungor, Szabó & Faragó, 2019, pp. 80-81).

³⁴ This is how the agreement came to be known in public discourse, based on the name of the largest lending organisation.

3.4 Rule-of-law crisis, democracy deficit and public safety issues

The ‘Őszöd speech’ delivered and quickly leaked out in 2006 triggered a rule-of-law crisis in Hungary. It transpired from Ferenc Gyurcsány’s words that Hungary’s economic and financial position was not only dramatically different from the positive picture projected before the general elections but also that the socialists knowingly deprived voters of any chance of learning the truth. The local elections eventually brought the downfall of the governing MSZP-SZDSZ coalition and the victory of Fidesz.³⁵ This also meant that thousands of local cadres of the left-liberal coalition lost their positions while the center-right opposition was given an opportunity to build strong local governmental positions. Structurally deeper and more severe damage, which went beyond the electoral defeat, was, however, caused by the crisis of confidence that emerged in the wake of the Őszöd speech.

The legitimacy of the government – if not the legality of the 2006 election – was called into question by the majority of the parliamentary opposition. One of the inherent features of the lopsided Hungarian constitutional transition was the predominantly liberal, institution-centered regulation which, however, capitulated during the 2006 autumn demonstrations and the mass police crackdowns, abusing power, against demonstrators.

³⁵ The left-liberal alliance lost the local elections, except for Budapest: Gábor Demszky was re-elected, with a small majority; the left-liberal coalition won a one-seat majority in the Budapest General Assembly. A total of 13 out of 23 Budapest districts continued to be led by socialist or liberal mayors. Outside Budapest, however, most left-wing candidates were defeated. Fidesz won an absolute majority in all but two county general assemblies and its mayoral candidates won in 16 of the 23 towns with county rights.

On October 23, 2006, the Fidesz-KDNP alliance held a rally in honor of 1956, attended by hundreds of thousands of people. In the middle of the night preceding the remembrance celebrations, the police evacuated Kossuth Square by force, removing the people continuously demonstrating there, practically beating them out with their batons, also from the vicinity of the square.³⁶ On the national holiday, a crowd of many thousands tried to get through the police cordon to the vicinity of the Parliament Building, which was cordoned off for the state ceremonies, but were prevented by the police's bloody riot control operation. Police, pursuing some more radical demonstrators, forced people fleeing from the site towards the peaceful Fidesz rally, and where the two different crowds converged, they injured³⁷ dozens of people, including an MP there, with their rubber bullets and batons. Ferenc Gyurcsány later stated that the police had acted in an exemplary way and admitted that he had been in touch with the head of the police throughout October 23, 2006³⁸.

The democracy deficit in governance was also exacerbated by the social referendum in early 2008, the break-up of the coalition who had campaigned together in 2006, then the effects of the global economic crisis as well as the replacement of the prime minister in 2009 without an election. It is no coincidence that the possibility of early elections was continuously on the agenda during the 2006-2010 government term, as the governing coalition had lost three

³⁶ In 2010, the Supreme Court ruled that the evacuation of the square was in itself unlawful.

³⁷ The National Ambulance Service reported 141 civilian casualties: 16 of whom were seriously injured by rubber bullets, including open wounds to the chest and neck, gunshot wounds to the abdomen, traumatic amputation of fingers, foreign bodies entering the eyeball and fractures to the skull

³⁸ The European Union turned a blind eye to the atrocities and the Hungarian state apologized to its citizens in June 2010 in Parliamentary Resolution 33/2010.

general elections during the period, yet the National Assembly was not dissolved until spring 2010.

At the same time, however, the rule of law in Hungary was beset by other, often decades-old, problems. By September 2009 the National Assembly had committed 21 cases of constitutional violation by omission due to the absence of a qualified majority and the divisions between the different political sides. In 18 of these cases, even the deadlines set to remedy the omissions had expired. For example, legislation on the parliamentary representation of minorities had been delayed since 1992 and the compensation of certain citizens who suffered losses during World War Two had not been paid since 1997 nor had that, less than 50 hectares of land, of ethnic Hungarians resettled from Czechoslovakia (in which case the deadline was June 30, 2004). Moreover, the sub-constitution involving rules of parliament relating to the rules on forming party groups had been infringed by omission since 1999, and the deadline for settling the legal status of parliamentary committees had been missed in March 2004. Access to data of public interest is still a 'hot topic' today, which has also involved a lengthy violation of citizens' rights through a constitutional violation by omission.

Moreover, since the regime change, the local government sector had been subject to a legality control system, which has given it greater autonomy than state administration. In 1994, the government established county and Budapest administrative offices which also performed state administration tasks. The most important step in the rationalization process, strongly advocated by left-wing governments, was the transfer of county governments to a regional level, coupled with the strengthening their state administration powers. However, a two-thirds majority would have been needed to regulate the right of control over local authorities. Although regional reform was launched in 2006 in its absence, the government had not yet succeeded in implementing its planned change, partly because of Constitutional Court rulings that ruled

the change was unconstitutional.³⁹ As a result, from January 1, 2009, the supervision of local governments by the rule of law practically ceased to exist, except for the constitutional control of the Constitutional Court (Kovács, 2010, pp. 283-285), and this remained the case until the change of government in 2010.

Another important, long-standing constitutional omission was the issue of the regulation of constituency delimitation. In 2005, the Constitutional Court had ruled that⁴⁰ the legislature had to make the constituency system more proportional by June 30, 2007. In its ruling, the Constitutional Court:

- ruled that the horizontal equality of electoral rights was violated by substantial differences between the weighting of votes cast in each individual constituency, and therefore the principle of equality of electoral rights had not been respected due to the legislature's omission;
- noted that the application of the constituency boundaries drawn before the regime change had led to major disproportionalities (e.g., in Gödöllő, there was one constituency of 67,000 people, while in Veszprém, only 27,000 voters determined the fate of one seat);
- the Constitutional Court also significantly restricted the room for maneuver of the legislature by stipulating that the largest constituency may not be twice as large as the smallest. This was intended to minimize the differences between individual constituencies.

³⁹ The government's legal trickery was annulled first by Constitutional Court Decision 90/2007. (XI. 14.) and then by Constitutional Court Decision 131/2008. (XI.3.).

⁴⁰ See Constitutional Court Decision 22/2005. (VI. 17.)

Since no change had taken place in this regard by 2010, the two-thirds majority found itself under pressure to pass laws.⁴¹

Having discussed the growing phenomena of rule of law crisis from 2006, it is also worth saying a few words about the crisis of the state. This is important for the purposes of our discussion, so that we can at least outline the fact that the government that took office in 2010 did not have an orderly, optimal state apparatus capable of carrying out its tasks quickly and accurately. This is perhaps best illustrated by the fact that there had been no Ministry of the Interior since 2006, which proved a poor decision (Sárközy, 2012, pp. 339-340). Nonetheless, under the pretext of transforming the public administration system, they generated tensions between politics and bureaucracy. There was a sense of political dissatisfaction with the public administration and there was an explicit claim of responsibility for the fireworks on August 20, 2006, which resulted in five deaths (Müller, 2008, pp. 85-91). Although the reforms to the public administration begun in 2006 had some results in the area of austerity, the state reform itself failed, partly due to the political and economic crisis outlined above (Sárközy, 2012, pp. 329-362).

Moreover, the perception of the state as a whole was dominated by neoliberalism, the concept of the 'bad state' and the practice of outsourcing. This was served by the privatization which continued, though on a smaller scale, between 1994 and 1998 (e.g., Budapest Airport), which already involved the remaining largest (partly) state-owned companies and thus also entailed national strategic risks (e.g., the MOL-OMW deal, the intention to sell the national electricity group MVM). The state reform was left unfinished, not only in the public administration but also in the healthcare system, while the insurance reform, which was ultimately not

⁴¹ For details, see: Alapjogokért Központ (2013).

implemented, took away the power of the ministry to take the necessary measures. Indeed, the healthcare sector became a target of austerity measures; hence, between 2003 and 2010, Hungary experienced the largest withdrawal of resources among compared to the healthcare sectors in other OECD countries. The livelihoods of healthcare employees were especially hard-hit by the above changes: hospitals were closed and the infrastructure as well as primary care deteriorated (Giró & Szász, 2019, p. 25).

As far as foreign affairs are concerned, the increasingly weakened country was not able to stand up for its interests, and this was evident from the outside, the sad culmination of which was the return of head of state László Sólyom from the town of Komárno in Slovakia on St. Stephen's Day, August 20, 2009. Bilateral relations worsened not only with Hungary's northern neighbor but also with Poland, Hungary's strategic ally for centuries (Magyarics, 2010, pp. 385-388). Moreover, since Hungary held the EU presidency in the first half of 2011, the failure of the foreign affairs administration to prepare the foreign affairs apparatus adequately for the challenging tasks this involved was a very burdensome legacy for the government that took office in 2010.

The dismantling of the state and the lack of a Ministry of the Interior caused problems mainly in small villages where, starting from 2006, after the so-called 'Olaszliszka lynching' incident, the problems relating to the coexistence of Roma and Hungarian communities were increasing, particularly in Hungary's eastern and north-eastern counties. The state's 'withdrawal', the closure of railway branch lines, small post offices and schools, the reduction in frequency of public transport services and understaffed police stations sent a particularly chilling message to parts of this rural area. Thus, a political force soon emerged which explicitly played on these phenomena.

The Magyar Gárda Hagyományőrző és Kulturális Egyesületet (Hungarian Guard Association for Preservation of Traditions and Culture) was registered in the summer of 2007, and then launched

Magyar Gárda Mozgalom (Hungarian Guard Movement). Their declared objective was “Hungarians’ physical, spiritual and intellectual self-defense”, but in fact the party called Jobbik, and its then backers, created this organization, the ‘Guard’ in short, for political purposes, in order to attract media and public attention, i.e., to thematize public discourse. This was also indicated by the fact that the association’s president was none other than Gábor Vona. Although according to its statutes, the Guard was not an armed force, its explicit goal was to set up a ‘National Guard’ at some point, and it was strongly paramilitary in character (black and white uniform, Árpád stripes).

In 2007 and 2008, the Guard staged a series of marches, demonstrating against ‘Roma crime’, and tensions rose to breaking point. The full-blown crisis of the state was indicated by its inability to enforce a 2009 court judgement disbanding the Guard, while this paramilitary organization was in practice threatening the state monopoly on use of force, that is, Hungary’s sovereignty (Lánczi, 2012, p. 7). It is difficult to separate from the other series of anti-Roma murders between July 2008 and August 2009, which resulted in six deaths in ten attacks. According to an unofficial document, one of the perpetrators had, for some reason, only been monitored by the National Security Bureau until May 2008.

3.5 Transformation of the party system

The then prime minister dedicated all resources not only of the country but of the party as well, to winning the election in 2006. After the MSZP president László Kovács was elected EU Commissioner in 2004, István Hiller, then a close ally of Ferenc Gyurcsány, was elected party president. In the election campaign, however, the socialists were already actually led by Gyurcsány himself (Debreczeni, 2006, p. 317), who managed to push the party's traditionally divided power groups somewhat into the background after the victory. At the beginning of 2007, Gyurcsány even managed to take over leadership of the party, thus further intertwining the fate of the prime minister and the party.

The prime minister's two-year party presidency, however, caused long term difficulties for the MSZP in three areas. Firstly, the party turned against its traditional voter base, both politically and ideologically, particularly on social and healthcare issues. Secondly, the previous turnaround debunked the decades-old myth of the socialists' ability to govern, and many of their former voters felt their security status was at risk because of their government's inadequate performance. Thirdly, the MSZP, the party considered the richest political force since the regime change, had spent its funds, run up debts and even weakened its media positions. Not since 1992 had any governing party been as unpopular mid-term as the socialist party was now.⁴² Although the popularity of the prime minister and the MSZP increased temporarily after the onset of the global crisis in autumn 2008, this did not last long.

⁴² For details, see another analysis of our project: Alapjogokért Központ (2020).

The ineffective and inadequate handling of the crisis pushed the government's approval rating even lower, and the prime minister, who had led a minority government for a year, 'on paper', realized the situation was untenable and resigned.

Although after his resignation in 2009, Ferenc Gyurcsány made some attempts at keeping his position as president of the MSZP, he was forced to give this up too when the prime minister replacement turned into a complete crisis. Given the party's balance of power relations, it came as no surprise that Gordon Bajnai, the former minister who took over as head of government, only accepted the post for one year, and was not yet a candidate for leadership of the political left. The MSZP was then unable to win back voters. By 2010, the party that had defined the 'regime change system' had thus been weakened in many respects, and its popularity had been reduced to that of a medium-sized party.

The MSZP's credibility crisis triggered profound changes in the party system as well. The MDF, defined at the time by former socialist minister Lajos Bokros, emerged as a rival on the political left, particularly from spring 2009. A green party, *Lehet Más a Politika* (Politics can be Different, (LMP)) was also created with the aim of attracting left-wing voters and already achieved surprisingly good results in the 2009 European Parliament election and by spring 2010, had become the natural option for disappointed intellectual voters in Budapest and other large towns, replacing the SZDSZ, the MSZP and even the MDF which was then facing an identity crisis as a kind of a new medium-sized party.

The greatest change of all was, however, brought about by the strengthening of the Jobbik for Hungary Movement. Founded in 2004, the party had a mere two percent of the vote in the 2006 elections, running together with the *Magyar Igazság és Élet Pártja* (Hungarian Justice and Life Party, (MIÉP)). However, through the aforementioned Hungarian Guard and taking advantage of the unprecedented weakening of the state in certain regions as well as the difficulties of social coexistence, the Jobbik party gained

considerable strength. Besides the increasing media attention on their activities, Gyurcsány's policy of scaring people with the threat of extremism and trying to conflate Fidesz with the Jobbik also played an important role in this. Another important factor was that the global economic crisis in fall 2008 fueled anti-elitist and anti-establishment sentiments in many places, including Hungary, against the ruling political class, a phenomenon that the Jobbik party successfully exploited. And last but not least, in the wake of the left wing's credibility crisis, the radical right successfully won over some of the traditionally socialist voters in many places in north-east Hungary. Nonetheless, the party's results in the 2009 EP election and its 2010 spring campaign showed that the Jobbik could have won over some national-conservative voters as an opposition to a failed right-wing government.

4. Change of government, main undertakings and ‘pre-government governance’

In the first round of the parliamentary election on April 11, 2010, the Fidesz-KDNP coalition's list won 52.7 percent of the votes. Another important development was that the center-right won 119 of the 176 single-member constituencies in the first round, leaving only 57 constituencies for a second round. The Hungarian Socialist Party came second with its poorest result (19.3 percent) since the 1990 parliamentary elections. After their success in the EP elections, the only reason why the Jobbik Movement for Hungary, which campaigned primarily on the issues of ‘political crime’ as well as ‘Roma crime’, did not achieve a clear breakthrough with their 16.7 percent in the voting by lists was that they raised the stakes too high during the campaign. The eco-social party Politics can be Different (LMP) made it into the National Assembly at their first attempt, with 7.5 percent of the vote; however, the two major parties of the regime change, the MDF and the SZDSZ (with 2.7 percent of the votes) did not reach the 5 percent threshold even when running together.

Between the two rounds of the election, the socialists campaigned against Fidesz's expected two-thirds majority and tried to forge a special alliance with the LMP, which was still consistently against withdrawing their candidates at that time. In the second round on April 25, 2010 – with a significantly lower turnout than in the first round – Fidesz-KDNP won 54 of the 57 constituencies still open, taking 263 seats, that is, 68 percent of the seats in parliament. The MSZP, the Jobbik and the LMP formed parliamentary groups of 59, 47 and 16 members, respectively.

4.1 The new majority and the evolution of centrist power

It is worth briefly outlining the main building blocks of the election-winning prime minister's majority-based way of thinking of the prime minister – from the years spent in opposition – because they help to understand the government's policies since 2010. As discussed in detail, the 2006-2010 government term was defined by a crisis of confidence coupled with gradually deteriorating economic performance, described by Viktor Orbán as 'government without mandate'. The exercise of power by the ruling party coalition was, as he put it, 'legitimate, and therefore legal, but illegitimate because it is supported by nobody', and he used the 'old majority – new majority' dichotomy as a verbal expression of this loss of confidence. Based on this verbal ingenuity, he used the border situation from 2007 to 2010 – because the results of the 'social referendum' following the 2006 local governmental elections and the 2009 EP election clearly indicated the likely outcome of the next parliamentary elections – for the intellectual preparation which, after 2010, would enable a new majority to be born and continuously re-invent itself to create a future within the framework of a uniquely Hungarian state system.

Viktor Orbán starts the story of the new majority's origin from the descriptive idea that the old majority "lined up behind the MSZP-SZDSZ coalition for the parliamentary elections". The organizing power of the old majority was, however, based on a lie which burst forth with unbridled force in the Őszöd speech. Although that lie may have resulted in victory from the moment of seizing power, the exposure of the absence of truth shattered the fabric of the majority. This point of departure, however, draws attention not only to the fact that majority is closely intertwined with truth but also reveals the basic conception of a complex system of majority which is based on profoundly moral concepts

such as truth, harmony, and peace. Of these, any compromise, or even the loss, of truth triggers a domino effect, toppling the moral foundations of the majority's superstructure (Orbán, 2007a).

Moreover, the lack of truth is also the source of the loss of trust, which in turn leads to the development of various forms of resistance. Even in peacetime, the holders of political power need the trust that underpins their mandate, and in the deepening economic and financial crisis from spring 2006 on, they would have had a vested interest in regaining the support of the majority. "Managing the financial crisis," Orbán pointed out, "is not primarily, but only secondarily a technical issue. It is primarily a political issue. That is, whether people trust those who are undertaking to tackle the financial crisis" (Orbán, 2007b). And if there is no trust, crisis management is doomed to failure because people will respond with resistance to every single challenge facing them. Thus, in the absence of sufficient trust, citizens will resort to a wide variety of resistance strategies, which, together with the failure of crisis management, necessarily excludes the possibility of restoring the majority.

The lack of honesty, truth and trust was confirmed almost definitively by the realization among the old majority's voters that although those who came to power in the 2006 parliamentary elections, while promising the old political left, already in fact bore the hallmarks of a new aristocracy. Although the supporters of the old majority were offered the illusion of the well-known form (MSZP), the change in content, which completely overrode the values of the old political left, was, according to Orbán, exposed by the unscrupulousness, violence and greed of the new aristocracy. The sense of disillusionment and having been deceived that grew in the wake of the Ószöd speech, which revealed the true nature of the new aristocracy, became a common negative experience for many and held the potential for something new to be born from the ruins of the old majority. In light of this, it is not surprising that Orbán, when announcing the new majority, emphasized

the cross-ideological nature of the emerging community and the inclusiveness of the concept.⁴³

The new construction, born on the ruins of the old majority, is fundamentally defined by reciprocity, in which the civic side is not assumed to be the possessor of the new majority, but the fulfiller of its hopes, desires, and goals. The new majority is therefore organized around fragile notions of future and hope. However, if the political elite cannot turn its offer worked out with the new majority into reality, the new majority's promise is invalidated and the alliance with society is also broken. Moreover, the structure of the new majority is resistant to 'homogenization' efforts, and therefore the primary task of politics is to formulate the statements "that will be able to unite the new majority and turn it into a community of action" (Orbán, 2007a).

It is clear from this description that the Fidesz president regards the new majority not as a static group but a group that is in constant transformation, continuously reorganizing itself in response to the constantly changing challenges that affect the reality of everyday life. This degree of flexibility does not expect the civic side that claims to represent the future of the new majority to adopt a social engineering attitude aimed at the earthly realization of various utopias.

The new aristocracy, having lost the support of the old majority, started to make its disengagement complete, starting from the acceptance of the liberal axiom that 'the state is a bad owner'. Its plan was that the state's role in the areas left vacant by its act of withdrawal should be replaced by commercialization

⁴³ "Dear left-wing compatriots (...) our message to you is that it is not worth siding with, or continuing to support, lies, manipulation, cynicism and deceit, even if they are dressed up as left-wing lies. But it is worth looking for the path that can lead everyone into the world of the new majority that wants to make changes". (Orbán, 2007c)

and marketization following the practice of profit orientation. However, Orbán points out that the truth of the liberal axiom is far from being based on any predestination but is only justified by the botched practices of those running the state, i.e., only a “poorly organized state is necessarily bad”. He noted that “healthcare, culture and child education are areas that function much better if run by a well-organized state than when serving profit-making interests or when run on a free market basis” (Orbán, 2007b).

At the forefront of a market-based approach, profit is assumed to be exclusive, while a majority built on the moral pillars of justice, harmony and peace expects the state to pursue longer-term goals, overriding the exclusivity of profit making, organized around care, opportunity for all and ensuring the survival of the nation. It was in the light of this realization that Orbán spoke in 2007 about the need for the state to respond to the demographic challenges of the future, not by organizing cheaper and simpler migrant resettlement programs, but by building a more expensive and comprehensive family support system (Orbán, 2007b). In general, the different interpretation of the state’s role also implies that, when examining an element of the state built on the structures of the liberal axiom, the new majority finds only injustice, because underneath it all, it discovers not its own ambitions but the new aristocracy’s desire for profit.

“It is as if life had written a role during the ten years or so,” says Orbán, “for what we call the ‘Hungarian state’. But there is no author who would undertake (...) to write and articulate it for all of us” (Orbán, 2007d). Therefore, the new majority is waiting for the author who, by dismantling the privileges and profit-orientation of the new aristocracy, is capable of formulating a uniquely Hungarian economic and state system that creates an opportunity to fulfil its inherent values and accomplish its goals.

Orbán therefore replaces the liberal axiom with that of ‘mutual responsibility’, which defines the role of the state within the framework of a work-based society primarily as providing

opportunities for work and business. And in a second step, it turns to those groups deprived of the ability to catch up with a gesture of solidarity and assistance, so that they too can “join the ranks of those who are able to prosper” (Orbán, 2007a). Moreover, it wishes to break with the bad practice of defending the privileges of the new aristocracy by shifting all the burden in times of crisis to taxpaying citizens, which also harms the chances of the new majority to prosper. This basic principle can also be identified again and again when examining the field of action after the change of government in 2010.

The Hungarian state model, whose rudimentary outlines have already been drawn, thus offers the following transparent operating mechanism: in the axiom of mutual responsibility, put into service to promote the future success and prosperity of the new majority, the citizen is a client whose mandate the state faithfully executes (Orbán, 2007d). It also protects the consensus within the new state system and the program for the rise of the new majority in the international arena. In this construction, the citizen, – who is assumed to be the depositary of the new majority – can thus see the assertion of the common interests that have emerged and been accepted reflected in the way the state operates, both nationally and internationally.

Having described the idea and philosophy of the new majority, it is also worth briefly outlining the conceptual framework of the central field of power. If one examines what happened in the 2010 parliamentary as a whole, it can be safely said that the election brought about a fundamental change in the party system. Viktor Orbán’s vision of a central field of power was realized, with the opposition forces distributed to the left and right of Fidesz in the center. This was quoted so many times in the press, in studies, in Hungary and around the world over the next decade, that we feel justified in quoting it verbatim:

“Until recently, Hungarian politics had indeed been characterized by this dual power structure. But nowadays, the duality

of the system seems to be vanishing, and a central political power is emerging, thanks to the right-wing conjuncture on the one hand, and our own strengthening on the other. I do not know how this political power structure will look after the elections, I would just like it to look like this. One thing is certain, however: there is a realistic possibility that the next fifteen to twenty years of Hungarian politics will not be defined by this dual power structure, which generates petty and unnecessary social consequences that divide society with constant debates over values. Instead, a large governing party, a centrist political power, will soon emerge that will be able to articulate national causes –not in endless debates but in its own natural way.” (Orbán, 2010)

As far as the political science evaluation is concerned, the Fidesz-KDNP coalition won a two-thirds majority as the dominant party, while the other major party of the former two-block system, the MSZP, which lost nearly three-fifths of its 2006 voters, was questioned on its own side. As for the already heavy polarization of the Hungarian party system: the swelling of the center-right has certainly eased the ideological polarization, but the parties of the left and the right have not converged (Enyedi & Benoit, 2011, pp. 26-27). Regarding the new party system, it is important to note that, as in 1998, when the competitive two-bloc pattern was institutionalized, the turnout rate in 2010, when the election was held to determine the dominant party, was also low, below 65 percent. In other words, major rearrangements are caused by uncertainty rather than enthusiasm, which may even weaken the long-term durability of these patterns (ibid., p. 40).

4.2 The main undertakings of the Orbán Government

Viktor Orbán outlined the main directions of his government at an international press conference one day after the election; it was not so much a symbolic gesture as a gesture of alignment with the magnitude of the problems. The president of the winning coalition started his briefing by pointing out that he considered it necessary to pass a government transfer law, not entirely independently of the existing and inherited situation. Besides the need to draw a sharp dividing line and face the situation honestly, it was also important because until then, the procedures for the transfer of government had been shaped only by political customs, or a kind of a customary law, and there was no precise and written legal procedure. Viktor Orbán also made it clear that “this shows immediately that the next government will strive above all to ensure that the rationale and objective of every single governmental action is clear and comprehensible to Hungarian voters. This included the final outcome of the handover and takeover procedure; exactly where the country stands and what the new government will be taking over” (Hír TV, 2010a). Finally, the regulation was integrated into the Hungarian legal system as part of Act LXII of 2010 on the list of ministries of the Republic of Hungary, which became the first law passed in the new parliamentary term.

The prime minister interpreted the election as a ‘historic turning point’ and the ‘confirmation of Hungary’s commitment towards the European Union’, the latter being a reference to the Jobbik’s pro-exit program. In his assessment of the outcome, he said that he considered the election to be ‘worthy of regime change’ and that voters ‘had learned the lessons of the past twenty years as well’. In his opinion, it could be concluded that the Hungarians had closed the transitional period after the regime change in April 2010,

noting that “you cannot change the system”; you can only “overthrow a system” and then “establish another in its place”.

The future prime minister foresaw the establishment of a new system, the System of National Cooperation, as a task for the new National Assembly and government. From 2010, the latter would also include Hungarians living outside Hungary’s borders. For their part, the promise of citizenship had been repeatedly expressed by the future governing parties. Viktor Orbán had already spoken openly about national policy, declaring that he would use this power, granted by an unprecedented mandate, “tactfully but resolutely” in this area and that “we will pursue a policy of mutual respect”.

The prime minister set the sequence of the tasks as: “economy and public safety first, then everything else”. Finally, he assured everybody that the method of ‘national consultations’, which he had already used when still in opposition, would become part of their governance. He announced national consultations on the priority issues of the Fidesz-KDNP election campaign program, the so-called national issues (restoring order, reviving the economy, rescuing the healthcare system, restoring social security and reintroducing democratic norms). The prime minister also announced at this international press conference that he would invite János Lázár to lead the Fidesz parliamentary group. One day later, Zsolt Semjén, president of the Christian Democratic People’s Party (KDNP) the other coalition party, invited Péter Harrach, to head their group.

Tackling the public safety situation that had developed in Hungary, particularly in north-east Hungary, in a spirit of honesty, had become one of the most important tasks for the two-thirds majority from the very first moment. Viktor Orbán announced – also at his first international press conference – that “we will not tolerate any delay whatsoever” in the matter, and therefore made this the first theme in the series of national consultations. He also outlined the main directions of the changes, such as the

enforcement of “minor crimes are also crimes” in view of the increase in low value crimes. To this end, the responsibility for combating small value crimes against property was transferred from notaries to the police.

The future prime minister’s intent to address the situation with complex solutions, including social elements, was demonstrated by his determination to fight what many referred to as “subsistence crime” not only by punishing it but also by creating job opportunities for work. He identified the extension of public work and the creation of new jobs as the means to counter the dramatic growth in unemployment. The Fidesz president described the strategy, which was already made clear during the campaign and based on criminal investigation and severe penalties as well as the creation of opportunities, as follows: “only a government that is also able to offer job opportunities may ask the Hungarian Roma community to obey the law and lead a work-friendly lifestyle. We will be able to do that. On the one hand, we will offer public work opportunities and on the other, we will stimulate economic growth, so that the market will also be able to provide job opportunities” (TV2, 2010a).

In general, however, he also stated that the new government would protect honestly acquired property, and that it would build its governance on the basic idea of “safety for people through strengthening the police”. To this end, a pledge was made in their campaign to increase the number of police officers by around 3,000, to the statutory minimum. They planned to achieve this mainly by expanding the system of local police constables, a system heavily beset with deficiencies at that time. Another promise of a major change was the restoration of the Ministry of the Interior – dissolved in 2006– with a strong mandate from the outset. On the eve of the second round of elections, the future prime minister said that: “(...) from then on, the appointed ministers will begin their work and I expect the future minister of the interior to head to northern Hungary the very next day, visit the places I have visited, consult with the police chiefs and local government leaders

there, and have a complete plan of action ready by the time he takes office listing the steps we will take in northern Hungary within a few weeks, within two weeks if necessary, to ensure that everybody understands that law and order is the rule in Hungary and that it applies to everyone: Romas and Hungarians, the poor and the rich, in the north and in the south, that is, to everyone” (Hír TV, 2010b).

Another crucial issue was the relationship with the International Monetary Fund and the European Commission as Hungary’s main creditors. The prime minister outlined his plan for relations with these financial players at an international press conference on April 26. He made it clear that he would negotiate with the IMF and the Commission, including on the deficit target, but he would not consider them his bosses. Another key element of the economic part of the program announcement was that the future prime minister said that financial institutions (including the Magyar Nemzeti Bank /the Hungarian National Bank/ and the Hungarian Financial Supervisory Authority) would be restructured, mainly because of the dominant position between borrowers and banks in favor of the latter.

However, in view of the current economic crisis, the prime minister had already made a number of key commitments during the campaign in the event they won the election. These included the announcement of a plan to create “one million jobs in ten years” and the adoption of a ‘family taxation system’. Other promises made by the civic coalition included serious relaxing of requirements, such as reducing tax burdens and simplifying bureaucracy, not only for businesses but also for employees. Even before the election, they announced the early enactment into law of a family taxation system – already introduced in another form between 1998 and 2002 – on a scale commensurate with the country’s capabilities. Moreover, Viktor Orbán also prioritized the urgent harmonization of the tasks and funding of bankrupt local governments, particularly

to ensure the smooth operation of hospitals and schools maintained by the counties and the capital.

Last but not least, although these tasks may not have been top of the to-do list, Fidesz-KDNP also made equally important commitments during the campaign to reduce the political elite, hold the former elite accountable, and expose their corruption. A number of criminal cases reached their highest points of public interest at this time, most notably the scandals involving the Budapest public transport company (BKV), and especially, the deputy mayor Miklós Hagyó's role in those cases of corruption. As for the reduction in the number of incumbent politicians, a specific commitment to halve the number of local councilors and a similar decrease in the number of MPs – to below 200 – was also made during the campaign. Another similar undertaking was the commitment to end or “roll back” excessive severance payments in the public sector (TV, 2010b).

All of these were key issues, because besides their anti-Roma attitude, the Jobbik Movement for Hungary voiced – besides their anti-Roma attitude – the accountability of banks and politicians, and confrontation with the political elite in general, as important protest issues in its campaign. It was understandable that the center-right parties wishing to appeal to voters from the center could not afford to leave their right wing ‘undefended’ against the Jobbik either, as they had built an effective and efficient organization system in the countryside, campaigning with thousands of events on a “grassroots basis”.⁴⁴ According to empirical data, the characteristics of the Jobbik voter base during this period were “young, male, anti-elitist, nationalist, anti-Rom,

⁴⁴ According to one of the leading authorities on the topic, the Jobbik held 3,000 election forums in the 2010 campaign, while it had 11,000 members and 800 local chapters nationwide, making it a party with undoubted national reach (Róna, 2014, p. 88.)

anti-Semitic”, and the strongest explanation for the party’s growth in popularity in 2009 was the “increasing weight of anti-Romaism on the agenda”. At the same time, half the Jobbik’s voters were previously Fidesz supporters (Karácsony & Róna 2010, pp 41-55). It was therefore clear that the governing parties had to respond honestly, competitively and better to the needs and demands of voters attracted by the Jobbik in order to stop the radicalization of the country and the strengthening of the extreme-right party. With this in mind, Viktor Orbán was already promising moderate but resolute policy making in 2009 (TV2, 2009), and after that, references to ‘common sense, became increasingly frequent, in contrast to the extremist Jobbik.

4.3 The initial steps, ‘pre-government governance’

The economic, social, and public safety crisis detailed above has made it clear that the center-right powers could not afford to wait for the formation of the government, the creation of ministries, and the takeover of the governmental institution system. Once faced honestly, the situation demanded immediate action, therefore the prime minister was already sending strategic and ‘reassuring’ messages to the public during the very first days and trying to outline a concrete roadmap for the post-election transition period.

In the week after the election, it was revealed that the new National Assembly could be formed on May 14, 2010. All this was important in order to ‘formalize’ the thought necessary for effective governmental action and the existing ‘informal’ power given by the election – to refer to the title of András Giró-Szász’s book (“Gondolat és erő”, (“Thought and Power”)) on governance. Until May 14, of course, the new governing power could only make announcements,

but from then on, however, it could exercise the right of individual motions, which resulted in a quasi ‘pre-government governance’, i.e., an intensive legislative period.⁴⁵ This process was naturally dominated at that time by Tibor Navracsics, the future Minister of Public Administration and Justice, who was announced by Viktor Orbán as his candidate for deputy prime minister on April 29, 2010⁴⁶, deputy prime minister Zsolt Semjén (also a nominee at that time) and the Fidesz-KDNP parliamentary group leaders János Lázár and Péter Harrach. It is worth recalling at this point that the KDNP “was politically symbiotic with Fidesz” ((Balázs & Hajdú, 2017, pp. 97-98).

The practice of so-called factional government⁴⁷ continued later, even after the government had been formed, and provided the governing parties with a kind of a fast lane, enabling them to avoid lengthy consultations. In the first 56 days after the National Assembly was formed, no fewer than 49 laws were passed, which represents an extremely intensive legislative period. In this chapter, however, we will only reconstruct and analyze the period before the formation of the new cabinet, noting that the phenomenon of factional government will be discussed in more detail later.

⁴⁵ Viktor Orbán said between the two rounds of the elections: “It was the same in 1988 as well. Voters may remember this. You may remember that in 1988, no government had been formed, but the parliamentary majority had already passed several important laws, showing that that the supreme power is indeed that of popular representation” (InfoRádió, 2010).

⁴⁶ The prime minister named another two of his future colleagues at the same press conference: Mihály Varga who was appointed as head of the Prime Minister’s Office as a secretary of state, and Péter Szijjártó, the prime minister’s spokesman.

⁴⁷ Péter Farkas Zárug used another term to describe this phenomenon: “parliamentary hyperactivity” (Zárug, 2012, pp. 329-336).

Logically, the first legislative period was dominated by bills required for the formation of a government, above all, the one listing the ministries. Moreover, a bill to restore the separation of politics and public administration, which was unduly terminated in 2006, was clarified by the end of April⁴⁸ and submitted in May. The same bill also restored the post of secretary of state for public administration, in the spirit of the above principle. At the same time, work towards delivering on further electoral promises was commenced in the very first weeks, bringing before the House plans to reduce the number of MPs to below 200 and to halve the number of seats in local government.

Public safety was another important legislative subject in May 2010. An amendment to the penal code – which included several tightening up measures – was already submitted on May 17. The amendments promulgated as Act LXI of 2010 – but commonly simply known as the ‘three strikes law’ – provided for unprecedented tough measures against perpetrators of violent crimes in particular.

The passing of the bill amending Act LV of 1993 on “Hungarian Citizenship” was a historic decision, enacting the possibility of preferential naturalization of ethnic Hungarians living as citizens of other countries, at their request, in other words, ‘dual citizenship’, into the Hungarian legal system. This milestone of the reunification of the Hungarian nation under public law was supported by nearly full consensus in the Hungarian Parliament – 344 votes in favor out of 386 – with only a handful of MPs not supporting the proposal. Another law of relevance to this topic, also passed in these days, was Act XLV of 2010 on the Testimony of National Unity, by which the National Assembly declared June 4, the day of the 1920 Trianon Peace Treaty, as the Day of National Unity.

⁴⁸ For details, see: Mandiner (2010b).

A sharp dividing line was drawn to put an end to the socialist governments' family policy during the period of 'governance without a government'. The bill submitted to parliament on May 17, 2010 "amending Act LXXXIV of 1998 on Family Support and Act XXXI of 1997 on the Protection of Children and the Administration of Guardianship in the Context of Compulsory Education" was one of the government's first "multifunctional incentives". As one of the first symbolic steps taken by the new majority, the bill made the payment of family allowance conditional upon children of school age fully complying with their compulsory schooling, i.e., parents' ensuring their children attend school regularly. This implies a combination of two functions, because the provision of financial support for families was linked to the 'general social interest' of children's education and their subsequent employment.

The National Assembly also took a number of key personnel decisions. Former diplomat, sports diplomat and EP Vice President Pál Schmitt was appointed Speaker of the House. His election was similar to that of Árpád Göncz in the 1990s, since, like the first head of state after the regime change, Pál Schmitt was also elected President of the Republic from his position as Speaker a few weeks later. He was succeeded as Speaker by former minister László Kövér. The parliament also elected its Vice Speakers, for which each political group was able to nominate one person from its ranks, and soon filled several public law positions that had been vacant for some time, such as the president and vice president of the State Audit Office, and elected two constitutional judges.

4.4 Government formation, program and international environment

It is only natural that personnel speculations and the list of future ministers are the evergreen topics of every government formation. It was no different with the change of government in 2010, when Viktor Orbán used a special communication strategy. First of all, even before the second round of elections, he named a single future minister, János Martonyi, who was nominated for the post of Minister of Foreign Affairs, and had already held this function in the first Orbán Government. There were obvious diplomatic reasons for this. At the aforementioned international press conference on April 26, 2010, the prime minister refused to mention any more names, although making it clear that he could, on the grounds that he had not yet received a formal invitation from the President of the Republic, László Sólyom to form a government.

However, after the invitation from the president on April 28, Viktor Orbán started to present his future government at a press conference the following day, and on May 3, he disclosed the full list of his cabinet members. György Matolcsy had been appointed head of the Ministry of National Economy, tasked by the prime minister with reviving Hungary's economy. János Martonyi was nominated to head the Ministry of Foreign Affairs with three main tasks: restoring Hungary's international prestige, managing the Hungarian EU Presidency and strengthening the Visegrád cooperation. Sándor Pintér's mandate as Minister of the Interior was to restore public safety and order. Tamás Fellegi was given the task establishing a Ministry of National Development, and the prime minister entrusted him with the safeguarding of public assets. Professor Miklós Rételyi was tasked with organizing the Ministry of National Resources, with the prime minister highlighting the saving of the healthcare system, the restoring of social security and the creation of opportunities for young

generations to build themselves a future. Sándor Fazekas was given the leadership of the Ministry of Rural Development and tasked with reviving rural Hungary, i.e., proving that rural Hungary, the villages and agriculture, are a source of future prosperity. Viktor Orbán nominated Csaba Hende as Minister of Defense to find the place for defense in the system of international cooperation of the 21st century and put an end to corruption in this field.

Tibor Navracsics had already been appointed Deputy Prime Minister, Minister of Public Administration and Justice, Zsolt Semjén Deputy Prime Minister and Mihály Varga Secretary of State of the Prime Minister's Office. Another important decision was when, at the joint parliamentary meeting on May 5, 2010, the prime minister appointed István Balsai as the prime minister's commissioner to investigate the atrocities committed against citizens in October 2006. The minister designates then immediately started to discuss the plans for their respective fields. Among the plans, the ideas of György Matolcsy, the candidate for Minister of Economy, attracted particular attention, partly on account of the acute economic crisis.

On May 22, 2010, Viktor Orbán – then still designated head of government – presented the new government program to parliament, outlining the tasks facing the new government, organized around the concepts of work, home, family, health and order. The interpretation of the document at the time suggested that it was not just a classic government program, but a new social contract, with the National Assembly playing the role of a constituent assembly and system-establishing parliament. It was no coincidence, and it also sent a message of its own, that the Fidesz electoral program was presented as the government program.⁴⁹

⁴⁹ In the past, there had always been coalition governments, which provided a great deal of political leeway for explaining the differences between electoral programs and government programs.

One of the most important objectives laid out in the program was the creation of a work-based economy, and in this context, when presenting the first economic action plan based on the government program, Viktor Orbán emphatically reiterated his earlier promise to create a million new jobs in the next ten years. The government's program already prioritized the interests of domestic small and medium-sized enterprises (SMEs), while it also promised decisive steps to protect, strengthen and expand the internal market. Instead of the previous ineffective, austerity-based economic policy, the new governmental targets included significant tax cuts, a 70% share of public procurements to be awarded to domestic companies, lower interest rates and a considerable proportion of the available EU funds to be used for economic development.

Also of particular importance was the fact that the new government program broke with the notion that family and childbearing are exclusively private matters. Among its objectives, the newly formed government wished to create a family-friendly environment including guaranteeing the prerequisites and conditions for home making, day-care provision for children, solidarity-based family support and mental services and the creation of a school system enhancing opportunities for young people. At the same time, the protection, respect, dignity, and safety of the elderly were also identified as priority tasks. Of course, the reform of the healthcare system was also highlighted, in the context of which the government program also addressed aspects of the life career model, appropriate salaries, keeping doctors in Hungary, increasing the funding of general practitioners and debt settlement.

Restoring order was also a prominent element. In line with the commitments outlined earlier, the new government also promised accountability within the rule of law and a legal environment in which 'subsistence crime' is not legitimate. They thought in terms of simple but effective solutions. They made it clear that 3,000 new police officers were needed in Hungary, that penalties needed to be more severe and proceedings speeded up.

On May 29, 2010, parliament approved the Fidesz-KDNP government program and elected Viktor Orbán prime minister by 261 votes to 107. The new government also took office on the same day following the appointment of the ministers. In addition to the obviously necessary measures, the government's work also focused on strategic transformations that had been on the agenda continuously since the regime change in 1989-1990, but this was the first time when a single political coalition had a sufficient mandate to make the necessary changes.

This included the drafting of a new civil code and the revision of the penal code, already in the first phase of government. A reorganization of the public administration system was also begun, mainly to create a simpler, more efficient system for people. Crucially, this involved the creation of a county government office system, which enabled the integrated territorial organization of state administration functions and broke with the regional state administration model established by the previous government, in which each regional unit covered more than one county (Gallai & Molnár, 2012, pp. 205-207). These tasks were coordinated by a new ministry, the Ministry of Administration and Justice, headed by Tibor Navracsics. An even more important task, however, was the preparation of a new constitution, on which a separate parliamentary committee and multiple expert working groups began work.

Hungary's foreign policy was also placed on new foundations: representing the national interests was declared as its most important task. The Hungarian government produced a new Central-European concept aiming to deepen and intensify cooperation among the region's countries. In this context, it was even more significant that Viktor Orbán's first official visit was to Warsaw. János Martonyi, as the foreign minister designate, already said during his parliamentary hearing that he considered Central-European cooperation important in a north-south dimension, in which infrastructure and economic development can be financed.

Importantly, he noted that Hungary was also preparing for transparent relationships with both the United States and Russia.

The most pressing challenge was, of course, the need to resolve the extremely serious economic and financial problems. During his hearing in parliament, György Matolcsy, Hungary's new Minister of National Economy, already called the reduction of Hungary's indebtedness and the general public deficit the most important tasks of Hungarian monetary policy. In line with campaign pledges, boosting economic growth, cutting red tape and corruption, reducing the tax burden and securing cheaper credit were also among the key objectives. Also consistently, from the very beginning of the government, cutting taxes on income was the most important objective of the tax policy in order to establish a work-based economy in Hungary as quickly as possible. Another priority goal for post-2010 economic policy was to break the trend of steeply rising public debt, and even to reverse it. It should be noted that the government later made this goal constitutional by creating a debt rule and enshrining it in the Constitution in 2011.

It is also part of the theme of integrity that an economic fact-finding committee was set up, headed by Mihály Varga, Secretary of State at the Prime Minister's Office since 2010. The committee's work – the so-called 'skeleton report' – revealed that the 2010 budget prepared by the socialist government did not include the real trends and data, as it found significant differences between the data reported until the change of government and the actual data. The committee already presented a partial report on June 3, 2010, in which it concluded that the deficit could even grow to 7-7.5 percent by the end of the year. All revenue taxes were below the expected levels on a pro rata basis, while expenditure was higher than expected in many areas – e.g., at the transport companies and even labor market subsidies (Wiedermann, 2014, pp. 18-20). On the same day, Lajos Kósa confirmed the seriousness of the situation when he likened the domestic situation to that of Greece, stating that the aim was to avoid a direct state bankruptcy. The

socialists disputed the claims of the skeleton report, criticized the new government for its assertions, and only admitted to a surplus deficit of half a percent of GDP (Katona, 2010, pp 164-165).

The management of EU development funds, public asset management and public procurement, infocommunications and infrastructure (transport and energy sectors) were entrusted to Tamás Fellegi, Minister for National Development. Thus, besides the Ministry of National Economy, which is responsible for coordinating fiscal policy and economic strategy (as a kind of a 'client'), this new ministry was assigned a prominent role in economic governance, in a kind of an 'executive' role. Moreover, the asset policy function was extremely important given that the botched privatization policy pursued since the regime change had resulted in the squandering of a significant part of state assets, with the former state monopolies being replaced by private monopolies in many sectors of the economy. A new and innovative policy objective was to increase the state's asset portfolio and its value.

Another acute problem was that rising energy bills accounted for a significant share of family budgets, jeopardizing the status security of millions of people. In 2010, 19 percent of households were spending more than a third of their income on housing bills, compared to 10 percent in 2001 (Giró-Szász, 2019, p. 23). In view of this, the government started almost immediately to review the entire price regulation system and public service contracts, eventually enabling the regulation of domestic gas and electricity prices in order to keep domestic utility bills under control. This was not a purely philosophical question: according to a Eurostat report at the time, which examined 27 EU Member States, Hungarians paid the highest electricity prices relative to their purchasing power, while the price of residential natural gas in Hungary had also risen the most in terms of purchasing power. This was compounded by the additional burden on families of rising foreign currency loan repayments due to the crisis. Immediate and innovative action was

also needed to reallocate EU funds, empower Hungarian SMEs and simplify and speed up public procurement procedures. Last but not least, the same ministry was responsible for providing easier access to e-Government services, which promised quicker administration and cheaper state operation.

The new government also sought to put agriculture and rural development on a new footing. To this end, the most urgent tasks, under the leadership of Minister of Rural Development Sándor Fazekas, were to resolving the land issue and limit the legal possibilities for foreigners to acquire land in Hungary. Priority was also given to supporting farmers' vision for the future, state protection of agricultural producers, countering the negative effects of the previous market loss and rural exodus, strengthening local processing and marketing as well as the promoting hungarikums.

Besides the reorganization of the state and creating a work-based economy, restoring order was also among the top priorities for the government. Sándor Pintér, invited to head the Ministry of the Interior, already said at his parliamentary hearing that the first step must be to at least ensure police presence in all towns and villages in Hungary. The civilian national security organizations were strengthened, and the integrated Constitution Protection Office was transferred to the Ministry of the Interior to strengthen the direct flow of information. Another question that soon arose was why certain municipalities could not sustain themselves and how they had accumulated such huge debts.

Another burning issue was that in 2010 the Hungarian Defense Forces lacked the capabilities to protect the country. Therefore, another important objective was set to increase the budget of the Ministry of Defense as a percentage of GDP in the coming years, also an undertaking to fulfil Hungary's commitments to NATO. In the context of defense policy, the first step was a full audit of the ministry's financial management, followed by the new government laying of foundations for such profound decisions enabling – as Csaba Hende, the new government's Minister of Defense, put it

– the operation of a patriotic, disciplined, honest, comradely, well-equipped, highly trained and reliable defense force.

The single ‘integrated human portfolio’, bringing together culture, education, health, sports and social affairs, was an unprecedented institution in the history of public administration in Hungary. In his parliamentary hearing, the minister designate Miklós Réthelyi explained that the newly established Ministry of National Resources would be responsible for serving people’s physical, spiritual and intellectual welfare. His primary goals included halting depopulation, renewing Hungarian culture as a means of strengthening national identity and social integration; the necessary reorganization of the healthcare system; strengthening the position of families; educational reform; and restoring the prestige of Hungarian sport. Among the first measures planned were a review of the debt portfolios of the relevant sectors, reorganization of patient care and ambulance management, promotion of couples’ willingness to have children, maintenance of an inflation-linked pension scheme enabling women to retire after forty years of work, reform of the public education system, development of a career path for teachers, strengthening church educational institutions and developing a concept for daily physical education in state schools.

In the new government, a separate minister without portfolio, Zsolt Semjén, was tasked specifically with national policy affairs; he also became general deputy prime minister. The adoption of a law simplifying the acquisition of Hungarian citizenship for Hungarians living abroad, i.e., the reunification of the Hungarian nation under public law and support for Hungarian communities abroad in general played a prominent role among the strategic objectives. This made it a fundamental mission for the new government to help preserve Hungarian communities wherever they live in the world. The government expressed this specifically in the governmental structure, since in addition to the minister without portfolio, a separate state secretariat was dedicated to the

affairs of Hungarians living abroad – as a specific sectoral policy – from 2010, within the Ministry of Public Administration and Justice (Kántor, 2013, p. 53).

The 2010 election certainly altered Hungary's image in the world, in that the two-thirds majority clearly indicated that for the first time in many years, it had stable political leadership, which was essential for the new government to work on a comprehensive, determined and clear strategy. The new government started its work with an unprecedented electoral mandate. Moreover, the governing parties could count on the support of a European People's Party with stronger positions at European level than today.

At the same time, at an international level, in the immediate aftermath of the global economic crisis, economic stabilization was a priority for everyone, and was therefore at the center of discussions with EU leaders. After taking office, Prime Minister Viktor Orbán himself briefed the then President of the European Commission, José Manuel Barroso, who is incidentally a member of the European People's Party. It should be noted in this regard that Hungary had been subject to the EU's excessive deficit procedure since its EU accession in 2004, and the Commission made it clear that Hungary was expected to keep its budget deficit low. Despite the strict conditions imposed by the Commission, Hungary indicated that it wanted to avoid at all costs the path followed by other countries that had been extremely hard hit by the global economic crisis, particularly Greece. The only question now was how to start implementing actions to improve the equilibrium, reduce tax rates and boost competitiveness.

Eventually, the solution was a rapid fiscal turnaround in just 18 months from mid-2010, as the government had to reduce the expected 2010 budget deficit of 7 percent of GDP to around 3 percent. Although they managed to achieve this goal, they also became the target of growing international criticism, partly because the government has not delivered the fiscal turnaround in the way expected.

4.5 Immediate economic crisis management

As a first, decisive step in this turnaround, a 29-point economic protection action plan was adopted in June 2010. At the same time, the government's primary objective was fiscal and budgetary stability, which it sought to achieve primarily through increasing employment. In this way, the government laid the foundations of a work-based economic policy, instead of the austerity-based economic policy that had proved unsuccessful until then. Its essence was the idea that the more people work, the more people pay taxes and contributions and the lower the unemployment rate, the lower the spending on unemployment benefits.

The main innovation of the 29-point action plan was the increased and substantive involvement of banks – as well as insurers and financial leasing companies – in public taxation. Thus, the bank tax was increased dramatically, from HUF 13 billion to HUF 200 billion. This put the newly formed Orbán government practically at the forefront of a European trend because the imposition of a bank tax that would generate significant revenues was already on the agenda in an growing number of European countries (Tóth & Török, 2015, p. 426).

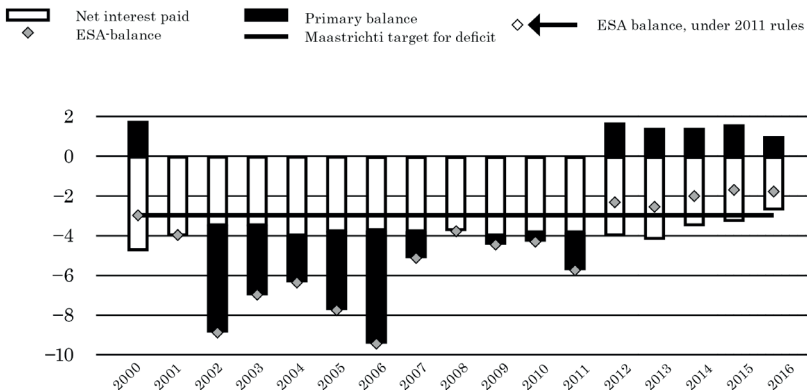
The government also set itself the target of reducing the Hungarian economy's external vulnerability, which resulted in the creation of a more sustainable catching up path, increasingly relying on internal financing, rather than the previous economic growth model heavily reliant on external indebtedness. Overall, the Orbán government broke with earlier crisis management practices and implemented not only growth-friendly measures to stabilize the economy, using innovative, targeted instruments, but also improved the fiscal balance (Matolcsy & Palotai, 2014).

The first economic crisis management measures taken by the new cabinet led to a steadily declining public deficit and a sustained

fall in public debt, which helped Hungary escape the EU's excessive deficit procedure after nine years in 2013 . However, the primary general government balance excluding interest expenditure has again been in surplus since 2012 (Figure 15), which was last seen in 2000, during the first Orbán Government (Baksay & Palotai, 2017, p. 706).

The stabilization of the budget also led to a marked improvement in the economy's external balance position. In the years before the crisis, the current account deficit as a share of GDP was continuously between 7 and 8 percent, while in 2010, for the first time since the regime change, it was in surplus. As a result of the crisis management, the objective of basing the growth of the Hungarian economy increasingly on domestic savings rather than external borrowing was met. This was of particular importance not only for the healthy functioning of the economy but also for financial sovereignty (id.).

Figure 15
Changes in the fiscal balance
in Hungary between 2000 and 2016
(own editing, based on Magyar Nemzeti Bank, 2020)



To boost employment the Orbán Government immediately embarked on a major restructuring of the tax system, including shifting its weight from taxes on work to taxes on consumption. Reducing the burden on labor was key primarily because it contributed to employment growth and thus to real growth, while also reducing the shadow economy. Moreover, it improved the economy's competitiveness by stimulating both the demand and supply sides of the labor market.

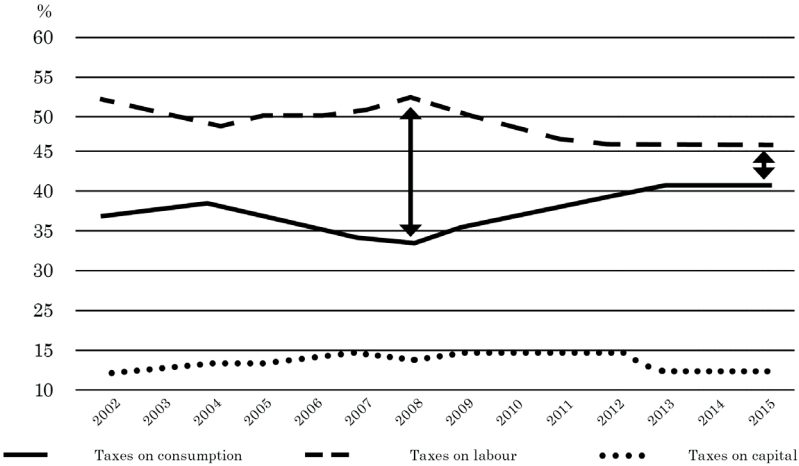
Mention should also be made at this point of the introduction of a single rate of personal income tax because the 16 percent flat tax rate, which has since been reduced to 15 percent, was lower than the lower rate of the two-rate tax in force until then. A combination of rising household incomes due to the tax cuts and more cautious consumption patterns resulted in a substantial increase in household saving rates, while the total net financial wealth of the population grew by over HUF 5 thousand billion between the beginning of 2010 and the end of 2013 (Matolcsy, 2019, p. 40).

Regarding the reduction of taxes on labor, it is essential to underline that after 2010, Hungarian SMEs were again given increased support, just like in the 1998-2002 term. Already in 2010, the scope of the 10 percent corporation tax was extended substantially, followed by the introduction of various relief schemes with lower administrative costs for small businesses (Baksay & Palotai, 2017, 706-709).

To spread public burdens and improve fiscal balance, the new government also levied so-called sectoral special taxes on the financial, retail, telecommunications and energy sectors in 2010. It must be emphasized that these were primarily consumption and turnover type taxes and later, once economic growth had resumed, the tax on capital (special tax on financial organizations) was reduced substantially. Regarding reducing the shadow economy: the introduction of online cash registers in the retail sector increased budget revenue without raising taxes, and is one of the

reasons why the European Commission estimates that the rate of VAT evasion in Hungary fell by more than 4 percentage points between 2013 and 2014 (Baksay & Palotai, 2017, pp. 709-710).

Figure 16
Changes in the structure of taxes
in Hungary between 2002 and 2015
(own editing, based on Magyar Nemzeti Bank, 2020)



Summary of the main elements of the first economic protection action plan adopted in June 2010:

1. The preferential corporation tax rate of 10 percent corporate income tax rate was raised from a tax base of HUF 50 to HUF 500 million. All businesses could take advantage of this, but in practice, it primarily favored SMEs, as they only had to pay 10 percent of their total or nearly total profits, compared to 19 percent previously.
2. Introduction of a single-rate family tax in two years.
3. Abolishment of ten small taxes.
4. Introduction of the concept of non-taxable income: if somebody employs someone else to do domestic tasks around the house, no tax or contribution is due on such employment.
5. Introduction of duty and tax exemption on inheritance and gifts between direct relatives.
6. Allowances and reliefs for families with one, two or three children.
7. Reduction of the 51 different types of investment permits and authorizations granted thus far.
8. Reintroduction of the old rules, and elaboration of new rules, on simplified casual employment. When letting real estate, the lessor no longer needs to register as an entrepreneur.
9. Distilling fruit brandy without specific licenses.
10. VAT exemption on donations.

11. Improved terms and conditions for small producers' production and sales.
12. Extension of the Széchenyi Card Programme; the funds can now be used for investments and as own funds for application schemes. The amount that can be applied for was increased to 50 million forints.
13. Radical reallocation of EU funds to SMEs.
14. Capping of costs in the public sector.
15. Transformation of payroll expenditure in the public sector.
16. Revision of salaries paid from the budget.
17. Thorough revision of external assignments and outsourcing in the public sector.
18. Introduction of a 98 percent tax on severance pay paid after 60 days, the confidentiality money and financial compensation in lieu of leave in the public sector.
19. A gross monthly HUF 2 million cap on earnings for all bodies of the budgetary sector, even those independent of the government, including the Hungarian National Bank (MNB).
20. Transition to a gross wage management scheme at public asset management organizations. The gross total wage was cut by 15 percent and the numbers board members and supervisory board members was decreased.
21. The political parties' funding from the budget was reduced by 15 percent.
22. 'Finance officers' were delegated to entities managing significant funds from the budget.
23. Imposition of a stop on replacing furniture, mobile phones and cars in public institutions.

24. Establishment of a national asset management company. Transfer to a state fund. of the homes of those unable to make their mortgage repayments.
25. Introduction of a special tax on banks.
26. Termination of foreign currency loans for housing purposes; mortgages could only be registered in the case of HUF-denominated loans.
27. Introduction of secondary food testing.
28. Moratorium on raising utility tariffs.
29. Moratorium on evictions until the end of the year.

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COURAGE

II. TRANSFORMATION OF THE HUNGARIAN PARTY SYSTEM

1. Gyurcsány's policies also led to profound changes in the Hungarian party system in 2010

The events of 2006 not only triggered an economic, political and moral crisis in Hungary but also led to a radical transformation of the party system. The MSZP-SZDSZ coalition, led by Ferenc Gyurcsány as its figurehead, were only able to be reelected in 2006 by concealing Hungary's real economic situation, and the outbreak of the crisis soon led to the introduction of severe austerity measures. All this was compounded by the leaking of the Őszöd speech, the police brutality during the subsequent protests, and the second Gyurcsány Government's grip on power, which had a significant impact on party support and thus the Hungarian party system. The process culminated at the time of the 2010 parliamentary elections, resulting in the bipolar party system of a moderate right-wing bloc and a left-wing block, created by the 2002 parliamentary elections, being replaced by a tripolar party system which came to be known as the centrist political power base. Accordingly, the national-conservative Fidesz-KDNP coalition taking power ended up with two opponents with similar support: a left-wing force (MSZP) and a radical right-wing one (Jobbik). Another party – the LMP, pursuing its own special policy – also made it into the National Assembly, but its 7.48 percent result (National Election Office, 2020) was not enough for it to be considered a separate 'pole'. At the same time, the two-thirds victory of the political force led by Viktor Orbán not only resulted in the emergence of a tripolar party system with a centrist political power base but also created a realistic chance for the future realization of a predominant party system. In this party system – as Giovanni Sartory put it – *“there is real competition, but one party has the resources and support to be able to single-handedly win government power for a long period*

(for example, in three successive elections) (see the cases of India, Norway or Ireland)” (Enyedi & Körösenyi, 2004, p. 150). It must be emphasized, however, that – in the words of Mihály Bihari – “the first essential feature of the predominant party system is, unlike the hegemonic party system⁵⁰, it is a real competitive multi-party system, in which independent parties vie for power. Thus, minority parties do not operate with the permission and within the framework of the majority party, but in a legal and legitimate way” (Bihari, 2009, p. 367). Although the apparent result of the 2010 parliamentary elections was a predominant party system based on a central political power base, the textbook criteria of such a system had not yet been met. Hence, ten years ago we could talk about the possibility of the emergence of such a party system, rather than its actual emergence: for according to Mihály Bihari, cited above, one can talk about a predominant party system “when given a stable electoral system (1), in three successive elections (2), one party can secure a clear absolute majority (3) and/or there is an at least 10 percent difference between the victorious party and that with the second largest number of votes (4)” (Bihari, 2009, p. 367).

⁵⁰ Hegemonic party system: “this system permits neither formal nor de facto competition for power between parties. Thus, other parties are only permitted to exist, they are not permitted to engage in contradiction or power struggles. Consequently, those in power cannot be replaced. There is neither change of power nor competition” (Bihari, 2009, p. 367).

Table 1
 Parliamentary election results
 by party list for 2006 and 2010
 (National Election Office, 2020)

	Parliamentary election results by party list in 2006	Parliamentary election results by party list in 2010	Difference
Fidesz- KDNP	2 272 979 votes (42,03 %)	2 706 292 votes (52,73 %)	+433 313 votes (+10,7 %-percent- age points)
MSZP	2 336 705 votes (43,21 %)	990 428 votes (19,30 %)	-1 346 277 votes (-23,91 %-percent- age points)
Jobbik	119 007 votes (2,20 %) – Jobbik-MIÉP list	855 436 votes (16,67 %)	+736 429 votes (+14,47 %-percent- age points)
LMP	-	383 876 votes (7,48 %)	+383 876 votes (+7,48 %-percent- age points)
MDF	272 831 votes (5 04 %)	136 895 votes (2,67 %)	-135 936 votes (-2,37 %-percent- age points)
SZDSZ	351 612 votes (6,50 %)	-	-351 612 votes (-6,50 %-percent- age points)

1.1 A centrist political power base emerged instead of the previous bipolar party system

The 2010 parliamentary elections resulted in a significant transformation of the Hungarian party system: the two strongest regime changing parties – the MDF, which turned left-liberal after 2006 and the likewise left-liberal SZDSZ – were eliminated from parliament, while the MSZP lost 55.33 percent of its voters in four years: the socialists won a mere 19.30 percent of the list votes in 2010 compared with 43.21 percent in the 2006 parliamentary elections. Moreover, they only won 2 of the 176 single-member constituencies. The SZDSZ fared even worse: the left-liberal party's 350,000 supporters, who had secured it 6.5 percent of the votes in 2006, were so dramatically reduced that it did not even stand in the elections, and its leading figures were given seats on the MDF list. The merging of the SZDSZ into the MDF did not save the Free Democrats either, as it greatly contributed to the party, led by Ibolya Dávid, also dropping out of the National Assembly: the Democratic Forum achieved a list result of only 2.67 percent. (National Election Office, 2020)

In contrast, Fidesz-KDNP won a record victory: the national-conservative party coalition alone won a two-thirds constitutional parliamentary majority, an unprecedented achievement since the system change. The political force led by Viktor Orbán won 52.73 percentage of the list votes, a still unbroken record in Hungary's political history: the previous record (43.21 percentage) was set in 2006 by the MSZP led by Gyurcsány, more than 10 percentage points below the winning result in 2010. For the sake of historical accuracy, it should be noted that the socialist success achieved by, among other things, concealing the true economic situation of the country has since been forced off the imaginary 'podium' of election winners, as the Fidesz-KDNP coalition received 43.55

percent of the domestic list votes⁵¹ in 2014 and 47.36 percent in 2018. (National Election Office, 2020)

The two-thirds victory, however, depended on the single-member constituencies and, also significantly, on the ‘non-Fidesz’ votes, where the right-wing party alliance also achieved unprecedented success: its candidates won 173 of the 176 constituencies, a 98.30 percent victory rate.⁵² There was one more important factor, a strategic decision that then shaped the 2010-2020 government period. According to the courageous party orientation expressed by the slogan “Only Fidesz”, Viktor Orbán ruled out the possibility of a coalition with any party to the left or right of the civic coalition. Voters could make their decisions with this in mind, and the future prime minister personally guaranteed (Csuhaj, 2009) that neither any socialist nor any Jobbik minister would be in his government, which, unlike previous cabinets, was not bound by a coalition logic when it was structured (Gallai & Molnár, 2012, p. 187). Society’s expectations calling for a ‘stronger government’ also justified a shift towards a more unified and centralized governance model. It was precisely this long-term decision, and the two-thirds mandate that followed, that enabled the cabinet to do its job without unnecessary compromises⁵³ since 2010.

⁵¹ Since 2014, non-resident Hungarian citizens have had the right to participate in parliamentary elections by postal vote. This was not yet possible in 2010, so for the sake of comparison on the same basis, this study has used the so-called domestic list results without postal votes for the Fidesz-KDNP list results for both 2014 and 2018..

⁵² In this comparison, Fidesz-KDNP took second (2014: 90.56 percent) and third (2018: 85.85 percent) places as well (National Election Office, 2020).

⁵³ At this point, we only briefly refer to the bad compromises made during the regime change which were overwritten from 2010 onwards by the firm application of the two-thirds majority.

At this point, brief mention should also be made of what the governing parties' self-definition of the party and faction alliance between Fidesz and KDNP was really about, and whether their cooperation was more a coalition governance or more a uniform operation. Viktor Orbán explained his views on the nature of the cooperation in detail on May 29, 2010 when presenting the members of his cabinet to parliament, while deputy prime minister Zsolt Semjén, the KDNP's chairman, explained while specifying his new appointment: *"As you know, the new government undertaking to lead Hungary is not a coalition government but one formed of an alliance of parties. This party alliance includes two forces: Fidesz and the Christian Democratic People's Party. I expect the minister and the deputy prime minister to represent the Christian democratic political philosophy and the Christian Social mindset in the work of the government. Although a significant proportion of our supporters are non-believing Christians – of which I am fully aware – they are also parts of the Christian Hungarian culture, as we belong to this Western Christian civilization. The government needs a system of values, a point of reference, an anchor, so that it does not lose its way, so that it does not get lost amidst the myriad of daily tasks, so that it does not lose sight of the deeper meaning of things and its higher vocation. This is what I expect the deputy prime minister's help with"* (Orbán, 2010).

Returning to the results of the fateful 2010 elections, it should first be noted that, as a natural consequence of any political crisis, a number of new parties were also elected to the National Assembly. The post-2006 political crisis in Hungary inevitably created anti-elitist sentiments among a sizeable part of the electorate, who voted for new political players. Thus, the radical right-wing Jobbik became a parliamentary party, entering parliament in 2010 with 16.67 percent of the list votes, while the LMP, canvassing with anti-globalism and green politics – but in fact rooted in left-liberalism – received 7.48 percent (see: Sitter, 2011, pp. 48-49). This was not surprising, as the Jobbik, then headed by Gábor Vona, had already

achieved 17.37 percent in the EP elections a year earlier, while the LMP, led by András Schiffer, benefited from the disappearance of the left-liberal SZDSZ: the fate of the Free Democrats who no longer even had a national list⁵⁴, had in fact already been sealed in the 2009 European Parliament elections when they finished with only 2.16 percent of the votes (National Election Office, 2020).

The outcome of the 2010 parliamentary elections and its impacts on the party system were heavily influenced by the Ószöd speech and Gyurcsány policy of austerity measures. The Hungarians made their decision and consequently Fidesz-KDNP, the Jobbik and the LMP clearly benefited from the decline of the MSZP and the disappearance of the SZDSZ and the MDF:

- Fidesz, building a single harmonized civic alliance based on the “one camp, one flag” principle, has consistently achieved over 40 percent in parliamentary elections from 2002, with 52.73 percent in 2010. The primary reason for this was that it already became clear during the 2002-2006 term that Fidesz, operating as a right-wing popular party – or rather, Fidesz-KDNP, with Fidesz in alliance with the Christian Democratic People’s Party – was the only viable alternative to the MSZP-SZDSZ coalition government. As a result, the Orbán-led political force won in all counties of Hungary in the 2010 parliamentary elections, and even its worst result (Borsod-Abaúj-Zemplén county: 45.87 percent) was still an outstanding result compared to previous elections. Particularly remarkable were the over 55 percent results

⁵⁴ The party’s leading politicians were given places on the MDF’s national party list: party president Attila Retkes was 6th, while deputy Budapest mayor Imre Ikvai-Szabó was 7th on the list. The MDF – SZDSZ collaboration ultimately failed.

achieved in Bács-Kiskun, Győr-Moson-Sopron, Hajdú-Bihar, Somogy, Tolna, Vas, Veszprém and Zala counties. In addition, the right-wing party was even successful in Budapest, long the most important heartland of the left-liberal side: the new governing force won a landslide victory in the capital with 46.32 percent of the list votes in 2010, while in 2002 and 2006, it had been far from reaching 40 percent (2002 Fidesz-MDF: 31.58 percent, 2006 Fidesz-KDNP: 35.11 percent in Budapest). (National Election Office, 2020)

- The Jobbik benefited primarily from the decline of the MSZP. The radicalization that often accompanies economic crises gained ground mainly in the traditional socialist eastern Hungarian regions where standards of living have always been lower and in some former left-wing strongholds (e.g. the towns of Dunaújváros and Nagykanizsa). Accordingly, and paradoxically, some left-wing voters migrated to the radical right. The political force led by Gábor Vona performed particularly well in Borsod-Abaúj-Zemplén, Heves, Jász-Nagykun and Szabolcs-Szatmár-Bereg counties (23-27 percent), but also in Nógrád county, where they received nearly 21 percent of the list votes (National Election Office, 2020). In these regions of Hungary, it was mainly *“the persistent economic problems and frequent inter-ethnic (Roma-Hungarian) conflicts which drove the national radicals’ popularity”* (Vida & Kovács, 2017, p. 128).
- While the Jobbik “was popular primarily in rural, economically disadvantaged areas”, previously MSZP strongholds, the LMP, with 7.48 percent of the list votes, performed best in Budapest: the party headed by András Schiffer won 12.81 percent of the votes in the capital, meaning that about a third of their votes (120,000 in total) were cast in Hungary’s largest city (National Election Office, 2020).

Due to the election results, the bipolar party system in place from 2002 was replaced by a tripolar one, with a central political force⁵⁵: the national conservative Fidesz-KDNP had more than 50% of the electorate behind it, while its almost equally sized bipartisan opposition consisted of the MSZP (19.30 percent) to the left of the governing parties and the Jobbik (16.67 percent) to their right. Although the LMP was already ideologically a left-wing party in 2010, it was nevertheless considered a political force following its own separate path outside the party system until the 2019 local elections, benefiting from the disappearance of the SZDSZ and presenting itself as the representative of a center-left free of Gyurcsány and the MSZP. This proved to be a viable strategy even in the 2018 parliamentary elections, as the party won 7.06 percent of the list votes and was elected to the Hungarian parliament for the third time. (National Election Office, 2020)

Nevertheless, the Fidesz-KDNP's two-thirds victory not only resulted in the emergence of a tripolar party system with a central political power base but also created a realistic chance for the future realization of a predominant party system, because the persistently ailing left wing, the stagnation of the strengthening of the radical right wing, and the long-term stability of Fidesz-KDNP's high support did not seem to be an inconceivable option altogether.

⁵⁵ The expression was coined by prime minister Viktor Orbán, who stated before the change of government in 2010 that "the duality of the system seems to be vanishing, and a centrist political power is emerging, thanks to the right-wing conjuncture on the one hand, and our own strengthening on the other. I do not know how this political power structure will look after the elections, I would just like it to look like this. One thing is certain, however: there is a realistic possibility that the next fifteen to twenty years of Hungarian politics will not be defined by this dual power structure, which generates petty and unnecessary social consequences that divide society with constant debates over values. Instead, a large governing party, a centrist political power, will soon emerge that will be able to articulate national causes –not in endless debates but in its own natural way." (Orbán, 2010a)

1.2 Polarization on the left

The 2010 election was not without consequences: the following years led to a polarization of the left-liberal side, which in four years caused the total disintegration of the former government. By the 2014 elections, the political left, which had previously consisted only of the MSZP and the SZDSZ, had split into five parties, not counting the LMP. Serious internal conflict developed within the MSZP, reduced to a medium-sized party in 2010, primarily because of Ferenc Gyurcsány, whom the party could “neither swallow, nor spit out”, just like before 2010. Moreover, Gordon Bajnai formally reactivated himself in 2012.

At the same time, the LMP's strategy built on its separate ‘own way’ led to internal tensions and finally a party split, preventing the party in 2011-2012 from succeeding in its strategy to occupy a leading position on the left wing (Kulin, 2012, pp. 16-17). Former SZDSZ leader Gábor Fodor also tried to gain political capital out of the chaos reigning on the political left. Consequently, between 2011 and 2013, four new relevant – or seemingly relevant – political parties emerged in the left-liberal sphere: the Gyurcsány-led Democratic Coalition (Demokratikus Koalíció (DK)) (2011), the Bajnai-led Together – The Epoch Changing Party (Együtt – a Korszakváltók Pártja (Együtt))⁵⁶ (launched in 2012 as a movement and only becoming a party in 2013), the Dialogue for Hungary (Párbeszéd Magyarországért (PM)) founded by Benedek

⁵⁶ The party called Together (Együtt) was formed by a merger of the Patriotism and Progress Association (Haza és Haladás Egyesület) (Gordon Bajnai), the One Million for the Freedom of Press in Hungary Association (Egymillióan a Magyar Sajtószabadságért Egyesület), or Milla for short (Péter Juhász) and the Hungarian Solidarity Movement (Magyar Szolidaritás Mozgalom) (Kónya Péter).

Jávor, Gergely Karácsony and Tímea Szabó (each having quit the LMP) (2013), and the Hungarian Liberal Party (Magyar Liberális Párt (MLP) founded by Gábor Fodor. Due to its choice of name, apparently effective for left-liberal voters, the latter could not be ignored by the other parties on the left-liberal side even despite its lack of real social support and parliamentary presence.

2. 2014: consolidation of the centrist political power base

The centrist political power base based on a tripolar party system was put to the test for the first time in the 2014 parliamentary elections, where the question was whether the party system that emerged in 2010 would change in any direction, i.e. whether there would be any sign of a return of the bipolar party system in the future or whether the centrist political power base that emerged in 2010 would be consolidated. Eventually, it was the latter, which can also be interpreted as a further step towards a predominant party system in Hungary, as Fidesz-KDNP won a two-thirds majority in the National Assembly for the second time in a row. An over 10 percent advantage over its strongest rival was also achieved and voters elected their MPs using the same mixed electoral system as the last time, albeit with significant changes.

It should be emphasized that the strong support for the governing parties led by Viktor Orbán was not simply a matter of course, but was the result of significant governmental and political performance, thanks to which Fidesz-KDNP was the only political force capable of acting and governing in 2014, as well as being the only people's party in Hungary. Of course, the poor political performance of the left, weakened by internal conflicts, and the radical right wing (Jobbik) whose support was gradually approaching a 'glass ceiling', as well as the introduction of a new electoral system facilitating political stability and the creation of a government majority capable of making decisions and taking action, also contributed to another landslide Fidesz-KDNP victory. However, without good governmental performance, this would have been insufficient to achieve a repeated term.

Table 2
Parliamentary election results
by party list 2010 and 2014
(National Election Office, 2020)

	Parliamentary election results by party list in 2010	Parliamentary election results by party list in 2014*	Difference
Fidesz- KDNP	2 706 292 votes (52,73 %)	2 264 780 votes (44,87 %)	-441 512 votes (-7,68 %-percentage points)
MSZP- Együtt- DK-PM- MLP**	990 428 votes (19,30 %)	1 290 806 votes (25,57 %)	+300 378 votes (+6,27 %-percent- age points)
Jobbik	855 436 votes (16,67 %)	1 020 476 votes (20,22 %)	+165 040 votes (+3,55 %-percent- age points)
LMP	383 876 votes (7,48 %)	269 414 votes (5,34 %)	-114 462 votes (-2,14 %-percentage points)

*Including postal votes of voters not resident in Hungary ('aggregate result').

**In 2010: only the MSZP.

2.1 Fidesz-KDNP support remained high even after four years in office.

Although the governing parties received fewer votes in 2014 than in 2010, they still won by a significant margin. The left-wing MSZP-Együtt-DK-PM-MLP group and the radical right-wing Jobbik, both on the fringes of the centrist political power base, were beaten by the political force led by Viktor Orbán by 19.30 percentage points and by 24.67 percentage points, respectively. In the single-member constituencies, Fidesz-KDNP again won a landslide victory, like in 2010: the governing parties were victorious in 96 (90.56 percent) of 106 constituencies (National Election Office, 2020). All this confirmed the consolidation of the centrist political power base and the emergence of governing parties with significant popular support and a strengthening of their dominant party role.

The parliamentary elections were immediately followed by the EP elections on May 25, 2014, where voters confirmed the dominant position of Fidesz-KDNP. In an election based solely on a proportional electoral system where people voted on national party lists, the governing parties won 51.48 percent of the vote, albeit with a much lower turnout rate⁵⁷ (National Election Office, 2020). Csaba Tóth and Gábor Török (2015, p. 558) – authors who could hardly be accused of being committed to Fidesz-KDNP – assessed the events as follows: *“the centrist power base created by Fidesz after the 2010 elections had never seemed as strong as in May 2014. (...) The strength of the centrist forces is demonstrated by the complete absence of any ‘counter-reaction’ in the electorate yet; opposition*

⁵⁷ In contrast, the April 6, 2014 parliamentary election’s 61.73 percent, the turnout rate in the EP election was only 28.92 percent (National Election Office, 2020).

voters are still 'not afraid' of a repeated two-thirds majority and did not wish to punish Fidesz when the parties were put to the test in May. Indeed, the attraction to the winner appeared to prevail. The 2010 election results could easily be interpreted as voters not so much giving Fidesz a mandate as saying no to the socialists and the preceding eight years of government. In 2014, however, Fidesz received a 'yes' vote on its own performance, the results of its own government, and although the party tried to recreate the mood of 2010 during the campaign, it could not have been successful if a considerable part of the electorate had not had the basic perception that Fidesz had governed better than the socialists had previously". Although the very nature of politics make it difficult to measure government performance independently of time and space, the key economic indicators clearly support Tóth and Török's standpoint.

The Fidesz-KDNP's landslide electoral victory in 2014, the consolidation of centrist political power and the evolution towards a predominant party system were therefore driven by the government's performance in improving Hungarians' living conditions, but there is also no doubt that the new electoral system adopted in 2011⁵⁸ also strengthened the governing parties' position. The predominance of seats gained from single-member constituencies⁵⁹ gives a considerable advantage to the most popular

⁵⁸ It should also be highlighted that the National Assembly determined in 2010 to substantially reduce the number of MPs. An amendment to the Constitution, adopted on May 20, 2010, reduced the maximum number of the members of National Assembly to be formed after the next election from 386 to 200. This was a sound decision because the number of MPs was disproportionately large in comparison to the size of the territory and the population of the country. The 199, the number to which the number of MPs was eventually reduced, was more in line with the size and population of Hungary. This change then inevitably had to be accompanied by redesigning the election system as well.

⁵⁹ In the parliamentary elections between 1990 and 2010, a total of 54 percent of the mandates were allocated on the basis of county and national lists, while the

political force even in the event of a small majority of support; however, Fidesz-KDNP won the 2014 election by a significant margin of 19.3 percentage points (National Election Office, 2020).

However, the electoral system, which promoted political stability and the creation of a government capable of making decisions and acting on them⁶⁰, did not contribute to electoral victory but rather to a two-thirds majority, which was even acknowledged by the election expert of Political Capital, a political research institute also considered critical of the government. Róbert László (2014) commented that *“there can be no doubt that Fidesz would have won this election under any existing election system.”* And nothing proves better that a constitutional parliamentary majority is an advantageous but by no means necessary condition for running the country than the fact that the government could lead the country effectively despite the loss of its two-third majority due to its defeat in the parliamentary by-election in Veszprém in 2015 and at a time when the migration crisis has presented the cabinet with serious major internal and external policy challenges.

remaining 46 percent were distributed on the basis of the results of voting in the single-member constituencies. These ratios have been reversed since the 2014 election: the ratio of MPs elected in single-member constituencies increased to 53 percent and only 47 percent of the mandates are allocated on the basis of national party lists. (National Election Office, 2020)

⁶⁰ The electoral system adopted in 2011 comprises several favourable elements for the winner: the number of MPs elected by majority of votes in single-member constituencies – who can win mandates on the basis of one round of voting with a relative majority of votes – was increased from 46 to 53 percent. The system in which ‘wasted votes’ are considered was also changed: not only votes for losing candidates but also the surplus votes cast for the winners of the given single-member constituency are now taken into account.

2.2 A political left riddled with internal tensions and a radical right reaching its ‘glass ceiling’ of support, on the two sides of the centrist power base

The consolidation of the centrist political power base was also facilitated by the weak political performance of the political left, riddled with internal tensions, and a radical right reaching its ‘glass ceiling’ of support, albeit to a lesser extent than by Fidesz-KDNP’s good performance in government.

The area left of the centrist power had split into five relevant⁶¹ parties (MSZP, DK, Together – ‘The Epoch Changing Party’ / Együtt/, (Dialogue for Hungary and the Hungarian Liberal Party), and this significant fragmentation made it the scene of ongoing political debate. However, these debates were not program-based, but power-based, so instead of coordinating visions and programs for Hungary’s future, they were focused on how to run for election. Moreover, thanks to steadily improving economic performance data, the stable support of Fidesz-KDNP at over 40 percent, the conflict of interest with the radical Jobbik and the continued existence of the ‘maverick’ LMP⁶², there was no realistic chance

⁶¹ The five relevant parties: MSZP, DK, Together – ‘The Epoch Changing Party’ /Együtt/, Dialogue for Hungary and the Hungarian Liberal Party. The latter can only be considered a relevant party because it was included in the left-wing cooperation before the 2014 parliamentary elections (enabling Gábor Fodor to win a parliamentary seat again), unlike the Movement for a Modern Hungary (Modern Magyarországért Mozgalom (MoMa)), led by Lajos Bokros. Eventually, the latter was given no role to play in the left-wing coalition and did not even run in the parliamentary elections. MoMa dissolved itself in 2019.

⁶² Public opinion pollsters measured LMP support at 3-6 percent despite its schism and in 2014, the party eventually re-entered parliament, with a total of 269,414 national list votes (National Election Office, 2020). Such a ‘loss of votes’

of a change of government and this limited the real motivation of the left-liberal parties. During the campaign, it became clear to voters that they did not really believe in winning and that they considered the 2014 parliamentary, EP and local elections primarily as a political battle for dominance among themselves.

Consequently, since the liberal-left was unable to attract sufficient votes to win elections, they attempted to seduce actual and potential voters away from each other (hence the fame of the saying that “they are re-slicing the same cake over and over again”). Accordingly, the struggle for dominance between the MSZP, the DK and the, now merged, Együtt-PM⁶³ was constantly on the political agenda. The infighting in front of the press discredited the left-wing for many, and the agreement struck in January 2014 (HVG, 2014) under which the MSZP, the DK, Együtt-PM and the MLP would contest the parliamentary elections with joint individual candidates and a joint list, was regarded as an action taken for appearances’ sake.

By running together, the left-liberal parties also shared the responsibility; however, the real winner of this strategy in the long run was the DK, while the MSZP was its biggest loser. With the DK becoming a parliamentary party in the 2014 elections, Ferenc Gyurcsány once again became an important player on the left-liberal side. In fact, the ongoing political agony started at this time: the socialist party recovered from its painful defeat in 2010,⁶⁴ but since the 2014 parliamentary elections, it has slowly

could not be compensated for by the left-liberal side, which was already lagging far behind Fidesz-KDNP.

⁶³ Despite managing to win a place on the left-wing-party list for party leader Gábor Fodor before the parliamentary selection, the Hungarian Liberal Party was unable to play a meaningful role in this struggle.

⁶⁴ In June 2012, for example, several relevant opinion polls (Ipsos, Nézőpont Intézet, Századvég Alapítvány, Társi) measured over 25 percent support for the MSZP among sure voters whose responses are the most reliable regarding the likely election outcome (Public Opinion Research Institutes, 2020).

but surely lost its support and embeddedness in society. This was already clear in the 2014 EP elections, where the socialists won just 10.9 percent of the vote (National Election Office, 2020). While it is true that the outcome of that election had to be treated with reservations due to the low turnout rate of only 28.97 percent, it was nonetheless indicative of the situation. And in light of the results of the 2018 parliamentary election, it is clear that it was indeed a strong signal.

The Jobbik, on the other side of the center, was facing a different type of problem between 2010 and 2014. Although it dominated the radical right as a unified political force and had a much stronger organizational network than the left-wing parties, its extremist political orientation did not allow the Jobbik to be a successor to Fidesz-KDNP. The party leadership headed by Gábor Vona recognized all this, but a quick and marked moderation of the party's radical stance might easily have led to internal conflicts and a fatal weakening of the party; moreover, after 2010, there was no political vacuum in any political sphere that the Jobbik could have occupied. Although the parties representing it were in poor shape, the left-liberal side was out of the question then, because the Jobbik, promising 'radical change'⁶⁵, owed its success in developing into a medium-sized party (with 16.67 percent of the vote in 2010 compared to the 2.2 percent they received in 2006) (National Election Office, 2020) to its very opposition of the left-wing policies that had caused the political, moral, economic and social crisis. The moderate national-conservative right was not an option either due to the strong social support for the governing parties.

⁶⁵ This phrase also appeared in the Jobbik's 2010 election program: "Radical change – The Jobbik's parliamentary election program for national self-determination and social justice" (Jobbik, 2010).

The remaining option was therefore to continue with the radical right-wing politics whereby the Vona-led presidency not only served the Jobbik membership but also tried to block the voters towards Fidesz-KDNP. The latter was particularly important for the Jobbik because certain elements of the Orbán Government's policy (e.g. the protection of national sovereignty, the fight for sovereignty against EU institutions, strengthening public safety or the introduction of a special tax on banks) were undoubtedly attractive to those Jobbik voters who were becoming increasingly disappointed with the party, which as an extra-parliamentary party was still promising radical change, but after 2010, was increasingly part of the political elite.⁶⁶ Thus, the Jobbik's first term was dominated by radical politics, as evidenced for instance by their continuous support of the Magyar Gárda (Hungarian Guard), the continuous use of the expression 'Roma crime' its siding with Betyársereg (Outlaws' Army), the Hatvannégyszéki Vármegye Mozgalom (Sixty-Four Counties Movement), MP Márton Gyöngyösi's proposal concerning the listing of MPs of Jewish origin (Index, 2021) or Gábor Vona's statement that he would resign as chairman of the party, should he turn out to be of a Jewish origin (Mandiner, 2013).

Nonetheless, the declared objective of the Jobbik, a party whose extreme politics rendered it unsuitable to form a coalition with any other major political force, was to win the 2014 parliamentary elections (MTI, 2013). Although this seemed to be an impossible mission from the outset, they did appear to stand some chance of overtaking the left-liberal side (MSZP, DK, Együtt, PM and MLP): although the averaged results of opinion polls (Ipsos, Medián, Nézőpont Intézet, Századvég and Társki) showed a 6 percentage

⁶⁶ See, for example, the 2011 opinion of Gábor Szabó, leader of the Jobbik's national electoral committee: *"we are increasingly confronted with the fact that it appears like [the government] is writing the scenario of their governance from the Jobbik's program"* (Varró, 2010).

point lead among sure voters (26 percent v. 20 percent) in the days before the elections, the Jobbik were only 1 percentage point behind in the Tárki poll (Kisistók, 2014); moreover, the presence of Ferenc Gyurcsány made the activity of left-wing voters uncertain throughout the election. The possibility of winning second place was brought even closer by the fact that, based on the averaged results of the above opinion polls (2020), among sure voters Jobbik was still 22 percentage points behind the aggregated result measured for the MSZP, the DK, the Együtt-PM and the MLP before the January 2014 agreement on the joint entry of the left-liberal side (34 v. 12 percent)⁶⁷ i.e. ‘joining forces’ weakened, rather than strengthened, the left-liberal side.

In the fall of 2013, when a joint candidacy of the left-wing parties seemed increasingly likely, Jobbik chairman Gábor Vona announced his strategy of turning the Jobbik into more of a people’s party to boost its election result, which was also emphasized as much as possible during the campaign. He had to be cautious here though, because too much emphasis on becoming a people’s party might have led to internal tensions and discouraged Jobbik’s activists and core voters, something the party chairman wanted to avoid at all costs before the parliamentary election. In addition to announcing the new strategy, the Jobbik was trying to display show moderation in the selection of its candidates for MPs: in the single-member constituencies “*the share of candidates with a far-right party background and a history in the extreme right movement decreased considerably*” (Róna & Molnár, 2017, p. 182) so “*in 2014, only 38 percent of the Jobbik candidates had already run as Jobbik candidates in the 2010 elections in the same constituencies*” (Róna & Molnár, p. 183). On the national list, however, the party’s most influential leaders, with the most significant political backgrounds

⁶⁷ Even Tárki, which measured very close results later on, found a 21 percentage point difference (Public Opinion Research Institutes, 2020).

won the top places, including a number of politicians who still profess radical right-wing views. To name but a few: Előd Novák, Dóra Dúró, István Apáti and János Volner.

As a result, the intention of becoming a ‘people’s party’ did not sink in with the wider electorate and thus did not bring the expected success. Most Hungarians continued to regard the Jobbik as an extreme-right party which, although it received a 3.55 percentage point improvement in the parliamentary elections in April 2014 compared to the 2010 parliamentary elections, it only managed to come third (National Election Office, 2020). Fidesz-KDNP and the joint MSZP-DK-Együtt-PM-MLP list beat the Jobbik’s 20.22 percent share of the list votes by 24.65 and 5.35 percentage points, respectively, and the most painful loss for the Vona-led party was that they failed to win any single-member constituencies.

This also highlighted the fact that, although the Jobbik did better overall than in 2010, it had already reached its ‘glass ceiling’ of support. It became clear that there was no more potential in radical right-wing politics, so the party would have to make changes if it were to come closer to a government position in time. The revival of the ‘people’s party’ strategy together with moderation seemed like a logical step towards this end, but in 2014 it was not yet quite clear exactly how the Jobbik leadership envisaged this process unfolding. Gábor Vona and his party had two options: (1) continued moderation while maintaining the party’s right-wing character, which would make them unable to form a coalition with other opposition parties and, if Fidesz-KDNP’s strong social support were maintained, they would be stuck in opposition for several terms; or (2) take a left-liberal turn at the same time as becoming more moderate, thus abandoning their party’s identity but theoretically getting closer to government more quickly by becoming acceptable as a potential coalition partner to the left-wing, now led by Ferenc Gyurcsány. In the end, their ambition for power prevailed, so the Jobbik (apparently?) abandoned its values and chose the latter option.

3. 2018: weakening of centrist political power and consolidation of the predominant party system

The 2018 parliamentary elections do not seem to have brought any material change to the structure of the Hungarian party system. At first glance, the centrist political power base continued to function. The party system appeared tripolar, with Fidesz-KDNP, a coalition enjoying outstanding support, again facing a two-sided opposition: the left-liberal side (DK, MSZP-P /that is, MSZP + Dialogue/ and Együtt) now attempting to field partly coordinated candidates after their joint effort in 2014, and the Jobbik, in the middle of a left turn, but still running independently in each single-member constituency and still considered by most voters as a radical right-wing party.

This was the case even if we consider the fact that the forces pursuing their specific ‘maverick’ politics⁶⁸ also received an unprecedented electoral mandate: the LMP received 7.06 percent, while a new formation called Momentum Movement, which emerged in 2017 and revived the spiritual legacy of the late SZDSZ, gained 3.06 (National Election Office, 2020). Despite their more than 10 percent aggregate result, the ‘mavericks’ still did not constitute a new pole, because on the one hand, Momentum, which only temporarily pursued ‘maverick’ politics, did not be-

⁶⁸ Not only did the LMP and Momentum run with their own national lists in the 2018 parliamentary elections, but they also put up their own candidates in the majority of single-member constituencies. Moreover, their relationship with the left-liberal parties and the Jobbik was not clear either, though in the event of an opposition parliamentary majority, both parties would presumably have cooperated with the parties of the two main opposition poles.

come a parliamentary party, and on the other hand, and unlike the Jobbik, both the LMP and Momentum essentially had left-liberal roots, which most voters had always been fully aware of. However, despite the governing parties' two-thirds victory, the centrist political base founded on strong governing parties, as well as a left-liberal and a radical far-right opposition had weakened perceptibly by 2018, due to the Jobbik's left turn and its positive reception by the left-liberal side dominated by the MSZP and the DK. The party led by Gábor Vona, hiding behind its camouflage of moderate 'people's party', was gradually adapting its policy to the realization of its coalition potential with the left-liberal parties.

This process, however, had not matured by 2018 because the majority of voters and public figures backing the two political sides would not have tolerated an electoral alliance between the left-liberals and the Jobbik, even though it was widely known that it would have taken a coalition ranging from the DK to the Jobbik to form a parliamentary majority in the event of the governing parties' defeat. Although the centrist political base was weakened, its predominant character was strengthened by the 2018 parliamentary elections, as Fidesz-KDNP achieved an outstanding election result of nearly 50 percent (National Election Office, 2020). As a result, the governing parties won two-thirds of the seats in parliament for the third time in a row after 2010 and 2014, a rare political achievement in a democratic country with universal, equal suffrage and secret ballot, such as Hungary. In addition to the high support for the party alliance led by Viktor Orbán, the fragmentation of the opposition was increasing from term to term,⁶⁹ which also reinforced the predominant nature of the party system.

⁶⁹ In 2010, the opposition consisted of 3 parties (MSZP, Jobbik, LMP), in 2014 of 5 (MSZP, DK, Együtt-PM, Jobbik, LMP) while in 2018 of 6 parties (MSZP-P, DK, Jobbik, LMP, Momentum and MKKP). Moreover, the split of the Jobbik led to the formation of a radical right-wing organisation called Our Homeland Movement (Mi Hazánk Mozgalom (Mi Hazánk)) was established in 2018.

Table 3
Parliamentary election results
by party list in 2014 and 2018
(National Election Office, 2020)

	Parliamentary election result by party list in 2014	Parliamentary election result by party list in 2018*	Difference
Fidesz- KDNP	2 264 780 votes (44,87 %)	2 824 551 votes (49,27%)	+559 771 votes (+4,4%-pont)
Jobbik	1 020 476 votes (20,22 %)	1 092 806 votes (19,06%)	+72 330 votes 1,16%-pont)
MSZP-P'	-	682 701 votes (11,91%)	+682 701 votes (+11,91%)
LMP	269 414 votes (5,34 %)	404 429 votes (7,06%)	+135 015 votes (+1,72%-pont)
DK	-	308 161 votes (5,38%)	+308 161 votes (+5,38%)
Momentum	-	175 229 votes (3,06%)	+175 229 votes (+3,06%)

*The 'aggregate result' including postal votes of voters not resident in Hungary, 'aggregate result'.

No 2014 list result can be calculated for the MSZP-P and the DK because the two political forces ran on one national list that year: together with Együtt and the Liberals, they achieved a total of 1,290,806 votes (25.57 percent), 299,944 more than the aggregated result of the MSZP-P and the DK in 2018.

3.1 Society's support for Fidesz-KDNP's did not decrease between 2014 and 2018 either

In the 2018 parliamentary elections, the governing parties managed to improve on their 2014 result (National Election Office, 2020). Moreover, the Fidesz-KDNP coalition made a significant step forward not only in terms of the number of votes (+559 771 votes) but also in terms of its ratio (+4.4 percentage points). After eight years in government, this was a particularly remarkable political accomplishment, because a long period in government, even with good governance, poses a challenge to the governing powers. The continuation of its exceptionally high social support is mainly due to the fact that between 2014 and 2018, Fidesz-KDNP made decisions in line with most people's opinions in order to tackle the immigration crisis, support families and boost Hungary's economic performance. These were partly due to the Orbán-led government's practice of consulting voters through national consultations before making key decisions, in addition to commissioning opinion polls⁷⁰. There was even a national referendum in 2016 on migration.

However, the first year of the term however, did not go quite well for the government, with several negative issues for Fidesz-KDNP setting the political agenda after the 2014 local elections: the planned introduction of an 'internet tax' and the subsequent

⁷⁰ There were nine national consultations in Hungary between 2010 and 2020. The most important ones included: in spring 2015, the government consulted Hungarians on immigration and terrorism, in spring 2017 on the preservation of national competences, with the slogan "Let's stop Brussels", in fall 2017 on the Soros plan, and in fall 2018 on the protection of families.

protest, the ban of Hungarian officials from the US, the introduction of the closure of stores on Sundays, finally revoked in 2016, the Orbán-Simicska conflict, the defeats in the parliamentary by-elections in the towns of Veszprém and Tapolca and the loss of the two-thirds majority in the National Assembly, put the governing parties in a difficult position. Nonetheless, the opposition, still unable to offer an alternative force capable of governing Hungary, failed to meaningfully benefit from what was for them a favorable political situation, as Fidesz-KDNP was still leading the opinion polls during this period. The closest results occurred in April 2015, when the averaged results of the Ipsos, Nézőpont Intézet and Tárki polls showed that Fidesz-KDNP was supported by 37 percent of sure voters, while the Jobbik as well as the left-liberal parties, which joined forces in the 2014 elections (MSZP-DK-Együtt-PM-MLP), both stood at 26 percent of voters (Public Opinion Research Institutes, 2020).

However, the governing parties gradually regained control of the political agenda from May 2015. The immigration crisis, and the terrorist acts that followed, quickly became a vital issue determining the future of the whole of Europe, including Hungary. This issue eclipsed everything, with voters in all countries concerned demanding immediate solutions. The European Commission and most Western European members, however, approached the issue primarily from the immigrants' perspective and, while advocating ideological solutions, paid little attention to addressing the social conflicts generated by migration and to listening to the view of European citizens. The third Orbán Government, on the other hand, put pragmatic solutions first, bearing in mind Hungary's sovereignty and the interests of Hungarian citizens. By building a fence, strengthening the human and technical resources and tightening the regulations on border crossing, the government successfully defended Hungary's borders, and by consistently rejecting the mandatory immigrant resettlement quota, it managed to thwart the plan to resettle immigrants.

This policy also reflected the views of the vast majority of voters, as confirmed by opinion polls and national consultations, as well as a national referendum in 2016. Although the referendum was only about mandatory resettlement in public law terms, voters also expressed their opinion on the Orbán Government's migration policy in political terms. The 'quota referendum' of October 2, 2016 resulted in a clear-cut decision: a total of 3.36 million voters (98.36 percent of participants) decided that the European Union should not impose the compulsory settlement of non-Hungarian citizens in Hungary without the consent of the Hungarian National Assembly. A considerable number of opposition and undecided voters also backed the government on this issue, with 1.09 million more votes for the government's position than with which Fidesz-KDNP had won a two-thirds parliamentary majority in 2014.

The result of the referendum could have been ratified by National Assembly through an amendment to the Constitution by a two-thirds majority, but this could not be done at the end of 2016, since the referendum was deemed invalid from a public law point of view, so the opposition was not obliged to support (and did not support) the constitutional prohibition of the mandatory resettlement of immigrants, despite the clear decision of the electorate. According to the Fundamental Law in force since 2012, "*a national referendum shall be deemed valid if more than half of all voters have cast valid votes*" (The Fundamental Law of Hungary, The State, Section 8(4); however, only 41.32 percent of voters participated in the quota referendum. Nonetheless, even this turnout rate was significant despite being insufficient under public law, because only Fidesz-KDNP mobilized the relevant political forces in the campaign. In fact, the parties of the 2014 left-liberal coalition – except for the Liberals, who only had negligible support, called on their voters to boycott the referendum.

Thus, the left-liberal opposition achieved its goal in the short term: since the result of the quota referendum was foreseeable on the basis of opinion poll results, so the only way they could

prevent a constitutional ban on resettlement was by claiming the referendum was invalid under public law, which it succeeded in doing with the support of the Jobbik which had already begun its political turn to the left.⁷¹ In the long run, however, this proved counterproductive for the entire Hungarian opposition, because voters in the quota referendum not only expressed their opinions on the mandatory resettlement of illegal immigrants but also the overall migration policy of the Hungarian government led by Viktor Orbán. The entire opposition, from the DK to the Jobbik, therefore made a serious and fatal strategic error by ultimately failing to vote for the amendment to the Fundamental Law, which expressed the will of 3.36 voters; this was most evident in the outcome of the 2018 parliamentary elections, when voters once again gave Fidesz-KDNP a constitutional majority. In fact, the governing alliance beat its 2014 result by over half a million votes.

⁷¹ Based on the 2014 election results, when it won a two-thirds parliamentary majority, Fidesz-KDNP could even have modified the Fundamental Law on its own, but the governing parties no longer had a constitutional parliamentary majority after their defeat in the 2015 Veszprém by-election. This obstacle, however, was removed again by the 2018 parliamentary elections. Voters again gave Fidesz-KDNP a two-thirds majority in the National Assembly in summer 2018, therefore with the seventh amendment to the Fundamental Law, they could declare, without the support of the opposition, that “No foreign population shall be settled in Hungary. A foreign national, not including persons who have the right to free movement and residence, may only live in the territory of Hungary under an application individually examined by the Hungarian authorities.” (Hungary’s Fundamental Law, Freedom and Responsibility, Section XIV (1)).

3.2 A reshuffling but still fragmented opposition with the Jobbik drifting left and ‘maverick’ parties gaining strength

As in the 2014 parliamentary elections, the opposition’s poor political performance again contributed to the victory of the governing parties in 2018, although not as greatly as Fidesz-KDNP’s good governmental performance during the preceding years did. This was also true for the persistently fragmented and polarized left-liberal side, the Jobbik, which found itself facing an identity crisis after reaching the ‘glass ceiling’ of support and which then shifted to the left, and the LMP, which was cautiously beginning to abandon its ‘maverick’ politics. None of the political forces could offer a viable alternative to government, as they could not even overcome their own internal tensions. This also contributed to the opposition’s inability to adapt to the new electoral system introduced in 2018, just like in 2014, when the number of MPs was reduced. Although they could probably not have prevented Fidesz-KDNP from being elected again,⁷² they might have stood a good chance of avoiding a two-thirds majority in parliament, had they joined forces without the Jobbik.

Although the left underwent some significant transformations and personnel reshuffles, it did not change much in substance between 2014 and 2018. The electorate saw a multi-party political side, fraught with open conflict, without a coherent program, a clear social vision or a prime ministerial candidate, accepted by all left-wing players and seen as a suitable candidate by the electorate, who could have been a worthy challenger to Viktor

⁷² Fidesz-KDNP received 49.27 percent of the aggregated national list votes; moreover, 85.85 percent of the 106 single-member constituencies were won by their candidates (54 with an absolute majority).

Orbán. This is hardly surprising, as the left-wing parties had also prioritized competition with each other during the four years preceding the 2018 election. The main reason for this was that the left-liberal side still did not believe they had a realistic chance to replace the government in 2018, due to the strengthening of the centrist power base in 2014. They simply did not seem to be able to attract enough voters to be successful in the elections, and open cooperation with the Jobbik in the run-up for the election was still not an option, despite the marked leftward shift of the party led by Gábor Vona, because voters would not yet have supported a ‘rainbow coalition’ in 2018.

Paradoxically, the parties that ran together in the 2014 elections, were, though of course tacitly, already preparing for the 2022 elections in 2018. The break-up of the Együtt-PM party alliance in 2014 (Magyar Hírlap, 2014) left two dominant parties on this side, the MSZP and the DK, who, by running on separate lists were actually competing with each other for the leadership of the left-liberal side.⁷³ And although the MSZP, which managed to join forces with Párbeszéd and the Liberals, fared better than the DK, the latter came out better in the 2018 parliamentary elections: the socialists’ MSZP-P list received only 11.91 percent of the national list votes (National Election Office, 2020), a clear failure even though public opinion polls had suggested a similar outcome. Moreover, the elections sent a clear message about the socialists’ slow and steady ‘demise’. The MSZP had lost 31 percent of its supporters compared to 2010, and Ferenc Gyurcsány had been out of the party for seven years by then. The election result was not without consequences: Gyula Molnár was replaced by Bertalan Tóth as party chairman, the fourth person in eight years to hold this position.

⁷³ The Párbeszéd party ran on a joint list with the MSZP, while Együtt participated with its own separate list, and was heavily defeated, with a national election result of 0.66 percent.

The DK, on the other hand, could consider the election result a success: although it just passed the parliamentary threshold with 5.38 percent, the Gyurcsány party was able to enter the Hungarian Parliament on its own for the first time in history and the opportunity to form a parliamentary faction gave Ferenc Gyurcsány a valuable communication platform. The developments on the left-liberal side therefore favored the former prime minister, a rather unexpected turn of events after 2006. There can be no doubt, however, that the DK chairman, who was neither “spat out nor swallowed” by the left, which had an appallingly poor political record over eight years, was the best able to adapt to the post-2010 political situation. Consequently, although Ferenc Gyurcsány remains one of the most unpopular politicians in Hungary⁷⁴, he had been gaining influence on the left-liberal side every year since 2014. However – and here it is important to make a few comments on the preceding parliamentary term – it was essential for the DK to get into parliament in the 2014 parliamentary elections, which happened primarily due to strategic errors by the MSZP. Although the socialists lost 23.91 percentage points in 2010 compared to the 2006 parliamentary elections, mainly due to the policies of the failed prime minister,⁷⁵ in fall 2010, Ferenc Gyurcsány was given the opportunity to organize what he called the Democratic Coalition (Demokratikus Koalíció (DK)) as a platform within the MSZP, even though it was foreseeable that his real goal was to establish a new party, which he did in November 2011, when the DK split from the MSZP to continue as an independent party.

⁷⁴ According to a poll by Republikon Institute, published on September 1, 2020, Ferenc Gyurcsány’s popularity was about 31 percent, the fourth lowest among the 28 politicians surveyed.

⁷⁵ While in 2006 the MSZP received 43.21 percent of the list votes, in 2010 they only achieved 19.30 percent (National Election Office, 2020).

Nonetheless, the socialists not only assisted Gyurcsány's new party but even ran on a joint list with the DK in the parliamentary elections three years later, which helped Ferenc Gyurcsány win a parliamentary seat and turned the Democratic Coalition into a relevant and inescapable factor of the Hungarian left-liberal side. It is not certain that Gyurcsány's party would have crossed the 5 percent parliamentary threshold on its own, since the averaged results of the major opinion polls (Ipsos, Medián, Nézőpont Intézet, Századvég and Tárki), put it at only 5.5 percent in December 2013 (Public Opinion Research Institutes, 2020). The MSZP, on the other hand, had 21 percent of the vote according to the same polls (Public Opinion Research Institutes, 2020), so, had the party run with its own list, the voters' attraction to the stronger candidate could have worked: moreover, votes for the DK teetering on the brink of failure could easily have become lost votes.

However, this is now just a piece of fiction: instead disappearing into political oblivion, the DK and Ferenc Gyurcsány were elected to the National Assembly in 2014. And although they could not form a parliamentary group of their own, they could start unifying – or in other words, ‘engulfing’ – the left-liberal side. The former prime minister even openly discussed his aspirations to unify the political left in a television (ATV) interview in 2016, where he said *“by the way, I am in favor of the closest possible cooperation. You know, I am the one who says that sooner or later, this will be a large democratic party on our side. But they don't like me saying this.”*

Nearly everything was given for accomplishing Ferenc Gyurcsány's objective: of the left-wing parties with real support among people, the DK was the only united political force without internal tensions in the 2014-2018 term, which was a major strategic advantage primarily over the MSZP. Particularly as the MSZP, the DK's main rival, had been in crisis for years, with its support and membership steadily declining. The daily newspaper *Népszabadság* estimated that by the summer of 2016, when the above quote was made by Gyurcsány, the MSZP's membership

had decreased dramatically, to about 15-20,000, from the 33,200 in 2011. By contrast, the DK had strengthened in this respect, with a membership of nearly 10,000 in the same period (Kálmán, 2016).

In addition to the progress achieved in the party competition, Ferenc Gyurcsány was also growing stronger personally on the left-liberal side, with two of his main rivals having lost ground in the meantime. The left wing's joint candidate for prime minister, Attila Mesterházi resigned as chairman of the MSZP on May 29, 2014, and Gordon Bajnai also stepped down from his leading role in politics in the same year.⁷⁶ The latter's decision was even more favorable for Ferenc Gyurcsány than Attila Mesterházi's resignation, because Együtt-PM, led by Gordon Bajnai, received 7.25 percent of the vote in the 2014 EP elections, only 2.5 percentage points behind the DK. Thus, had Bajnai accept his mandate as MEP and decide to continue his political career, he could have caused a serious headache for Ferenc Gyurcsány.

The resignation of the politician who was prime minister in 2009 and 2010 effectively meant the end of Együtt-PM too. The alliance dissolved in November 2014, and although the possibility of a merger was again raised before the 2018 parliamentary elections, it did not materialize in the end, because the party led by Gergely Karácsony and Tímea Szabó, renamed from Dialogue for Hungary (Párbeszéd Magyarországért, (PM)), to Dialogue (Párbeszéd), got its leading politicians into the National Assembly by running on a joint list with the MSZP, while Együtt, running independently, suffered a heavy defeat. The party, led by Péter Juhász and Viktor Szigetvári, won only 0.66 percent of the vote in April 2018, so it was not surprising that its members disbanded the organization just two months later (Szecskó, 2014).

⁷⁶ Gordon Bajnai continued working as Managing Director of a French company (Mandiner, 2014).

Overall, the unified party organization without internal conflicts, the continuous weakening of the MSZP, the decline or retreat from politics of his main rivals (Attila Mesterházi and Gordon Bajnai), the dissolution of the Együtt-PM alliance and the formation of the DK parliamentary group provided the basis for the further strengthening of Ferenc Gyurcsány. It should also be noted that the former prime minister's primary goal was not to regain this position – the DK chairman was fully aware of the lasting effects of the 2006 events – but rather to maximize his existing political influence on the left-liberal side, which, of course, required the strengthening of his party. This meant that, paradoxically, Ferenc Gyurcsány still had no interest in a change of government in 2018, because the Democratic Coalition was not yet strong enough to be the leading member of a left-wing coalition government. The former prime minister's primary objective, like that of the other left-liberal and 'maverick' parties, was to secure the best possible 'starting position' for his party for the run-up to the 2022 parliamentary elections, in which he proved most successful on the whole, after the 2018 parliamentary elections.

As for the other opposition pole in the weakening center, the radical right-wing Jobbik made a dramatic turnaround under the aegis of becoming a 'people's party'. Initially, between the end of 2013 and mid-2015, the Jobbik mainly targeted the Fidesz camp, which earned them some apparent success by the time of the parliamentary by-elections in Tapolca: their candidate won the seat (a first in the party's history). Moreover, by April 2015, based on the average results of recent public opinion polls (Ipsos, Nézőpont Intézet, Századvég and Társi) Fidesz-KDNP's support among sure voters had dropped to 38 percent, while the Jobbik's increased to 27 percent. Although the gap of 11 percentage was still significant, the 'closing of the gap' was clear to all: the governing parties were 6 percentage points weaker than in the

2014 parliamentary elections,⁷⁷ while the Jobbik was 6 percentage points stronger (Public Opinion Research Institutes, 2020).

The momentum of the Vona-led party, however, was broken by the immigration crisis that erupted in May 2015, and the government's quick and resolute response to it. The Jobbik's communication completely disintegrated and by early 2016, it had lost its new but not yet committed voters: according to the averaged results of recent opinion polls (Medián, Nézőpont Intézet, Századvég, Táarki) Fidesz-KDNP's support had increased to 49 percent among sure voters, while Jobbik's support had dropped to 19 percent (Public Opinion Research Institutes, 2020). Thus, the party was not left much choice: it was clear that migration, also a matter of destiny for the whole of Europe, would continue to set the political agenda for quite some time, therefore it would be difficult to disrupt the Fidesz-KDNP's re-consolidated right-wing base, so the Jobbik had to look for new target voter groups.

The party led by Gábor Vona therefore turned to left-wing voters, where it saw a power vacuum emerge due to years of incessant infighting on the left-liberal side. Consequently, the Jobbik started to embrace an increasing number of typically left-wing causes, distanced itself from the Hungarian Guard, organized a 'real national consultation' on education, health, and corruption in 2016, and radically changed its European policy. While the Jobbik had previously called for Hungary's exit from the EU, in 2017 it launched a campaign for a 'wage union' to regulate wages in Member States at Union level. Nothing proves more convincingly the 'domestication of the party' than this process. In 2012, Gábor Vona was still arguing as party chairman that Hungary should

⁷⁷ Since the opinion polls referred to above were only conducted in Hungary, for the sake of an accurate comparison, it is worth taking into account the so-called domestic list results, which do not include the votes of voters not resident in Hungary.

leave the European Union and the then party vice-chairman Előd Novák was burning the EU flag (Mandiner, 2012).

At the same time, also to appeal to left-wing voters, the Jobbik took a fundamental oppositional stance and, instead of developing a real alternative to the government in office, tried to build primarily on the anti-government impulses of the opposition voters (as all left-liberal parties were doing). The latter also meant that Gábor Vona and his fellow party leaders staunchly rejected any cooperation with the governing parties, the most telling example of which was the events of the 2016 quota referendum: in addition to remaining conspicuously passive during the campaign, they refused to support the post-referendum constitutional amendment.⁷⁸

Despite its left turn, the Jobbik still needed its radical right-wing votes too, which it tried to retain primarily through its politicians rather than issues. Thus, although at the 2016 (re) election congress, the Előd Novák – István Szávay – István Apáti trio was ousted from the party's leadership by Gábor Vona's veto, László Toroczkai, originally known from the Sixty-Four Counties Movement but by that time, mayor of the village of Ásotthalom was elected to its presidency, while János Volner who had previously stood by the Hungarian Guard on several occasion, was elected head of the Jobbik parliamentary group.⁷⁹ Despite its loss of identity,

⁷⁸ In 2016, Fidesz-KDNP did not have a two-thirds parliamentary majority, therefore the ban on resettlement of foreigners in Hungary could only be included in the Fundamental Law after the governing party's two-thirds victory in the 2018 parliamentary elections.

⁷⁹ János Volner's appointment as faction leader was partly a result of necessity: Gábor Vona had originally counted on him as vice-chairman of the party but since he was re-elected party chairman as the only candidate with only 79 percent support, he had to do something to defuse the tension caused by the ousting of Előd Novák and others from the leadership..

the Jobbik was still quite successful in the 2018 parliamentary elections because it retained its position as the second strongest political force in the national polls following the 2014 EP elections, although it was still 30.21 percentage points behind Fidesz-KDNP. Nonetheless, Gábor Vona was brought down by the outcome of the elections because, confident in the complete collapse of the political left and the weakening of Fidesz-KDNP⁸⁰, he promised the Jobbik members victory in the 2018 elections. This did not happen, so the party chairman announced his resignation on the day of the elections and ultimately did not even take up his parliamentary seat.

It should be noted that never before had so many votes been cast for the ‘maverick’, though ideologically left-wing, parties as in 2018, primarily in urban areas. Besides the LMP, the new party called Momentum, which gained popularity in 2017 with its referendum initiative against Budapest’s hosting the Olympic games, was also trying to appeal to opposition voters for whom neither the left-liberal side, led by the DK and the MSZP, nor the Jobbik, then in the middle of their left turn but still considered a radical right-wing party due to its politicians, was acceptable. These two parties won 10.19 percent of the vote: the LMP made it into parliament with its second best result in history, 7.06 percent (they only did better in 2010, with 7.48 percent), while Momentum, as a new political force, opened with a 3.06 result (National Election Office, 2020).

However, the LMP leadership recognized relatively quickly that the emergence of Momentum was primarily a threat to them. The new party, headed by party chairman András Fekete-Győr, distanced itself from Ferenc Gyurcsány and declared that the

⁸⁰ The Jobbik hoped that the immigration issue would be pushed into the background, which did not occur until 2018, and the rise in standards of living that came with Hungary’s economic growth also favored Fidesz-KDNP.

MSZP was the equivalent of Fidesz, which posed a threat to the LMP. The question was rightly raised as to why voters should support a party that had been pursuing its ‘maverick’ politics for eight years without any particular achievement, when there was a new alternative. The ‘green party’ led by Bernadett Szél and Ákos Hadházy however, reacted appropriately to the new situation: they hired Ron Werber, a professional and experienced campaign strategist, who had previously worked for the MSZP, and nominated Bernadett Szél as their candidate for prime minister. This, as well as her active campaigning, brought the party, practically invisible since András Schiffer left the party in 2016, into the limelight again.

Moreover, the two co-chairmen of the party also recognized that Momentum, although rhetorically distanced from the DK and the MSZP, would be able to cooperate with those parties in the event of an opposition victory, which also negatively affected LMP’s electoral chances. Momentum also confirmed its ‘openness to the left’ by withdrawing their candidates in 13 single-member constituencies⁸¹, with both Bernadett Szél and Ákos Hadházy – despite the LMP congress ban on this - talking about coordination with left-liberal parties on several occasions, and 6 of the party’s 106 single-member constituency candidates eventual withdrew from the race (Pap, 2018).

From the perspective of the outcome of the 2018 parliamentary elections, the LMP managed to ‘fend off’ Momentum’s attack: the stabilization of the support⁸² of the ‘green party’ above the

⁸¹ Eventually, Momentum’s candidates ran in 83 single-member constituencies: its candidates withdrew in 13 constituencies in favor of other opposition candidates and in 10 constituencies it was unable to field a candidate in the first place.

⁸² Right before the elections, both expert estimates and opinion polls predicted that LMP would make it into parliament. See: Public Opinion Research Institutes (2018).

parliamentary entry threshold also prevented Momentum from gaining strength before the elections, and so the party led by András Fekete-Győr was not even elected to the National Assembly. On the other hand, Momentum, which revived the liberal intellectual legacy of the SZDSZ, became a not very significant but still unavoidable part of the political left with its 3.06 percent result, without having to give up the chance of future consolidation.

Finally, it is worth pointing out that while the LMP, despite its left-liberal roots, managed to credibly represent 'maverick' politics for nearly a decade, Momentum chose this path only for short-term strategic reasons. The new party detected a political vacuum here, therefore tried to run in the 2018 parliamentary elections within this club of relevant parties. It was obvious, however, that Momentum, with its left-liberal intellectual background, would soon join the DK and MSZP-dominated political left. This is supported by the abovementioned fact that the party showed a willingness to coordinate with the opposition right from its first electoral contest.

4. 2020: the end of centrist politics, with a predominant party system still in place

Transformations in party systems usually take place at the time of parliamentary elections, but in exceptional cases, other political events may also contribute to such changes. This was also the case in Hungary in 2019, when the local elections formally ended the already weakened centrist political power base. It should be noted that the disappearance of the centrist political force was not due to the lack of popular support for the governing parties – in fact, Fidesz-KDNP's support has remained steady at around 50 percent since the 2018 parliamentary election – but rather that the Jobbik had, at the cost of a party split and a significant loss of support, finally arrived on the left-liberal side. As a result, the radical right ceased to be a factor forming a separate political pole,⁸³ so the party system, tripolar since 2010, became bipolar: accordingly, since October 2019, the right wing, based on national conservative and Christian democratic values, is no longer facing a two-sided opposition, but a single left wing based on liberal ideology.

The bipolarity of the party system is further reinforced by the fact that the 'maverick' Momentum and LMP have now joined the left-liberal side. However, the end of the centrist power base

⁸³ The radical right is currently occupied by the Our Homeland Movement (Mi Hazánk Mozgalom, (Mi Hazánk)), formed after the Jobbik split in two in 2018. However, the party, led by László Toroczkai, achieved only 3.24 percent in the 2019 EP elections and failed to make a breakthrough in the subsequent local elections. Since then, Mi Hazánk has been unable to gain strength, as no opinion poll in the last year has measured the radical right-wing party above 3 percent of sure voters.

has not removed the predominant nature of the Hungarian party system. Indeed, the latter has grown even more marked during the two years since 2018, for the following two reasons. On the one hand, the governing parties have had the stable support of over 50 percent since the 2018 parliamentary elections: Fidesz-KDNP won the 2019 EP elections and the subsequent local elections with 52.56 and 53.30 percent of all votes⁸⁴, respectively. Moreover, according to the aggregated data of opinion pollsters that have conducted opinion polls recently⁸⁵ (Závecz Research, Publicus, Republikon, IDEA), Fidesz-KDNP has 51.5 percent of all sure voters at the time of writing this study, despite the crisis caused by the coronavirus pandemic.

On the other hand, although the Jobbik's final shift to the left resulted in a bipolar party system, no unified political side has emerged to face the political right occupied by Fidesz-KDNP. The left is still considered a fragmented multi-party counterpole, with its strongest party, the Democratic Coalition, failing to even reach 20 percent of the vote. This was confirmed by the outcome of the 2019 EP elections (16.05 percent) and the aggregated data of recent polls (Závecz Research, Publicus, Republikon, IDEA), showing that the DK was leading the left with only 15 percent of the support of sure voters. This corresponds to no more than medium-sized party status, therefore according to the above polls, Momentum (10 percent), the MSZP-P (9 percent), the Jobbik (7.5 percent) and even the LMP (2.5 percent) should be considered unavoidable factors on the left-liberal side.

⁸⁴ Total votes, in this case refers to the votes cast for the county party lists, the candidates running for Mayor of Budapest and the candidates running for mayors of towns with county rights (Hont, 2019).

⁸⁵ This study was prepared in September 2020, when data from August 2020 polls were available (Public Opinion Research Institutes, 2020).

One of the most frequently mentioned, and for some analysts even the most important, characteristics of the centrist political power structure is the impossibility of cooperation between the left and the right outside the center. According to this way of thinking, the centrist political power base came to an end in 2019, as the merger of the two opposition sides created the missing united counterpole, enabling the return of the ‘conventional’ post regime change two-bloc system. In fact, some are even discussing the parallel – again based on a EP election, that of 2019 – that the former MSZP could be replaced by the Democratic Coalition, and the SZDSZ by Momentum in the newly created left-liberal bloc.

Mention should, however, also be made of a different interpretation, in which the centrist political power base also has another characteristic and another participant, that is the governing force that dominates the center, which “voices national issues” and has had a two-thirds parliamentary majority three times in a row. For society, this situation is often associated with the notion that there is no alternative, but this does not mean that there are no other, even relatively popular, opposition forces that could end up in government. Rather, it simply describes a situation in which the governing party represents the opinion of the vast majority of people on the most important issues for society, “represents national issues”, and the opposition, even if united, is bound to find itself in a minority position if it opposes this political line.

Moreover, debates among the opposition parties about the political line to follow (e.g., moderate vs. radical) can easily recreate another characteristic of the centrist political power force, the renewed fragmentation of the forces outside the center, i.e. the disintegration, or even the emergence of a strong third participant, an alternative opposition force. According to this alternative view, a centrist political power base can be created not only by the existence of a formally logical centrist position but by the content of the centrist position and support in achieves.

4.1 Fidesz-KDNP

– stronger than ever

Although the loss of centrist political power in the 2022 parliamentary elections may bring about a fierce battle between Fidesz-KDNP and the left, the governing parties still stand a reasonable chance in the run-up for the election despite the uncertainties caused at mid-term by the coronavirus pandemic. Indeed, the support of the political force led by Viktor Orbán, which is close to its 2010 parliamentary election result (52.73 percent), has shown unprecedented stability during the first half of the 2018-2022. While opinion polls reflected a temporary recovery of the MSZP's support in 2012 and showed a temporary upswing in the Jobbik's popularity in 2015, no opposition party has shown significant growth during the current term. The outstanding and consistently high rate of support for Fidesz-KDNP is a considerable achievement in itself, but after ten years in office, it is an unparalleled political accomplishment in a democratic country governed by the rule of law, such as Hungary. This is essentially a result of the following:

- *The only alternative capable of governance:* due to the chaotic state of the opposition, only Fidesz-KDNP can offer voters a viable alternative capable of governing Hungary, which gives the governing parties a substantial competitive advantage. Moreover, the governing capability of Fidesz-KDNP is further enhanced by the creation and maintenance of political stability and effective governance based on a secure parliamentary majority. The governing parties have not only dealt effectively with the economic crisis, the migration crisis, and the first wave of the coronavirus pandemic, but also facilitated remarkable economic and infrastructure development in Hungary during the ten-

year period under review. *Value-based governance*: during its ten years in office, Fidesz-KDNP has governed Hungary in accordance with a set of values clearly identifiable to the electorate too. In fact, these values were even enshrined in the Fundamental Law adopted during the 2011 constitutional amendment. A values-based Constitution led to a values-based state, and as a result, the Hungarian state can now be regarded as a Christian democratic state based on national values. Within this framework, the Hungarian state and the Orbán Government leading it considers the family rather than the individual the main nation-building factor; by assuming responsibility for all Hungarians, including those living outside Hungary's borders, it favors the cultural nation over the political nation; it builds the nation's identity on historical and cultural traditions, also determined by Christian values; it regards national sovereignty as a core value; it is committed to the principles of order and the democratic rule of law; it advocates a work-based society and economy through a concept of freedom emphasizing the responsibility citizens, and it recognizes the achievements of Hungary's historical constitution and the Holy Crown "*which embodies the constitutional continuity of Hungary's statehood and the unity of the nation*" (the Fundamental Law of Hungary, National Avowal)

- *Pursuing responsible economic policy*: thanks to the Fidesz-KDNP's responsible policy, Hungary has not only restored its financial sovereignty it lost with the EU-IMF-World Bank loan borrowed by the Gyurcsány Government, but has also grown stronger economically. Hungarians have also experienced the latter through the improvements of their own living conditions. Between 2010 and 2019, the number of people in employment increased from 3.68 million to 4.52 million (Hungarian Central Statistical Office, 6.2.1.3),

while the unemployment rate dropped from 11.9 percent to 3.4 percent (Hungarian Central Statistical Office, 2.1.2.2). And although the economic consequences of the ongoing coronavirus pandemic at the time of the preparation of this study have temporarily halted this positive trend, the economic measures taken by the Orbán Government are expected to lead to a resumption of employment growth in the country in the near future.⁸⁶ At the same time, the average gross monthly earnings of full-time employees increased from HUF 203,000 to HUF 368,000 between 2010 and 2019, while real earnings, which reflect the purchasing power of wages, have been increasing steadily since 2013. The budgetary funds allocated to family support have increased at an unprecedented rate: more than doubling between 2010 and 2020 from HUF 960 billion forints to HUF 2,228 billion (Government of Hungary, 2019), and the government left this amount unchanged even during the reallocations made due to the coronavirus pandemic. Moreover, pensioners received a ‘pension premium’ each year between 2017 and 2019, thanks to 3.5 percent annual economic growth. This could not be paid in 2020 due to the pandemic, and to compensate for this, the government decided to gradually reintroduce the 13th-month pension which was taken away by the left (Magyar Nemzet, 2020).

⁸⁶ The government – whose mottoes are “to create as many jobs as the virus destroys” and “if there is work there is everything” – provided over HUF 2,000 billion in interest-rate subsidized and guaranteed loans to finance companies and a further HUF 560 billion in investment subsidies to create jobs (Koronavirus.gov.hu, 2020).

- *Creating points of agreement with voters:* one of the keys to the achievements of the political force led by Viktor Orbán so far has been its drive to create points of agreement with voters on the most important issues affecting Hungary. In addition to public opinion polls, its most effective tool has been the national consultations. A total of nine such consultations have taken place since 2010, with the government asking Hungarians for their views on important issues such as the Constitution, migration, family benefits and the management of the coronavirus pandemic.
- *The persona of Viktor Orbán:* The persona of Viktor Orbán is a major competitive advantage for Fidesz-KDNP. Viktor Orbán has been involved in Hungarian politics for more than 30 years, 14 of which he served as head of government. In November 2020, he will become Hungary's longest serving prime minister, overtaking Kálmán Tisza, who held office between 1875 and 1890, and, unlike his 19th-century predecessor, he will have won his four terms of office in democratic elections with universal, secret and equal suffrage. Viktor Orbán is therefore a proven politician many times over, who has effectively managed crises including the economic crisis 'inherited' in 2010, the migration crisis in 2015, and the current coronavirus pandemic at the time of writing. As a result, the prime minister not only has a stable base of about 1.8-2 million reliable voters behind Fidesz-KDNP, a coalition essentially determined by him, but based on the experience of the 2018 parliamentary elections, he is also able to mobilize an additional 800,000 to 1 million voters. Meanwhile, the left currently has no leader with such appeal.
- *Unified political force, a party organization covering the whole of Hungary:* one of the biggest advantages of Fidesz-KDNP over the multi-party left wing is that it still conveys

outstanding unity to the electorate even after ten years in office. At the same time, the nationwide Fidesz-KDNP party organization also gives the governing parties a competitive edge: while the left is mainly present in large towns and villages with active and visible member organizations, the Fidesz-KDNP coalition can reach every single community in Hungary. Of course, this is partly due to the Orbán-led political force having by far the largest number of local government representatives in Hungary.

4.2 The Jobbik has also arrived on the polarized, multi-party left

There were significant changes on the opposition side following the 2018 parliamentary elections. Although none of the opposition political actors really believed in a change of government, Fidesz-KDNP's two-thirds victory surprised everyone, so the opposition was preoccupied with internal issues and debates for the rest of the year. On the night of the election, Gábor Vona resigned as the Jobbik's chairman and did not take up his parliamentary seat. However, Tamás Sneider, his protégé, was elected party chairman and continued pushing the party towards the left. Schneider's opponent László Toroczkai left the party after the defeat, together with several well-known politicians (e.g., Előd Novák, Dóra Dúró, István Apáti and, later, János Volner), and founded the radical right-wing party Our Homeland Movement (Mi Hazánk Mozgalom (Mi Hazánk)).

The MSZP-P also replaced its chairman: Gyula Molnár was followed by the less well known Bertalan Tóth, while the LMP, having banned Bernadett Szél and Ákos Hadházy from holding

party positions in the future after ethics investigations, essentially knocked itself out. The green party achieved the best election result in its history under the co-chairmanship of these two politicians, so they made a politically incomprehensible decision by which they effectively ousted the party's two most influential figures (after which both Bernadett Szél and Ákos Hadházy also left the party). Meanwhile, there was a profound change in the mindset of left-wing voters, who, disappointed by another defeat, would have been increasingly willing to even accept cooperation with the Jobbik in the hope of a future election victory.

The left-wing parties were thus coming under growing pressure, with increasing numbers of them calling for a full opposition coalition, the first opportunity for which would have been the 2019 EP elections. Although the new MSZP chairman, Bertalan Tóth, raised the possibility of this solution (168 óra, 2019), the first realistic opportunity for meaningful cooperation was in the local elections in the fall: Fidesz-KDNP was the clear favorite in the EP elections, therefore the whole model could have failed if a joint opposition list had lost. Hardly surprisingly, the idea was not supported by anyone, except the socialists and Párbeszéd, which was incapable of any meaningful political achievement in its own right. Moreover, the risk was further increased by the fact that nobody knew at the time how much attrition to expect if the parties ran on a joint list. However, the local elections were less risky from this point of view, as their complexity concealed multiple possible interpretations: winning a few major towns could even put a major Fidesz-KDNP victory into perspective in communication terms.⁸⁷

⁸⁷ Even though Fidesz-KDNP achieved a higher share of the vote than the 52.56 percent it had achieved in the EP elections, the opposition still talked about the defeat of Fidesz-KDNP, primarily because of its victories in Budapest and in ten towns with county rights (Hont, 2019).

A joint EP election list, however, was also contrary to the goal of Ferenc Gyurcsány, who had been systematically building his party and his own position since 2011, aiming for real leadership of the entire left. According to opinion polls, the Democratic Coalition had a chance of catching up with the MSZP-P and the Jobbik in the EP elections, and the former prime minister did not want to miss the opportunity. He took the opportunity and was right: the DK campaign focusing on Klára Dobrev was a success, as the Gyurcsány party not only became stronger, but with 16.05 percent of the vote, it became the leading opposition force. In fact, the MSZP-P (6.61 percent), the Jobbik (6.34 percent) and the LMP (2.18 percent) all performed much worse than expected, leaving them highly vulnerable to Ferenc Gyurcsány for the future. It is worth noting that, based on support indicators, only Momentum, which received 9.93 percent of the vote in the EP elections, could currently threaten Ferenc Gyurcsány's position as the opposition leader, but the liberal party has so far failed to achieve a breakthrough in this internal struggle.

Against this backdrop, the option of joint candidacy with the Jobbik was already tested in several constituencies in the 2019 local elections, and the results generally fulfilled the hopes of the opposition. Although the elections were won again by Fidesz-KDNP at the national level, the governing parties suffered a number of painful losses due to the opposition's joint action (for example, Budapest and ten towns with county rights elected opposition mayors). Indeed, in the capital, the opposition even tested the pre-election mechanism, which also proved operable despite the low turnout; moreover, the acceptance of the arrangement was further increased by the fact that the winner in Budapest, Gergely Karácsony, was ultimately elected Mayor of Budapest.

At the same time, with the election of Péter Jakab as party chairman, the Jobbik finally arrived on the left in early 2020 – at least in terms of political interests and communication. Thus, from then on, the term 'opposition' became practically synonymous with

'left-wing' in Hungary. Parties with radically different ideologies, some of which were originally established in order to negate others or that defined themselves in opposition to each other, were now trying to present their cooperation as a sort of 'forced alliance', as an inevitable scenario for them because of the 'new' electoral system, which was, in reality, still a mixed, majority-based system. The will of the electorate was also expressed in their arguments, but only in a lopsided way. As of the time of writing, they were not concentrating on identifying the weight of voters supporting the governing parties as the compelling argument for their coalition – i.e., that they only have a competitive part of the electorate if they run together – but, almost exclusively, invoking the pressure from their own voters pushing them to run together in 2022.

And although their likely joint participation in the elections, the conflict-resolving primaries and the fact that, for the first time since 2006, the left believes it has a real chance of winning will boost the opposition's chances in the 2022 election, the opposition parties still face a few challenges:

- *Overestimating the technical conditions for running in the elections:* although the close electoral cooperation of the left-wing parties, i.e., the DK, Momentum, the MSZP-P, the Jobbik and the LMP, is indispensable for a change of government, it is still far from being sufficient on its own. To win, the left wing would need to increase its voter base, which assuming Fidesz-KDNP continues to enjoy exceptionally high support, it could best achieve by projecting an image of a force capable of governing the country. This was also confirmed by the parliamentary by-election in Borsod county on October 11, 2020, where the left wing expected success due to their joint action. The DK, Momentum, the MSZP and the LMP also rallied behind a Jobbik politician, who is notorious for his anti-Semitic and racist statements and also had unresolved conflicts with his former employees.

The outcome is well known, the Fidesz-KDNP candidate won in proportional terms that even surpassed the 2018 parliamentary election results: winning an absolute majority of votes, Zsófia Koncz achieved 50.87 percent, 1.57 percentage points more than the votes won two years ago by her father, Ferenc Koncz, who has since tragically died. In contrast, the opposition candidate was not even able to repeat the previous aggregate result of the left-wing parties: László Bíró won 45.9 percent of the vote, 2.91 percentage points below the 2018 result of the candidates from the parties backing him. Moreover, Zsófia Koncz achieved a great feat in winning the seat: for the first time since 2010, she managed to catch up with the opposition candidate in towns with three or more constituencies, besides small towns and villages, where she beat Bíró with a result of 57 to 43 percent. In larger towns, Zsófia Koncz and László Bíró both received 50 percent of the votes. To put things in perspective, the corresponding ratios in 2014 were 39 percent and 61 percent for the governing party and opposition candidates, respectively.

- *The exclusivity of the fundamentalist and anti-establishment role of the opposition:* for many analysts and some left-wing politicians, it is not yet clear to the electorate what kind of a Hungary is envisaged by the current opposition, should they come to power. While there no shortage of ad hoc promises, they do not form a coherent, credible, and realistic program. The primary reason for this is that the left has positioned itself exclusively in the role of a fundamentalist and anti-establishment opposition: its rhetoric is based on a total rejection of government policy, whatever the issue. Another recurring element of left-liberal communication is that what is needed in 2022 is not a change of government, but a change of system, i.e., the replacement of the System of National Cooperation (Nemzeti Együttműködés Rendszere,

NER)). At the same time, the fundamentalist and anti-establishment role of the opposition is also partly a forced path for the left-liberal side: for the time being, the members of the five-party left are primarily united by their opposition to the government, while they lack a common identity and value base.

- *The persona of Ferenc Gyurcsány*: although the former prime minister leads the strongest left-wing party, the DK, backed by 15 percent of sure voters, Ferenc Gyurcsány is still seen by many as a political burden for the left. This is true even if he has promised not to take any governmental position in the event of a left-wing election victory, because the next parliamentary election will still be affected by the ‘Gyurcsány effect’, albeit weakened over time. It is questionable how much the left will be able to cope with all this, as it would not only have to retain its 2018 voters, but also win a significant number of new voters.
- *Lack of a credible candidate for prime minister*: while Fidesz-KDNP is gearing up for the 2022 parliamentary elections with Viktor Orbán, a prime minister who has considerable governmental experience and an outstanding track record even by European standards, the left still has no candidate for prime minister and it does not seem likely that they will have one for some time. As it stands, a primary election will be held in 2021 to select the most suitable person for the job, and while the media attention for the event may help raise the profile of the eventual winner, it is still questionable whether he or she can become a strong challenger to the prime minister in the relatively short time before the elections.
- *A multi-player left with a pro-media nature*: one of the left’s disadvantages is that, although its players appear to be trying to demonstrate unity in order to gain power, the DK,

Momentum, the MSZP-P, the Jobbik and the LMP are in fact rivals. The unity on the left is, therefore, rather fragile, which could be a source of severe conflict if they come to power. To take Slovakia as an example, a four-party coalition led by Iveta Radicová was formed in 2010, but was split apart two years later by tension within the coalition (Origo, 2011). Thus, in the early elections in 2012, Slovakian voters recalled the Smer party and Robert Fico, who had been ousted two years earlier. In addition to their multi-party character, the Hungarian left-wing parties behave more like media parties, which is another disadvantage for the opposition: neither the DK, nor Momentum, nor the MSZP-P, nor the Jobbik and nor the LMP have strong nationwide coverage, therefore, unlike Fidesz-KDNP, they admit that in many places they can only reach voters through the media.

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III. RENEWAL OF THE STATE

1. With ‘good governance’ and a majoritarian democracy model for a strong state

It was clear to Fidesz-KDNP, which took office ten years ago with a two-thirds parliamentary, that the economic, political and moral crisis that had plagued Hungary since 2006 could not be solved by good governance alone. Not only had the functioning of the Hungarian state created by the regime change become unsustainable by 2010, but the 2008 global economic crisis had also led to a crisis of the liberal welfare state model throughout Europe. Therefore, in practical terms, a new, more efficient state organization was necessary, one that was more capable of making decisions and acting on them, and one that could promote Hungary’s national interests in foreign and European policy. There was a need for a strong state that could respond more effectively to emerging economic and social challenges and that could also better respond to potential crisis events.

1.1 There is no good governance without a ‘good government’

In order to build a strong state, it was essential for the new government to break away from market dominance and the neoliberal paradigm of good governance and the essentially weak state, and to shift to a good government approach that favors an active, intelligent and strong state (G. Fodor & Stumps, 2007, p. 81). “According to the proponents of good government, (...) the state not only has a role to play in creating the conditions for good governance, but must also assume the tasks of good governance” (ibid. p. 81.). Accordingly, this requires a caring-developing-paternalist state that intervenes in the market economy, fully preserves national identity and the nation state’s sovereignty, has strong political leadership and is not ideologically neutral (Sárközy, 2019, 44-45). In other words, it is not values-neutral. The change in attitude did not take long, as “the shift from governance to government was actually accomplished during the 2010-2014 government term” (Sárközy, 2019, p. 114).

The creation of a strong state organization required by the good-government approach – and at the same time, the one best suited to solving Hungary’s political, economic and social problems - therefore became the inevitable task of the new government majority. However, contrary to the claims of the liberal political elite, a strong state does not mean abandoning the democratic political system, but merely a marked shift towards the majority model of democracy that characterizes the British political system in particular.

1.2 Towards an effective and capable state through majority democracy

The majority model of democracy – whose theory together with the consensus-based model was elaborated by Dutch political scientist Arend Lijphart – is based on the idea that “the political group which achieves or can create a majority in free elections organized on the basis of rules accepted by the entire political community, is entitled to act on behalf of the majority of the entire political community and implement its ideas unhindered as in the interest of the majority” (Navracsics, 2003, p. 212). The advantage of this approach is that it allows for efficient and capable government and state operation by ensuring political stability and concentrating power and contributes to clarifying accountability by “creating a transparent and legitimate decision-making mechanism” (ibid. p. 212). In countries that are very close to the majority model of democracy, the government and governing parties are clearly responsible for parliamentary and governmental decisions, because, in the event of failure, the often wide freedom of action and decision, and the absence of coalition restraints make it more difficult for the winning political force to shift responsibility to the opposition and/or a coalition partner.

The converse is also true: successful governance can be a major source of political capital for the current governing power. The Hungarian state that was renewed after 2010 has shifted significantly towards a majority model of democracy in terms of the nature of the constitution, the role of the government and the prime minister, the state organization structure and the electoral system. However, another factor that was needed to build a strong state was the restoration of public safety and public order.

Ten years on, it is now clear that the new and strong Hungarian state organization, close to the good government approach and the majority model of democracy, has proven successful. After 2010,

Hungary proved to be one of the most successful countries in Europe in managing the economic crisis and thereby reducing its financial dependence, which enabled real national empowerment. It was able to respond quickly and effectively to the migration crisis in 2015 and the coronavirus pandemic in the first half of 2020. Today, Hungary can take part in the current 'Europe of nations' versus 'federal European Union' debate in the EU to an extent beyond its size and economic power and can resist the proposals of the liberal elite fighting for the creation of a United States of Europe, which seek to reduce the sovereignty of the Member States.

2. The foundations of a strong state: a values-based constitution and strengthened parliamentary sovereignty

In the case of the renewed Hungarian state, it would not be possible to speak of a 'strong state' without the adoption of the values-based Fundamental Law, in force since 2012, and the strengthening of parliamentary sovereignty⁸⁸. The main difference between the new Hungarian state and its predecessor between 1990 and 2010 is that it has broken with the values-neutral state model, which in fact promoted the rise of liberal ideology, and derives its constitutional identity from Christian culture, historical traditions, and national-conservative values.

2.1 A Christian democratic state based on national-conservative values emerged after 2010

The renewed Hungarian state can be defined as a Christian democratic state based on national-conservative values, whose main fundamental values are laid down in the preamble of the New

⁸⁸ Parliamentary sovereignty means that parliament exercises the supreme power among state institutions. National sovereignty (or 'nation state sovereignty'), on the other hand, is a broader category, expressing not only the autonomy of the state power over a country, its territory and population (internal sovereignty), but also its independence to take decisions and shape its international relations without any external approval (external sovereignty).

Fundamental Law in force since 2012 entitled National Avowal and in the chapter entitled Foundation. According to this, the Hungarian state regards the family as the main nation-building factor rather than the individual; it favors the cultural nation over the political nation, assuming responsibility for all Hungarians; it builds the nation's identity on historical and cultural traditions determined by Christian values; it regards national sovereignty as a core value; it is committed to the principles of order and the democratic rule of law; it advocates the realization of a work-based society and economy through a concept of freedom emphasizing the responsibility of citizens; and it recognizes the achievements of Hungary's historic constitution and the Holy Crown "which embodies the constitutional continuity of Hungary's statehood and the unity of the nation" (Fundamental Law of Hungary, National Avowal)

It should be emphasized that these fundamental values are not only symbolically important, as the Fundamental Law specifically provides for their enforcement:⁸⁹ Article R (3) and (4) stipulate that "the provisions of the Fundamental Law shall be understood in accordance with their purposes, the National Avowal contained therein and the achievements of our historic Constitution. The protection of Hungary's constitutional identity and Christian culture shall be an obligation of every state body. (Fundamental Law of Hungary, Foundation. Article R (3) (4)). Thus, the Fundamental Law stipulates that the state organization must also achieve goals beyond its legal objectives, and this is one of the hallmarks of a strong state, particularly in a country with such rich historical tradition as Hungary.

⁸⁹ This is of particular importance primarily because of the achievements of the preamble and the historical constitution: without being specifically stipulated in the Fundamental Law, the application and enforcement of the National Avowal and the historical constitution would be the subject of serious public law debates.

2.2 Strengthened parliamentary sovereignty guarantees the new state's capacity to act

In addition to being values-based, the ability to act is also a characteristic of a strong state, and Hungary's new Fundamental Law has played a major role in ensuring it. Real capacity to act can only be ensured if there is a supreme decision-making forum that has the real power to take the decisions that matter most to the country. In the Hungarian state that emerged with the regime change in 1989/90, the National Assembly was supposed to have fulfilled this role, but in practice, it quickly became clear that it was severely restricted in doing so by the liberal interpretation of the rule of law. This was most evident in the 'activist' approach of the Constitutional Court, which had very strong powers even by European standards.

The liberal view is that the rule of law is not a means of securing national interest and democracy but an end in itself, above all other values. Given that Hungary, in line with international trends, also adopted this approach after the regime change, the rule-of-law paradigm – proclaiming the primacy of the rule of law as an end in itself – also became the dominant paradigm in Hungary, best symbolized by the Constitutional Court, headed by László Sólyom, actually functioning as a *de facto* constituent power (see: the birth of the concept of an invisible sub-constitution)⁹⁰.

⁹⁰ László Sólyom, as President of the Constitutional Court, said invisible Constitution: "The Constitutional Court must continue its work of interpreting the Constitution and the rights enshrined in it, and of creating a coherent system by its judgments, which functions, as an 'invisible Constitution' as a sure measure of constitutionality above the Constitution, which is still often amended for daily political reasons, and which therefore is unlikely to be in conflict with the new Constitution to be adopted or with future constitutions. The Constitutional Court enjoys freedom in this procedure as long as it remains within the limits of the concept of constitutionality" (Constitutional Court, 1990).

Tamás Sárközy regarded this as the construction of a ‘super-legal state’ (Sárközy, 2019, p. 59), while Béla Pokol – also referring to Hungary – described this process as follows: “a pure democratic political framework was not created, leaving the masses of a given society to determine their own destiny, rather a normative framework determined by a global power, was, more or less, placed over them, from above. In many cases, this was achieved within individual countries by distorting the idea of constitutional justice and suppressing democratic legislating majorities, but various developments at an international-global level have also served this end. Thus, a radically broad interpretation of human rights conventions, the elaboration and declaration of global constitutional ideologies as binding on individual states” (Pokol, 2016, pp. 498-499), which “is gradually merging countries’ democratic legislation into a global juristocracy” (ibid., p. 499). Csaba Varga, philosopher of law, used even stronger words when he wrote this: “our thousand-year-old public law tradition, interrupted by the communist takeover, was also discarded by the subsequent alleged ‘public law revolution’, which was established afterwards with convenient pacts. Constitutional judges, coming from a private law background promoted themselves as actual exercisers of the constituent power (...) and fabricated their allegedly invisible constitution, which is still imposed on us today (Varga, 2011, p. 137).

Thus, the National Assembly was fundamentally restricted by the Constitutional Court’s activist conception of its role, the questioning of which remained a taboo subject in Hungarian political discourse even after László Sólyom’s replacement, when the Constitutional Court was characterized by a less activist attitude. The Hungarian state, which emerged with the regime change in 1989/90 and was severely restricted by a self-serving rule of law, was perfectly in line with the Western liberal political elite, as a restricted state is bound to become a weak state and a weak state will find it harder to resist the sovereignty-reducing

aspirations and the global left-liberal ideological influences that come with building a federal EU.

However, Fidesz-KDNP's landslide victory in the 2010 parliamentary elections radically changed the landscape: voters were disappointed in both the left-liberal side and the state that emerged in 1989/90 and by securing a two-thirds constituent majority in the National Assembly, they essentially gave the Hungarian right a mandate to carry out a second regime change and to build an effective, capable and thus necessarily strong state. In a democratic framework, however, a strong state can only exist together with a strong National Assembly, and the new government, led by Viktor Orbán, had to face the fact that in 2010 parliamentary sovereignty was in fact only very limited. Thus, this had to be addressed as quickly as possible as part of the renewal of the Hungarian state, which necessarily entailed a rethinking of the principle of the 'democratic rule of law'. According to this, the new Hungarian state does not value the principle of democratic rule of law any less than Western European countries, or Hungary's previous Constitution, but views its role differently.

Contrary to the liberal paradigm, the post-2010 Hungarian approach was based on the primacy of the first element of 'democratic rule of law', i.e., democracy, and promoted the National Assembly's supremacy instead of the supremacy of the judiciary, which embodies the rule of law for its own sake:⁹¹

⁹¹ Kálmán Pócsa wrote the following about this: "the very foundations of the dominant idea and practice of judicial supremacy were shaken by the two-thirds majority government after the change of government in 2010, with its every act expressing that it was committed to and was working consistently on the implementation of, parliamentary supremacy" (Pócsa, 2015, p. 179.), while Csaba Varga emphasized that "the law is not an interest in itself. Therefore, it cannot tend to run counter to society as a whole and its morally verified and persistently desired expectations" (Varga, 2011, p. 137).

popular sovereignty is the most important principle of order, and therefore it does not recognize any constitutional factor other than the elected National Assembly. Accordingly, the Constitutional Court cannot be a “co-constitutional” body either, so the ‘invisible constitution’ must be ended. This was accomplished in full in 2013 by the fourth amendment to the Fundamental Law, which prohibited the Constitutional Court from examining the content of the Fundamental Law and its amendments (Fourth Amendment to the Fundamental Law of Hungary, 2013, Article 12 (5)) and also provided for the repeal of Constitutional Court’s decisions adopted before the entry into force of the Fundamental Law (*ibid.* Article 19 (2)).

István Stumpf’s assessment of the situation was as follows: “the Fourth Amendment to the Fundamental Law has constitutionally confirmed that the conception of the rule of law according to the only constitutional power in a democracy is the National Assembly, elected by the people, which, through its elected representatives, exercises this right by applying procedural rules laid down and recognizes no limitation on the exercise of that right. (...) As for the division of power, the checks and balances are constituted not by the institutional vetoing players (e.g., the constitutional court), but the competition among parties in free elections and the possibility of the parliamentary alternation” (Stumpf, 2016, pp. 527-528). The approach that established the primacy of the National Assembly in practice was also confirmed by the National Assembly on the thirtieth anniversary of the establishment of the first freely elected Hungarian people’s representation, when in a political declaration adopted by a two-thirds majority on May 2, 2020, it stated that “we affirm that only the mandate of the community, expressed through the democratic expression of its will, can set the direction of the functioning of the state” (Hungarian Official Journal, 2020). The conception of the rule of law based on strong parliamentary sovereignty thus provided a sufficient basis for the development of an effective and efficient Hungarian state.

With a values-based Fundamental Law and the strengthening of parliamentary sovereignty, the modern Hungarian political system shifted towards a majority model of democracy: although in terms of public law, the Hungarian Fundamental Law can be classified as one of the written (chartal) constitutions, which is typical of the consensus-based model⁹², the recognition of the achievements of the historical constitution⁹³ and the requirement for a preamble with national conservative values⁹⁴ constitutes a shift towards the majority model that favors an unwritten (historical) constitution. Nonetheless, the Fundamental Law – primarily owing to the possibility of parties’ or coalitions’ frequent achievement of constitutional majority in the National Assembly – can now be regarded as politically flexible, i.e., relatively easy to change, so that the opposition veto, which is typical of the consensus model, is less and less prevalent. The change in approach based on the primacy of parliament also pushed Hungarian democracy towards the majority model, as the abolition of the self-serving rule of law approach based on judicial supremacy facilitated the fuller realization of parliamentary sovereignty.

⁹² Hungary had an unwritten historical constitution until 1949, the first written constitution being the Communist Constitution of 1949 (Act XX of 1949).

⁹³ For the definition of written (chartal) and unwritten (historical) constitutions and those of rigid and flexible constitutions, see: Szegedi Tudományegyetem (University of Szeged) (2017).

⁹⁴ “The provisions of the Fundamental Law shall be interpreted in accordance with their purpose, the National Avowal contained therein, and the achievements of our historic constitution. (Fundamental Law of Hungary, Foundation, Article R (3).

3. Structural change in the exercise of power

Hungary has been a country with a parliamentary type of government since 1990, and within that category, the system belongs to the “parliamentary-chancellery” sub-type, given the prime minister’s strong prerogatives, similar to the German Chancellor (Fritz, p2012, p. 115). Accordingly, the executive is accountable to parliament, which the Fundamental Law has not changed. However, from a public law perspective, the government’s room for maneuver was further increased and the prime minister’s position was significantly strengthened, resulting in a presidentialization of the executive.

3.1 A strong government and an even stronger prime minister at the head of the new Hungarian state

At first glance, this seems to contradict the prominent decision-role of the Parliament discussed in the previous chapter: although the government has a substantial impact on parliamentary work and decision-making, under public law, the National Assembly, composed of elected representatives, remains the body which actually makes the most important decisions regarding the functioning of the country and which elects and, when appropriate, removes the prime minister.⁹⁵ Thus, parliamentary sovereignty prevails even besides the government's very significant role, which also fits into the majority model of democracy: a politically stable state, capable of making decisions and acting on them, would be inconceivable without close intertwining of a National Assembly with real parliamentary sovereignty and the executive, which has a prominent role for government.

It must be stressed that this emphasis on efficiency does not lead to democracy deficit, as the National Assembly usually elects the leader of the winning political force in the parliamentary elections as prime minister,⁹⁶ thereby expressing the voting citizens' decision.

⁹⁵ The mandate of the prime minister is closely linked with that of the government, "the mandate of the Government shall terminate upon the termination of the Prime Minister's mandate" (Fundamental Law of Hungary, Article 20 (1)).

⁹⁶ In the ideal majority model of democracy, the members of government – including the prime minister – can only be members of parliament. By contrast, although in Hungary not only MPs can be members of the government, the governing parties have traditionally ensured that the prime minister is also a member of parliament. The only time this was not the case was when the two left-wing prime ministers were replaced mid-term between 2002 and 2010.

According to this, the government, which plays an initiating and executive role, ideally “has a majority in the legislature, i.e., it can legitimately trust that the bills it introduces will be passed by the MPs without changes, or with minimal amendments at most” (Navracsics, 2003, p. 216).

The structural model implemented during the renewal of the Hungarian state, i.e., the strong intertwining of the legislative and executive powers, as well as the strengthening of the prominent role of the government – and especially the prime minister – were inevitable in terms of addressing international challenges facing Hungary: “global, social and financial challenges in a shrinking national space have called for a strengthening of government action in the spirit of national strategic goals. In today’s connected world, financial, economic, and political crises have emerged at incredible speed, making the ability of governments to respond very quickly indispensable. These processes have focused on the rapid decision-making capability and effectiveness of governmental centers” (Stumpf, 2015, p. 8).

The strengthening of the prominent role of the Hungarian government was enabled primarily by the Fundamental Law, which came into force in 2012. Accordingly, the new Hungarian constitution, besides breaking with the idea of a ‘values-neutral’, but actually liberal state and contributing to the strengthening of parliamentary sovereignty, also contributed to the evolution of a strong Hungarian state by redefining the relationship between the political branches of power. In this context, the strengthening of government can be seen in the following areas:

- While the constitution adopted in 1989 specifically listed the duties and powers of the government and emphasized that, moreover, the cabinet “shall perform all the duties assigned to it by law” (Act XX of 1949, Article 35 (1) m)), the Fundamental Law contains no exhaustive list of tasks. Instead, Article 15 (1) states that “the Government shall be the general body

of executive power, whose duties and competences extend to everything that is not expressly referred to as the duties and competences of another body by the Fundamental Law or the law.” (Fundamental Law of Hungary, Article 15 (1)).

- Until 2010, under the Constitution of 1989, the National Assembly decided on the election of the prime minister and the adoption of the government program simultaneously (Act XX of 1949, Article 35 (3)), which, to a certain extent, limited the new cabinet’s room for maneuver politically. By contrast, in the Fundamental Law in force since 2012, “the adoption of the government program is not constitutionally linked to the election of the prime minister, and the prime minister is not constitutionally obliged to present the program” (Stumpf, 2014, p. 217); the Fundamental Law only stipulates that “the Prime Minister shall be elected by the National Assembly on the proposal of the President of the Republic (...) The Prime Minister shall take office upon his or her election” (Fundamental Law of Hungary, Article 16 (3)-(4)).

The presidentialization of the executive branch, in line with international trends⁹⁷, and thereby the strengthening of the prime minister’s position within the government, is also based on the Fundamental Law:

- As in the previous Constitution, the Fundamental Law links the government’s mandate to that of the prime minister, which also contributes to the government’s stability and the prominent role of the prime minister’s position: in practice, besides playing no substantial role in

⁹⁷ The weakening of the traditional social dividing lines, the redefinition of the state’s role, the globalization of politics as well as the media’s increased role in politics played the most important role among the causes driving the international trend towards presidentialization” (Stumpf, 2015, p. 10).

the appointment and removal of ministers, the National Assembly can only replace the government through the prime minister (through a constructive motion of censure or vote of confidence). Moreover, the Fundamental Law also symbolically emphasizes the primacy of the prime minister's role, since it provides for the termination of the mandate of the prime minister, not of the government. In contrast to the Constitution of 1989, which also linked the cabinet's mandate to the prime minister's position in terms of content, yet still stipulated that "the government's mandate shall end" (Act XX of 1949, Article 33/A).

- The prime minister's room for maneuver is significantly increased by the Fundamental Law explicitly stating that the prime minister shall determine the general policy of the government⁹⁸ (by contrast, the 1989 Constitution took a different approach, assigning only an executive role to the prime minister⁹⁹), while individual ministers must also carry out tasks prescribed by law as well as those assigned to them by the prime minister.¹⁰⁰ In addition, besides being accountable to the National Assembly, ministers no longer answer to the government as a body but to the prime minister.¹⁰¹ Thus,

⁹⁸ "The Prime Minister shall define the general policy of the Government (Fundamental Law of Hungary, Article 18 (1)).

⁹⁹ "The Prime Minister shall preside over sessions of Government and shall ensure the implementation of Government decrees and resolutions. (Act XX of 1949, Article 37 (1)).

¹⁰⁰ "Ministers shall, within the framework of the general policy of the Government, independently control the sectors of state administration falling within their remit and the subordinate bodies, and shall perform the tasks determined by the Government or the Prime Minister" (Fundamental Law of Hungary, Article 18 (2)).

¹⁰¹ "Members of the Government shall be accountable to the National Assembly for their actions, and ministers shall be accountable to the Prime Minister" (Fundamental Law of Hungary, Article 18 (2)).

the role of the Government as a body has been significantly reduced since the adoption of the Fundamental Law, and from the point of view of public law, the principle that it is not the government that has a prime minister, but the prime minister who has a government has now been clearly established. In particular, the prime minister also has very strong powers in shaping personnel policy: “the prime minister selects the members of the cabinet, the secretaries of state and his deputy or deputies. The prime minister can appoint ministers without portfolio to the government. Thus, the prime minister’s personnel power fully encompasses the secretaries of states’ staff and the management of the activities of the government commissioners and the prime minister’s commissioners (Mandák, 2012, p. 39).

- The continued increase of the prime minister’s prominent role shifted the Hungarian political system towards the majority model of democracy: “in majority democracies, the two political branches of power, the legislative and the executive, are intertwined in both personnel and institutional terms. In parliamentary systems of government, the parliament is the basic institution. (...) In reality, however, in a political context, the executive branch is not subordinate to parliament. One could even say that the most powerful body of the (...) system of government is the government. The prime minister will typically be the leader of the party winning the election (i.e., the majority party), exercising their real control (Navracsics, 2003, pp. 215-216). This is also proven by the fact that “in contrast to its first term, during the second Orbán Government, there was no separation between the positions of prime minister and party chairman”, and that, in addition to being prime minister, Viktor Orbán still holds the post of Fidesz chairman (Gallai & Molnár, 2012, p. 189).

3.2 The renewed Hungarian state is run by fewer ministries

In addition to the increase in the tasks and powers of the government, the prominent role of the government, in particular that of the prime minister, the transformation of the government's structure has also contributed significantly to effective governance. Although the second Orbán Government retained the fundamentals of the 1990 government model, it created a semi-integrated ministry system by reducing the number of ministries,¹⁰² abolished the principle of equality among ministers, introduced the position of deputy prime minister, and reinstated the pseudo-secretary of state and deputy secretary of state for public administration, abolished by the Gyurcsány Government in 2006, in order to strengthen the public administration apparatus.

As for the ministries, the reduction from the previous average of thirteen to eight “not only simplified the government's structure and allowed for more unified government policy, but has also centralized decision-making. The integration of previously separate branches resulted in a significant concentration of tasks and powers in ministries” (Mandák, 2012, p. 37), which contributed significantly to effective decision-making at the government level. This was also the argument of Tibor Navracsics, Deputy Prime Minister and Minister of Public Administration and Justice of the second Orbán Government, when he stressed the importance of rationalizing decision-making and ministerial responsibility and

¹⁰² With the exception of the Ministry of Interior, the Ministry of Foreign Affairs and the Ministry of Defence. the ministries of the second Orbán Government were integrated ministries,

said that “one of the fundamental objectives of the new governance structure is to reduce overload in the decision-making center. In other words, ministers should be able to sort out the problems of their respective, coherent, broader areas and take the necessary decisions themselves. Consequently, day-to-day government affairs would not really be elevated to the level of the prime minister or cabinet meetings (Magyar Nemzet, 2010, p. 5).

Tamás Sárközy added that “the advantage of the ministerial structure established in 2010 is that the unified government strategy can be more effectively implemented and sectoral ministries do not dictate to the government from below, but vice versa” (Sárközy, 2014, p. 184). In the case of ministries, the restoration of the Ministry of Interior, which was abolished by Ferenc Gyurcsány in 2006, must be highlighted:¹⁰³ the re-establishment of the “Interior” brought municipal government and law enforcement back under the authority of a single institution and also gave it a strong leader in Sándor Pintér. The re-launch of the Ministry of Interior lived up to the hopes pinned on it: the situation of local authorities was consolidated and the police, renewed and integrated with the border police, made a fundamental contribution not only to the improvement of public safety in Hungary but also to addressing the security challenges posed by the migration crisis. Moreover, the Ministry of Interior also played a major role in the development of a work-based economy and society through the organization of public employment programs.

It should also be mentioned that since 2014, the ministry concerned has been called the Ministry of Foreign Affairs and Trade, and during Péter Szijjártó’s tenure, it has not only

¹⁰³ The functions of the Ministry of Interior were taken over by the Ministry of Local Government and Regional Development (between 2008 and 2010: Ministry of Local Government) and the Ministry of Justice and Law Enforcement.

focused on traditional diplomatic tasks but also the international promotion of the interests of the Hungarian economy. Of the integrated ministries, the Ministry of National Resources (since 2012: Ministry of Human Capacities, MHC) deserves a special mention, because important areas such as health, education, family and youth policy, social affairs, sports, and culture, which had previously been managed by separate ministries, were brought under the management of secretaries of state at the Ministry for Human Capacities. And although several policy areas have been transferred ¹⁰⁴ from the MHC since the formation of the government in 2018, the ministry has still retained its integrated character. The system of partially integrated ministries has been a stable foundation of the Orbán governments over the past ten years despite the fact that the number of ministries has increased to ten with the elevation of the Prime Minister's Office to the rank of ministry in 2014 and the establishment in 2015 of the Prime Minister's Cabinet Office, also a ministry. The two new ministries were not created as specific 'line ministries', so their role, except in a few areas, is mainly one of government coordination and strategy-making.¹⁰⁵

¹⁰⁴ For example, the new government formed in 2018 also transferred higher education and science policy to the newly established Ministry of Innovation and Technology. Moreover, in 2020, family policy, a top priority of the government's policy, also became autonomous: Katalin Novák, previously secretary of state for this area, was promoted to minister without portfolio. As a result of the crisis caused by the coronavirus pandemic, Deputy Prime Minister and Minister of the Interior Sándor Pintér was also involved in the management and organization of the healthcare sector.

¹⁰⁵ For example, the responsibilities and competences of the Prime Minister's Cabinet Office include tourism and hospitality, while the Prime Minister's Office is also in charge of public administration, the development of Budapest and the metropolitan agglomeration, the protection of cultural heritage and the assistance of persecuted Christians. (See: Government Decree 94/2018. (V. 22.)

In relation to the latter functions, it is important to highlight that after the 2018 elections, “Viktor Orbán also rhetorically reformulated his governance philosophy: he now wished to lead his government, not manage it, to which end, he reorganized the institutions responsible for coordinating the government. The institutions known collectively as the Government Center are discussed immediately after the Prime Minister in the text of the government decree on the duties and powers of the members of the government. This Government Center consists of three institutions: the Prime Minister’s Government Office, the Prime Minister’s Cabinet Office and the Prime Minister’s Office” (Tóth, 2018, p. 3). Of the three institutions, the Cabinet Office is responsible for general policy coordination and governmental communication, the Prime Minister’s Office supports strategy formulation and coordinates the activities of the government commissioners, and the government’s social and civil relations, while the newly established Government Office¹⁰⁶, as the prime minister’s governmental administrative working organization, conducts government meetings, prepares the government’s draft work plan and legislation program, and ensures their implementation, as well as organizes, coordinates and supervises the implementation of the government’s decisions (Government Decree 94/2018 (V. 22.)).

The presidentialization of the Hungarian government system was further strengthened by the establishment of the Prime Minister’s Government Office, primarily because the prime minister now also coordinates the government’s tasks relating to intelligence operations through one of the Government Office’s secretaries of state. Finally, it is important to point out that the

¹⁰⁶ The Prime Minister’s Government Office was not set up as a ministry. Its activities are directed by the prime minister through the secretary of state for public administration.

stability of the government over the past decade has also been enhanced by Viktor Orbán's personnel policy: only six ministers have been replaced by the prime minister within parliamentary terms in ten years, far fewer than the 26 replacements during the left-liberal coalition government between 2002 and 2010¹⁰⁷. Of the current, fourth, Orbán Government, Deputy Prime Minister and Minister of the Interior Sándor Pintér as well as Zsolt Semjén, Deputy Prime Minister in charge of Hungarian communities abroad, church policy and national and ethnic minorities, have been in office for ten years, Deputy Prime Minister and Minister of Finance Mihály Varga for seven, Minister of Foreign Affairs and Trade Péter Szijjártó for six, and Minister Heading the Prime Minister's Cabinet Office Antal Rogán for five years.¹⁰⁸

Moreover, this personnel continuity at ministerial level has a stronger impact on governmental stability than maintaining a government structure based on partially integrated ministries. Viktor Orbán's leadership philosophy prioritizes leaders' personal responsibility over the roles of institutions: "it was an attractive interpretation, for instance, I myself was more tempted by this than I should have been in the late nineties, when after communism, people thought that institutions and principles were more important than actual personal power relations and that strong institutions and principles would protect us against dictatorship.

¹⁰⁷ Personnel changes after the parliamentary elections and during new government formations (2004: Gyurcsány Government, 2009: Bajnai Government), replacement of ministers without portfolio and replacement of ministers temporarily acting in place of outgoing ministers are not counted as replacement of ministers in this case.

¹⁰⁸ Mihály Varga had already participated in government meetings before his appointment as Minister of National Economy in 2013: between 2010 and 2012 as a permanent invitee in his position as Secretary of State to the Prime Minister's Office, and from 2012 to 2013 as Minister without Portfolio in charge of relations with certain international financial organizations.

We have had to realize, however, that this is not the case. The public perception that the European community should be governed not by people but by impersonal principles and institutions has led to a crisis. Declaring decisions based on human choices and human will dangerous has steered European politics into a dead end” (Orbán, 2012).

4. A renewed Hungarian state based on a stable parliamentary majority and a unified government

Adequate parliamentary sovereignty and a strong constitutional role for the government and the prime minister can only be ensured through a stable parliamentary majority and the resulting unity of government. However, they also require other political and public law-related conditions to be met.

4.1 Stability is promoted by the new Hungarian electoral system

The ‘other public law-related conditions’ relate primarily to the electoral system. It must be noted at this point that one of the first decisions of the constitutional majority that emerged from the 2010 parliamentary elections was to reduce the number of MPs: the amendment to the Constitution adopted on May 20, 2010 capped the number of members of the National Assembly after the next election at 200 instead of the previous 386 (Office of the Hungarian National Assembly, 2010a). This was justified because Hungary had a disproportionately high number of MPs in relation to its territory and population. Thus, the number of MPs, eventually reduced to 199 (Act CCIII of 2011, Section 3(1)), is now more proportionate to the size and population of the country.

A smaller National Assembly also required changes to the electoral system, as the previous rules could no longer be applied automatically in the case of fewer seats. The new system was

decided by Parliament in 2011, giving the parties standing in the 2014 election sufficient time to prepare, and experience showed that this was enough: 31 parties put together national lists in 2014, and 5 parties (Fidesz, KDNP, MSZP, Jobbik and LMP) were able to form parliamentary groups, while in 2018, there were 23 party lists and 7 parliamentary groups (Fidesz, KDNP, Jobbik, MSZP, DK, LMP, Párbeszéd) were formed in the new National Assembly. The latter was a record in the past 30 years of political history (the last time the Hungarian National Assembly consisted of 7 party groups was between 192 and 1994).

As with the electoral system until 2010, the allocation of seats after 2014 was based on a mixed electoral system. This consists of two elements: a majority system (single-member constituencies), which promotes political stability and governability, and a proportional (list-based) system, which guarantees seats to parties with real social support. In the new electoral system, however, the majority element plays an increased role: 106 MPs are elected to Parliament by winning in single-member constituencies and 93 from national lists (*ibid.* Section 3 (2)), thus increasing the proportion of MPs elected by majority from 46 percent to 53 percent.

The higher proportion of the majority element makes it easier for a party or a coalition of parties to win a stable parliamentary majority and form a unified government. This is also strengthened by the much-debated new system of the transfer of surplus votes: in the new electoral system, not only votes for the losing candidates but also the surplus votes of the winning constituency candidates are transferred – as a bonus – which is necessary due to the elimination of the former county list mechanism. The Electoral Act stipulates that only those votes which are necessary to obtain an individual mandate are to be taken into account (*ibid.* Section 15 (1)).

Although the new electoral system, with its emphasis on political stability, has been criticized by many on the left-liberal side and internationally, there can be no doubt about its democratic nature:

promoting stability of government in a democratic electoral system is as valuable as ensuring proportional representation in other countries. Not to mention the fact that many European countries have purely single-member constituency electoral systems, which do not give small parties the opportunity to gain parliamentary representation (e.g., the United Kingdom). The new Hungarian electoral system also brought further changes, some of which are worth describing in some detail:

- *Abolition of the regional (county) lists:* until the 2014 elections, the proportional (list) element of the electoral system consisted of two lists. Voters could vote on the party lists in their county of residence. In addition, there were national party lists, but no votes could be cast for those because they consisted only of the regional list and the “transferred” fractional votes from the single-member constituencies. From 2014, the reduced number of MPs was accompanied by a simplified electoral system, so the regional (county) lists were abolished in Hungary. Instead, it is possible to vote for the national party lists, but the fractional votes transferred from the single-member constituencies are also transferred to these lists, as in the previous system.
- *A single-round system with a relative majority:* the introduction of single-round elections has changed the conditions for winning seats in single-member constituencies. Two-round elections were held in Hungary up to 2014; in single-member constituencies where the candidate who won a valid¹⁰⁹ first round did not obtain an absolute majority of votes (50 percent + 1 vote), a second round took place. This

¹⁰⁹ The first round was valid if more than half of the eligible voters cast their votes.

created an opportunity for deals to be struck between the two rounds, as parties could withdraw their candidates in favor of candidates of another party in specific constituencies, in the hope of a possible coalition government. However, since 2014, there is no longer a validity threshold, i.e., the election is valid regardless of the turnout. In the single-round system in single-member constituencies, the candidate who receives the most votes (ibid. Section 13) is always elected (relative majority). In addition to being less expensive, single-round elections create a clear-cut situation in terms of the relationship between the parties. It compels parties that cannot win on their own to cooperate before the election, so that voters can – in most cases – discover in advance which parties can form coalitions with each another.

- *Larger, more proportional constituencies:* a smaller parliament necessitated a reduction in the number of single-member constituencies. However, the principle of equality of votes can only be achieved by designating equal-sized constituencies, which was a priority for the National Assembly during the electoral reform. Moreover, “the creation of a new constituency system was a constitutional obligation, as the old system had a three-fold difference between some constituencies¹¹⁰, which the Constitutional Court ruled unconstitutional” (CC Gazette, 2005, 2010). The new electoral system eliminated this shortcoming, thus realizing the constitutional principle of the equality of citizens’ voting rights – since 2014, there has been an average of 76,000 voters per constituency (Századvég Foundation, 2014, p. 19). Moreover, the requirement of equality of votes

¹¹⁰ While 74,000 people voted in constituency 12 of Pest county, only 27,000 votes were cast in constituency 06 of Veszprém county.

may not be violated in the future: where the number of voters in a given single-member constituency differs by 20 percent from the national arithmetic average, the National Assembly shall modify its boundaries (Act CCIII of 2011, Section 4 (6)). Another important provision is that the constituency boundaries may not cross county boundaries or those of Budapest.

- *Voting rights of Hungarian citizens not residing in Hungary:* previously Hungarian citizens not residing in Hungary were not allowed to vote, something that applied in particular to Hungarians living beyond its borders under the jurisdiction of other countries as a result of the Trianon peace treaty. These communities were finally granted the right to vote through three public acts: the 2010 amendment to the Act on Hungarian Citizenship, which enabled their preferential naturalization; the adoption of the Fundamental Law in 2011, which, unlike the Constitution, did not made permanent residence in Hungary a condition for the right to vote; and the Act on the Election of the Members of Parliament adopted in 2011, which states that “voters not resident in Hungary may vote for one party list” (ibid. Section 12 (3)). This means that Hungarian citizens living outside Hungary cannot vote for candidates of single-member constituencies, therefore they can only influence the allocation of 93 of the 199 mandates, by postal vote after registration. Since the number of Hungarian citizens without a Hungarian address is significantly lower than that of their compatriots living in Hungary, and their willingness to participate is also lower, they can only materially influence the final outcome of the parliamentary elections in the event of a very close result, which has not occurred since the 2011 electoral reform). Nonetheless, in addition to granting the constitutional proportional voting right to every citizen, the new regulation

has also encouraged Hungarian political parties to represent the interests of Hungarian communities under the jurisdiction of other states due to the Trianon peace treaty. Two parliamentary elections have been held in Hungary so far under the rules of the new electoral system, and while 128,712 Hungarian citizens not resident cast their votes in 2014 (Election Statistics, 2014a), the number increased to 225,471 in 2018 (National Election Office, 2018b). Consequently, the way domestic political forces relate to the community of Hungarians living in other countries has made a difference since 2014, if only from the perspective of election results, and although this will not make the left-liberal side their sincere and primary supporter, it will probably refrain in the future from political acts that severely undermine the cohesion of the Hungarian nation, such as its rejection of the 2004 referendum on dual citizenship.

- Representation of national minorities in the National Assembly: national minorities living in Hungary¹¹¹ were not represented in the National Assembly until 2014. However, this was remedied by the National Assembly in the 2011 electoral reform: “national self-governments of national minorities may establish national minority lists” (Act CCIII of 2011 Section 9 (1)) and may stand in parliamentary elections. In order to obtain a seat, a national minority list must reach the number of votes corresponding to the preferential quota¹¹².

¹¹¹ According to Annex 1 of Act CLXXIX of 2011 on the Rights of National Minorities, the following are considered national minorities: Bulgarian, Greek, Croatian, Polish, German, Armenian, Roma, Romanian, Rutherian, Serbian, Slovakian, Slovenian and Ukrainian.

¹¹² “the total number of national list votes shall be divided by 93, and the result shall be further divided by four; the preferential quota shall be the whole of the resulting quotient” (Act CCIII of 2011, Section 16 (d)).

Failing this, the minority concerned may be represented in the National Assembly by a parliamentary advocate with reduced powers compared to Members of Parliament (Act XXXVI of 2012, Section 29).

The new Hungarian electoral system, which promoted a stable parliamentary majority and unified government, also brought the Hungarian political system closer to the majority model of democracy. One advantage of the system is that it is generally able to produce a governing majority more easily and clearly than any other electoral system (Navracsics, 2003, p. 220). The resulting “single party government represents a unified political will and makes their responsibility for governance clear to the electorate” (ibid. p. 214). However, it is important to underline that the new Hungarian electoral system, which focuses on political stability, could be one of the most important components of the Hungarian political system in the long run, despite its critics, approved by multiple political forces. Electoral systems that promote stable governance tend to favor parties with high support, whether they be center-right or center-left.

4.2 Continued voter legitimacy provides the ‘backdrop’ for governance

As for the political conditions, a new, mixed electoral system, with a majority element (based on single-member constituencies) is not in itself sufficient to achieve a stable parliamentary majority and a unified government. Such an electoral system creates an opportunity which can only be used by political forces that can win the confidence of at least a relative majority of voters. Since the introduction of the new electoral system, only Fidesz-KDNP has managed to do this: the governing parties won 44.87 percent of the list votes in 2014 (Election Statistics, 2014b), followed by an even better result, of 49.27 percent, in 2018 (National Election Office, 2018a).

Thanks to its relative majority in 106 single-member constituencies, the right-wing party alliance won a landslide victory: the political force led by Viktor Orbán won 90.56 percent of constituencies in 2014 and 85.85 percent in 2018, ultimately taking two-thirds of the seats in the National Assembly on both occasions and forming the government on its own. (In terms of public law, there is still a coalition government in Hungary at present, but from a political point of view, the country is run by a single-party or, in other words: unified, government: although Fidesz and the KDNP are organizationally two separate parties, they belong to the same political alliance.)

However, Fidesz-KDNP’s success was not a foregone conclusion, it is a serious political achievement. This is proven by the fact that the governing parties have been able to maintain their high level of support through their successive terms in office.¹¹³ In addition

¹¹³ “In fact, Fidesz-KDNP has been leading the opinion polls since June 2006 and has not fallen below 40 percent mid-term since 2004” (Center for Fundamental Rights, 2020).

to the successful management of the economic, immigration and coronavirus crises, the governments' achievements in putting Hungary on a development path, and the successful election campaigns, was also facilitated by the fact that, in addition to opinion polls, the government has usually consulted voters through national consultations before taking key decisions. Since 2010, nine national consultations have been organized in Hungary – the last one about the responses to the coronavirus pandemic. Viktor Orbán also emphasized the role of the national consultations in his annual state of Hungary address in his 10th year in office: “I can see today that the key to success was that the government was not left to its own devices, probably because we never governed this country above people’s heads or by bypassing them, but always found ways to act with them. This is what we call governance based on national consultations” (Government of Hungary, 2020).

5. There is no strong state without strong public administration

A strong and stable state is inconceivable without strong public administration, as already noted in the 2010 government program based on Fidesz's election manifesto: "today, the functioning of public power is fundamentally lacking predictability and stability. A fragmented and dismantled public administration system is not only a handicap to everyday life but also an obstacle to economic growth; today it is simply a burden to both market participants and citizens, not a help. The state needs to be rebuilt, and a key part of this is the assertion of expertise and commitment, together with the restoration of the stature of public administration. This is the only way to create a strong and effective state, one that can reaffirm the basic institutions of democracy and the system of values of the rule of law on the basis of society's trust" (Office of the Hungarian National Assembly, 2010b, p. 83).

5.1 Profound institutional transformations accompanied renewal of the public administration system

After Fidesz-KDNP's two-thirds election victory, Tibor Navracsics announced at his ministerial hearing that the government would restore the county administrative offices responsible for the legal supervision of the operation of local governments¹¹⁴ and also mentioned the medium-term plan of establishing county-level government offices. He also stressed that central and local government functions would gradually be separated, and the latter would be reviewed (Magyar Hírlap, 2010, p. 2)

According to the above, “as the first step of the Orbán Government's reform of the public administration system, Act XLIII of 2010 replaced the regional state administration offices by restoring the county and Budapest administrative offices with effect from September 1, 2010” (Gallai & Molnár, 2012, p. 205), while Act CXXVI of 2010 established Budapest and county government offices from January 1, 2011, which are headed by government commissioners appointed by the Prime Minister on the recommendation of the Minister for Public Administration and Justice (from 2014: the Minister in charge of the Prime Minister's Office). “The establishment of the government offices brought about territorial integration. About half the previously autonomous and deconcentrated state administration bodies operating under the management of the relevant line minister became specialized administrative bodies of the uniform office organization of the

¹¹⁴ The second Gyurcsány Government terminated the Budapest and county administrative offices with effect from January 1, 2007 and replaced them with seven regional administrative offices. (See Government Decree 297/2006. (XII. 23.))

government offices” (Temesi, 2018, p. 48) and the resulting integration “reduced the number of territorial state administration bodies from 292 to 93” (Gallay & Molnár, 2012, p. 206). Areas such as social welfare and guardianship, construction, land registry, labor, and consumer protection were transferred to the specialized administrative bodies of the new government offices.¹¹⁵ It must be highlighted that pursuant to the Fundamental Law in force from 2012, the government offices are recognized as constitutional institutions and thus enjoy ‘two-thirds protection under the public law’: “the capital or county government offices shall be the territorial state administration bodies of the Government with general competence” (Fundamental Law of Hungary, Article 17 (3)).

The transformation of the territorial state administration system was followed by a reform of local state administration in 2012, which resulted in the creation of districts as of January 1, 2013 (there are currently 174 districts nationwide; Act XCIII of 2012), which have taken over an increasing number of local-level state administration tasks from municipalities. A particularly significant change was the transfer of a significant part of state administration matters together with the document offices to the district offices: “following the transformation, the state administrative powers assigned to the municipal councils, mayors, committees, municipal clerks and administrative employees of municipalities decreased by about 40 percent (Ministry of Interior, State Secretariat for Municipal Affairs, 2019, p. 47).

After the districts, the national system of government windows was introduced, the aim of which was to enable all citizens to deal with their official business in the most easily accessible place for

¹¹⁵ For the complete list, see: Government Decree 288/2010. (XII. 21.) Section 2 (1).

them, even outside working hours. Although the first government windows started operating in county seats and towns with county rights in 2011, the offices started to be established nationwide after the establishment of district offices. Today, there are government windows in all districts of Hungary, where citizens can deal with over 2,500 different matters (formalities relating to identity cards, home address cards, driving licenses etc.; Government window). Following this, an integrated system of government offices was established in 2015, during which additional regional and county level bodies and tasks were integrated into the system, such as the Hungarian State Treasury's tasks related to family support and housing state aid, as well as the inspectorates for environmental protection and nature conservation.¹¹⁶ Nonetheless, "the transformation of the territorial state administration system, and within it organizational integration, continued in the second half of 2016 and in 2017" (Temesi, 2018, p. 48).

It should be emphasized that centralization not only took place in the public administration system, but many of the public services previously provided by local authorities were taken over from the state after 2010, which has the advantage that citizens can access almost identical services, whether they live in the capital city, which offers greater opportunities, or in a much smaller town. In this context, for instance "the county institution-maintaining function, a characteristic feature of the local government system from 1990, has essentially become a state function, so the state provides specialized health and social services that were previously the responsibility of towns of greater capacities or counties" (ibid. p. 47). As of May 1, 2012, 70 health institutions, including 54 hospitals, were transferred from local governments

¹¹⁶ See: Ugyvedvilag.hu (2015).

to the state (MTI, 2012). (The provision of primary health care system remained a municipal responsibility.) Similar processes also took place in education, and since 2013, the public educational institutions (primary schools, secondary schools and vocational secondary schools) run by local governments have been brought under the authority of the state-run Klebelsberg Institution Maintenance Center (Klebelsberg Kunó Intézményfenntartó Központ, KLIK) (MTI, 2013). These changes have also contributed to the strengthening of the Hungarian state.

5.2 The number of local councilors fell significantly in 2010

The reduction of state administrative tasks involving municipal governments has resulted in smaller councils and assemblies. Nevertheless, similarly to the case of members of parliament, an unjustifiably large number of councilors were still gaining seats in local governments, so one of the first Fidesz-KDNP government decisions in 2010 was to reduce the number of local councilors. Besides extending the local government term from four to five years¹¹⁷, this was the most decisive decision affecting local governments in the decade following 2010.

¹¹⁷ “The general elections of local councilors and mayors shall be held in the month of October of the fifth year following the previous general election of local councilors and mayors” (Fundamental Law of Hungary, Article 35 (2))

According to the new act on election of local councilors and mayors, the number of local councilors dropped from 25,964 to 17,338 after the local elections held in October 2010 (Mátyás, 2019). This was achieved by reducing the number of elected councilors by 32 percent in towns and villages with populations of 10,000 or less and by 35 percent in towns and villages with a population of over 10,000. No other major changes apart from the reduction in the number of councilors were made in the former. The so-called ‘small list election’ was retained, but it was given a new, more precise name and is now called the ‘individual list election’ system (Act L of 2010, Section 4). More substantial changes occurred in towns with populations of over 10,000: “the number of single-member constituencies was reduced by 21.5 percent, while the number of seats on the compensatory lists was cut by 54.7 percent” (Dobos, 2018, p. 68). Consequently, the role of the list system was reduced in these municipalities, and the importance of the single-member constituency system was also increased for local government elections. Thus, as in general elections, the local government system in larger municipalities also shifted towards the majority model of democracy. Finally, like in municipalities, the number of seats available for allocation in county assemblies, and the capital city’s assembly was also reduced, by 50 percent and 53 percent, respectively.

In addition, a new electoral system was introduced in Budapest in 2014, where “the number of members of the Budapest General Assembly was determined by linking the number of seats to the number of inhabitants rather than a ‘fixed number’, thus ensuring one seat in the general assembly per 50,000 people (thus, after the 2010 local government elections, voters elected 33 representatives in Budapest)” (Center for Fundamental Rights, 2014). As a result, the previous proportional list-based electoral system was replaced by a mixed system for the Budapest General Assembly, and this change was also a move towards the majority model of democracy model that favors an ability to function properly. “The individual

component of the mixed system is the election of district mayors, where the mandate is still awarded by a relative majority of votes, and in the compensatory, proportional component of the election, the party that has been able to nominate a candidate for mayor in more than half the districts of Budapest can put forward a compensatory list for mayor of Budapest” (Dobos, 2018, p. 70). Voters do not vote for the compensatory list; the parties receive seats in proportion to the surplus votes cast for the district mayor and aggregated at the city level.

6. ‘Order is at the heart of everything’: restoring public order

Without restoring public order, the renewed Hungarian state could not have managed the crises that have hit Hungary, nor created livable, safe, and secure conditions conducive to growth and development for its citizens. Although this is beyond the scope of the majority model of democracy, it cannot be disregarded, because without the establishment of law and order, one cannot talk about a strong state.

6.1 Strict legislation helped restore public order

Even before the 2010 elections, Fidesz-KDNP had emphasized the importance of order: the party alliance made it clear in their election manifesto that “the most important common value in the life of a society is order, which provides the safety and security of everyday life, the basic prerequisite for prosperity. This is particularly true in a country in difficulties, with a weakened economy. Without order and orderliness, it is impossible to reorganize a country or a community” (Nézőpont Intézet, 2012, p.50). Accordingly, immediately after the change of government in 2010, the restoration of public order, which had deteriorated under the left-wing government, was undertaken¹¹⁸: one of the measures

¹¹⁸ There is no exact definition for ‘public order’, but according to legal historian Attila Horváth, writing in Magyar Politikai Enciklopédia (Hungarian Political

taken by the new governing majority was to tighten up the Penal Code¹¹⁹ and provide for tougher measures against repeat offenders (the so-called “three strikes law”).

Moreover, in the 2010s, the National Assembly adopted a new Penal Code, an act on the execution of punishments, a code on criminal procedures and an act on minor offences. The amendments that entered into force included lowering the age of criminal responsibility from 14 to 12 years of age for certain offences and conditions, the introduction of life imprisonment without parole, more severe punishment of domestic violence, the strengthening of the institution of detention, the acceleration of criminal proceedings, tightening up conditions for parole, and the extension of legitimate self-defense.¹²⁰ These steps exemplify an approach to criminal law policy that rejects the liberal criminal justice paradigm. The renewed state thus places the interests of victims and their rights and justice they deserve at the center, instead of the radical legal protection for offenders. This is also important for society’s sense of justice and public confidence in the state.¹²¹

Encyclopedia), “the concept presupposes the existence of a legal system that is in the public interest, the preservation of constitutional order and the existence of an administrative executive system and judiciary capable of enforcing the conduct prescribed by law” (Horváth, 2019). Accordingly, the concept of public order also includes the desire to ensure public safety.

¹¹⁹ See: Office of the Hungarian National Assembly (2010c)

¹²⁰ Self-defense is specifically provided for in the Fundamental Law, when it states that “everyone shall have the right, in accordance with the law, to prevent any unlawful attack against his or her person and property, or one posing a direct threat to them.” (Fundamental Law of Hungary, Freedom and Responsibility, Article V.)

¹²¹ Fidesz-KDNP does not regard the legislation on the judiciary as a rigid and immutable system, as the governing parties are always open to amending legislation where justified, for example the revision of acts regulating matters of criminal law, undertaken by the National Assembly at the time of writing this study.

The tightening of legislation to ensure public order was in line with the Fidesz-KDNP's 2010 election manifesto, later adopted as a government program, which stated that "a strong Hungary can only be born if laws are passed in its parliament that guarantee the safety and security of law-abiding people" (Nézőpont Intézet, 2012, p. 53). The pro-order nature of the new state was also manifested during the immigration crisis: while the liberal elite in the West was in favor of allowing illegal border crossings, and mostly economic, immigrants to enter Europe, the Hungarian government made it clear that nobody, including those arriving in waves of mass migration, was above the law. Viktor Orbán already announced in the summer of 2015 that "we will prevent illegal border crossing by any means necessary" (Orbán, 2015).

6.2 Strong police, less crime

It is important to emphasize that laws alone are not enough to ensure public order and the safety and security of law-abiding citizens, as the state must also have the physical capacity to enforce the law. This was also one of the objectives of the Fidesz-KDNP's 2010 election manifesto, which stated "There will be order in Hungary when there are more police. The number of police officers must be increased immediately after the elections. Hungary needs at least 3,500 new police officers" (Nézőpont Intézet, 2012, p. 55). They did not simply pay lip service to the issue, since the number of police officers had increased by 3,672 by 2014 (MTI, 2014).

(See: Parlament.hu, 2020.) Another government decision on the political agenda today the that introducing the school guard system and extending the range of offences for which the minimum age of criminal responsibility is currently 12 years. (See: MTI, 2020.)

The strict regulatory environment and the strengthening of the police produced results: the number of registered crimes in Hungary dropped from 477,176 in 2010 to 199,830 in 2018 (Hungarian Central Statistical Office, 6.2.8.1), corresponding to a 55 percent reduction. Moreover, the police, who also have border protection tasks, have successfully met the challenges of the migration crisis since 2015 and coped very well with the coronavirus pandemic in the first half of 2020.

Summary

- The Fidesz-KDNP coalition that took office in 2010 with a two-thirds parliamentary majority created an effective state capable of making decisions and taking action, focused on promoting Hungary's national interests.
- A new and strong state, closely following the good government approach and the majority model of democracy passed the test: Hungary was one of the countries which managed the economic crisis most successfully – even by European standards – and responded successfully to the migration crisis of 2015 and the coronavirus pandemic in the first half of 2020.
- The effectiveness of the post-2010 apparatus was underpinned by an electoral system that enabled transparent, stable governance. The political stability fostered by the new regulation adopted in 2011 has proved to be particularly valuable during the past decade: it has led to quick and efficient decision-making, which has been essential to respond crisis situations and set the country on a development path.

- The renewed state also brought a turnaround in Hungary's economic policy: according to data from the Magyar Nemzeti Bank (National Bank of Hungary) Hungary's government debt-to-GDP ratio dropped from 80.6 to 66.3 percent between 2010 and 2019. However, according to Hungarian Central Statistical Office (HCSO) data, the general government deficit was below 3 percent each year between 2012 and 2019, and the average gross monthly earnings of full-time employees increased from HUF 203,000 to HUF 368,000 between 2010 and 2019, while real earnings – reflecting the purchasing power of wages – have been increasing steadily since 2013.
- The establishment of a system of government offices, districts (as a subdivision of counties) and government agencies called “government windows” has created a citizen-friendly state since 2010, where the state is for its citizens and not vice versa. As a result, Hungarians can now deal with 2,500 different kinds of administrative formalities at these government windows: in one place, quickly and transparently.
- Order also played a particularly important role in the renewal of the state, since it is impossible to reorganize a country or community without order. This has also meant strengthening public order: thanks to the strict legal environment and a reinforced police force, the number of recorded crimes decreased by 55 percent between 2010 and 2018 according to HCSO data.

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IV. STABLE AND COMPETITIVE HUNGARIAN ECONOMY

1. Fight against public debt

The economic policy of the first years of the second Orbán Government was characterized by a gradual removal of the impediments to economic growth. As already mentioned in the previous chapters, the first of these was compliance with the Maastricht convergence criteria, i.e., the 2010 general government deficit ratios. This was followed by work on reducing public debt, tackling the problems of foreign currency debtors, and the transition of the economy from an benefits-based to a work-based one. Although all these are interrelated, this chapter will focus primarily on the efforts made to reduce public debt, the government's philosophy on debt, the second wave of the crisis (2011-2012), and the measures that enabled successful debt reduction.

1.1 Breaking out of the debt trap: the government's debt reduction philosophy

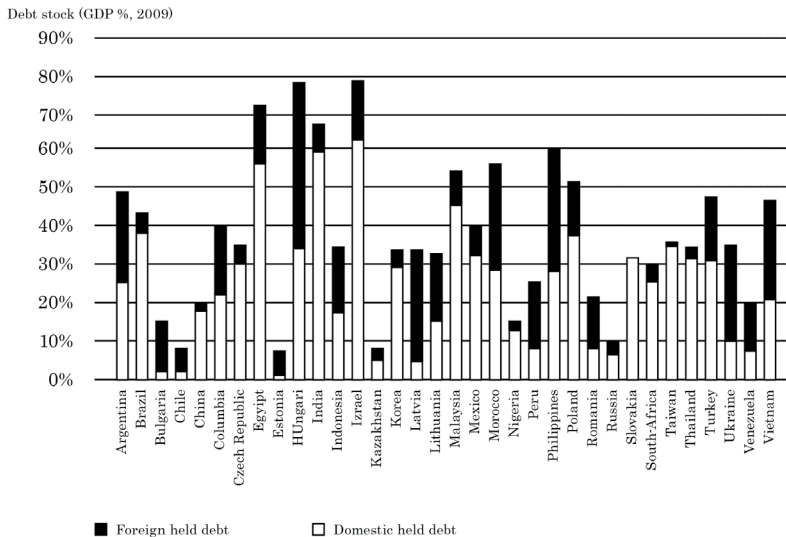
By the end of the first half of 2010, Hungary's public debt had increased to 84 percent of gross domestic product (GDP), a dangerously high level according to the government's debt philosophy. It was clear that this was tantamount to vulnerability and exposure to international financial groups, and also limited the state's ability to act. The only possible solution was to 'outgrow' the public debt by increasing economic performance. In addition, restructuring the debt structure became at least as important as its reduction. From then on, the stated objective was to ensure domestic HUF-based debt financing (Giró-Szász, 2019, pp. 42-43).

This was important not only for the sake of keeping Hungary's internal resources within its borders and thereby contributing to the strategic goal of strengthening national self-determination. The country's international position and the lessons drawn from the crisis also made this necessary. As shown in Figure 1, by 2009, Hungary had reached a dangerous level of foreign-owned public debt, which also meant that the country was at a competitive disadvantage compared to other emerging countries in terms of public debt refinancing. This again resulted in extra costs for the Hungarian state. By 2010, Hungary was already spending four percent of its GDP on debt financing.

In light of the above, it is not surprising that the prime minister himself laid particular emphasis on public debt management in the first years of governance. Indeed, Viktor Orbán directly declared war on public debt and made debt reduction one of, if not the most, important guiding principles of his plan to renew the country. As he put it in early 2011 in his state of the nation address, "In 2011, we declare war on state indebtedness as well. We have to and we will overcome state debt, which is the source of most of our problems and concerns. If we do not defeat it, it will

defeat us forever. We have taken the first major steps: we have made our tax system more proportional, we have introduced bank and crisis taxes, and we have saved our pension system. However this is not enough. We have no reasons to kid ourselves. Everyone knows perfectly well that things cannot go on like this. Everyone who is capable should work in Hungary, if we are to overcome the state debt. Without this, we cannot overcome the crisis or the debt” (Orbán, 2011).

Figure 1
Public debt held by domestic economic
operators and foreigners, in various countries
(own editing, based on Matolcsy, 2011)



1.2 Concrete steps to reduce debt

As the prime minister's state of the nation address makes clear, the cabinet set about reducing public debt from various angles. Even the strategy document drafted at the Ministry of National Economy at the time proposed simultaneous measures in multiple intervention areas. They aimed to reduce the numerator of the debt-to-GDP ratio (nominal public debt) and increasing its denominator (gross domestic product) at the same time.

The first objective can, of course, be achieved 'most simply' by keeping to the annual budget deficit target of three percent, but as we shall see, this was only the first step towards reducing public debt. However, the reduction of the budget deficit to below three percent in 2011 was a considerable achievement in itself, particularly given that this had not been achieved since Hungary's EU accession in 2004. Therefore, Hungary had always been subject to the so-called excessive deficit procedure, as a consequence of breaching EU fiscal regulations. Hungary was already facing financial sanctions in the early 2010s due to years of non-compliance. Nonetheless, it is worth looking at the steps taken to reverse the increase in public debt, besides the deficit reduction measures.

The termination of the private pension fund system was a particularly important, so-called multi-purpose, measure. It both ensured the sustainability of the pension system and reduced the burden of public debt. It is also worth looking more closely at exactly how this was done, given that the primary effect should be seen as a reduction in the public deficit resulting from the termination of private pension funds. The "compulsory voluntary" private pension fund system, which had been in place from 1998, had channeled roughly 1.3-1.4 percent of GDP to private pension funds each year in the form of pension savings. The introduction of this costly system was not motivated by an abundance of pension

funds, but by the need to comply with the recommendations of the International Monetary Fund (IMF). Hence, the Hungarian state had no choice but to cover the money channeled away largely by borrowing, primarily from abroad, in order to be able to transfer the required amounts, i.e., the system was financed year after year by the deficit (Wiedermann, 2014, pp. 91-92).

However, in addition to the primary effect, the decision had some other collateral effects as well. As mentioned briefly above, it also brought Hungary closer to meeting the Maastricht convergence criteria, i.e., compliance with the EU deficit rules. A not insignificant development in this context was the European Commission's refusal to allow the deficit to take into account the burden of private pension funds, i.e., to include them in the budget deficit, making it more difficult to meet the three-percent deficit target.¹²² However, the government cut the Gordian knot in this respect too, and after taking over the funds worth around 11 percent of GDP, in 2011, the budget showed a surplus of 4.2 percent instead of a deficit of 5.4 percent. Although this was only a one-off effect, the elimination of this annual budget expenditure of 1.3-1.4 percent of GDP has been permanent since 2011 and even since the end of 2010.

Another positive side effect for people's wallets was that the returns on investment were credited to contributors and normal annuity payments were provided to those with insufficient savings periods (and savings) before retirement. Moreover, the state

¹²² The government's approach in 2010 – as explained by Speaker of the House, László Kövér, chairman of the Fidesz electoral committee, at a Scientific Students' Association discussion in 2012 – was that since Brussels and the International Monetary Fund “were complicit in the previous governments' falsification of Hungary's economic data”, “we should turn over a new leaf” and rewrite the budget adopted by the previous governing majority and the EU convergence program into real figures. Of course the real figures would have meant higher deficit data, which Brussels did not agree to (Lentner, 2012, pp. 144-145).

acquired stakes in several key listed companies, e.g., MOL [2.6 percent], Richter [6.3 percent], ELMŰ [16 percent], ÉMÁSZ [11.7 percent], Rába Nyrt. [12.8 percent], and Egis [5 percent]). Last but not least, the takeover of private pension fund assets significantly reduced public debt: with a direct debit reduction of HUF 2,000 billion, or about five percent of Hungarian GDP.

At this point, it is also worthwhile assessing, albeit briefly, the functioning of private pension funds in general. In mid-2011, total pension assets amounted to HUF 2,945 billion, or 11.45 percent of GDP, while total contributions during their operation amounted to 10.7 percent of GDP. According to expert opinions, the funds were “unsuccessful”, the reasons for which included not only the regulatory shortcomings but also the high costs and, as a result, the practice of low returns (Gál, 2014, p. 204).

Information has also come to light that the entire period of operation of the private pension fund system cost the Hungarian state nearly HUF 5,000 billion, i.e., in addition to the contributions, the “procurement of contributions” cost the state another nearly HUF 2,000(!) billion (Giró-Szász, 2019, p. 51). The reversal of this system itself, i.e., the transfer of private pension fund members back into the state pension scheme, removed a major burden from Hungarian taxpayers; however, this amount was missed somewhere else. The Orbán Government’s decision caused grievances, of amounts “clearly visible to the naked eye”¹²³, to foreign money market players who had previously been the beneficiaries of the management of thousands of billions of forints worth of assets. Of course, the restructuring was important not

¹²³ According to data released by the PSZÁF (Hungarian Financial Supervisory Authority), the five largest private pension funds had a combined market share of about 80 percent in 2008. Four of the five were foreign-owned (Belgian, Dutch and German) entities alongside the market leader OTP’s fund (Gazdasági Versenyhivatal, 2010)

only to prevent a further increase in the damage and losses being incurred, including the continued growth of public debt, but also to keep the profits that the state had previously lost inside Hungary (Center for Fundamental Rights, 2020).

In time, the next major decision was related to the Constitution. In the process of the adoption of the Fundamental Law in spring 2011, and having learnt lessons from the negative consequences of the failure to regulate the debt during the regime change, including those of the 2008 economic crisis, the constituent National Assembly laid particular emphasis on strengthening economic constitutionality. This was also intrinsically linked to the national spirit of the Fundamental Law, and in such a way that it succeeded, to some extent, in preventing the financial burdens being passed on to future generations (Szájer, 2019, p. 280). As part of this, a debt cap was included in the new Hungarian Fundamental Law in the form of strong rules to limit indebtedness. The constitutional provision made it compulsory for the government to adopt debt-reducing budgets that reduce until the public debt drops to below 50 percent of GDP, while a so-called stability law was also passed with the same objective. Compliance with these rules is ensured by an important guarantee institution, the Fiscal Council, which is also regulated by the Fundamental Law, with a wide range of powers by European standards, including the right of veto over the draft state budget (Kovács, 2016, p. 32).

By 2010, local governments had accumulated debts of thousands of billions of forints and were even in danger of losing the ability to carry out their basic tasks. Local authorities had insufficient financial resources to deal with the problem; therefore, the government had to tackle local government debt alongside central debt. This could not be done immediately due to pressing budgetary restraints, but only gradually during the first term of government, in several steps between 2011 and 2014. Ultimately, the government took over a historic HUF 1,369 billion of debt from local governments.

Fairness also required that not only should indebted local authorities be bailed out but local governments that had managed their resources in a responsible way should be recognized by the government. Hence, it was decided that the 1,172 local governments who were not in debt would be 'compensated' by the state with special funds. Another issue to be addressed was to ensure, as far as possible, that local governments could never amass such debts again. To this end, two effective innovations were introduced to prevent future indebtedness. On the one hand, a 'task-based' financing regime was introduced and on the other, a system with centrally approved borrowing was introduced. The government's decision to take over some of the responsibilities of local governments, notably in the areas of public administration, education and health, in parallel with the consolidation, also improved the situation of local authorities.

A key turning point for sovereignty, already in the first years of national governance, was the trend in public debt. The steady growth of Hungary's gross public debt-to-GDP ratio until 2010 was first halted in 2011 and then gradually reversed as the European debt crisis eased and economic growth recovered. Such an achievement could not be taken for granted at all during that period. By comparison, the average debt ratio in the European Union (EU 28) increased considerably between 2010 and 2014. In fact, apart from Hungary, Latvia, Poland, and Germany were the only other countries that managed to reduce their public debt-to-GDP ratios over this period. In 2013, Hungary first repaid its outstanding debt to the IMF and then in 2016, it also repaid the last instalment of the 2008 debt to the European Commission (Beke, 2016).

Besides reducing public debt, the restructuring of public debt has also contributed to the strengthening of sovereignty over the past decade. One of the most, if not the most, important lessons learnt from the 2008 crisis was that Hungary's foreign exchange exposure and its external financial dependence had reached

dangerous levels. The second Orbán Government wanted to change this situation from the very first moment, which was also a sort of legacy from the first civic government. It is worth remembering that at that time, the housing policy was based, at least partially, on interest subsidized HUF credit facilities. From 2010, the key institution for this sovereignty-strengthening policy was the Ministry of National Economy and later the Ministry of Finance and its associated Public Debt Management Agency (Államadósság Kezelő Központ, (ÁKK Zrt.)). An interesting new development was that from 2015, the Agency was headed by György Barcza, who had himself actively represented the government's debt reduction philosophy in public.

This was also important because the government increasingly saw domestic, HUF-based retail lending as a sustainable way of managing debt. In the context of savings, the population's funding of public debt was clearly a priority compared to the provision of capital to banks. The experience of many other countries, such as Japan and Italy, shows that this solution offers considerable scope for flexibility in the management of public debt.

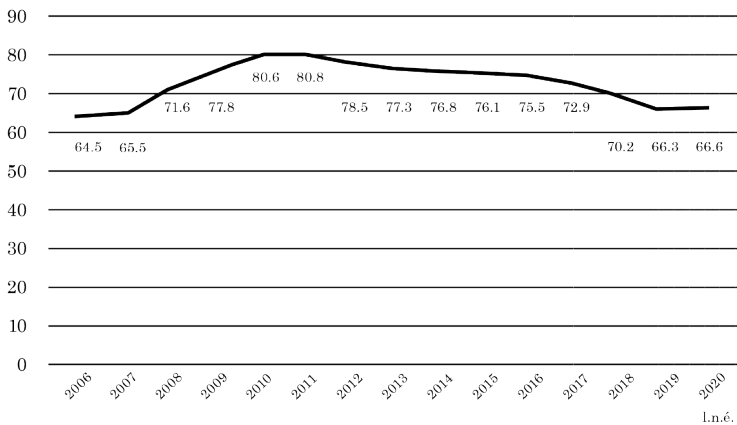
Moreover, the central bank's interest rate policy also played a key role in debt reduction. Debt financing was also made less expensive by the cycle of interest rate cuts begun in summer 2012. While the Hungarian state spent HUF 1,360 billion, or 4.5 percent of GDP, on this in 2013 (compared to 4 percent of GDP in 2010), the corresponding rate was only 1.9 percent in 2019. This is particularly important because it was partly the reduction in the cost of interest expenditure that enabled the increase in family benefits and additional tax cuts. There is research which shows that between 2013 and 2015, for instance, Hungary showed results in this area which were then unparalleled in Europe, the likes of which even Hungary was only able to achieve between 2000 and 2002 (Kicsák, 2017, p. 51).

1.3 State debt under control, decreasing external dependence and foreign exchange exposure

“The second pillar of the general consensus, which I think has been reached, is that anyone who bases their life on debt cannot be free. Therefore, debt, particularly public debt, that is, state debt, any debt above a reasonable level, must be considered a public enemy and must be fought against. This is not an easy thing to do. You will have noticed that the Hungarian government has taken over the debts of all local governments, bailing them out of debt. At the same time, we have adopted rules that make it impossible for irresponsible indebtedness, for uncontrolled indebtedness, to occur in the world of local government, which manages part of the public purse. We have also created an institution called the ‘debt cap’, which has made it a constitutional rule that no budget – I am talking about the annual budget – that does not reduce public debt may be adopted by the Hungarian Parliament. And not only is it good that we have such a rule, but so far we have even been able to comply with it!” (Orbán, 2014a)

This is how the prime minister summarized the debt policy reform successfully implemented in the first four years of his government on January 10, 2014, as the first term of government was drawing to a close. However, it is also worth looking at how the size of Hungarian public debt has evolved over the decade. Two indicators should be considered here: the absolute amount of debt in HUF terms, and the more commonly used comparator, which compares the total amount of debt to the output of the Hungarian economy, i.e., the annual GDP. Figure 2 below shows the evolution of the public debt-to-GDP ratio since 2006.

Figure 2
The gross public debt-to-GDP ratio
in Hungary between Q1 2006 and Q1 2020
(own editing, based on Hungarian Central Statistical Office, 2020)



As can be clearly seen, the tools outlined above were used to halt the increase of our public debt-to-GDP ratio in 2011 and then to reduce it from 2012 at a steadily quickening pace. This trend was interrupted by the crisis caused by the coronavirus pandemic, but based on projections for 2021 and beyond, this is highly likely to be a one-off jump.

However, the abovementioned developments do not mean that the amount of public debt in HUF terms will itself decrease. In June 2010, it amounted to HUF 20,470 billion, while in June 2010, it was HUF 31,853 billion. As he has repeatedly stated, the prime minister himself is dissatisfied with this, reiterating that the nominal amount of public debt should also be reduced in the short run.¹²⁴ According to Viktor Orbán's logic, this is the reason why the operating and development parts of the Hungarian budget have

been separated, and only the latter is permitted to run a deficit. As for the further objectives, besides ensuring a declining debt trajectory, the government is also focusing on reducing Hungary's external exposure in terms of the currency of the debt and the nationality of the creditors, as this is also considered a matter of sovereignty (Giró-Szász, 2019, p. 44). By 2019, 70 percent of public debt was already in Hungarian hands, of which a growing share was financed by households. At the same time, the elements of the Hungarian public debt denominated in foreign currency had dropped from 50 percent to 17 percent by the end of 2019.

The ultimate goal is for Hungarian public debt to be fully Hungarian-owned, to which end significant steps were taken in the decade before the outbreak of the epidemic.¹²⁵ The portfolio

¹²⁴ One example for this was Viktor Orbán's speech at the Hungarian Chamber of Commerce and Industry on March 10, 2016. "Now that the national debt as a percentage of GDP is already falling, and it is calculated in this way internationally and Hungary is globally recognized as an economy with a diminishing debt, we can, among ourselves, start talking about the fact that the absolute figure is, however, growing. So when the ratio of debt to GDP, or the ratio calculated from that, is on the decrease, but the amount itself, the sum, is increasing. We need to start talking about it. And our goal is not to improve the ratio but to first halt the growth, then start to reduce the debt in absolute terms, and then move from the world of borrowers to the world of lenders, and lend to others."

¹²⁵ In his annual speech to the Hungarian Chamber of Commerce and Industry on March 10, 2010, Viktor Orbán said: "We have been steadily decreasing the proportion of debt denominated in foreign currency, we are heading towards zero, and in my opinion, that is the best figure, and I will not rest until we reach it: we do not need foreign currency debt. Hungarian public debt must be financed in forints. The question of who holds the papers representing the public debt is a different matter. Not only the denomination of the debt – foreign currency or whatever – matters but also who owns it. And zero percent is not only good when we are talking about the foreign currency part, but also when we are talking about the percentage of foreign ownership. The entire Hungarian public debt

of retail government securities had increased more than 21-fold, from HUF 436 billion at the end of 2010 to HUF 9,281 billion by the end of the first quarter of 2020 (Magyar Állampapír, 2020). The Hungarian Government Bond Plus (Magyar Állampapír Plusz (MÁP+)), which guarantees savers interest rates well above inflation, has played a key role in the growth of the portfolio in recent years. Of course, the state is placing increased emphasis on forint-based financing, which has resulted in a reduction of the share of foreign currency debt from over 50 percent to about 20 percent (Government of Hungary, 2019). The main advantage of this is that finally Hungarian people, and not foreigners, benefit from financing the Hungarian state, and a large part of this benefit remains in Hungary. The government's long-term vision is that this will enable Hungary to stand on its own two feet financially.

should be in the hands of Hungarians. If you want to control your own destiny, then you should control your own debt, therefore we aim to make the share of Hungarian government securities owned by Hungarian financial institutions, Hungarian companies and Hungarian families as high as possible and eventually a hundred percent”.

2. Transition to a work-based economy

As was explained in the “Integrity” chapter, the Orbán Government had already identified the significantly lower level of employment in Hungary compared to our competitors in the region as the main obstacle to economic development before it took office. They wanted to change this from the outset and in line with the principle of ‘if there is work, there is everything’, they announced the idea of a work-based economy. This long-term, decade-long commitment was already enshrined in the 2010 government program, saying “Today, there is almost a professional consensus in the country that the main reason behind the balance and growth problems of the Hungarian economy is the abnormally low levels of employment by European standards. However, more than professional consensus is needed: the economy, society, and the state must be transformed into work-oriented operation. The aim is to introduce an economic policy that facilitates the creation of a million new tax-paying job in Hungary within a decade”.¹²⁶

¹²⁶ The Program of National Cooperation was submitted to the National Assembly on 05.22.2010 (Office of the Hungarian National Assembly, 2010).

2.1 Measures for a work-based economy

Accordingly, the new governing majority already took its first steps in this direction in summer 2010, within the framework of the 29-point economic action plan. As explained in detail earlier, their first measures included a reduction in the corporate tax burden on SMEs, the abolition of ten minor taxes, the gradual introduction of a flat-rate personal income tax (PIT) to encourage people's performance, and a decision on tax credits relating to children. Also during the same period, in the spirit of reducing the burden on the private sector, the government took a number of decisions to cut public sector expenditure, with a significant or even symbolic budgetary impact.

Although the initial pace of the government's work was important, and steps were indeed taken to reform the tax system, these would naturally have been insufficient given the gravity of the situation. The problems were so severe that businesses could not recruit and employ the hundreds of thousands of unemployed, almost half a million – 473,000 – in the second quarter of 2010. Hence, assistance from the state was needed, in the form of the public employment program and incentives to participate in it. The reform of the public employment system was accompanied by considerable controversy from the outset, and only its success in practice could justify it in retrospect.

The government opted for a consistent application of the 'work instead of benefits' principle. In practice, this meant that those economically inactive people who can and want to work were encouraged back into an economically active status through a range of restrictions and positive incentives. This was achieved through a number of reforms, such as the reform of the Labor Code, a 'demand-driven' reform of the vocational education and training system and adult education, i.e., reforming the system to

meet employers' expectations, or even transforming the system of interest reconciliation (Wiedermann, 2014, p. 240).

Of these, the new Labor code was notable because of the broad scope of its provisions. The aim of the legislation was to improve competitiveness and create a more flexible labor market. The tool to do this was the enforcement of the basic principle that left more room for maneuver for free agreement between employer and employee. At first sight, the changes may have appeared to be more in the interests of employers, but in the longer term, they have also played a major role in increasing the number of jobs. This ultimately strengthened the competitive position of employees, which is why this reform of the Labor Code later received relatively little criticism from the opposition. One of the government's key messages to foreign investors over the past decade has been a flexible regulatory framework, which has created a modern environment that has attracted billions of euros worth of construction of factory construction to Hungary.

From the outset, the main objective has been to promote job creation, and in the initial years, the most important support for this was the standardization and extension of the public employment system. In favor of latter was not only the application of the 'work instead of benefits' philosophy, but also the complementary principle of "whoever is able and willing to work should be given a job". As a result, while 76,000 people participated in the public employment program in 2011, this had risen to 223,000 in 2016 (Giró-Szász, 2019, p. 53). At the same time, the fact that this was possibly not the final goal, but an interim stage in the road to the primary labor market, was also shown by the increasing number of jobs created in the business sector over time. About two-thirds of the new jobs were created in the primary labor market in 2014 (Czomba, 2015, p. 50).

2.2 Paradigm shift and work-based society

The work-based economy and the underlying work-based society – or “workfare society”, another term often used by Viktor Orbán – was most succinctly expressed in the new Fundamental Law adopted in 2011 and in force since January 1, 2012. “We proclaim that the strength of a community and the self-esteem of every human being are based on work and the achievements of the human intellect”, and “The economy of Hungary shall be based upon work as the very foundation of productivity, and upon the freedom of enterprise.” – these are stated in the National Avowal, the preamble expressing the spirit of the Fundamental Law. Moreover, the following constitutional rules appear in the catalog of rights and obligations under the heading of “Freedom and Responsibility”, reflecting a more community-oriented mentality: “Everyone shall have the right to freely choose his or her job or profession, and the freedom to conduct a business. Everyone shall have a duty to contribute to the enrichment of the community through his or her work, performed according to his or her abilities and faculties” and “Hungary shall endeavor to ensure the possibility of employment to everyone who is able and willing to work.”

The Fundamental Law, adopted at Easter time, clearly committed itself to a work-based society – or ‘workfare society’ – instead of the previous ‘welfare society’ concept, which was primarily concerned with the end result, i.e., a ‘welfare-based’ mode of operation. According to critics, this was a ‘punitive’ turn of events, which had already started earlier under the socialist government and was a series of ‘populist’ measures targeting ‘far-right voters’ (Vidra, 2018, pp. 73-80). The essence of this position is that the premature welfare state born of socialism, in which “a considerable proportion of the fiscal burden is linked to welfare expenditure” (Kornai, 1992, p. 489), needs to be transformed, but not with the

abovementioned ‘punitive’ ‘welfare chauvinist’ type of policy that financially penalizes those who do not wish to participate in public employment.

Another criticism of government policy, which labeled it neo-conservative, was that the ‘work-based society’ concept, as gradually become clear, actually meant depriving the unemployed and inactive of “social assistance” and “depriving them of their social and unemployment income”, predictably pushed them not towards existing jobs but towards hopeless misery” (Pogátsa, 2016, p. 192). As to this rather blunt criticism, we would just like to note here that generalization in such cases certainly does not advance the debate, since it obviously does not help progress in arguments regarding matters of this kind. It is clear that on the one hand, certain forms of financial assistance are still available for a certain period of time, for those who need it, and on the other hand, by the end of 2015, the year before the publication of the volume cited, the number of people in employment had already increased to 4.259 million from the 3.751 million at the end of 2010, according to freely available HCSO data available. By the end of 2019, this number had increased to 4.519 million.

However, if only due to the heated debates, it is also worth examining the government’s intention regarding the work-based society, followed by the measures that were caught in the crossfire of the abovementioned attacks. In Viktor Orbán’s reasoning, the concept of the ‘work-based society’ appears as a counterpart to the ‘traditional notion of the welfare state’ (Orbán, 2013a, p. 21) and is also linked to discharge of public burdens, i.e., to the fact that in June 2010, “there were 1.8 million taxpayers in Hungary – that was the number of people paying taxes. A country with a population of ten million, which we are trying to maintain on the tax revenues of 1.8 million people. Impossible!” – the prime minister said. (ibid. p. 19).

2.3 Multifunctional decisions in the spirit of a work-based economy

Several concrete governmental decisions were made to promote the development of a work-based economy, most of which served as so-called multifunctional incentives in employment. This was the general purpose of the extension of the public employment system, which was also linked to the provision of benefits. Despite widespread criticism, it was a telling development when news broke in March 2015 that nearly a hundred Roma citizens were demanding public employment opportunities in the town of Tiszavasvári. This was also highlighted by the prime minister in a speech delivered shortly afterwards, on the five-year anniversary of his governance (Orbán, 2015a): “(...) I read in the news that a crowd of, I think, mostly Roma residents staged a demonstration outside the village or town hall, to voice their demands. And what they demanded was work. Not benefits, but work! That was the moment I felt that we had won. When I felt that the difficult period of the regime change was over and that a new era had begun. When the most underprivileged in Hungary, those forced to live from benefits, finally understand that it is not benefits but work that is worth demonstrating for, now that is the moment when national unity can be restored and all of us, together, can look forward to a future with hope.”

Last but not least, for the sake of achievement and in remembrance, it is worth quoting László Bogdán, mayor of Cserdi, a village in Baranya County, where the rate of unemployment was 98 percent in 2006, now a model village on account of public employment: “I love public employment. I think it is a good thing. Not necessarily because it integrates, or reintegrates, people back into the world of work but because it creates the need for people to stop waiting for benefits. Since public work was introduced, this

‘poor Roma village’ has distributed 40 tons of food. And this is not a political issue” (Bogdán, 2015, 294).

The multiple objectives of public employment include the strengthening of local, municipal, community work creating value, participation – even if symbolic – in the discharge of public burdens and, in certain cases, the setting of a good example by parents of underprivileged families. This is coupled with the linking of some family benefits to social security status, i.e., continuous employment.

Moreover, economically inactive people were encouraged to seek employment by reducing unconditional unemployment benefits and shortening their duration. The maximum period of eligibility for job seeker’s allowance was reduced from nine to three months, and its maximum and minimum amounts were also reduced by the legislator. The conditions for job seeker’s allowance were tightened and the amounts of the availability allowance and employment replacement subsidy were also cut (Cseres, Gergely & Molnár, 2014, pp. 204-206). The employment replacement subsidy of a net amount of HUF 22,800 became the alternative to the public employment wage whose gross amount was reduced to HUF 57,000 in 2011 and then gradually increased to HUF 81,350 by 2020.¹²⁷

Another related incentive is the continuous increase in the minimum wage, throughout nearly the entire ten years of the government. It is worth noting that while in 2011, the wage for the eight-hour-a day public employment was still equivalent to nearly three quarters (73 percent) of the then minimum wage, this has now dropped to 51 percent due to the more rapid increase in the minimum wage – (Közfoglalkoztatási portál, 2020). In other words,

¹²⁷ The net value of these amounts vary by family because it depends on the number of children in the family, i.e. the family tax allowances applying to the given family.

the amount of the wage in full-time public employment is roughly half the minimum wage, so those who are able and willing to find employment in the labor market, as intended by the government, will have an incentive to do so.

The first important change in this area was also some tightening up: the taxation of the minimum wage, which was previously tax-free, and thus an incentive for tax avoidance. However, the gross minimum wage has been rising steadily since 2011, and more markedly than before. What did this mean in figures? Although tax-free under the left-wing governments between 2002 and 2010, its amount only increased from HUF 50,000 to HUF 73,500 during the same eight-year period. In comparison, its gross amount grew from HUF 73,500 to HUF 161,000 between 2010 and 2020. Meanwhile, the guaranteed wage minimum, that is, the skilled workers' minimum wage, increased from HUF 89,500 to HUF 210,600.¹²⁸ Three data sets – each associated with a change of government – are shown in the following figure from the 1998–2010 period. After 2010, the slope of the curve is proportional.

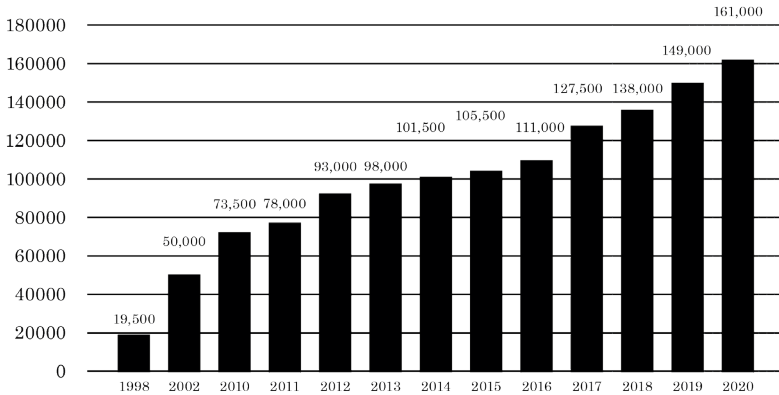
Perhaps the most important of the symbolic transformations, which the government retrospectively described as politically sensitive (Wiedermann, 2014, p. 145), were the restructuring of the early old age retirement and the early retirement pension schemes and the review of the scope of those entitled to disability benefits. The statuses of disability pensioners were revised. the early retirement pension options were reduced, and the age threshold

¹²⁸ To underpin the importance of this topic, it should be noted that according to official data, 880,000 people in the business sector were working for the minimum wage or for the skilled workers' minimum wage, roughly half and half. Moreover, there were almost a quarter of a million minimum wage earners in the public sector; therefore about 1.1 million people were affected by these measures. For details, see: Hornyák (2019).

for early service retirement was increased. The government put an end to the practice of law enforcement employees retiring with a pension and then also working in the private sector. They were given a choice of a pension with 16 percent tax or returning to work for law enforcement. Since 2012, public institutions have not been allowed to grant (reduced) early retirement pensions or early old age pensions or service pensions.

An exception to the latter rule is for women with at least 40 years of service, who are entitled to a full pension if this condition is met. By early 2020, some 270,000 women had taken this opportunity. The Women 40 program was also a multifunctional measure, as it simultaneously served as a kind of a labor market recognition, a confirmation of women’s protected status, and an important step towards strengthening families and facilitating the organization of their daily lives.

Figure 3
Changes in the gross minimum wage
in Hungary in 1998, in 2002 and between 2010 and 2020
(own editing, based on Hungarian Central Statistical Office, 2020)



There were strong arguments in favor of the various labor market and benefit restrictions, but many people were also adversely affected by them. These forms of state benefits were well known to be instruments for ‘tacitly’ managing the transformation crisis entailed by the regime change, but also served as a source of widespread abuse. It was also a fact, proven by statistics, that the share of these financial transfers in the total budget expenditure lines was outstanding by international standards, whether EU or V3. The difference was considerable in both cases, with nearly 20 percent of Hungarian GDP used for such transfers in 2010, compared to roughly 15 percent for both the EU27 and the V3 (Palotai & Virág, 2016, p. 603).

It is also worth noting here that the 2010 OECD dataset also showed that the proportion of people receiving disability benefits was the highest in Hungary, exceeding ten percent of the working-age population. This put Hungary in first place at the time, slightly ahead of Norway, a country rich in both mineral resources and savings. This legacy of social transition had an adverse impact on equilibrium processes and limited Hungary’s growth potential (Matolcsy, 2015, pp. 237-238). According to the then minister of national economy, later president of the central bank, the extremely low labor supply was the Hungarian economy’s ‘Achilles’ heel’. However, as a result of the decisions described above, the labor supply started to increase, and even “showed one of the highest increases among European economies compared to pre-crisis levels (ibid. p. 349).

Of all the government changes mentioned so far, these certainly provoked the most discontent, even leading to relatively sizeable demonstrations. As noted earlier, a member the previous socialist cabinets, Erika Szűcs, had also identified the existing situation as a problem, yet they did not undertake any reforms; however, now in opposition, the left sharply opposed proposed changes. Eventually, the Orbán Government implemented the reforms despite the fact that by the end of spring 2012, the decline in support for the

governing bodies was becoming tangible. Although Fidesz-KDNP politicians tried to avoid this expression because of its left-wing connotations, these changes resulted in reform.

The aim was multifunctional, or at least dual, in this case too: on the one hand, to increase employment by encouraging participation in the labor market and on the other, to balance the budget. The latter was facilitated both by savings in public expenditure, to which the government committed itself to achieving when announcing the Széll Kálmán Plan in 2011, and by an increase in tax and contribution revenues as employment grew.

2.4 Targeted tax cuts, the first partial results and reform of vocational education and training

Crucial positive incentives to increase employment were introduced in 2012. First, the government organized an economic consultation, asking for the opinions of all Hungarian citizens of legal age on no fewer than 16 questions. In the end, around 1.1 million people completed and returned the questionnaires. The respondents clearly supported the principle of ‘work instead of benefits’ and the so-called ‘protected age’ mechanism, protecting people over 55 in the labor market.

In summer 2012, the government announced its Job Protection Action Plan, which included a contribution relief scheme for disadvantaged workers. Based on previous diagnoses, these social groups included young people, employees close to retirement age, women of child-bearing age, and the long-term unemployed (Matolcsy, 2015, p. 351). Accordingly, from January 1, 2013, businesses employing individuals belonging to the above groups,

career starters or unskilled persons, benefited from contribution reductions.¹²⁹ The Job Protection Action Plan provided targeted assistance, which helped not only to protect jobs, but also to increase the number of jobs. Prior to the decision, in the fall 2012 economic consultation, respondents were overwhelmingly in favor of tax relief for business that create new jobs.

The first significant partial results started to emerge in 2014, when the expansion of public employment gradually gave way to job creation in the private sector, i.e., the primary labor market. Until then, the opposite trend had been taking place, as the amount spent by the state on the operation of the public employment system had increased from HUF 101 billion in 2011 to HUF 231 billion in 2014 (Cseres, Gergely & Molnár, 2014, p. 207). The results of the abovementioned action plan were already visible from the first year of its operation, becoming even more marked in later years. In 2015, i.e., the third year of the program, the Job Protection Action Plan was already helping 900,000 people find work, and the Hungarian state forewent some HUF 130 billion in tax revenue for this (Svraka, 2019, p. 71).

So, by the end of the second Orbán Government's term in office, two things had become broadly clear regarding employment. On the one hand, that Hungary would be able to avoid the 'Greek path', which not only endangered national sovereignty but also led to very high unemployment rates, particularly among young people. On the other hand, it was becoming clear that, once the W-shaped crisis was over, the economy could remain on a sustained growth path, which could lead to an increase in employment. In practice, this meant that large numbers of people entering the labor market could find employment for themselves, which within a few years, had additionally created a labor shortage situation.

¹²⁹ Later the regulation was modified several times; for example, it was extended to agricultural employees as well.

Two additional crisis phenomena should be briefly mentioned at this point. The employment moratoriums following Hungary's accession to the EU ended in 2011, allowing Hungarians to freely seek employment in an increasing number of Western European countries. The result was that hundreds of thousands of people tried their hand on the Western European labor market, which is a significant number from a national economic and social point of view, even if it was the lowest rate of emigration in the countries in the region, and, moreover, the "migration gap" was gradually closing (Giró-Szász, 2019, pp. 131-133). In fact, by 2019, the number of people returning to Hungary exceeded that of those leaving (Beke, 2020).

For many, the key motive for seeking for employment abroad was compelling personal financial necessity, and for many Hungarians, finding employment resulted in major financial improvements, even if meant additional costs of living. The exact amounts are disputed, but it is clear that the remittances of those leaving Hungary to find jobs abroad generated a significant income for their home country at the national economic level, and provided important assistance for the relatives they left behind. The employment of large numbers of people abroad quickly led to labor shortages in certain sectors, which in turn led to a rapid growth in demand for, and insufficient supply of, labor, and eventually, from the middle of the decade, a markedly faster rate of wage increases than before.

Another relevant crisis phenomenon was the widening gap between vocational skills acquired by students in vocational education and training as well as in higher education, and the expectations of companies. This crisis phenomenon was exacerbated by so-called 'natural segregation', i.e., free choice of schools, and the increasing disparities between schools due to inequalities in different municipalities' resources, driving inequalities in the labor market. Another problem was that the proportion of people acquiring secondary level vocational qualifications was

significantly lower than in our competitors in the region (György, 2017, pp. 219-220).

In view of the above, the government decided to focus primarily on a major overhaul of vocational education and training from 2014, with the introduction of a system based on the German dual training model. In the prime minister's vision, the transformation of vocational education and training, and the efforts made to reach full employment have always been interlinked, also driven by a desire for a change in mentality. For instance, in fall 2014, he said that "the real question is: when will parents realize that a good vocational qualification is worth more in the labor market than a secondary school leaving certificate and even certain types of university degrees? When will people understand that what Hungary needs is not mediocre secondary school students but good tradesmen and technicians? So for Hungary to finally and irrevocably get back to work, so thus achieve full employment, Hungarian children need to get into the right type of school" (Orbán, 2014b).

The changes affected the institutional system, the names of the various types of schools and the channels of further education. Vocational training centers were established, while vocational training teachers received a substantial pay rise. In 2019, for the first time in ten years, more young people enrolled in vocational education and training institutions than secondary grammar schools, and this trend continued in 2020. Of course, the reform of vocational education and training was also the subject of strong criticism from the opposition, with the main argument being that students were being "dumbed down", that the level of knowledge in general subjects was being excessively lowered, and that the requirements of foreign employers were being excessively catered for, and all this crystallized around the nightmare of an 'assembly country'.

After 2018, the government continued to make changes for a third term in a row. The Vocational Education and Training 4.0

strategy was drafted and adopted in cooperation with industry, following the Austrian model, and a system of scholarships based on state and market pillars, was further developed. The cabinet's aim remained the same: to create a flexible labor market in which qualifications are combined with relevant day-to-day practical expertise and skills. Since 2019, this aim has been supported by institutions such as the 18 Sector Skills Councils, which enable economic players to have an even greater influence on the professional content of training and academic programs.

By the middle of the second term of the Orbán Government's 2010-2020 administration, the synergies of the positive incentives and the fiscal impact of economic growth had become so strong that they paved the way for further public burden sharing. The reduction in the rates of employment tax and corporate income tax was not only a positive decision for existing domestic and foreign-owned businesses, but also generated additional wage increases, and thereby additional tax revenues. Moreover, the tax cuts led to a considerable reduction in the shadow economy and enabled additional foreign businesses to establish themselves in Hungary, generating additional tax revenues and higher employment, i.e., in the longer term, enabling even wider burden-sharing.

2.5 Summary of the results of the Hungarian work-based model so far

Summing up the changes in the world of work, it is obvious that the government has focused on increasing employment from the very first weeks of its operation. This was initially achieved through tax cuts, the introduction of a new basic philosophy of ‘work instead of benefits’, the radical extension of the public employment program and the adoption of a new Labor Code. As part of the Széll Kálmán Plan, despite a temporary loss of popularity, the government has introduced significant restrictions to change the negative legacy of socialism and the regime change, materially increasing the number of people in the labor market and saving substantial expenditure for public finances. The first encouraging results started to emerge in 2013, with the end of the W-shaped crisis and the contribution cuts, and in the second term of the government in a row, increasing attention was paid to the reform of vocational education and training. From 2015, a ‘virtuous circle’ started, with increasing wage rises, rising incomes and a reduction in the burden on business, which ultimately allowed for further burden reductions.

Interestingly, the Hungarian work-based economy has even been acknowledged in recent years by several German media outlets that have been highly critical of the Orbán Government. According to a 2018 report by MDR, the Central German radio station, *“The government introduced its public employment program in 2011. Since then, unemployment has dropped by around two-thirds across the country”*. In 2018, Deutsche Welle produced a report on the labor shortage in Hungary, stating that *“Hungary’s economy is booming and unemployment is at an all-time low”*. The Swiss Neue Zürcher Zeitung wrote in the same year that *“unemployment rates in the Czech Republic, Poland, and Hungary are now among the lowest in Europe. At the same time, however, there’s a growing*

shortage of skilled labor, (...) Nonetheless, wages are growing due to labor shortages”.

As far as the results over the decade are concerned, there are two types of inventory worth taking. The situation at the end of 2019 provides an opportunity to take stock of the first years of governance amidst an international crisis and the “seven years of prosperity” that followed. The 2020 situation, brought about by the coronavirus pandemic, requires a separate analysis in view of its extraordinary circumstances; however, as we will see, the results achieved by the end of 2019 were able to at least partially absorb the disastrous effects of the economic shock caused by the pandemic, like a ‘safety shield’, which also meant that this time, unlike in the transformation crisis period, or the 2008-2012 period, hundreds of thousands did not lose their jobs permanently.

In October-December 2019, the number of persons employed exceeded 4.5 million (4,520,000). By contrast: in October-December 2009, the corresponding figure was around 3.8 million (3,745,000), i.e., the number of people in employment increased by nearly 80,000 people within a decade. In 2009, the annual average number of employees was 3,782,000, i.e., the increase in this respect was 730,000 people. It is worth considering these figures in an EU context. In 2009, the employment rate in Hungary was 55.4 percent, the second worst in the then European Union after Malta (Hungarian Central Statistical Office, 2010). The average rate of employment in the EU was 64.8 percent, nearly ten percent higher than in Hungary. By the end of 2019, the Hungarian rate had increased to 70.3 percent for the 15-64 age group.

If we look at the 20-64 age group covered by the EU 2020 strategy, based on Eurostat figures, the 2009 Hungarian figure was 60.1 percent, while the EU average was 68.2 percent. By contrast, the employment rate in Hungary rose to 75.3 percent in 2019, two percentage points above the EU average (73.1 percent). In 2009, The Hungarian rate for women of 54 percent was 7 percentage behind the EU average, but Hungary had caught up by 2019 and

its rate of 67.6 percent was slightly higher than the EU average of 67.3 percent. Overall, the Hungarian employment rate in the 15-74 age group had already reached the EU average by 2016 and has since exceeded it.¹³⁰

Young people in Europe were particularly hard hit by the 2008-2012 crisis, making it even harder for them to find a job. A stable job has become an unattainable dream for the majority of an entire generation in the southern Member States over the past decade, and this persistent condition has been further exacerbated by the economic shock caused by the 2020 coronavirus pandemic. It is no coincidence that 42 percent of economically active young people in Spain were unemployed in September 2020 (the corresponding ratios in Greece, and Italy were 37.5 and 31 percent, respectively) (Statista, 2021). The crisis's impact on young people is not confined to Southern Europe: the same ratios in Sweden, Finland, and France were 29, 21, and 19 percent, respectively.

By contrast, Hungary's progress in this area during the past decade is quite an achievement, as the corresponding ratio in Hungary was 15.2 percent in September 2020, placing the country in the top half of the EU ranking (11th place). Incidentally, this ratio was 26.4 percent in 2009, higher than the youth unemployment rates of Greece, Italy, France, and Sweden.¹³¹ Since the annual average youth unemployment rate was brought down to below 10 percent in 2018, further improvement might be a realistic goal.

Finally, to conclude the ten-year and EU comparison, it is also worth looking at Hungary's overall unemployment figures. In 2009, during the crisis, the Hungarian unemployment rate averaged 10.1 percent, the highest since 1995. The average unemployment

¹³⁰ For details, see: Matolcsy (2020).

¹³¹ Among the larger EU countries, only Spain was in a worse situation than Hungary in 2009. For details, see the relevant dataset (2019) of the Institut Arbeit und Qualifikation der Universität Duisburg-Essen (2019).

rate in the EU was 9 percent that year. As a result of the crisis, the Hungarian ratio remained above 10 percent until 2013, when the ‘seven fat years’ saw a rapid decrease as the government’s measures started to produce results. In 2019, the Hungarian annual unemployment rate was 3.5 percent, about half of the EU average of 6.7 percent (Hungarian Central Statistical Office, 2020).

Of course, the 2020 crisis triggered by the coronavirus pandemic did not spare the Hungarian labor market either. Although the Hungarian government was quick to introduce measures in March 2020 (e.g. job protection wage subsidies, research and development wage subsidies, tax and contribution reliefs, investment and job creation subsidies, job retention loans, tourism tax credits), which helped nearly a million Hungarians, the number of employees had still dropped to 4.3 million by April. Already in the first weeks of the economic shock caused by the pandemic, the government announced the basic principle that all jobs eliminated by the virus should be restored as quickly as possible. By August 2020, the labor market had recovered relatively quickly, with 4.5 million back in work again that month.

The unemployment rate also underwent similar changes. The unemployment rate in Hungary was 3.5 percent between December 2019 and February 2020, and then started to increase rapidly due to the crisis. The May-June 2020 HCSO statistics already indicated an unemployment rate of 4.8 percent, although the statistical office states that this negative trend had already been reversed in July 2020. Accordingly, the number of unemployed had already dropped by 23,000 compared to the previous month. Although the number of registered job seekers increased temporarily to 376,000 (June 2020), by September it had decreased substantially, by 323,000. Even during the worst period of the crisis, the Hungarian unemployment rate was in the top quarter of the EU members, together with other Member States in the region, such as the Czech Republic, Poland and Slovenia.

3. A new type of burden sharing

The need for a new type of burden sharing in the Hungarian economy had become clear by 2010. The realization that capital should be taxed instead of work was already a recurrent theme in the last years of left-liberal governance, as was the need to reduce the burden on domestic SMEs, together with a patriotic desire to strengthen Hungarian-owned businesses. The first steps towards easing the burdens on work had already been made by the Bajnai government; however, all they managed to do was make the tax burden itself part of the tax base through a peculiar mixed solution called ‘super grossing up’. However, not only did this solution overcomplicate the tax system, but it also encouraged tax avoidance and penalized extra rewards for additional performance (Pankucsi, 2015, pp. 135-136). The Hungarian tax system was functioning like an obstacle course on which ‘knowledgeable’ taxpayers and some foreign companies were able to earn unjustified and unfairly high revenues compared to honest taxpayers.

In the next chapter, we will first briefly review the reduction of the burden on labor, including the government’s personal income tax reform, family taxation and tax cuts for employers. Then we will describe how consumption and crisis taxes were applied during crisis management as well as the rationale for reducing corporate tax burdens. Last but not least, we describe how tax reductions were taken further in the second half of the decade and what steps have been taken most recently in response to the crisis caused by the coronavirus pandemic.

3.1 Reducing the tax burden on labor, and family taxation

Although the Orbán Government explicitly avoided using the word ‘reform’, its first years in office saw the implementation of a marked and far-reaching tax reform. This was based on the prime minister’s commitment to introduce a ‘tangible’ tax reduction, combined with the resolution of a number of long-standing problems. One example of this was the undertaking to simplify the tax system “(...) *yes, Fidesz will reduce tax burdens, perceptibly, and also simplify them*” (Hír TV, 2010).

Moreover, in February 2010, the prime minister also announced the prospect of reintroducing family taxation in some way. Another important objective was to ‘whiten’ the benefits that contributed to the shadow economy relating to wages, particularly the minimum wage, and to include them within the scope of legally taxable income. The reform itself therefore had four basic objectives: to introduce family taxation, i.e., a system that takes into account the number of dependent children; to simplify the tax system; to reduce the burden on labor; and to shrink the shadow economy, particularly regarding wages.

“But I repeat, I do not want to accuse anybody, I don’t plan to tell people why things were the way they were, and I do not want to punish the state for having built up such a bad system of lies; I only want to change things. And I think I can make a change which will benefit everybody. So, this tax system will benefit everyone, and eventually everyone will be paying less tax, there will be more jobs in Hungary and wages will increase. Because if the economy grows, wages will also grow. With this system, everyone benefits. Some will benefit on the very first day, some in half a year, others in one year, and yet others will benefit in two years” (Orbán, 2010a).

This was initially envisaged by the new incoming government as an extension of the room for fiscal maneuver allowed by

Brussels, but the EU quickly refused to grant this. Consequently, funding for the reform of the tax system had to be raised, and this was achieved by increasing the involvement of multinational companies and banks in the discharge of public burdens. Thus, the so-called 29-point action plan was adopted to this end in the summer of 2010.

Under the old personal income tax system, personal income tax was a multi-rate tax. The top rate above a monthly gross income of HUF 328,000 was 32 percent, which affected nearly a quarter of a million taxpayers. By contrast, no tax was paid on the minimum wage, which was earned by large numbers of people. The overcomplexity of the super gross-up system meant that personal income tax was payable even on the 27 percent tax paid by the employer (then called social security contribution); which in practice meant that tax was taxed.

The changes to personal income taxation were finally introduced in several stages and finalized on January 1, 2013. The four key elements of the transformation were as follows: a flat-rate tax was introduced, the so-called super gross-up was phased out, the tax credit abolished and the family tax allowances extended (Giró-Szász, 2019, p. 126). The government's philosophy was that the new type of personal income taxation "is proportional, encourages performance and employment, and is family-friendly".¹³²

The new flat-rate 16 percent personal income tax (PIT) entered into force on January 1, 2011. It also marked the start of family tax credits, which already exempted 600,000 parents raising children from paying tax from the very first day and later this number increased even further.¹³³ The enactment of family taxation

¹³² For details, see: Government Portal (2012).

¹³³ The government stated that "no personal income tax is collected by the state from 58 percent of parents with one child, 68 percent of parents raising two children and 98 percent of parents raising three children" Government Portal (2011a).

was admittedly a multifunctional measure, as the cabinet stated in a briefing paper on the new form of taxation: “the government’s goal with the new flat-rate tax system is to make Hungary the most competitive country in Central Europe, and the government also aims to give a tangible boost to raising children while working through family taxation” Government Portal (2011b). The tax reduction was particularly significant in relation to wages at the time: HUF 10,000 per child and for families with three or more children: HUF 33,000 per child.

The introduction of a flat-rate tax and the family taxation system, and especially the combination of the two, represented a paradigm shift from the previous rules. Of course, it came under attack from the left and certain experts and analysts. They claimed, among other things, that the flat-rate tax was a “classic neoliberal concept” (Pogátsa, 2016, p. 198) “sending the message that we will not help you just because you earn little” (Kiss, 2014, p. 35). Family taxation was attacked because it made the provision of financial assistance to child raising conditional upon employment. The ‘unfairness’ of family tax credits has been challenged based on arguments emphasizing that the amount of the family allowance – which is not linked to employment – has not been increased for a decade now.

Perhaps the most well-founded criticism, from a social aspect, of the family taxation system came in a study analyzing actual figures, where the authors made it clear that those belonging to the top three income deciles were the winners of the changes in the first three years (Tóth & Virovác, 2013, p. 391). The government was quick to respond to this phenomenon and as the economic room for maneuver expanded, further burden reductions were added to the existing system. From 2014 onwards, the government has expanded the system to varying extents to the benefit of various groups of taxpayers, as the budgetary possibilities increased.

The earlier system, benefiting primarily the upper middle class and top earners was opened at the bottom by a solution whereby

tax allowances were also extended to contributions from early 2014. This move further increased the number of those benefiting from the new type of taxation, adding more than 400,000 households to the pool of households benefiting from the changes in PIT and contribution rules. In-depth economic assessments found that that this group of beneficiaries belonged to households in the lowest income quintile. Another important factor was that, thanks to other government measures to increase gross wages, about 60 percent of the population lived in households whose net incomes increased (Baksay & Csomós, 2014, p. 45). The flat rate of personal income tax was later reduced to 15 percent from 2016. From the same year, the tax allowance of families with two children was increased in four steps, over four years, from HUF 10,000 to 20,000 per child a month.

3.2 Reducing the corporate tax burden

One of the key commitments of the 2010 election and government program was to support domestic-owned SMEs. The election manifesto – later the government program – provided for this as follows: “The new government will alter the taxation system to make it simple as possible, reducing the tax burdens on employees and businesses so that it will be worth creating and taking jobs again. The Government of National Causes, in cooperation with the participants of the Hungarian economy, will implement an economic policy which will, again, provide opportunities for businesses and entrepreneurs which and who are committed to job creation and intend to invest their profits in Hungary” (Office of the Hungarian National Assembly, 2010, p. 14). Moreover, the government started working on this with the involvement of the Hungarian

Chamber of Commerce and Industry, following the Austrian and German model, also considering the standpoints of the social partners, including employers. Coordination with the chambers has thus become routine, and the prime minister delivers his major annual economic assessment and program speech each year at this forum, symbolically involving the job-creating side of the economic partners in governance too.

Concerning the specific help for businesses, Viktor Orbán also said before the election that “(...) support for small and medium-sized enterprises is important in the sense that we plan to distinguish between businesses according to size and profitability, and tax small and medium-sized enterprises at a lower rate” (Orbán, 2010b). This was also motivated by the fact, often voiced in the years when Fidesz was in opposition, which became one of the fundamental elements of the civic parties’ economic policy, i.e., that the work-based economy is driven primarily by Hungarian-owned SMEs, which create the vast majority of jobs and reinvest or spend their profits in Hungary. This way of thinking was clearly illustrated by the governing parties’ argument that “two-thirds of Hungarian employees work for small and medium-sized enterprises (SMEs). By contrast, SMEs received less than ten percent of EU funds during the previous period (i.e., before 2010) (Fidesz, 2010).

As well as in the case of the personal income tax, the previous left-liberal governments had also applied multiple rates to corporation tax. The Orbán Government not only recognized that a lower corporate income tax could be a key competitive advantage in attracting large companies and direct foreign investment, but also undertook in its program to make the Hungarian corporate income tax system competitive in the region. Accordingly, in summer 2010, the government decided to make corporation tax a flat rate and to reduce it significantly (ten percent, then nine percent from 2016) This became the lowest tax rate of its kind in the European Union, therefore Hungary even came to be described in some quarters as a ‘tax haven’.

Accordingly, SMEs have therefore benefited from significant tax cuts since July 2010. This resulted in important changes in taxation: the tax burden for SMEs – up to a tax base of HUF 500 million – has been practically halved by the new rate of 10 percent compared to the previous rate of 19 percent. According to the then minister of economy, this decision was motivated by the intention to “immediately strengthen businesses interest in job creation” (Matolcsy, 2015, p. 267).

Another important step in supporting these businesses and entrepreneurs was the introduction of the small business tax in 2013. The preferential form of taxation introduced as part of the Job Protection Action Plan is available to businesses with up to 50 employees (between 2013 and 2017: 25 persons) with annual sales revenue and balance sheet total figures below 1 billion HUF (between 2013 and 2019: 500 million HUF. This form of ‘cash-flow oriented’ taxation equally encourages businesses to increase both employment and investment (Palotai & Virág, 2016, p. 656). In this sense, therefore, this measure can also be considered a multifunctional incentive. The rate of the small business tax was reduced to 12 percent in 2020 which may further increase the number of entities opting for this type of tax from the 40,000 registered in 2019.

The corporate income tax was later reduced to nine percent across the board, a decision which alone left some 145 billion HUF with businesses (Giró-Szász, 2019, p. 108). This was already a sign of a paradigm change of sorts because it marked the beginning of a substantial increase in foreign direct investments, likely primarily driven by the extremely attractive corporate income tax rate thanks to the above tax cuts. The competitiveness tax system and a skilled workforce were identified in the IMD’s 2019 competitiveness ranking as among the most attractive elements of the Hungarian economy.¹³⁴

The government identified another key competitiveness factor, where Hungary was also lagging behind other countries in the area, in the contributions payable on the basis of wages; therefore, it launched a major contribution reduction program as soon economic growth and room for fiscal maneuver allowed. Both employers and employees were the government's partners in this. Indeed, employees' wage increase demands were even exceeded to some extent by the undertakings stipulated in the trilateral agreement. In 2016, the Competitive Sector – i.e., certain representatives of employers and employees – and the Government's Permanent Consultative Forum agreed to increase the minimum wage, the guaranteed minimum wage and real wages, and to reduce the burden on employers.¹³⁵

The cabinet has therefore “entered into the agreement” itself in order to facilitate an agreement between the social partners of opposite interests. By starting to reduce employers' taxes, i.e., contributions or, in other words, the social contribution tax, according to a timetable from 2017, the government made it easier for employers to be more generous with employees' demands for wage increases. Of course, this was also a sign of the times on the part of the three parties, because the increasing labor scarcity and the wage competition triggered by free movement within the European Union have led to greater wage competition. The agreement also sought to trigger an increase in productivity as an underlying factor, for which, of course, appropriate financial motivation of employees is an essential factor.

¹³⁴ “The IMD World Competitiveness Center of the world-renowned IMD Business School of Switzerland has published its competitiveness ranking in the form of a yearbook since 1989 (...). It builds on 258 indicators and gives a relative ranking of 63 countries.” (ICEG European Center, 2019)

¹³⁵ For the exact text of the agreement see: VDSZ (2016).

Under the agreement, the minimum wage was increased by 15 percent from January 1, 2017 and by another 8 percent from the beginning of 2018. The minimum wage for skilled workers was increased by 25 and 12 percent respectively on the dates indicated. The government encouraged the increase in real wages by making the various two-percent reductions of certain contributions from 2019 conditional upon an at least six percent real wage increase in the preceding year.

To enable businesses to finance this, the government introduced and promised tax cuts. The corporate income tax rate was already reduced to nine percent from the beginning of 2017. The employers' tax, 27 percent in the last year of the socialist government, which was not reduced until 2016, was decreased first to 22 percent from 2017, then to 19.5 percent from 2018 until mid-2019, to 17.5 percent from mid-2019 and then to 15.5 percent from July 1, 2020.

The above arrangement was also able to facilitate wage increases in a meaningful way. While between 2010 and 2013, during the worst years of crisis management, the average gross monthly wage increased only modestly, from HUF 203,000 to HUF 232,000, followed by wage increases at a gradually increasing rate from 2014 on. In nominal terms, gross average earning grew by virtually the same amount between 2016 and 2017 as during the first term of the Orbán Government between 2010 and 2014. This was followed in the next two years by an average gross increase of HUF 33,000 and then HUF 38,000 gross.

Although the coronavirus pandemic, with all its undesirable economic consequences, has been raging from March 2020, the annualized gross was still 10.8 percent – or HUF 39,000 – in June 2020. Overall, gross wages increased by around 50 percent between 2016 and mid-2020, partly thanks to the comprehensive trilateral national economic agreement described above. The naturally less spectacular pace of real wage growth, which is necessarily part of the whole picture, will be dealt with in a later section.

3.3 Fairer sharing of public burdens: the bank tax and the special sectoral taxes

The Orbán Government has financed economic consolidation and tax cuts through tax increases. As was noted in the chapter on “Integrity”, the so-called unorthodox economic policy became a key instrument for the new government from the very first weeks in office. This included the practice of levying special taxes. This taxation technique was based on several basic principles, which were actively communicated by the government and which are worth detailing due to their controversial and increasingly recognized long-term effects.

As we have already partly explained, the special Hungarian economic policy – in contrast to the austerity forced on the Greeks – was about the Hungarian government meeting the EU deficit target while reducing taxes. The new leadership of the national economy cut this Gordian knot by extending the scope of taxpayers on the grounds of fairness in public taxation. The essence of the government’s philosophy was at the heart of these decisions, which meant that those who had abused their dominant position on numerous occasions had to bear the greater burden. Over the years, or even decades, these large companies had amassed tens of billions of forints of extra profits, which they ultimately withdrew from the Hungarian national economy. One of the key elements of the Hungarian model of economic crisis management was that the state restored the public fiscal balance not by taxing people, but by imposing so-called sectoral special taxes on banks and multinationals.

In summer 2010, the bank tax and a series of taxes on multinationals in sectors such as retail, telecoms, energy and utilities were announced. These measures already provided the state budget with an additional revenue of around HUF 400 billion in 2010. These revenues even increased in the following years

through new taxes such as the ‘chips tax’, the telecoms tax or the duty on transactions. This economic policy paradigm shift enabled the government to start building a work-based economy focusing on economic growth. Thus, the third leg of the tax reform was the introduction of a system of special taxes for large companies, besides the reduction of taxes on labor and families as well as consumption-based taxation.

The introduction of the bank tax and the sectoral special taxes shattered age-old dogmas, as before the adoption of these measures, it was commonly held that banks could not be taxed, or if they were, certainly not to this extent. The amount of the bank tax was increased radically: to HUF 200 billion per year from the HUF 13 billion per year in force until then, which was rather a symbolic amount compared to the banks’ balance sheet totals. In practice, this put the Orbán Government at the forefront of a European trend almost immediately after its formation, as the imposition of a bank tax to collect substantial revenues was already on the agenda in an increasing number of EU countries.

One example of this is that when the conservative Law and Justice (PiS) party won the Polish elections in October 2015, they took immediate action. They adopted a series of government measures modeled on the Hungarian example, such as the law on bank and insurance taxes, which was passed by the lower house of the Polish parliament on December 20, 2015. The taxes, which would come into force on February 1, 2016, were expected to raise the equivalent of 1.04 billion euros. The Poles also followed the Hungarian example by using the banks’ balance sheet totals as the basis for the bank tax. Incidentally, Slovakia had also increased its bank tax earlier, in 2012, to the tune of hundreds of millions of euros. According to an amendment adopted in 2019, the Slovakian bank tax, which taxes liabilities, is expected to bring 144 million euros into the state budget this year. Although this is an increased amount, it is far below the level of the previous Hungarian bank tax. In 2011 and 2012, about a dozen European countries introduced

various taxes on credit institutions, most of them following the European Commission's October 2010 recommendations, which were more moderate than the Hungarian model.

From 2010, in addition to banks, multinationals and large corporate participants of other sectors also had to share the burden of fiscal consolidation. One of the clear objectives was to recover part of the foreign investors' incomes from capital, helped by the special taxes and later by the so-called 'reduction of utility bills'. The special taxes introduced in fall 2010 were levied on monopolistic telecoms companies, public utility service providers, and retail chains controlled by foreign owners. To avoid tax optimization techniques, the tax was not based on profit but rather on the balance sheet totals, turnover of goods and transactions. Overall, the number of special taxes had increased from four to ten by 2015, and over time, they accounted for seven percent of total tax revenue (György, 2015, p. 35).

These steps played a much more important role in the discharge of public burdens compared to the previous special taxes. So much so, that they accounted for nearly 5 percent of the public revenues in 2010 and in 2011, rising to 2.23 percent of GDP by 2013, and then their role began to decline as the economy recovered. In 2017, their value was equivalent to 1.5 percent of GDP. A telecoms tax was introduced in 2012 and a utilities tax in 2013. The extension of the utilities tax to underground pipelines and cables and the raising of the tax rate on energy suppliers in 2013 played a major role in the abrogation of the excessive deficit procedure against Hungary (Wiedermann, 2013, p. 304).

These decisions were, of course, heavily criticized; therefore, it took courage to introduce them and perhaps even more to keep them in force for quite some time. According to Minister of Finance Mihály Varga, "it had previously been inconceivable in Europe for banks to share in the discharge of public burdens in proportion to their weight in the economy" (Varga, 2015, p. 8). The burdens on multinationals was increased by more than fifty percent between

2010 and 2013, taking a heavy toll on the profits of certain influential international business circles. It was no wonder then that the IMP explicitly pushed for the abolition of sectoral special taxes in the negotiations on aid to Hungary (Wiedermann, 2013, 299).

It was not surprising either that György Matolcsy, then (2012) minister of economy, recalled in an article how the bank tax was levied: “By introducing the bank tax, transforming the compulsory private pension system and introducing the possibility of final repayment, the new Hungarian government was pulling the tails of some of the strongest players: this was behind the downgrades and the attacks on financial markets. We even received personal threats when the bank tax was introduced: if you don’t repeal the bank tax, you’re finished. The problem with us is that we separated politics from banking and are using our strong mandate to reregulate the financial world, and our example is attractive to others. A total of 14 EU member states apply bank taxes today, although the Hungarian rate is by far the highest.”

The system of sectoral special taxes has, of course, also been the subject of professional criticism. Péter Oszkó, for instance, who was finance minister in the former government headed by Gordon Bajnai, explained in a debate in 2017, that he even regarded the special taxes in place in Hungary as selective taxes, i.e., that the government was taxing multinationals selectively, there being friendly and unfriendly multinationals for the government (Ember, 2017). According to an expert study on special taxes, “their introduction was preceded by a legislative process that has not been sufficiently thought through” (Siklós & Mladonyiczki, 2016, p. 1), and mention was also made of the practices whereby in some cases, the new tax burdens were passed on to consumers (*ibid.* pp. 14-15).

It is also true on the other hand, that like the bank tax, the special taxes also became a ‘sticky’ example in the region. Slovakia (G. Fodor, 2013, p. 2) and later Poland also joined the list of

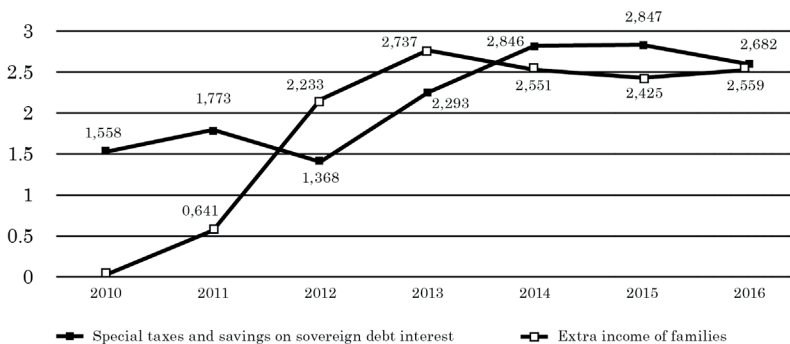
countries imposing sectoral taxes, which had already been joined by France and Spain. Denmark was another country in this group, which imposed a butter tax shortly after Hungary's introduction of a public health product tax in 2011, while the Hungarian innovation was also recommended by the UN to other countries (Századvég, 2012. p. 86).

Certain left-wing opinion leaders also expressed their appreciation of this unorthodox government policy. For instance, the economist Zoltán Pogátsa, a staunch critic of the government and already quoted above, wrote the following about the special taxes: *“On the one hand, one can appreciate the prime minister’s standpoint when he argues that multinational companies that established themselves in Hungary during the previous period received such massive subsidies that there is nothing wrong with asking them for higher contributions during a crisis (...) It is often argued that the companies (banks, retail chains) pass on the special taxes to their consumers. But this is not a logical argument. If consumers (wage earners) were to be taxed directly, they would pay a hundred percent of the tax. If the tax is levied on a big business, it could not pass on more than a hundred percent of the tax to its customers but actually much less than that (Pogátsa, 2015, pp. 186-187). Tamás Sárközy, a professor of law who is also critical of the government, wrote in his book in which he evaluated the performance of the government: “A number of European countries introduced temporary special taxes, particularly bank taxes, after the global crisis. The special taxes introduced in Hungary also started as temporary, crisis taxes, but later they were turned into permanent tax types under a new ideology regarding the discharge of public burdens: banks had repatriated extra profits in preceding years (which, by the way, is not at all proven and they have also invested funds, opened branch offices etc.), therefore now they should make a larger contribution to public burdens. Instead of austerity measures targeting the population, a ‘war chest’ levied on banks, insurers and multinational public service providers –*

see the results of the public consultations to see how much people like it. We are going to get those usurious banks at long last". At the same time, Professor Sárközy said that special taxes "are, in principle (...) acceptable", "their rates are another matter", and he also criticized the levying of taxes retroactively, for instance on the energy providers he referred to as 'a captive sector' (Sárközy, 2014. p. 297).

Figure 4

The special taxes and interest savings on public debt
as the sources of funding for the government's family policy after 2010
(own editing, based on György, 2017, p. 264)



Last but not least, the increases in special taxes and consumption and turnover taxes created more room for maneuver than if they had 'only' been introduced to plug the gap created by the income tax cuts; the latter was close to 1.5 percent of GDP between 2011 and 2014, while the former accounted for 2 percent of GDP in 2012 and then 3 percent each in both 2013 and 2014 (Matolcsy, 2015, pp. 246-247). And these funds have played a key role in implementing the government's family support policy. As also pointed out by

László György, the special taxes alone (excluding the bank tax) and the interest savings on public debt together were sufficient to fund (see the figure below) the extra income flowing to (primarily, but not exclusively, middle class) families (through the flat-rate tax, family tax allowance, allowance for first-time married couples, the Job Protection Action Plan, the Family Housing Allowance and the free school meals) (György, 2017, pp. 105-109).

The above governmental logic, another multifunctional action aimed not only at sorting out public finances but also at strengthening families, was confirmed by the prime minister himself in his speech at Tusnádfürdő in 2017, as follows: *“Many may have noticed that we in Hungary are spending huge amounts of money on families with the very aim of building up a strong Hungary. The obvious question is where does this money come from, and the truth is, Ladies and Gentlemen, that we take this money from the multies. If it were not immodest, I could say that I take this money from the multies because this excellent move wasn’t supported by many others; so, with the help of various special taxes we take that amount from the profits of multinational enterprises which we then give to families raising children. (...) When Zsolt Semjén used to say that the Hungarian government is Europe’s most Christian democratic government, he means this: we take part of the huge profits in order to give it to those who work and at the same time raise children, thereby providing for the nation’s future (Government Portal, 2017).*

Overall, the special sectoral taxes have been a multifunctional measure. Their primary effect is to reduce the general government deficit. At the same time, various other effects were identified, such as the creation of conditions for an exit from the excessive deficit procedure, the generation of funds for the repurchasing of strategic assets previously privatized by the state and the reorganization of the ownership structure in certain sectors.

3.4 Taxing consumption instead of work

Another characteristic of the government's tax reform was the announcement of the taxation of consumption instead of work. As the prime minister put it, *"as for the issue of tax reduction; you have known me for a long time now, and you know perfectly well that in my opinion the best income tax rate is zero percent. So, in my opinion, people must not be taxed when they earn money; from the aspect of public interest, people should be taxed when they spend their money. I think this is a lot fairer and Hungarians have a lot more sophisticated system for evading income taxes than value added taxes"* (Government Portal, 2015). So, in practice, the government's philosophy was that taxes on work should be minimized and taxes should be levied primarily when people spend their income. This makes it worthwhile for more and more people to work instead of receiving benefits.

The cabinet was forced to raise turnover taxes as part of crisis management. Because as we have seen, shifting the focus in the discharge of public burdens was aimed at not only covering the costs of crisis management but also the growing supports for families raising children. This was only possible with a higher tax burden. With this in mind, in the second part of the W-shaped crisis in 2012, the excise tax rate was increased three times, a telecoms tax was levied, which partly affected consumers, and the general consumption tax (VAT) was raised by 2 percent to 27 percent. Overall, these actions triggered major price increases in 2012, but the temporary spike in inflation was brought down to zero from 2013, thanks in particular to the reduction in utility bills. To date, raising the VAT to the highest level in Europe has been one of the government's most heavily criticized measures, and the opposition has frequently demanded general VAT cuts in recent years.

The cabinet has two counterarguments to this. On the one hand, practical experience, already clearly demonstrated by the ‘half-year’ VAT cut in 2006, whereby traders keep the amount of the tax cut for themselves. On the other, the government has been introducing targeted VAT cuts year after year, step by step, primarily in the category of staple foodstuffs. For example, the VAT rate has been gradually reduced to five percent for pork, poultry, milk, eggs, fish and restaurant meals. These measures greatly benefited the less affluent, who have a higher proportion of food products in their shopping baskets. Agriculture was the other main winner from the tax reductions, as both the food and agriculture sectors have benefited from the VAT reduction; while people have been able to buy more, consumption has increased and the shadow economy has been reduced.

The VAT rate on internet use was also reduced in the second half of the decade. Finally, the VAT on hotel accommodation was also reduced in 2020 from 18 to 5 percent, a measure expected to save tourism businesses HUF 32 billion. The VAT on residential construction was also reduced to 5 percent between 2016 and 2019. It was no coincidence that the left-wing daily wrote in early 2020 that *“reduced VAT rates apply to an increasing number of products and services, so the actual VAT burden is about 20 percent”* (Papp, 2020).

3.5 Simplification of taxes, reducing the shadow economy

As recalled earlier, simplifying the tax system was one of the key undertakings of the government in 2010. But looking back after a decade, having briefly discussed some details, it can be said that the steps taken to reduce Hungary's shadow economy were successful, although there is clearly a lot more to do, as we started from a big disadvantage compared to other EU Member States. A considerable number of measures have been taken to reduce the shadow economy since 2010, including the introduction of online cash registers, the so-called EKÁER system, the VAT aggregate report, the introduction of reverse VAT payment in certain sectors, the targeted VAT cuts already mentioned, the introduction of online invoicing and the practice of preparing tax returns by the National Tax and Customs Administration, NTCA.

Of the above measures, the introduction of online cash registers in 2014 and that of the Electronic Public Road Trade Control System (EKÁER) in 2015 played a prominent role in increasing tax revenues. These two measures alone generated HUF 420 billion in additional revenues for the Hungarian state in the first two years following their introduction. The online cash registers were connected with the tax authority, and in 2015, there were already 200,000 such cash registers in operation, bringing in an additional HUF 226 billion for the Hungarian state, while corporate tax revenues also increased by 22 percent annually (Pankucsi, 2015, p. 138). Tamás Sárközy recognized the contribution of online cash registers to the reduction of the shadow economy, but at the same time, he criticized the fact that “cash registers could only be purchased from state-designated companies” (Sárközy, 2014, p. 300).

In line with the government's ideas, the Electronic Public Road Trade Control System became part of the Hungarian tax control

system, supplementing the online cash register system. The EKAÉR enabled the movements of goods to be tracked from start to finish, from crossing the border to movements through economic players, providing benefits not only in terms of taxation but also food safety and more (Pankucsi, 2015, p. 139).

According to the government, the EKAÉR has proved one of the most effective tools in fighting trade in fictitious and untaxed goods and the method of VAT evasion which moves goods around. The scheme requires companies to declare certain road transport activities to the tax authorities for VAT payment purposes. The Hungarian solution was adopted within a few years by several other countries. For instance, this online transport control system was introduced by Poland in 2017 and Slovakia in 2018.

The online invoicing system was launched in July 2018, initially for invoices with a VAT value of HUF 100,000 or more, and later for practically all invoices. Here again, the government's goal was similar to previous solutions to tax avoidance, i.e., to reduce the competitive disadvantage of legally operating companies and increase state tax revenues by filtering out fraudulent businesses. The mechanism, enabling immediate control and action by the authorities, has actually increased tax revenues, and according to government estimates, it contributed to the HUF 403 billion increase in VAT receipts to the state treasury between 2017 and 2018. Thanks also in part to online invoicing, from 2021, the tax authority will be able and willing to prepare tax returns not only for private individuals but also for businesses, and the authority itself can become a completely paperless office from the same year.

The results speak for themselves: The European Commission's VAT Gap Study reported in September 2020 that Hungary had accomplished the greatest reduction in tax evasion since 2013. Commission experts estimated that the tax evasion rate had dropped from 21 percent in 2013 to 6.6 percent in 2019 (European Commission, 2020).

In summary: the new economic instruments have had the direct effect of enabling the control of retail trade and road freight traffic. As a secondary, indirect effect, tax collection has become much more efficient over the last decade. State revenues increased, which was accompanied by a reduction in the VAT gap. Another collateral development was the reduction of market distorting fraud. As tax revenues increased, honest businesses were doubly helped: their competitors using unfair techniques lost ground, and the state was able to reduce their tax burdens. In contrast to the ‘vicious circle’ of the 1990s, this could start a ‘virtuous circle’ once the crisis is over, where tax cuts can drive more businesses towards playing by the rules by increasing the share of businesses doing so. Ultimately, from 2013 onwards, Hungary’s shadow economy declined significantly as a result of the bold economic measures taken to ‘whiten’ the economy, later followed by other countries (Matolcsy & Palotai, 2018, pp. 23-24).

4. Banking system in majority Hungarian, rather than foreign, ownership

In the context of the privatization of the nineties, it has become a truism to say that Hungary, which had been based on socialist economic principles and a planned economy, became one of the most diligent ‘overachiever pupils’ of the capitalist West. Privatization was seen as something of a panacea by domestic policy makers (György, 2017, p. 137). In keeping with the spirit of the so-called Washington Consensus, state participation in the banking sector was fundamentally rejected, and it was proclaimed that “in the short-term, however, the government is always captive to its short-sightedness and to various group interests, which undermines the validity of this long-term approach [of attaining secure operation of the banking system] (Szakadát, 1997. p. 645). The privatization of the Hungarian banking system was generally viewed positively by experts at the time, who held that “the privatization of the big banks meant that Hungary was the first of the Central European countries to lay down the foundations of a sound financial infrastructure” (ibid. p. 635).

The increase of foreign participation in the credit institution sector was by no means a foregone conclusion. This is rarely mentioned today, but at the beginning of the regime change, nearly all leading experts in the financial sector saw the need for majority state ownership of large commercial banks. It was also clear that foreign capital had been watching the Hungarian banking system with keen interest since 1975, when Creditanstalt opened its first representative office in Hungary. The first onshore foreign bank, CIB, was established in November 1979. Citibank followed suit in 1985 and UniCredit Bank in 1986. The initial expert consensus

on the sale of state-owned banks at the beginning of the regime change was clearly illustrated by then Governor of the MNB (Magyar Nemzeti Bank, National Bank of Hungary) Lajos Bokros saying in 1990: "Foreign capital must be prevented from simply acquiring existing financial institutions and taking over their customer base and existing network of domestic banks without any meaningful investment or the import of additional long-term funds. (...) Foreign capital should generally be channeled towards establishing new institutions, building up their own customer base and developing their networks and new services with their own resources" (Mihályi, 2010, p. 816).

It was not until 1994 that both financial circles and the apparatuses in charge of privatization came to the view that efforts should be made in the course of the privatization of banks to sell majority stakes and that foreign majority ownership should not be feared. According to the influential Blue Ribbon Committee's report of that year, "In order to improve the technical and capital conditions for expertise, responsibility and ability to act, the privatization of commercial banks cannot be delayed, and it must be done in such a way as to attract well-capitalized foreign professional partners with a solid reputation." (ibid. p. 830). In 1996, Lajos Bokros, who had already stepped down as finance minister, said, "My firm professional opinion today is that the banking sector must be privatized as quickly as possible with strong foreign participation, otherwise it will lose out in the competition. Our opinion [...] has changed since the late eighties but the situation has also changed. Incidentally, insider privatization is only good for conserving the power of some individuals or a group but this is a double loss for the state" (Bossányi, 1996). A large proportion of the Hungarian banking system was privatized during the nineties, and predominantly by international investors.

4.1 The state of the banking sector at the time of the government change

We have described these developments relatively at length because the poor performance of the banking sector also contributed to the problems of the Hungarian economy before 2010. As for the trends, the Hungarian subsidiaries of various foreign parent banks were becoming increasingly influential and dominant, and this was reflected in the dangerous increase in foreign currency lending from the mid-2000s. The fact that the share of Hungarian ownership in the sector shrank, while the share of foreign ownership doubled, was a negative development in itself, threatening the loss of financial sovereignty. Although foreign-owned banks quickly gained dominance in the Hungarian market during the decade of privatization following the system change, between 1998 and 2002, the share of domestic ownership was stabilized at around 40 percent, and even increased slightly. However, the domestic share of the sector started to decrease again between 2004 and 2008, a period that largely coincided with Ferenc Gyurcsány's government. By 2008, foreign ownership of the Hungarian banking market had reached a decisive majority of 70:30 (Banai, Király & Nagy, 2010, pp. 107-108).

The situation was further exacerbated in many respects from fall 2008 by the IMF bailout package, in exchange for which the organization, which strongly represents the interests of the financial sector, was given a major say in economic policy-making. There were serious problems in the financial institutions' day-to-day operations as well; for example, their contribution to the discharge of public burdens was extremely low, while they were even allowed to unilaterally modify some of their contracts, leaving their customers vulnerable. The banking market was oligopolistic, with limited competition and high costs (*ibid.* pp. 109-110). Moreover, the flawed central bank policies during the years of left-

liberal governance kept the HUF artificially strong, which might also have contributed to the near-fatal growth of foreign currency lending. During the crisis, the foreign parent banks put their capital elsewhere, rather than in their Hungarian subsidiaries.

It is hardly surprising that in 2009, more than a year before the 2010 elections, Viktor Orbán said that it had been a mistake to give the banking system and strategic sectors to majority foreign ownership. His “more Hungarian banks” slogan-like objective also appeared in this campaign. (Wiedermann, 2014, p. 203). Indeed, this strategic objective had already appeared much earlier, when Fidesz first came to power in 1998 and also before the 2006 elections. In his 2009 annual speech as leader of the opposition, Viktor Orbán put it like this: *“Why is it good if a country gets rid of its national assets? Why is it good if a country sells its strategic industries? Why is it good if it transfers the ownership of the entire banking system to foreigners? This is contrary to sound reason. Today we can see: a national economy is weak and vulnerable without strategic sectors, particularly financial institutions, being held in domestic hands. National assets, a banking system in domestic ownership will be a value, energy, land, food and water will be values and the values of nature and the interests of the public will be protected by the state’s ownership as well. (...) Even now, My Dear Friends, the most recent action taken by the National Bank: when euros are in short supply in the Hungarian economy and banking system, the National Bank made a decision under which it is easier for foreign-owned subsidiary banks operating in Hungary to access euros than our own banks, subsidiaries of domestic parent banks, that is, Hungarian banks. Even now, in the middle of the crisis, Ladies and Gentlemen. Although, I am convinced, foreign investment will continue to be a value in the new world, it will be an important value, but Hungarian businesses will have to be ensured equal roles and opportunities in taxation and lending alike”* (Orbán, 2009).

The need to restructure bank ownership was already foreseen around 2009-2010, indeed it was an important element of Fidesz's preparations for government and the drafting of its program. According to the 2010 government program entitled 'National Affairs Policy' (Nemzeti Ügyek Politikája) *"(...) let us take a look at some characteristics of the domestic banking system: the extremely high interest margins and other charges – by European standards - are indicative of dominant power in spite of the appearance of competition. Accordingly, countering such situations is one of the most important tasks of the state. Cartel-type operations must, wherever possible, be disrupted, even by facilitating the entry of new competitors. In the case of natural monopolies, action needs to be taken by adopting tighter regulations or rearranging the ownership structure."*¹³⁶

¹³⁶ The election manifesto entitled "National Affairs Policy" was subsequently adopted as the government program under the heading of "Program of National Cooperation" (*Nemzeti Együttműködés Programja*) (Office of the Hungarian National Assembly, 2010).

4.2 Multifunctional incentives in the banking system

From the outset, various types of ‘multifunctional incentives’ played an important role in this transformation process. The bank tax has already been discussed, however, Helga Wiedermann, head of György Matolcsy’s cabinet, cited the paradigm change when banks in foreign majority ownership also started to offer forint loans to substitute foreign currency loans in response to savings cooperatives’ adoption of this practice as an important point of departure in her book entitled “Sakk és Póker” (“Chess and Poker”) Wiedermann, 2014, p. 203). At the time, savings cooperatives had not entered the foreign currency lending market, but they were able to enter the market with forint loans for final repayments to such an extent that forced foreign-owned financial institutions to compete too. Wiedermann thought that this was the moment when the government first received tangible evidence that the vulnerability of Hungary’s financial system could, and should, be alleviated by increasing the share of Hungarian-owned banks. It should be noted at this point that the irresponsible management of public finances before 2010, the spread of foreign currency lending (Matolcsy, 2015, p. 467), and central bank policy that caused high forint interest rates (ibid. pp. 448-449) all played a role in upsetting Hungary’s financial equilibrium.

The elimination of foreign currency lending and its consequences was also intertwined with the regulation of the banking market and the restructuring of its ownership structure, as a kind of a multi-purpose solution.¹³⁷ In 2011, Mihály Varga told the weekly *Heti*

¹³⁷ We will discuss in more detail the steps the government took to end foreign currency lending and help foreign currency borrowers in the chapter entitled ‘Dignity’. In this chapter, we only discuss aspects of the credit institutions market.

Válasz that two or three banks' withdrawal from the Hungarian market would not be much of a tragedy, as banks had deceived their customers with their foreign currency loans. Then in 2013, György Matolcsy explained, as a kind of a strong warning in his then regular Thursday article in *Heti Válasz*: "Nobody would lose out if the state recovered domestic monopolies sold on the basis of wrong decisions: investors have already recouped their investments many times over, and it would prevent further losses".

The transformation of the Hungarian banking market was also facilitated by courageous regulatory actions undertaken in the face of likely conflicts. Former Vice President of the Central Bank of Hungary, Júlia Király, highlighted the following of the above: "the introduction of the special bank tax in 2010, the final repayment in 2011, the introduction of the transaction tax in 2013, hefty fines by the competition authority in 2013 and in 2015, the accountability laws in 2014 and the introduction of a number of rules for the banking sector that deviated from customary international regulations" (Király, 2016, pp. 739-740).

4.3 Expansion of Hungarian ownership in the banking sector

From the government's perspective, the key moment regarding changes in ownership was Viktor Orbán's speech at a meeting of the presidency of the Hungarian Chamber of Commerce and Industry on July 17, 2012. The prime minister pointed out that the government intended to develop a new banking system within the framework of the new economic model with 50 percent Hungarian ownership. He claimed that this would be unparalleled in Central Europe.

The announcement of the strategic orientation was followed by a series of changes of ownership: the Italian Banco Popolare soon left Hungary. And this Italian financial institution was not the first to terminate its operation in Hungary under the national-conservative government. In May 2010, the Austrian Hypo Bank announced its withdrawal from the Hungarian market, followed by Credigen in the same year. However, these were not major market participants and their departure was rather symbolic.

A process on a much larger scale commenced in the banking market with the restructuring and strengthening of the savings cooperatives and Takarékbank. All this actually started on October 14, 2010, when the prime minister stated at the 3rd European Forum of Cooperative Banks and Small and Medium-Sized Enterprises (Orbán, 2010c) in Budapest that the Hungarian government wished to increase the role of Hungarian savings cooperatives in the country's financial life. The prime minister mentioned in his speech that the savings bank cooperative was the only fully Hungarian-owned financial institution in Hungary.

Then in the second half of 2012, the state-owned MFB Zrt., in agreement with DZ Bank of Frankfurt, acquired a 38 percent stake in Magyar Takarékszövetkezeti Bank Zrt., 'the bank of the savings cooperatives', with the consent of the majority shareholder savings

cooperatives. Incidentally, Viktor Orbán already noted in the first half of 2012 that the first step towards strengthening the savings cooperative sector would be the acquisition of a minority stake in Takarékbank. The integration of the savings banks, with a total of 1,600 branch office across Hungary, was announced in June 2013. Two central organizations were created in the system integrating the state-owned savings banks. Upon adoption of the law, all cooperative credit institutions automatically became members of the new integration; moreover, they were even obliged to become shareholders in Takarékbank.

With the integration of savings cooperatives in 2013, the state-owned companies, Magyar Fejlesztési Bank (Hungarian Development Bank) and Magyar Posta (Hungarian Post) became majority shareholders in Takarékbank. In an interview with the weekly *Heti Válasz* in September 2013, Takarékbank president Tamás Vojnits argued that keeping the savings cooperatives in domestic ownership was good for Hungary because their profits and the dividends they pay would then remain in Hungary. And local entrepreneurs could be the main beneficiaries of a renewed, unified system of credit institutions. Mr. Vojnits noted at the time that the state would exit the system once the business potential of the savings banks had been exploited. Later that year, a decision was taken to sell the state's majority stake in Magyar Takarékszövetkezeti Bank Zrt. to the highest bidder in an international public tender. However, 2013 was only the beginning of the integration process, starting a seven-year transformation.

A number of interests were compromised during the process, particularly those of local managers of cooperative credit institutions. The transformation was also criticized by many, with some writing about the “end of the cooperative concept”, forceful expropriation or the dispossession of the funds of cooperative members in their analyses (Brückner, 2019). At any rate, it is true to say that many cooperatives were very risky in their operation, or functioned as a kind of local ‘small kingdom’ in their lending activities.

Finally, a group called Takarékszoport was created, comprising Takarékbank, Hungary's 5th largest financial institution, the successor of the state-owned FHB Bank, TakarékJelzálogbank, and several other relevant financial institutions. The group has become a competitive market player with a harmonized product portfolio and harmonized IT background, capable of challenging even the biggest players in the market. The merger of the 11 remaining savings cooperatives and TakarékJelzálogbank into the new Takarékbank was completed on October 31, 2019.

The reacquisition of MKB Bank was another very important step in recreating a banking system in majority Hungarian ownership. In any case, the Bavarian parent bank had to divest its Hungarian participation under pressure from Brussels in order to repay its debts. After György Matolcsy announced that the government could not give up half of the bank tax in 2013, and would even increase the tax from the originally planned one tenths to two tenths of a percent, the Hungarian finance minister visited Austria where he held talks with the then Austrian finance minister Maria Fekter and Bavarian finance minister Markus Söder. The subject was the difficult situation of the Bayerische Landesbank, MKB's majority owner at the time. This was partly caused by the Hungarian government's financial policy, but primarily due to its write-offs during the crisis years (Wiedermann, 2014, p. 177).

Eventually, in summer 2014, the news broke that the Hungarian state would spend HUF 17 billion on purchasing one of the most unprofitable banks in Hungary, but one with significant potential, and would turn it into a profitable business within a year or two and sell it on. The acquisition was justified by the need to increase the share of domestic ownership and to boost lending activity. The bank was soon recapitalized with HUF 80 billion from the state. The Financial Stability Council of the Magyar Nemzeti Bank approved the acquisition of a 99.99 percent stake in MKB Bank Zrt. by the Hungarian state at the end of September of the same year.

MNB Vice President Márton Nagy announced in December 2015, as previously undertaken, that MKB, by then freed of its bad loan receivables, would be sold in full by the end of June 2016. In an interview with Heti Válasz, György Matolcsy, by then president of MNB, said about MKB's situation: "public ownership is important in public services, but not in the banking system. The Magyar Nemzeti Bank made it clear right away when it brought MKB under resolution procedure that the bank, which is now actually profitable, was to be privatized after its turnaround, just like Budapest Bank". This was done, and the credit institution has been operating with Hungarian ownership participation ever since.¹³⁸

The news that Budapest Bank might also be taken into state ownership had come out at an extraordinary press conference on December 4, 2014. Budapest Bank was Hungary's eighth largest credit institution by total assets at that time, and was a very strong competitor in retail lending, SME financing and in the credit card business. The government and GE Capital, the financial arm of the US GE Group, finally reached an agreement on the sale and purchase contract.

¹³⁸ MKB's ownership structure after the privatization was as follows: 45 percent was owned by Metis Magántőkealap, 10 percent was held by Pannónia Nyugdíjpénztár and 45 percent had been acquired by a company called Blue Robin, a company owned by an India-Singapore businessman. Blue Robin later sold 15 percent to MKB's employee scheme and disposed of its remaining 30 percent stake in April 2017, when 20.19 was purchased by BanKonzult Pénzügyi és Gazdasági Tanácsadó Kft. and 9.81 percent by Promid Invest Zrt.

4.4 The balance of a decade of transformation

The share of domestic ownership finally exceeded 50 percent in the credit institution sector. The prime minister already noted in mid-November that the acquisition of several additional banks might be on the agenda. Viktor Orbán added that the government did not want to have a banking sector with large state ownership, but “we want a strong financial system in national ownership” because he was convinced that there could be no national independence without a national financial system. According to Minister of Finance Mihály Varga, this step also resulted in regaining economic sovereignty and the ability to act. He noted at that time that decision-makers were also considering a merger between BB and MKB. The minister of finance also stressed that the aim was not to keep the bank in state ownership for a long time but to sell it within a year or two. He also explained that this acquisition would result in stronger financing and better services in Hungary, and that the government also wanted to encourage competition.

In 2015, the Hungarian government and the EBRD each acquired a 15 percent stake in the Hungarian Erste Bank, a subsidiary of the Austrian parent bank. Along with the acquisition, the government undertook not to acquire, direct or indirectly, a majority share in systemically important domestic banks – unless the stability of the entire banking system were at risk – and to sell its majority stakes in banks to the private sector within the next three years. Moreover, the government committed to refrain from adopting new legislation or measures that might negatively affect the banking sector’s profitability, and to ensure fair competition and equal treatment for banks active in the market. At the same time, Erste announced a large-scale lending program of HUF 170 billion.

Since the Orbán Government announced its target of 50 percent domestic ownership, there have been other minor changes in the domestic banking system besides the transactions involving MKB and Budapest Bank. The French AXA, which OTP acquired in 2016 under a business line transfer agreement, and the Korean Hanwha withdrew from the Hungarian market, while the US Citibank also withdrew partially.

The biggest advantage of the new banking system is stability: if there is a threat of withdrawal of funds by foreign owners, Hungarian banks can show greater commitment to the domestic economy. The share of Hungarian-owned credit institutions jumped to 55 percent in 2015 with the acquisition of MKB and Budapest Bank. Meanwhile, the big players have remained unchanged, while market concentration has been avoided. The risks of the strategy adopted include, on the one hand, that the state might not be able to run the banks more efficiently, and on the other, that when they are re-privatized, they may not be operated sufficiently prudently, (although the Hungarian sectoral structure is not materially different from others in the EU).

At the same time, the goal was not to acquire majority state ownership in systemically important banks in Hungary either. By 2020, not only had the major banks previously taken into state ownership been sold, but the integration of the three institutions, Takaréksport, MKB and Budapest Bank, was also taking shape in Hungarian hands.¹³⁹ This will create a large bank, strong

¹³⁹ The following appeared in the participating banks' joint press release on May 26, 2020: "Together, Takarékbank, MKB and Budapest Bank have 1.9 million customers nationwide and operate almost half the Hungarian branch network, with more than 920 branches. Their combined total assets amount to nearly HUF 5,800 billion, making them by far the second largest banking group in Hungary. According to the memorandum of understanding signed today, the financial institutions will have establish Magyar Bankholding Zrt. with three equal share-holdings."

in retail deposit management and corporate lending, with an extensive network of branches in rural Hungary, and large cities, which will be capable of intensifying competition in a currently oligopolistic market dominated by OTP.

The changes described above were already clearly reflected by the ownership structure of the Hungarian banking sector in 2018. A positive development for competition is that by the end of 2018, the Hungarian credit institution market was one of the least concentrated in the region; of the 15 countries in the region, only Poland and Ukraine had less concentrated credit institution sectors.

Looking at the structure of the market by institution rather than group, the five largest players in Hungary, even if taken together, have less than 50 percent of the sector's total asset portfolio. Nonetheless, Magyar Nemzeti Bank's policymakers continued to maintain that they would welcome greater concentration, arguing that four or five large banks would be enough to serve the market and handle lending.

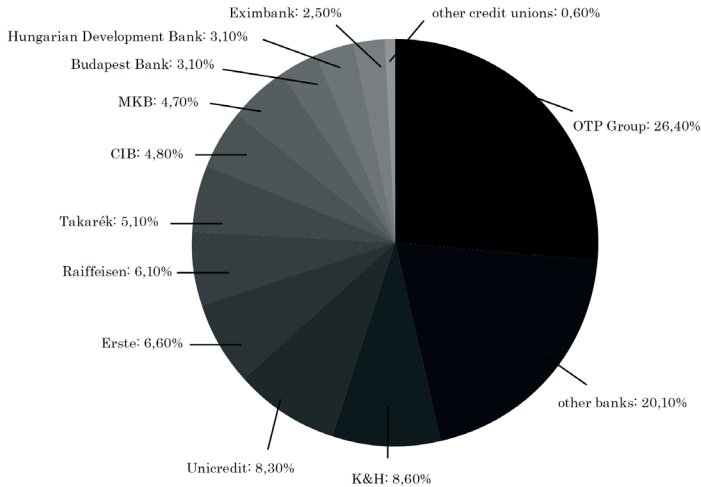
Central bank leaders also claim that such a concentration would also reduce costs for customers by increasing credit institutions' efficiency, which would, in turn, enable them to reduce their banking costs. International comparisons suggest that there is ample room for improvement, as the cost levels of domestic credit institutions appear to be extremely high, although they have decreased somewhat in recent years. Central bank analysts examined whether foreign-owned domestic banks produced improved cost ratios after adopting their parent banks' good practices and found that this was not at all the case. Similarly, the size of market players was not associated with more efficient operations. Therefore, these factors justified both the expansion of domestic ownership and the increase in competition (Székely & Fáykiss, 2019). Further steps appear to be necessary in broadening the customer base and the use of digital solutions (Banai & Nagy, 2018).

As things stand, the establishment of Magyar Bankholding Zrt., bringing together Takarék, MKB and BB, which already held one seventh of the domestic market in 2018, was a step in this direction. Another question is when any of the Italian and Austrian banks, which are increasingly looking like medium-sized players, might decide to withdraw from Hungary in the future.

After the restructuring in 2010, the strategic objective for domestic and foreign ownership shares had effectively been met by the end of 2014. What has happened since then, in principle, can be summed up as follows: our small and open economy equally needs both large, foreign-majority-owned global banks and Hungarian-owned banks that can provide a level playing field for Hungarian businesses compared to their large competitors (György, 2017, p. 227). The profitability of the Hungarian banking system reached record highs by early 2020, thanks to a great extent to economic growth, dynamic increase in average wages – which even outpaced economic growth – and a resurgence in borrowing (Molnár, 2020).

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Figure 5
Breakdown of the Hungarian credit
institution sector by market share in 2018
(own editing, based on Deloitte, 2019).



As for the accomplishment of the strategic goal, domestic ownership in the Hungarian banking sector has reached around three-fifths (59.5 percent) majority. Austria is the only country in the region with an even clearer domestic dominance in the credit institution market, while foreign ownership dominates in the other Central and Eastern European countries without exception. As for the other V4 countries: Poland is close to ‘leveling the playing field’ with a 44 percent domestic share, while in both the Czech Republic and Slovakia, virtually all large banks are foreign-owned, with a combined share of the banking market of no less than 85 (!) percent (Növekedés.hu, 2020).

The biggest players in this region are, incidentally, the same Austrian (Erste, Raiffeisen), Belgian (KBC) and Italian (UniCredit, Intesa Sanpaolo) banks, which have lost ground in Hungary over the past decade. This shows the magnitude of the struggle the Hungarian government has gone through in this key area over the past decade. Especially if we add the fact that OTP, an entity with a Hungarian decision-making center, is becoming an increasingly important ‘regional player’, with roughly half the market of the most influential Austrian regional giant bank Erste.

Another series of events of symbolic importance was when the Société Générale Group withdrew from the region’s banking market last year, it was replaced in many places by the Hungarian OTP, continuing its decade-long expansion in the region. In 2019 alone, the Hungarian bank acquired six banks in Albania, Bulgaria, Moldova, Montenegro, Serbia and Slovenia.¹⁴⁰ The Hungarian credit institution’s subsidiary bank is market leader in Bulgaria and Montenegro, while in Slovenia, the fourth largest market player was acquired by OTP, considered the ‘national champion’ in Hungary.¹⁴¹ Just one figure to illustrate the size of

¹⁴⁰ OTP acquired the 5th largest credit institution in Albania, the 3rd largest in Montenegro and the 4th in Moldova and Bulgaria. In Bulgaria, it had a 19.5 percent pro forma market share. It should also be noted, however, that it simultaneously disposed of its Slovakian investment..

¹⁴¹ Viktor Orbán said the following about OTP’s regional expansion at the reopening of its branch in the Serbian town of Niš on November 21, 2016: “I do not wish to deny, Mr. Prime Minister, that OTP’s ownership structure is something complicated, extensive and international, but it has its headquarters in Budapest therefore we look upon OTP as a Hungarian bank and we see it also as a manifestation and realization of Hungarian dignity and Hungarian talent. I think that it is quite an achievement by a country the size of Hungary to have been able to create, manage and operate a bank in Hungary which is now a worthy rival even of local banks in as many as eight or nine countries. This is a big deal, a great accomplishment. This is a Hungarian achievement, and we are proud of it. So for us, OTP is also one of the symbols of our national dignity” (Miniszterelnök.hu, 2016)

the traditional Hungarian large bank: in 2019, it had more than 40,000 employees in Hungary and in its subsidiary banks combined (OTP bank Nyrt., 2020).

The transformations undoubtedly required great courage, as they harmed the interests of well-capitalized players with considerable influence in the international and Hungarian media and financial organizations. Due to their complexity and determination, the government measures, which have succeeded in creating a stable majority Hungarian ownership over the past decade of the previously foreign-dominated Hungarian banking market is one of the most remarkable stories of the decade of governance. They were driven equally by “thought and power” (Giró-Szász, 2019).

5. Growing domestic share in the service sectors

As explained thus far, it can be seen that Fidesz-KDNP policy had been based on a kind of privatization-critical stance practically since the Horn Government. The national parties were largely powerless in the face of a wave of privatization by the two-thirds left-liberal governing coalition. Between 1998 and 2002, attempts were made to increase state assets not only in the banking sector, but also other sectors of the economy. Back in opposition after 2002, one of Fidesz's main criticisms of the so-called 'third-way social democratic', or globalist-liberal left-wing, governments was their management of Hungary's strategic assets. Fidesz has followed a very clear policy in this area since 2004, with occasionally left-wing ideas, attacking speculative capital and the 'misappropriation' of national assets. These included issues such as the privatization of Budapest airport, the fight against hospital privatization or the liberalization of energy prices. One important manifestation of this philosophical difference was the debate between the incumbent prime minister Ferenc Gyurcsány and Viktor Orbán in 2005.

From 2008, with the onset of the global economic crisis, Fidesz-KDNP's preparations to take action against banks, speculative capital and multinationals generating extra profits became truly characteristic. We have already touched on this in the chapter on "Integrity" and also in relation to the imposition of special taxes, so at this point, we will only discuss in brief how the years of crisis management, particularly between 2010 and 2012, were largely determined by the involvement of these predominantly foreign-players in the discharge of public burdens. As already discussed, besides the banks, multinationals and large corporate players in other sectors also had to contribute to fiscal consolidation. Another specific objective was to recover part of the foreign capital inflows,

helped both by special taxes and cuts in utility bills. The special taxes introduced in fall 2010 were levied on monopolistic, foreign-owned telecoms companies, utilities and retail chains. The tax was based on turnover to prevent tax optimization techniques.

Again, as in many previous cases, we are talking about a series of multi-purpose government measures accompanied by the hope of conscious state intervention in some service sectors. In other words, the government saw no problem whatsoever in certain banks, energy companies or media companies deciding to withdraw from Hungary.

Viktor Orbán talked about this openly in a panel discussion in Poland in 2016: *“There are four areas in which it is imperative that domestic capital outstrips international capital. These are the media, banks, the energy sector, and retail networks. We have achieved our goals in three of these but failed in the fourth. We are therefore forced to work on new ideas. Unfortunately, the retail networks have so far been smarter than us. But we will achieve this goal too within a few years”* (Magyar Nemzet, 2016).

5.1 How the media market became majority Hungarian-owned

It is worth briefly reviewing these strategic areas and discussing the success rates of government intent in each sector over the past decade. As far as media relations are concerned: the state party itself privatized the vast majority of Hungarian media partly by the state party selling its assets originating from the single party state. There were no major changes at the mainstream newspapers; the editorial teams that used to serve the state party were allowed to continue their work, unlike, for instance, in Poland (Janke, 2013, p. 263). Even the two large commercial channels were started by foreign – German – multinationals in 1997. The largest commercial television company (RTL Klub), the largest internet portal (Origo), the largest public affairs weekly (HVG), the radio station with the widest national coverage (Sláger), the largest tabloid daily (Blikk), the largest political daily (Népszabadság) and the county dailies were all in foreign ownership in the 2000s.

Most of the Hungarian media was owned by, mostly German, multinationals when Fidesz took office in 2010. Although those companies introduced a number of organizational and operational innovations to the Hungarian market, they also ruthlessly pursued European superpower Germany's financial and political interests.¹⁴² Changes in ownership had already commenced in 2009, before Fidesz took office. The two major commercial radio frequencies were transferred to Hungarian operators under a decision of the media authority. At the end of 2010, the Hungarian Media Act was caught in the crossfire of EU debates, but there were no ownership changes at that time.

¹⁴² This was most recently seen in the 2020 Polish presidential election campaign, when German-owned mainstream media outlets supported the challenger to the incumbent president, in line with their own ideological and political interests. .

Heated debates were sparked by the prime minister's proposal, made in 2014 after the first re-election of the government, that a special tax be levied on the media just like on other service sectors with high rates of profit. Orbán said the following in June 2014 on the tax on advertisements, "(...) we hold that those earning extra high incomes should bear more of the public burden. We are in favor of fair distribution of public burdens and there are certain sectors in Hungary which should really contribute more, in proportion to their high profits: the banking sector, a considerable proportion of multinationals, the energy sector, and also the media sector" (Orbán, 2014c). The advertising tax would have seriously affected RTL Klub, which started to exert considerable international pressure in response to the tax burden. The less profitable TV2 group, which was brought into Hungarian ownership in 2013, was less affected by this tax burden. Eventually, the government introduced the advertising tax in a modified form.

Then from 2014 onwards, a significant number of media came into Hungarian ownership. That year, a Hungarian businessman bought the Finnish Sanoma group's considerable portfolio, mainly strong in the tabloid segment, while the weekly HVG was also sold by its German owner to its former stakeholders, its management and editorial staff. In 2016, Origo and then most of the county dailies, and in 2017, the rest of the county dailies were taken over by Hungarian owners. The portfolio of the company owning the county weeklies also included the largest free daily and the only economic daily as well as the traditional Hungarian sports daily. Another Hungarian portfolio included the largest commercial radio, the second largest nationwide tabloid and TV2, which became the largest television group in the Hungarian market within a few years. According to a data summary published by Index, the share of solely Hungarian, i.e., not mixed, owned media in the domestic market grew from 42 percent in 2010 to 60 percent in 2016 (Fábián, 2017).

The prime minister himself assessed the changes in the media market at the end of 2017, saying, *“There is a media world, and it is my personal conviction that the majority of the media system operating in a country needs to be in national hands because it is part of the nation’s sovereignty. And I do not want to hide the fact that I want even more than that. I would like the media in Hungary to be in Hungarian ownership in the same proportion as it is in German hands in Germany and in American hands in the US. This is the level we must reach. We are making progress, but we are not there yet”* (Index, 2017).

5.2 Where the greatest progress was achieved: the energy sector

As in the media sector, there was also astonishing ‘over-privatization’ in the utilities sector during the nineties. In the energy sector, power generation was the only segment in which substantial Hungarian – state – ownership was retained, while the energy service providers serving end-consumers, with higher profit margins, were sold to foreign investors. The most startling thing of these ownership conditions was the emergence of companies partly owned by other states – as in the case of MKB Bank, for example – which valued such operations, which the Hungarian state did not.

In general, the European electricity and gas markets are dominated by a handful of extremely powerful multinational companies. Consequently, EU citizens are greatly exposed to price increases. The situation in Hungary was even worse, with electricity prices doubling and gas prices tripling between 2002 and 2010. In fact, at the time of the change of government, Hungarian families were paying the highest prices in Europe relative to wages for both gas and electricity. Hungarian households were spending an

astonishing quarter of their monthly income on utility bills, the poorest households even half (!). More than HUF 1,000 billion in profits had been taken out of the country by foreign-owned utility companies since the botched privatization of the nineties.

Against this background, it is no wonder that the issue of utility bills became one of the key issues in the 2010-2012 crisis management period. It was a strong message when in the social consultation in 2011, more than a million citizens asked the state to limit the private interests of public utility service providers. The utility bill reductions commenced at the beginning of 2013 – after their freezing in 2012 – in line with promises made by Fidesz-KDNP in earlier election campaigns. The government's measures, implemented in three waves, between early 2013 and fall 2014, reduced the prices of gas, electricity, and district heating by an average of 25 percent. As a result, families in Hungary have saved more than HUF 1,000 billion since the start of the utilities cuts. It is worth comparing this amount with what utilities companies were siphoning off from Hungary beforehand: the similarity in magnitude is striking.

The situation of Hungarian households has improved considerably even by EU standards. According to Eurostat data, Hungarian residential consumers paid the second lowest unit price for electricity and gas services in 2019. As a result of the government's utility bill reduction program, the number of people with utility bills in arrears has decreased by 50 percent in Hungary since 2010. Moreover, Hungary has seen the largest decrease among the lowest income earners of all European countries.

However, the utility bill cuts have been more far-reaching, with a number of other public service charges also reduced: the price of water has been cut by a tenth, waste collection, wastewater treatment, bottled gas and sewage charges have also been reduced, while the chimney-sweeping charges have also fallen by a tenth. By cutting utility bills, the average household has saved about HUF

170,000 each year since 2014, which is equivalent to a significant real wage increase (György, 2017, p. 223).

The cuts in utility bills were seen by some as counterproductive. Some left-wing critics argued that it encourages wasteful consumption and thus also makes it more difficult to meet the EU's energy saving commitment (Bonta, 2016). These criticisms were coupled with the need to import energy and the untapped energy saving potential. Other criticisms of the cuts are they were not based on the right benchmarks, that they are relative to the high prices of 2011, and they are not exclusively for the needy, but for everybody (Ember, 2018). It was widely held among commentators and analysts that the left wing's opposition to the utility bill reduction was one of the main causes of their defeat in the 2014 election.¹⁴³

The utility bill cuts was not the only regulatory difficulty faced by the multinational energy service providers after years of record profits. There were 15 special taxes in place in 2015, with the energy, utilities and telecoms sectors being the most affected after the financial and insurance sectors. Moreover, energy suppliers were prohibited by law in 2013 from passing on the special taxes to their consumers. After the utility bill cuts, this was another slap in the face for service providers. Another important development in 2017 was the abolition of fees for utility connections as well as some of the procedural fees.

However, the implementation of the utility bill cuts and the collection of special taxes did not mark the end of this work, and in many ways, it had only just begun. From then on, the government's efforts were focused on "preserving the results of the utility bill cuts" and the "maintaining the utility bill cuts". This was greatly

¹⁴³ Csaba Tóth (2015) called it a political panacea, but also noted that "it did not seem to work so well after 2014".

helped by the creation of a Hungarian, primarily state-owned utilities sector, which ensured security of supply at all times, with both the special taxes and the utility bill cuts serving as ‘multifunctional incentives’.

The government has substantially increased state ownership in the energy sector over the past decade. The process¹⁴⁴ started in 2011 with the state’s buy-back of a 21.22 percent share in MOL from Surgutneftegas. In 2012, the Municipality of Budapest bought back a quarter of the shares and the management rights of the Budapest Waterworks (Fővárosi Vízművek) from RWE and Suez. Then, in 2013, the state-owned electricity company Magyar Villamosművek (MVM) bought the German E.ON’s natural gas storage and wholesale subsidiaries from E.ON. The latter also had sovereignty implications, which the prime minister summarized as follows: *“It is also widely known that most of the gas comes to Hungary from Russia. Few people know, however, and therefore I take the opportunity now to inform everybody, that we do not have the contracts on the deliveries of gas from Russia to Hungary. The amounts in exchange for which gas is delivered from Russia to Hungary used to be determined in a contract concluded between a Russian company and a German company, up until quite recently”* (Orbán, 2013b).

Also in 2014, MVM acquired a 49.83 stake in Budapest gas company (Főgáz) from German RWE (HUF 41 billion), and then the first national utilities company, Első Nemzeti Közműszolgáltató Zrt. (ENKSZ), purchased another similarly sized stake in Főgáz from the Municipality of Budapest. In September 2015, Főgáz – owned by the national utilities company Nemzeti Közművek Zrt. (NKM) – purchased nearly 100 percent of the French-owned company GDF SUEZ Energia Magyarország Zrt., operating in both

¹⁴⁴ This section is based on an analysis by Major (2019).

universal service provision and the competitive market. By 2015, these transactions had already created a 64 percent Hungarian majority ownership – based on revenue – in the domestic energy market. This increased the share from 48 percent share in 2010 to one-third by the middle of the decade (Stubnya, 2016).

This, however, was not the end of the development of a nationally owned utilities sector. In 2015 and 2016, Főgáz and NKM took over the position and role of Magyar Telekom, E.ON Energiaszolgáltató Kft. and TIGÁZ in residential gas supply, reaching a total of 3.4 million consumers. Subsequently, the national utilities company also acquired the electricity company EDF DÉMÁSZ, from the French EDF, and in October 2017, it purchased the natural gas distributor ÉGÁZ-DÉGÁZ Földgázelosztó Zrt. from Engie.

Meanwhile, the MET group acquired nearly 100 percent of gas company TIGÁZ Zrt. in Eastern Hungary from ENI, while Mátrai Erőmű, Hungary's second largest power generator and key to energy sovereignty, was taken over from its German owners by Hungarian private and later state owners. The conversion of Mátrai Erőmű is on the agenda, with a gradual, environmentally conscious transition to take place in the 2020s, while safeguarding the thousands of jobs provided by the plant. Last but not least, it is worth noting that further acquisitions have been made in the utilities sector by municipalities, while waste collection has been transferred to a non-profit basis and also to Hungarian ownership. On the liberal side, this was explained by the need to keep prices under control, while at the same time, it was also criticized for, among other things, the huge need for investment and the expected lack of it, as well as the decline in service quality that characterized socialism.¹⁴⁵

¹⁴⁵ See, for instance, Péter Mihályi's opinion in the summary work of Keller-Alánt (2015).

In early 2014, the government justified its decision to carry out its largest investment, the Paks nuclear power plant capacity maintenance project, using Russian contractors, by the need to preserve the achievements of the utility bill reductions, and to guarantee cheap electricity and the security of electricity supply in Hungary. The decision to expand the Paks Nuclear Power Plant was taken by the Bajnai Government in a parliament with a left-liberal majority; however, in 2014, the left turned against the project. Although work has started at Paks since then, one of the key election promises of the left-wing parties in 2022, including in particular the green parties, is again to stop construction of Paks II, just as in 2014 and 2018.

Overall, the state has gained a significant stake in the energy sector, i.e., in the electricity and gas segments, over the past decade. The measures that hurt the interests of multinationals have brought many benefits to the economy at both individual and public level. Resources left with households can be effectively used to finance consumption and public debt, even creating a ‘virtuous circle’ and acting as a ‘multifunctional incentive’. This decision-making logic was explained by the prime minister in March 2015: “Our second and third reforms were the public utility bill reductions and holding the banks to account. At this point, I will not talk about their social justice aspects, because that’s not why you are here, but I wish to point out that the economic growth figures were already boosted in 2014 – and, according to our projections, they will be boosted even more in 2015 – by the consumption increasing impact primarily of these two actions, i.e. the reduction of utility bills and holding banks to account. Both these actions mean that more money will be left in people’s pockets” (Orbán, 2015b).

5.3 Summary of other key areas in the category of services

Our review of government policy on the service sector over the past decade would not be complete without a brief look at the fourth key area mentioned by Viktor Orbán, that is, retail trade and some other sectors.

It is also worth mentioning that the harmful phenomena of privatization have not spared the retail sector in Hungary. For instance, in the early nineties, the typical form of rural retail privatization was the “as is” sale of county food retail trade companies to, ‘of course’, foreign investors, which left their former monopoly position intact. In this way, Nyugat Rt. in Vas County was purchased by Csemege-Julius Meinl, Generál Rt. in Komárom County by the Austrian Spar, and Globál TH Rt. in Győr-Moson-Sopron County, formed by the merger of DLK and Sopker, by Tesco (Karsai, 2000, p. 574). In the following years, well-capitalized – primarily foreign – retail chains generally tried to purchase those companies which they had failed to acquire through privatization, or at least other similar ones, on the open market, in the context of so-called ‘secondary privatization’.

Already in the early nineties, some large foreign-owned trading companies started to build their own national branch network, not, or not primarily, through privatization but by building new stores. Initially, Tengelmann, Delhaize, Julius Meinl and Tesco mainly did this through privatization, while Rewe, the operator of Spar and Penny Market stores, opted to construct new stores (Árva & Diczházi, 1998, p. 237).

The real shock, however, was the emergence of hypermarkets and shopping malls in the form of large-scale, greenfield investments financed by foreign capital. This process essentially started in 1994, when Metro opened two stores in Budapest simultaneously, and gained momentum in 1996 with the opening of the first

shopping malls (Karsai, 2000, p. 580). Then, at the turn of the millennium, the role of small, local, often family-owned stores gradually diminished as large shopping malls took over. Between 1999 and 2009, the number of foreign-owned hypermarkets and supermarkets, also selling foodstuffs, in Hungary nearly doubled, from 683 to 1223, while the number of small grocery stores decreased by more than a third (Burgerné Gimes, 2013, p. 218). Meanwhile, hypermarkets' share of food sales had grown to one-third by 2007. This was the second highest in the region after the Czech Republic (Kartali, 2009, p. 24).

In line with the government's general policy, since the second Orbán Government took office, there has been a shift in emphasis in retail from large foreign companies to domestic businesses. For example, government politician Zsolt Becse¹⁴⁶ explained that it was important not to attract investments at any price, because it was also important that the investor should not force domestic companies out of business (Seres, 2010). In line with this, the Fidesz government adopted a series of laws and amendments affecting retail trade.

A key role was assigned to retail trade among other sectors in the act on crisis taxes adopted on October 16, 2010. The act prescribed a 0 percent tax rate for the turnover of food retail chains up to HUF 500 million, 0.1 percent on any turnover between HUF 500 million and HUF 30 billion, 0.4 percent on turnover between HUF 30 billion and HUF 100 billion, and 2.5 percent on sales over HUF 100 billion, with the taxable amount being the net turnover. This type of taxation was clearly more favorable for Hungarian chains with fragmented sales units and least favorable for foreign multinationals with more concentrated sales.

¹⁴⁶ Economist, politician, secretary of state in charge of foreign trade affairs at the Ministry of National Economy.

Also primarily with the aim of stopping the advance of foreign retail giants', on November 28, 2011, Parliament adopted the so-called 'plaza stop', which banned the establishment of stores and shopping malls larger than three hundred square meters in size and the expansion of existing retail outlets beyond this size from January 1, 2012. This measure mainly restricted the operations of the foreign trio of Tesco, Auchan and Spar, and to some extent the CBA stores.

Voucher issuance was also taken into state hands by the post-2010 government. In 2012, Tibor Kujbus, managing director of the retail chain Reál, told the economic daily *Világgazdaság* that this was the right decision and that the profit from the Erzsébet vouchers would thus remain in Hungarian hands, as Hungarian merchants had been at a competitive disadvantage against multinationals for twenty years (hvg.hu, 2012).

In 2012, Parliament decided to bring tobacco retail under state control, under which the right to sell tobacco belongs exclusively to the state, and tobacco products may only be sold in tobacconists operating under a limited number of concession contracts. Tobacco products have only been allowed to be sold by 'national tobacco stores' since mid-2013. With this move, the government fulfilled the expectation that tobacco sales should be in Hungarian hands. Moreover, the introduction of national tobacconists has also resulted in a twenty-fold increase in the number of jobs. Nevertheless, the reorganization of the retail and wholesale sectors has been heavily criticized.

The law banning Sunday work in the retail trade, passed by Parliament on December 16, 2014, which entered into force on March 15, 2015, has been even more strongly criticized. Stores smaller than 200 square meters in size were not affected in that they were allowed by law to open on the last day of the week as long as only their proprietors or their family members were working in them. At that time, KDNP MPs argued that working regularly on Sundays ruins family and social life in many cases,

making it impossible to relax and charge one's batteries. The health statistics of people working regularly on Sundays are measurably and significantly worse, and the Sunday holiday has a marked environmental benefit as well, as it can help clear towns of smog on Sundays and significantly reduce noise pollution all over Hungary. In addition to the Sunday store closures, a ban on free shuttle buses operated by foreign hypermarkets was passed, and a law was passed requiring the closure of a chain of stores after two years of loss-making operations.

The Sunday store closure was finally withdrawn in April, 2016, with the reasons given including faulty implementation. Head of the Prime Minister's Cabinet Office Antal Rogán justified the decision by the failure to convince people of the need to close stores. Finance Minister Mihály Varga, however, summed up by saying that the retail sector had grown by 5.6 percent during the period of the Sunday closure law, with the turnover of small stores increasing and that of large ones decreasing.

As a result of the numerous restrictive measures and the economic crisis, the Cora, Match and Profi food store chains left the Hungarian market. Most of their stores were taken over by CBA and COOP. Tesco's position also weakened considerably in 2015. Tesco CEO Nigel Jones claimed that this was due to the sanctions on the retail sector, and they announced the closure of 13 stores. At the same time, the cabinet decided in 2018 to repeal the so-called 'loss-of-earnings rule' regulation for retailers, still in force at the time. They acknowledged the European Commission's view that the regulation was not in line with EU provisions on the freedom of establishment and the free movement of capital. The plaza-stop, however, remained in force.

At this point, mention should be made of a, not new, but emerging, competitor to domestic retailers, i.e., the discounters. This type of store is also giving Tesco, which for a long time had a near-monopoly, a run for its money in many parts of Europe. Lidl opened its first store in Hungary in 2004, reaching 8.2 percent of

Hungarian households in the same month and 29 percent in the first half year. In 2017, the performance of discount chains (Aldi, Lidl, Penny Market) had already exceeded the nationwide average growth rate of retail chains. By contrast, the presence of Hungarian chains diminished. According to a G7 analysis (Torontáli, 2017), the three big Hungarian chains have more than 10,000 stores, giving them a market share of 13 percent, while discounters only need 500 stores to capture 19 percent of the market. In 2019, Lidl was already 8.5 percent ahead of the two in terms of profitability, while in terms of annual turnover, it achieved an increase of over 30 percent (Torontáli, 2019).

As for the telecoms sector, like retail, there was still room to increase Hungarian influence. At the same time, national ownership in this sector has also increased. After 2010, special taxes were also levied on the telecoms companies. Although tensions between telecoms companies and the government eased following a review of the special taxes, and the government even adopted decisions which were beneficial for both service providers and consumers by exempting companies that build faster internet networks from utility tax and reducing internet VAT. Vodafone, however, again filed a claim in 2018 against the sectoral special tax introduced in 2010. The EU Court of Justice finally ruled that the Hungarian government had not breached EU law by levying special taxes after 2010.

In 2014, four years after the change of government in 2010, the government bought back the entire stake of Antenna Hungária from its French owner through the company Nemzeti Infokommunikációs Szolgáltató Zrt. (NISZ), which became the owner. The transaction valued Antenna Hungária at HUF 55.9 billion. Incidentally, TDF had already launched a tender for the sale of 100 percent of Antenna Hungária in 2013, in response to which the Hungarian State submitted its offer. The government's aim was to bring ownership of national terrestrial and satellite television and radio broadcasting and distribution, of particular

importance for national strategy, back into state hands. This was in line with both the reintegration of domestic utility assets into public ownership and the National Infocommunication Strategy.

The Hungarian ownership of Antenna Hungária also enabled the Hungarian state to change the situation in the mobile market, which had remained relatively unaltered for some time. In 2019, German-owned Magyar Telekom was market leader with a market share of 45 percent. It was followed by Telenor, owned by a Czech group since 2018, with 28 percent, followed closely by British Vodafone with 27 percent (Nagy, 2019). Antenna Hungária's acquisition of a 25 percent share in Telenor's Hungarian subsidiary in 2019 may change the competitive situation somewhat.

In summary: three out of the four service sectors identified as key areas have seen massive national ownership growth, but progress has also been made in several other sectors. As prime minister Viktor Orbán said: *"A strong country – if not as large as Germany or the United States – can only be strong if there is massive majority national ownership in the most important, strategic sectors which affect its fate. This was not so in Hungary before 2010, but today we can say that the energy sector, the banking sector and the media sector are in clear national majority ownership. In terms of forints: the Hungarian state has spent about a thousand billion in the past few years on repurchasing strategic sectors and companies which were unreasonably privatized earlier"* (Miniszterelnok.hu, 2017a). A few months later, the prime minister also explained the purpose of this expansion: *"I think mention must be made here in relation to the national room for maneuver in three key sectors, without which no sovereignty is possible in a modern economy, that is, in the energy sector, the media and the banking system, we have recovered national ownership not only of certain assets but complete strategic sectors. And we have increased domestic ownership to over 50 percent in those sectors. The banking sector, the energy and the media sector alike, are the heavy weaponry in intergovernmental relations in the early 21st century,*

therefore I consider this a particularly valuable accomplishment.
(Miniszterelnok.hu, 2017b).

6. “Seven years of plenty” – the background to growth

The decade 2010 and 2019 can be clearly divided into two parts, each with its own distinct history. The first period, from 2010 to 2021, was a period of crisis management, aimed at restoring Hungary’s precarious economic and fiscal balance. The protagonists of the story were the Hungarian people, the government elected by the majority of them, domestic economic players, multinationals, Brussels and the IMF. 2013 was the first year when a new equilibrium seemed to have been achieved between the above players, its winners being the Hungarian people, the vast majority of whom were able to make some headway each year.

The second period, from 2013 to 2019, was one of growth and dynamic economic expansion, building on the previous stabilization. This period of economic growth, also known with a Biblical connotation, as the “seven years of plenty”, had several distinct components. We will try to discuss the main economic factors of these here, although it worth bearing in mind that this economic expansion, enabled by the work – and often extra performance – of the Hungarian people, was behind many of the achievements detailed in the “Dignity” chapter. Without stable finances and dynamic economic growth, there would have been no funds for hundreds of thousands of new jobs, unprecedented family support programs and rapid wage increases, let alone significant infrastructure development and nation-building programs.

6.1 Equilibrium and growth, or ‘stop-go cycles’

Without wishing to repeat everything discussed earlier, the steps taken during the 2010-2012 crisis management period and the straightening out of public finances, it is worth briefly recalling the philosophical paradigm change that, together with a more favorable international environment, has enabled the Hungarian economy to returned to a sustained growth path. Understanding this logical and strategic shift will also make it easier to understand how the main growth drivers worked.

As already shown in the “Integrity” chapter, since the 1970s, Hungary has repeatedly alternated between periods of economic boom fostered by state bailouts and austerity imposed by necessity, often dictated by foreign creditors. Moreover, all this was closely linked to the alternation of the ‘five-year plan’ periods and then, after the regime change, with the four-year electoral cycles. These sudden stops and starts, aptly referred to as ‘stop-go-cycles’ (Balatoni, 2009, pp. 914-916), resulted in an abnormal, hectic, and unpredictable Hungarian existence. Long-term planning became impossible for both families and businesses, and the regime of the sixties and the seventies, which although oppressive, guaranteed some progress, took on a nostalgic glow. Especially, when considering that the global economic upheavals have generated other, less frequent but all the more severe, upheavals in the Hungarian economy as well.

Thus, after 2010, if the government was considering making fundamental, strategic, decade-long changes, it had to stop the politically motivated series of stops and starts. We have discussed this process in detail in the previous chapters, but it is worth briefly repeating the main instruments. First of all, this was the objectives of the fiscal adjustment, which aimed to reduce the public deficit and public debt. These were not only in the

national interest before and during the second wave of the crisis (2012), because, as Péter Tölgyessy explained during that period: *“(...) their gradual reduction is also the basis of the government’s political sovereignty. From the very beginning, the money markets’ impersonal decisions put the most direct limitations on the rule of the two-thirds majority, which had practically unlimited power in Hungary, because, unlike Hungarian voters, these made their decisions not once every four years but daily, regarding the HUF rates and interest premiums on newly issued government securities”* (Tölgyessy, 2012, p. 328-329).

6.2 Tax cuts, turnaround in tourism

The above alone, however, would not have been enough to achieve a turnaround in growth. The most important thing was to restore the value of work and businesses and to encourage citizens willing and able to increase their performance, i.e., to reduce taxes. The increase in resources available to citizens through other means, such as the utility bill cuts, increases in family support or the trend towards wage increases, also induced by minimum wage increases, were also to this end. Together, these triggered an increase in consumption and boosted the retail sector, which remained a key indicator and driver of growth throughout the seven-year growth cycle. The importance of this is illustrated by the following data. The performance of the Hungarian retail sector grew month on month from July 2013 until spring 2020. By the end of 2019, 78 months of growth were recorded in the sector. Overall, it grew by 43 percent between January 2010 and the end of 2019.

The growth of tourism was another key factor in this turnaround. Although the number of overnight stays had been increasing since 2009, the first significant rise was recorded in 2013, with an annual

increase of 5.5 percent. While in 2010, the number of nights spent in hotel accommodation was less than 20 million, this had more than doubled to 31.3 million in 2019. Tourism continued to grow each year, with record years in 2018 and 2019. Innovations, such as the introduction of the SZÉP cards and the establishment of the Hungarian Tourism Agency (Magyar Turisztikai Ügynökség (MTÜ)), which enabled unified tourism management and development, also played a decisive role in these results. In 2013, tourism's total contribution to GDP was below ten percent (9.8 percent, Hungarian Tourism Agency, 2016), but by 2019, it was a much bigger slice of a much bigger pie (13 percent).¹⁴⁷

6.3 Some major reform steps in various areas

The Minister of National Economy, central bank president from spring 2013, played a key role in achieving these turnarounds. In this capacity, he and his colleagues prepared a number of summaries on this period, which we also draw on as sources for our work. For instance, they identified “50 reforms”, the significant and professional success of which may be open to debate, but which, on the whole, are factually successful, proven transformations. Most of the reform measures have already been mentioned, but there are some changes that have not yet been discussed.

¹⁴⁷ “Tourism is a strategic sector. Last year, it accounted for 13 percent of GDP, and the market is essentially run by tens of thousands of Hungarian-owned SMEs, providing a livelihood for about 400,000 people” – said MTÜ CEO Zoltán Guller in May 2020 (Thurzó, 2020).

In October 2010, the prime minister announced a policy of ‘Opening to the East’, adapting to changing trends in the global economy. As he said at the Hungarian Standing Conference (Magyar Állandó Értekezlet (MÁÉRT)), held again for the first time in six years: *“It does not follow that anyone would want to revise the old, ancient Hungarian desire to belong to the Western world, to be part of Western civilization and to integrate into it, but merely that this fact now appears in a different context than before. To caricature or simplify it a little, we might say that we are sailing under a Western flag, but the wind is blowing from the East in the world economy. And a sailor who does not see where the wind is blowing from and does not adjust the sails accordingly will very likely perish together with his cargo”* (Orbán, 2010d). This is the origin of the ‘Opening to the East’ foreign policy and foreign trade doctrine, which the Hungarian government has reaffirmed many times over in the past decade.

The strong economic growth between 2013 and 2019 was also driven by the results of opening to the East. Hungary’s exports to the East increased by 22 percent between 2010 and 2019, while trade volumes were a quarter higher than in 2010. And 2019 was a particularly successful year in this respect, as South Korea became the top foreign investor country, with half of such investments coming from the East.

Besides cutting taxes and red tape, the Fidesz government’s pro-business approach has also been reflected in the distribution of EU funds. In the 2007-2013 EU development cycle, the socialist-free democrat government only allocated 17 percent of EU funds to economic development. However, the left-liberal government did not only give up the opportunity to stimulate the economy with EU funds, but it also apparently gave up a significant part of the EU funds to which Hungary was entitled: only 12 percent of the available funds had been drawn down by the time of the change of government in 2010 (Giró-Szász, 2019, p. 81). Even the European Commission thought in 2010 that if nothing changed,

Hungary would only be able to draw down up to 65 percent of the available funds. By contrast, thanks in part to a radical overhaul of its development institutions, Hungary managed to draw down 109 percent of the funds available, guaranteeing full draw-down.

Another important achievement was when, in 2013, the Hungarian prime minister managed to conclude the negotiations for the next seven-year cycle with a significant increase in funds. For comparison: between 2007 and 2013, per-capita development funds amounted to HUF 660,000, while this figure rose to HUF 712,000 between 2014 and 2020, taking into account the data and exchange rate of the planning period. Moreover, the second Orbán Government restructured the use of resources in the 2014-2020 cycle, so that 60 percent of the EU funds allocated to Hungary could be spent on economic development.

In general, the role of EU funds in the economy over the past seven years can be divided into two periods. A rather volatile period between 2013 and 2017 when EU funds were very much a factor in the growth of GDP. In 2013-2014, the effective absorption of EU funds was 6-7 percent of GDP, it then jumped to 8 percent in 2015, before falling to just over 2 percent of GDP in 2016, the real 'transition year' between the two funding cycles. Accordingly and in this context, the year-on-year change in GDP has shown similar fluctuations. Then, between 2017 and 2020, the use of EU funds levelled off at a relatively steady level of roughly 3.5-4 percent of GDP. Nevertheless, the Hungarian economy was still able to grow at a rate above the 2015 growth level until the outbreak of the coronavirus crisis (Magyar Nemzeti Bank, 2020, p. 64). This means that, while in the middle of the decade, the operation of the 'EU money taps' was a major determinant of economic activity, by the end of the decade, Hungarian domestic growth engines were able to play a greater role in driving the economy.

Hungary's utilization of EU funds and the corruption accusations related to them have been a constant theme in recent years; however, at the same time, German Chancellor Angela Mer-

kel, speaking in Sopron on the 30th anniversary of the opening of the borders, i.e., the Pan-European Picnic, in 1989, said: “The cohesion funds and the structural funds were launched with the aim of facilitating convergence within the EU – and if we look at Hungary’s economic growth rates, we can see that the country has invested this money well and that it benefits the people – and Germany is pleased to be able to contribute to this growth through the jobs it has created in Hungary” (Fábián, 2019). In any case, the 2014-2020 development cycle had already exceeded its available budget by HUF 1,000 billion forints, reaching HUF 10,000 billion by summer 2020. This, however, is not a problem because the weakening of the forint generates significant additional sources of EU funds (Weinhardt, 2020).

As far as Hungarian prospects for the next seven-year financial framework are concerned, Viktor Orbán achieved strong results in the summer 2020 negotiations. In 2018, the seven-year framework available to Hungary will be reduced from 37.7 billion euros to 32.9 billion euros, largely due to the United Kingdom’s exit, but the creation of the EU Recovery Fund could increase the total resources available to Hungary to 50.6 billion euros. In fact, at current prices, this could even mean a larger total, according to the MNB’s estimate, even up to 56 billion euros (Magyar Nemzeti Bank, 2020, p. 63), which could be equivalent to HUF 20,600 billion at end of October 2020 exchange rates. This is double the current level of resource absorption of HUF 10,000 billion forints for 2014-2020, as mentioned above.

It is also worth briefly reviewing the structural elements of the Hungarian economy to better understand the characteristics of Hungary’s growth cycle between 2013 and 2019. It is almost a cliché to say that Hungary has a small, open and dual economy. Its duality lies in the existence of few hundred foreign-owned multinational, highly productive and competitive companies that produce almost exclusively for export, along with 98 percent of

Hungarian companies, with SMEs producing goods and providing services mainly for the domestic market.

The relationship between multinational companies and the Hungarian government is also dual. On the one hand, we have already exhaustively discussed the containment and, in some cases, forcing out, of monopolistic-oligopolistic multinational companies. It should be noted, however, that the manufacturing multinationals have been allies of the government right from the very beginning in the implementation of the re-industrialization plans at the heart of Viktor Orbán's economic policy. According to the prime minister, *"because without large international companies' investments in Hungary, the Hungarian economy will not be successful. Without investments by large international companies in Hungary, we will have no jobs. Without large international companies' investments in Hungary, there will be no economic growth to generate funds from which to maintain schools, operate the healthcare system or kindergartens and nurseries for our children. Therefore, I respectfully ask everybody to clearly distinguish, on this very day, between international companies that are not desirable, and those that are, and should therefore even be invited to Hungary."* (Orbán, 2014d).

Accordingly, since 2012, the government has entered into strategic partnership agreements with dozens (86 by June 2020)¹⁴⁸ of foreign companies operating in Hungary and with large Hungarian companies that are also successful abroad. The main aim of the agreements was to protect existing jobs in these large companies, while at the same time providing state grants for further expansion and development of their plants, factories, and research laboratories, thereby contributing to job creation. Besides job creation, particular emphasis has been placed on promoting

¹⁴⁸ For the list and the dates of the agreements see: Ministry of Foreign Affairs and Trade (n/a.).

cooperation between large companies and their Hungarian suppliers, and on increasing the number of orders. Other goals include increasing the role of large companies in local vocational education and training, running apprentice programs and promoting R&D activities involving Hungarian research teams. The agreements also stipulate investment of profits in Hungary and enable businesses to consult with ministries on government measures affecting their respective sectors. Last but not least, the government offers assistance to boost their exports.

In addition to large companies, the government has also focused on helping SMEs, which employ nearly three-quarters of private sector employees. Therefore, in 2010, the government broke with previous bad practice: they now also see domestic small businesses as strategic partners and rely on them to create more jobs. To this end, SMEs already benefited from a significant tax cut in 2011. SMEs have also received more opportunities from the state in other areas, as, according to data from the Public Procurement Authority, the proportion of the value of public procurement contracts awarded to them increased from 39 percent in 2009 to 59 percent in 2019.

Providing domestic small businesses with access to cheap loans was also essential to sustain strong economic growth. The objective of the Funding for Growth Scheme launched by the Hungarian central bank in 2013 was set by its new management to enable Hungarian businesses to make new investments with preferential loans. The loans granted under the program are HUF-based, so there is no exchange rate risk. Moreover, they also benefit from a very preferential interest rate and can also be used to finance ongoing projects. In the first and second phases of the program, 22,000 domestic businesses received loans worth HUF 1,400 billion. Thanks to the preferential loans, many Hungarian businesses could finally realize their long-planned developments and expansions, thus creating new jobs. The loans also helped them to strengthen their presence on foreign markets.

The Funding for Growth Scheme has contributed significantly to the growth of the Hungarian economy, as have the central bank's interest rate cuts, which have made it much easier for the state, businesses, and households to pay the interest and thus borrow funds. Other achievements of the central bank's innovative policy include the self-financing program, the conversion of over HUF 1,000 billion's worth of foreign currency loans into forint loans, and the profitable operation of the central bank, which has been able to generate revenues for the central budget even in a crisis. Monetary easing by the MNB has also played an important role in crisis management. To highlight just one of the many measures: on April 20, 2020, the MNB announced the 'Funding for Growth Scheme (FGS) Go for it!' program, based on a decision by the Monetary Council, increasing the current limit amount by HUF 1,000 billion. Together with the unused HUF 500 billion from the fixed FGS facility, the central bank has provided a total of HUF 1,500 billion in cheap and stable funding for SME sector lending during the crisis.

Finally, there is one more policy worth briefly mentioning among the growth factors: agriculture. The output of agriculture amounted to HUF 2,720 billion in 2018, an increase of 33 percent compared to 2010. This was another record growth rate in the European Union in this sector. The value of agricultural exports in 2018 amounted to €8.7 billion (HUF 2,827.5 billion), an increase of 49 percent compared to 2010. Real income per unit of labor increased by the same proportion (Fazekas, 2020, p. 388). Remarkably, gross and net earnings in agriculture increased over the same period by nearly 80 percent and 65 percent, respectively. Thanks to the recovery in recent years, there are over 40,000 more people (a total of 215,000) working in agriculture than in 2010, an increase of 24%. The total irrigated agricultural area has more than doubled, increasing from 45,000 hectares in 2010 to over 100,000 hectares in 2017.

Measures such as the new Land Act and the fact that the Hungarian Fundamental Law was the first in the world to ban genetically modified organisms from agriculture. Hungary has also been at the forefront of GMO-free agricultural production in the European Union in recent years. Around 30,000 Hungarian farmers have gained access to around 200,000 hectares of land in land auctions under the 'Land for Farmers!' program. Today, 75 percent of state-owned land is now farmed by primary agricultural producers, individual agricultural entrepreneurs, family farmers and young agricultural producers.

The government continues to aim to strengthen the agricultural middle class, give land to small and medium-sized family farms, and to achieve an 80:20 ratio of family farms to large agricultural companies. The 'Land for Farmers!' program also aimed to significantly increase the ratio of family-owned small and medium-sized farms compared to large farms. This was also the aim of other statutory requirements under which only locally resident natural persons living in Hungary and engaged in agricultural production, may purchase agricultural land in Hungary, up to 300 hectares.

6.4 Hungary's economic performance has also been recognized abroad

The past decade can be divided into two periods in terms of the international perception of Hungarian economic policy. Until 2015, there was almost only criticism in the international media, while from 2015 onwards, even the often unfairly critical newspapers began to talk about a specific Hungarian success story, about a Hungarian economic model with a positive connotation that they referred to as ‘Orbanomics, as opposed to the previous negative one’. One of the first signs of this was the positive press received by the Hungarian government and the central bank for the conversion of the foreign currency loans into HUF-based loans timed to coincide with the strengthening of the Swiss Franc. In January 2015, for instance, Reuters’ correspondents wrote “one has to admit (...) Orbán and Matolcsy have done something right” (Rao & Peto, 2015) and in June 2015, the also anti-Orbán British financial daily the Financial Times reported that “Orbanomics confounds critics as Hungary’s economy recovers”. FT correspondent Andrew Byrne (2015) went as far as to write that the growth of the Hungarian economy was “unexpectedly robust” at the time. It is no wonder, then, that Minister of National Economy Mihály Varga was named “Finance Minister of the Year, Central and Eastern Europe” by Euromoney’s Emerging Markets magazine in October 2015.

A Polish study (Piasecki, 2015) also examined whether the Orbán Government’s “revolutionary economic policy” had been the right answer to Hungary’s situation. The research was based on study visits to Hungary, other publications, and Eurostat and World Bank data. The statistics showed that most – if not all – segments of the Hungarian economy had seen substantial growth from 2010. After avoiding bankruptcy, growth in Hungary in 2014 surpassed even the Czech and Polish figures.

At the time of the study, there were still questions about the longer-term prospects of these foundations for sustainable growth, but it was noted that Hungary had been the first Central European country to embark on an independent economic policy which, if successful, might serve as model for other countries in the world. Empowering SMEs through the GFS program and lower tax rates, the re-emergence of state ownership, and the improvements in the labor market were highlighted in particular. Among its critics, the European Commission was cited as criticizing the lack of growth potential, the credit crunch, and the deterioration of the business environment and competitiveness. Of course, the Polish study mentions the IMF and the economist János Kornai among those opposed to the reforms.

However, the results showed outstanding GDP performance, deficit and debt stabilization, recovery of investments, decrease in unemployment and surpluses. The achievements of the Orbán Government's economic policy suggest that Hungary has outperformed its peers in absolute or relative terms. Even the IMF's 2015 report contained some appreciative remarks, although it continued to emphasize external vulnerability despite the progress made in key indicators and balances. The European Commission, on the other hand, remained skeptical all along, claiming that the improvements had been enabled by EU funds, and criticizing Fidesz's decisions. According to the Polish study, the government has worked consistently on resolving the problems of the Hungarian economy. We would only like to add to this that it was no coincidence that the conservative Polish government followed the Hungarian model in many of its decisions in the years following the publication of this study.

In the run-up to the 2018 parliamentary elections, the success of 'Orbanomics' became a hot topic once again. According to a lengthy analysis in MoneyWeek, Orbán's economic policy 'seems to be working for the time being' (Guirinec, 2018). Of the Hungarian achievements, it particularly praised the drop in unemployment,

the strong growth cycle, the low household debt, and the strengthening of foreign trade, which they simply referred to as the ‘export boom’. The British investment weekly even noted that “foreign investors are also attracted by the good quality of life and the excellent education system”.

At the end of 2019, The Economic Standard in the US called the Hungarian example an economic success story. According to research by the World Economic Forum, Hungary ranked second out of 74 emerging economies in terms of the inclusiveness of growth, i.e., how broadly it benefits the population. Hungary is also in the top one-fifth in terms of net income inequality, poverty rate, wealth inequality, and median income. According to the Economic Standard, all these factors “... make Hungary a source of stability – rather than a liability – for the EU in years to come” (Oláh, 2019).

In January 2020, Capital Economics, the London-based global economic and business analysts, also noted that one of the biggest surprises in the whole region was the phenomenal growth of the Hungarian economy in 2019 (Infostart, 2020). Looking back after many years, also in early 2020, even the IMF acknowledged that the Orbán Government had been right: “Hungarian GDP growth by far overrated the expectations of IMF and other international institutions. We were all astonished by the strength of the Hungarian economy” – Poul Thomsen, Director of the European Department at the IMF, said to Világgazdaság at the Lamfalussy Lectures Conference (Ráski, 2020). It is no coincidence that while in the first years of the decade, international credit rating agencies repeatedly downgraded Hungary, which was still grappling with the crisis inherited by the new government, the last years of the decade were characterized by several upgrades. Standard & Poor’s and Fitch Ratings upgraded Hungary in early 2019, followed in fall 2019 by Rating and Investment (R&I), who cited a buoyant investment dynamic, steadily declining public debt and gradually strengthening economic foundations.

7. Outline of the multifunctional economic measures

7.1 Expanding Hungarian ownership and state ownership

Priority objectives: achieving economic equilibrium, expanding the tools of economic governance and reducing exposure and foreign influence.

Measures with ‘targeted side effects’:

- *Taking over the assets of private pension funds. Primary effect:* reducing the general government deficit. *Other effects:* crediting returns to contributors; laying the foundations for the termination of the excessive deficit procedure; ensuring normal pension benefits for those with insufficient savings periods (and savings); acquisition of state ownership in priority listed companies, such as MOL (2.6 percent), Richter (6.3 percent), ELMŰ (16 percent), ÉMÁSZ (11.7 percent), Rába Nyrt. (12.8 percent), and Egis (5 percent).
- *Sectoral special taxes. Primary effect:* reducing the general government deficit. *Other effects:* creating the basis for the termination of the excessive deficit procedure; generating funds for buy-backs; reorganizing ownership within sectors.
- *Buy-back of MOL stake (22 percent) Primary effect:* regaining strategic control. *Other effects:* preventing hostile takeovers; state participation in strategic decision-making at Hungary’s dominant gas and fuel supply company; support for regional expansion.

- *Power plant buy-backs. Primary effect:* reversal of unfavorable power plant privatization, scrapping of guaranteed profit rates. *Other effects:* ensuring diversification of supply, enhancing security of supply and sovereignty.
- *Acquisition of share in Rába. Primary effect:* influencing key business decisions using the strategic package. *Other effects:* developing economic potential for reviving Hungary's defense industry.
- *State bailout of meat processing companies (Pápa, Kaposvár, Gyula). Primary effect:* preventing company liquidations. *Other effects:* saving jobs, protecting suppliers, strengthening food supply security.
- *Bailout of small cooperative banks. Primary effect:* preventing bankruptcy. *Other effects:* protecting owners and depositors; saving jobs; by merging them with Takarékbank (and by acquiring and adding NFB and BB), creation of a viable, well-capitalized bank, that can compete with foreign banks.
- *Acquisition of the previous and other banks. Primary effect:* restructuring of sector ownership. *Other effects:* recapitalization, restructuring, portfolio streamlining and lending; restructuring to avoid bankruptcy; reducing exposure; easier lending stimulation.
- *Buy-back of Allianz Hungária. Primary effect:* recovering ownership of a strategic company. *Other effects:* greater control over terrestrial and satellite broadcasting; increased influence on technology and developments.
- *Substitution of Sodexo, Edenred and Cheque Déjeuner vouchers. Primary effect:* transformation of the cafeteria system. *Other effects:* preventing the withdrawal of funds (through unused elements); introduction of the Széchenyi card, and increasing its complexity, thereby encouraging

domestic tourism and hospitality; enabling a social holiday scheme through the Erzsébet vouchers.

7.2 Economic governance

Priority objectives: economic recovery, kick-starting and stimulating growth.

Measures with ‘targeted side effects’:

- *MNB interest rate cuts. Primary effect:* reducing deposit rates. *Other effects:* shifting savings into government securities (easier purchase, ÁKK points), thereby increasing the HUF-based refinancing of public debt, reducing foreign currency and exchange rate exposure; reducing inflation; indirectly stimulating investment.
- *MNB FGS. Primary effect:* restarting lending. *Other effects:* replacing corporate foreign currency loans; financing asset purchases; stimulating economic growth.
- *Raising the minimum wage. Primary effect:* reducing the shadow economy. *Other effects:* accelerating wage convergence; increased remuneration for minimum wage earners.
- *Supporting and enhancing the public employment program. Primary effect:* boosting economic activity. *Other effects:* reintegrating economically inactive people into the labor market; improving income conditions for disadvantaged people; reducing the labor shortage.

- *Conversion, termination and prohibition of foreign currency loans. Primary effect:* boosting economic activity. *Other effects:* reducing the portfolio of non-performing loans; repayment and lending on predictable terms; easing of negative social consequences of the weakening of the forint (e.g. poverty, hunger, insolvency, property loss).

7.3 Tax policy

Priority objectives: tax structure change, restructuring tax burdens, broad tax base, stable tax revenues.

Measures with ‘targeted side effects’:

- *Income tax cuts, extension of indirect taxation. Primary effect:* increasing tax revenues. *Other effects:* improving planning and collection efficiency; broadening the tax base; increasing willingness to pay taxes; reducing the shadow economy; reducing the tax burden on the economically active.
- *Electronic data supply (online cash register, EKÁER, online invoicing). Primary effect:* increasing control of retail sales and road freight; reducing the shadow economy. *Other effects:* efficient tax collection – reducing the VAT gap, reducing market distorting fraud; increased revenues.
- *Personal income tax allowance for children. Primary effect:* support for families raising children. *Other effects:* boosting people’s willingness to have children; increasing the number of children in economically active families.

- *Tax cuts for SMEs. Primary effect:* improving the financial position of SMEs. *Other effects:* reducing the shadow economy; job retention; employment creation.
- *Reduction of CIT and contributions. Primary effect:* reducing costs for businesses; improving their financial situation. *Other effects:* attracting foreign capital; improving exporters' competitiveness; encouraging and supporting job retention and creation.

7.4 Agricultural policy

- *Land sales program. Primary effect:* land acquisition for people living from agriculture. *Other effects:* (further) reducing land ownership fragmentation; improving economies of scale; increasing the area under cultivation; strengthening the population retention capacity of rural areas; generating budget revenues.

7.5 Energy policy

- *Reduction of utility bills. Primary effect:* reducing households' utility bills. *Other effects:* reducing inflation; easing the situation of those living in poverty; reversing botched privatization; eliminating the guaranteed profits and local monopolies in the privatization of power plants; eliminating gross territorial disparities in water and sewage tariffs (e.g.,

water cost twice as much in Nógrád County as in the city of Debrecen).

- *Buy-out of E.ON's gas companies (Storage; Trade). Primary effect:* state control of gas storage and transport. *Other effects:* improving supply security; strengthening national security and sovereignty; enhancing foreign policy instruments (influence as regional supplier).

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V. THE HUNGARIAN MODEL IN CRISIS MANAGEMENT

1. Establishing a value-based crisis management philosophy

1.1. The weakening of the values that bind human communities together is at the root of crises

The economic crisis that started with the financial meltdown of 2008 immediately became a dominant and enduring issue on the political agenda. The question of how to successfully manage the crisis was of concern to all players in public life, including the then leader of Fidesz-KDNP, Viktor Orbán, still in opposition at the time. However, the later prime minister took a different approach from the mainstream, seeing the causes of the crisis not primarily in the financial and economic collapse – which he regarded as merely an effect – but in the weakening of the values that bind human communities together.

Placing the events in Hungary in a global context, the chairman of Fidesz said in 2009 that *“a crisis is a situation in which all values are devalued, and we have to remove and resolve this situation. It is certainly a kind of credit and collateral crisis, but not in the financial sense. The credibility and honor of the word, of the logos, should be restored. The state of living a lie should be abolished. The consequence of the first lie that has run through human culture should be eradicated. Not just in Hungary, not just in Central Europe, and not even just in Europe, but also, I would say, on a global scale. Think about the causes of the financial crisis that has just erupted! The financial crisis was not caused by the malfunctioning of certain market and economic mechanisms. The direct trigger of this crisis was that certain people, who had*

considerable wealth and financial assets, decided that they wanted to multiply their wealth at any cost” (Orbán, 2009a).

In 2011, Viktor Orbán, now prime minister, said of the intellectual roots of the crisis that *“the global crisis, which has been going on for years, can hardly be remedied within the current framework. A radical turn is needed, because there is not only a global economic, financial and ecological crisis raging across the planet, but also a spiritual one – and this is probably the basis of all the other crises. The man who is separated from his Creator has his faith, his morals, his family, his society disintegrate, or, as Gábor Czakó would perhaps put it, his goals descend to the realm below his belt: he becomes selfish, and will put his momentary interests before the truth, will cease to cooperate, will no longer consider the good of others, nor of the whole earth”* (Orbán, 2011). The state of “devaluation” emphasized by Viktor Orbán is characterized by successive crises, since without a clear set of values, not only are sudden crises more difficult to deal with, but the social and economic difficulties that arise as a natural consequence of life can also have more serious consequences.

This has been underlined by events in Europe over the past ten years: after the financial and economic crisis of 2007-2008, the continent has struggled to cope with the migration crisis that began in 2015, and the impact of the coronavirus pandemic in 2020. Not to mention the fact that the crisis phenomena have highlighted more than ever the anomalies in the functioning of the European Union’s institutional system. As the most serious and unprecedented consequence of the latter, one of the most influential member states, the United Kingdom, left the EU on January 31, 2020, following a referendum four years earlier.

1.2. Value renewal underpins Hungary's crisis management philosophy

Hungary has managed the crises of the past decade effectively, even by European standards, as Fidesz-KDNP, in power since 2010, has adopted a crisis management philosophy that involves a renewal of values, the essence of which is worth illustrating by the management of the economic crisis that ended in the early 2010s. In fact, the Orbán Government's handling of the crisis was quite different from the practice of the left-liberal governments that had already failed in economic and political governance by 2006. The latter, viewing the country as a kind of corporation, focused exclusively on macroeconomic indicators, and relied on fiscal austerity and international borrowing.¹⁴⁹

In comparison, the Orbán Government started from the premise that the post-crisis world cannot be the same as the previous one, so complex and value-renewing crisis management is needed to ensure the long-term development of our country. In Viktor Orbán's view, expressed while still in opposition, mere economic management of the crisis *"is nothing more than its preservation"* (Orbán, 2009b), as it is only a restoration of the situation that caused the crisis in the first place, and the restored operating principles inevitably recreate the same crisis repeatedly, with no chance of a sustainable economic model.

That is why the future prime minister, as opposed to promising a return to the pre-crisis situation, proposed the rediscovery of a value system where, *"even in the darkest and most despairing moments, people can come back, face themselves, rediscover and see their common values clearly"* (Orbán, 2010). These were the values inherent in the Hungarian national traditions, and by reasserting

¹⁴⁹ See: EU-IMF-World Bank borrowing in 2009.

them, the moral framework could gradually be rebuilt and would later be able to put a stop to the human weakness that also prevails in capitalism. As a possible version of this moral regulatory system, Viktor Orbán proposed the Christian doctrine, which has played a key role in the survival of Hungarians in the Carpathian Basin, and which – to borrow an illustrative example from the English philosopher Gilbert Keith Chesterton¹⁵⁰ – protects the life of the community as a wall from external threats (Orbán, 2009c).

Even the state is incapable of fully replacing the moral framework of national tradition and Christian doctrine, since the state regulatory system can build its own control mechanisms based on the lessons learned from previous crises, but these are incapable of anticipating crises of a radically new nature. However, ethics that are rooted in the community's past can serve as an everlasting measure, even in the most turbulent times, contributing as a kind of social immune system towards overcoming crises as quickly as possible.

On the latter, Viktor Orbán said in 2009 that *“I am, of course, in favor of strengthening the current rules, but I am also in favor of recognizing that no state regulatory system can replace the moral rules that should operate in a healthy human community without state enforcement. I just wanted to say this so that, to put this more simply, we don't think that without a fundamental change of a moral, spiritual nature, the change in the state regulatory system*

¹⁵⁰ “Catholic doctrine and discipline may be walls; but they are the walls of a playground. Christianity is the only frame which has preserved the pleasure of Paganism. We might fancy some children playing on the flat grassy top of some tall island in the sea. So long as there was a wall round the cliff's edge, they could fling themselves into every frantic game and make the place the noisiest of nurseries. But the walls were knocked down, leaving the naked peril of the precipice. They did not fall over; but when their friends returned to them, they were all huddled in terror in the center of the island; and their song had ceased.” (Chesterton, 2004, p. 149-150).

alone will bring the results that we all expect from the next few years ahead. Without us, without all of us, without all of you, this change will not happen. Changes to the public regulatory system can only bring the desired results with your involvement, with your moral investment, with your help” (Orbán, 2009c).

The Fidesz chairman also considered the work of the members of the Hungarian nation to be indispensable, as in his opinion *“the energy of the economy does not come from the government. The strengths of the economy come from the Hungarian people, or, if you will, the entrepreneurial Hungarians, who are ready to act, willing to do their work, and to try new things”* (Orbán, 2008). Viktor Orbán’s words thus also reflect the need to develop a work-based society and economy and a conservative reinterpretation of the concept of individual freedom. Together, they form part of the pragmatic economic thinking that underpinned the successful management of the economic crisis after 2010. However, the spiritual turnaround could only be successful if Hungary’s financial sovereignty was sufficiently established and political and governmental stability were ensured.¹⁵¹ These are the principles which have permeated and still permeate the management of the economic crisis, the migration crisis, and the coronavirus pandemic, and which have led to a genuine renewal of values in both government (stability, sovereignty) and society (work-based society, conservative concept of freedom).

¹⁵¹ Although this chapter primarily presents the crisis management philosophy of the post-2010 Orbán governments through the example of the economic crisis, it is important to emphasize that the management of the economic crisis inherited from the left-liberal government was not the only one in which the above values were applied: the conservative concept of freedom, the work-based economy and society, the pursuit of greater financial sovereignty, and the provision of political and governmental stability played a key role in managing the migration crisis that started in 2015 and in repairing the damage caused by the coronavirus pandemic that erupted in 2020.

2. Sovereignty, stability, work-based society, and the conservative concept of freedom

2.1. Establishing financial sovereignty and political and governance stability

The gradual restoration of financial sovereignty, which is one of the foundations of national sovereignty, was key to effective economic crisis management, as without sufficient financial independence, no one can take independent decisions. Without it, the country will be left vulnerable, and the government will have to respond primarily to the demands of the international financial, economic, and political elite, rather than to the interests of the electorate, if it is to avoid financial collapse.

This is what happened in Hungary before 2010, when – after six years of left-liberal governance –, *“by fall 2008, the last year of Ferenc Gyurcsány’s government, Hungary was set on a forced course”* (Center for Fundamental Rights, 2020), the left-liberal governance and the global economic crisis plunged Hungary into the deepest impasse of the period following the regime change in 1989-90. In 2008, to avoid state bankruptcy, the Gyurcsány Government signed a 20 billion euro loan agreement with the EU-IMF-World Bank trio, which significantly reduced Hungary’s autonomy and effectively put Hungary under financial tutelage. *“This also meant that the conditions were dictated by the international financial world, not by the National Assembly representing Hungarian voters. This can be translated into classical understandings of sovereignty by saying that ultimate power over territory and population in key decisions was transferred outside Hungary. Although the legal*

and formal sovereignty according to the classical definition was not violated, the practical, informal and material sovereignty was breached” (ibid.).

However, thanks to the economic policies of Fidesz-KDNP, after 2010, Hungary has gradually escaped from the tutelage of intergovernmental organizations and now enjoys a degree of financial sovereignty that, in addition to contributing significantly to the country’s development and thus to improving the standard of living of Hungarians, also provides an opportunity to defend national sovereignty and to assert Hungarian interests in the international and European political arena.¹⁵²

The changes can be backed up with concrete figures. As a result of the economic policies of the governments led by Viktor Orbán, which have been based on job creation and tax cuts, the public debt-to-GDP ratio in Hungary fell from 80.8 percent to 66.3 percent between 2010 and 2019 (Magyar Nemzet, 2020a; Infostart, 2020), and the entire EU-IMF-World Bank loan was repaid (Government of Hungary, n. d.). At the same time, the general government deficit was below three percent every year between 2012 and 2019 (Hungarian Central Statistical Office, n. d.), and the share of foreigners holding government bonds in HUF fell from 47 percent to 23 percent over the same period (Harsányi, 2019). Hungary was also exempted from the EU’s excessive deficit procedure in 2013 after nine years (Magyar Nemzet, 2013), while domestic ownership in the banking system exceeded 50 percent by 2014 (Népszava-információ, 2014). Compared to 2010, the registered value of state assets has increased by 52 percent, i.e., by around HUF 6,000 billion, and now stands at almost HUF 18,000 billion (Magyar Demokrata, 2020).

¹⁵² Although Hungary’s economy has also been hard hit by the coronavirus pandemic at the time of writing, the economic policy achievements since 2010 have protected Hungary’s financial independence.

It is important to emphasize that the governing Fidesz-KDNP has sought to guarantee Hungary's financial sovereignty not only through its economic policy, but also through constitutional means. The Fundamental Law, in force since 2012, declares in the chapter on the Fundamentals that *"Hungary is committed to the principle of a balanced, transparent and sustainable management of the budget"* (Fundamental Law of Hungary, Fundamentals, Article N, Paragraph (1)), and that *"Parliament and the Government shall have primary responsibility for fulfillment of the principle pursuant to Paragraph (1)"* (ibid., Paragraph (2)). The section on Public Funds in the chapter on the State includes a strict debt rule (Article 36, Paragraphs (4) and (5)) stating that *"Parliament may not pass an act on the central budget in consequence of which the government debt would exceed half of the gross domestic product. Insofar as the level of government debt exceeds half of the gross domestic product, Parliament may only adopt an act on the central budget which envisages a decrease of the government debt relative to the gross domestic product"* (Fundamental Law of Hungary, The State, Article 36, Paragraphs (4) and (5)). Additionally, *"any derogation from the provisions contained in Paragraphs (4) and (5) is permitted only during a special legal order and to the extent necessary to mitigate the consequences of circumstances triggering the special legal order, or, in the event of a significant and lasting national economic recession, to the extent necessary to restore the balance of the national economy"* (ibid., The State, Article 36, Paragraph (6)).

This also means that since 2012, the protection of financial sovereignty has become one of the most important core values not only of the government, but also of the Hungarian state, and the respective parliamentary majority must ensure that it is always enforced. It is important to emphasize that otherwise it is not "just" a case of violation of the Constitution by omission, but even the dissolution of the National Assembly may occur, since *"for passing the act on the central budget the prior consent of the Budgetary*

Council is required in order to enforce the provisions contained in Paragraphs (4) and (5) of Article 36” (ibid., The State, Article 44, Paragraph (3)). Thus, Hungary’s budget cannot be adopted without the prior consent of the Budgetary Council, and the President of the Republic may dissolve the Parliament which “fails to adopt the central budget for a given year by 31 March of that year”, setting the date for new elections (ibid., The State, Article 3, Paragraph (3), point (b)).

In any case, it is worth noting that the section on Public Funds, which is the most important public law guarantee of financial sovereignty, including the debt rule and the elevation of the Budgetary Council to a constitutional institution, is one of the most innovative parts of the Fundamental Law in force since 2012, as *“it is well known that the previous Constitution of our country did not have a separate economic and financial chapter. In terms of financial law, the constitutional text contained very few direct provisions, although the introduction of a separate financial chapter was considered necessary as early as 1990”* (Klicsu, 2019, p. 405).

It is no coincidence that the two-thirds parliamentary majority of Fidesz-KDNP also sought to protect the country’s financial sovereignty with constitutional force, as it plays a key role in ensuring the ability of the Hungarian government to make meaningful decisions and take action. It is important to stress that political and governmental stability is an essential factor in ensuring the latter. Thanks to the will of the electorate, the Hungarian government has enjoyed secure parliamentary support since 2010 and, except for the period 2015-2018, it has also enjoyed a constitutional majority of MPs.¹⁵³ The prime minister presented this

¹⁵³ On October 11, 2020, the voters of constituency No. 6 in Szerencs-Tiszaújváros, Borsod County, had the opportunity to decide on the formal end of the two-thirds majority of the governing party in a by-election. As the Fidesz-KDNP

to voters as a competitive advantage before the 2014 parliamentary elections: *“We understand that political unity and a strong mandate are the most important conditions for economic success. This two-thirds majority is Hungary’s main competitive advantage. We also know this from the fact that this was the main target of attacks.”* He added that *“the stakes for Hungary in 2014 are to maintain this competitive advantage, because in the situation the world is in, stability, speed, and strength are the most important factors”* (Origo, 2014).

In addition, political and governmental stability was further strengthened by Prime Minister Viktor Orbán’s leadership philosophy, as he also paid special attention to governmental stability. Over ten years, he has only replaced seven ministers within the parliamentary term, far fewer than the 26 changes of ministers during the 2002-2010 period of left-liberal government. At his international press conference to launch the new year, held on January 9, 2020, the prime minister also made special reference to the reasons for the fewer changes of ministers compared to the previous period: *“My view is that governance is an extremely responsible, difficult, and risky business, so you can’t rush it, and you can’t jerk the steering wheel around, because that’s going to be a problem. So, you also must be very careful and cautious with staff changes. I could say that my philosophy is to not rush things.”*¹⁵⁴

According to the analysis of the Institute for the Twenty-first Century, “European Stability Index 2016-2019” (Deák, 2020), Hungary is the second most stable country in the EU after Malta, taking into account factors such as economic growth, the balance of public finances, and the development of public debt, in

candidate won against the left-wing candidate, the two-thirds majority remained intact.

¹⁵⁴ Prime Minister Viktor Orbán’s statement in response to a journalist’s question at an international press conference in Budapest on January 9, 2020.

addition to political stability. The broad capacity of the Hungarian government to decide and act has been of paramount importance over the decade since the change of government in 2010, as it has significantly increased the responsiveness of the government, which is of particular importance in a historical period saturated with crisis situations, such as the years after the global economic crisis of 2007/08.¹⁵⁵

This should be seen in the light of the explosion of technological development in the 20th century, which has led the countries of the developed Western world to forge closer financial and economic ties than ever before. This has been facilitated by the fact that in the decades since the Second World War, there has been no significant direct military conflict between these countries, and that after the collapse of the Soviet Union 30 years ago, new states have adopted the operating norms of the Western world order (e.g., democratic rule of law, market economy) and joined the increasingly globalized Western world order.

Peaceful coexistence and technological progress have led to an ever-accelerating world, which has also influenced the nature of crises. In view of this, in a 2009 study, Arjen Boin, Professor at Leiden University, called the “modern” crises of the 21st century “transboundary”, or “spillover” crises. We speak of such a crisis when complex systems are under an intense threat that can easily cross geographical borders and thus affect several countries or even multiple continents. Moreover, “spillover” crises have no functional boundaries either: they can move from the financial system to the industrial sector, from the private to the public sector, or from one industrial sector to another. Finally, their temporality is also

¹⁵⁵ It is important to emphasize that broad-based capacity to decide and act is not enough in itself; appropriate policy and governance decisions are also essential for effectiveness and success.

difficult to define. While it is possible to know the beginning and end of a traditional crisis, “spillover” crises cannot be precisely defined in time and may have an impact for years.

Given the many uncertainties, these new types of crises can easily create a “power vacuum”, with diverging political positions on who can deal with them effectively: nation states or international organizations/alliances of states, central or local authorities, the state or the market (Boin, 2009, p. 368-369). “Spillover” crises have not spared Europe, and thus Hungary, in the 21st century. After the global economic crisis, the migration crisis and the coronavirus pandemic also bear the hallmarks of this new type of crisis. The so-called “power vacuum” defined by Arjen Boin is also a reality, as in recent years the “federal European Union versus a Europe of nations” debate has featured strongly on the European political agenda.

In fact, the issue went so far that the United Kingdom finally left the EU in 2020, in a “radical” move unprecedented in the history of the union of states. However, the fact that Europe has been hit by three major “spillover” crises in less than 13 years has confirmed Boin’s prediction, as the Leiden University professor had already argued in 2009 that the number and damage caused by “spillover” crises would only increase in the future as a shadow side of globalization. This is because modern societies are now closely interconnected: travel has become cheap and easy, the internet has accelerated communication between people, and global supply chains are changing constantly and unpredictably. This has many advantages but also many risks, as global network coverage means that even small disruptions can spread quickly. Hence, individual states must be prepared for crisis situations that require rapid, coordinated and often improvisatory decisions and action (Boin, 2009, p. 369-370).

Fidesz-KDNP, which came to power in 2010, has clearly recognized all this: by creating political and governmental stability and a sufficient degree of financial sovereignty, the political force

led by Viktor Orbán has created a state organization capable of making decisions and taking action. The Hungarian model in the broader sense has stood the test of time in the post-2010 global and European crises with its effective response capacity.

2.2. Pragmatic economics and the work-based society

Ensuring political and governance stability and creating a sufficient degree of fiscal sovereignty required a major change of approach. The former and its elements (the achievement of a consistently high level of social support for the governing parties and the introduction of an electoral system that promotes a stable parliamentary majority) are discussed in the Center for Fundamental Rights' analyses of the renewal of the state and the transformation of the Hungarian party system, so this chapter will focus exclusively on the conditions for the establishment of financial sovereignty. The latter was by no means an easy objective, and without a shift to pragmatic economic thinking and the implementation of a work-based economy and society, the Fidesz-KDNP coalition elected to government in 2010 could hardly have achieved it.

The change of government in 2010 also ushered in a new era in Hungarian economic history, as it was not possible to consolidate the country, which was close to bankruptcy, and put it on a sustainable development path with the previous economic policy instruments. By 2006, the MSZP-SZDSZ coalition government had caused a severe economic crisis in Hungary, so much so that *“as a consequence of flawed economic policies, the global storm of 2008/2009 has hit our country in an extremely weakened state”* (Matolcsy, 2019). Therefore, the immediate management of the economic crisis was one of the most urgent tasks for the Orbán

Government that took office in 2010. However, Fidesz-KDNP recognized even before coming to power that to deal effectively with the crisis, it needed to break with the previous flawed “fiscal balance or economic growth” approach and instead adopt a “fiscal balance and economic growth” formula.

This could only be achieved by radically increasing employment, so the creation of a work-based economy and society quickly became one of the main objectives of the Orbán Government. The cabinet also expected a lasting consolidation of the budget situation, a reduction in public debt, and economic growth to come mainly from the benefits of job creation. Indeed, a policy based on increasing employment can both raise tax revenues and reduce social spending without austerity measures: the more people who work, the more people who pay taxes and contributions, and the lower the unemployment rate, the lower the spending on unemployment benefits. In addition, work not only provides a more stable livelihood than welfare or the basic income popular among the left-wing liberals today, but can also contribute to the development of the country and the continuous improvement of citizens’ personal living conditions. By providing the opportunity to pursue austerity-free economic policies that put the interests of citizens first, citizens in a work-based economy and society also have a stake in the success and development of the country, as it is a major motivator in a person’s life to feel that they can make progress in their personal life year on year with their family, and a successful and developing country can only be created with motivated citizens.¹⁵⁶

¹⁵⁶ This is illustrated by the evolution of average earnings: between 2010 and 2019, the average gross monthly earnings of full-time employees increased from HUF 203,000 to HUF 368,000, which corresponds to an 81 percent increase, while real earnings, which measure the purchasing power of salaries, have been rising steadily since 2013. (Hungarian Central Statistical Office, 2.1.55.)

The work-based economy and social policy thus creates a common basis of economic values and interests between the state, economic players, and citizens, which, together with the cultural unity of our country and its thousand-year-old Christian-conservative national traditions, also strengthens the healthy national consciousness of Hungarians. In addition, countries that focus on value-added work and high employment levels are also more resilient to crises, i.e., they can recover more quickly from crises caused mainly by external shocks. This last statement is also true for the new types of “spillover” crises that are becoming increasingly common in the 21st century.

Job creation thus became a top government priority after 2010, which also meant the introduction of pragmatic economic thinking, with a focus on the development of a work-based economy and society to replace the welfare society, since *“it is labor, capital and knowledge (technology) that produce new values. In contrast, redistribution – i.e., redistributing income from one social group (where value has been created) to another (where no new value has been created) through the state budget – does not create new value”* (Matolcsy, 2015, p. 211). In other words, economic policy should focus on job creation as opposed to social redistribution. It is important to clarify that the work-based economy and society also aims to ensure the well-being of citizens, but it sees the conditions for this not primarily in state benefits (e.g., basic income, social benefits, welfare, etc.), but in value-creating work and the development of a strong middle class.¹⁵⁷

¹⁵⁷ The approach represented by Fidesz-KDNP criticizes the welfare state primarily from a conservative point of view, and considers its greatest disadvantage – apart from the fact that in Hungary before 2010, the necessary financial and economic conditions were not in place, and therefore the costs were covered by overtaxation of employers and employees, loans from international financial markets, and the privatization of state assets – to be that “it is based on a social

Accordingly, even before coming to government, Fidesz-KDNP emphasized the importance of an economy and society based on the value-creating work of citizens, the basic principle of which was most forcefully expressed by Viktor Orbán in a speech at the end of 2009: *“work is the source of all the value that is important to us: growth and success, a home and social security, a happy family life, a peaceful old age, physical and mental health, and from work will come public order and security”* (Orbán, 2009d). Not surprisingly, then, the party alliance’s 2010 election manifesto also included the establishment of a work-based economy and society as a goal, as György Matolcsy, later Minister of National Economy, stated in the document that, *“since all performance is the result of competition and work, the focus of economic policy must be on work, alongside competition. (...) The economy, society, and the state must be made work-centered”* (Nézőpont Institute, 2010).

In the election manifesto, which later became the government program, the political force led by Viktor Orbán also made a concrete commitment: it promised one million new jobs over ten years, which, in relative terms, was almost fulfilled, as the number of people in employment grew from 3.68 million in 2010 to 4.52 million in 2019 (Hungarian Central Statistical Office, 6.2.1.3.), and the unemployment rate fell from 11.9 percent to 3.4 percent (Hungarian Central Statistical Office, 2.1.2.2). Finally, it is important to emphasize that the principles of the work-based

justice that prioritizes the right of the receiver over the virtue of the giver. (...) Claimants criticize the state for not giving more, for not increasing the amount of wealth distributed. This undermines the moral values of society. A social class that takes for granted what it gets, without responsibility, personal contribution or interest, becomes parasitic.” (Bihari, 2009, p. 195). Thus, the “unfunded” welfare state imposed by the left-liberal political forces is not only unacceptable to the national conservative Fidesz-KDNP because of its economic irrationality, but also because it is in direct opposition to the conservative ideal.

economy and society have also been enshrined in the Fundamental Law, which came into force in 2012, as the main legal norm of our country states that *“the economy of Hungary shall be based upon work as the very foundation of productivity, and upon the freedom of enterprise”* (Fundamental Law of Hungary, Fundamentals, Article M, Paragraph (1)).

2.3. The conservative reinterpretation of the work-based society and individual freedom

A strong and successful country – especially in historical periods of crisis – must necessarily be based on a work-centered economy and society. It is essential to emphasize the second part of this formulation, which suggests that governance based on job creation and retention is not only important from an economic policy point of view, but also implies a serious choice of social policy values. The advocacy of a work-based society also entails a commitment to the conservative concept of freedom, which understands the individual as a member of the community – in this case, the Hungarian nation –, as opposed to the liberal concept prevailing between 2002 and 2010, which sees people as separate individuals whose personal aspirations can be tolerated even if they breach community interests – as long as the latter do not violate the legislation in force, i.e., are at most “only” morally reprehensible acts (see George Soros’ business activities based on financial speculation).

To talk about a work-based society alongside a work-based economy, a conservative conception of individual freedom is also indispensable, because according to the conservative ideal, the individual experiences his or her freedom as a member of the community, with active participation in it: *“this freedom is not*

‘freedom from something’, but rather ‘freedom for something’, to participate in the life of traditional small communities (i.e., positive, participatory freedom), to work for a community or a common national cause that goes beyond the individual” (Bihari, 2009, p. 201). This is also reflected in the Fundamental Law of Hungary: its preamble entitled the National Commitment and Belief states that *“we assert that human dignity is the foundation of human life. We proclaim that individual freedom can only flourish in partnership with others”* (ibid., National Commitment and Belief), and that – as a common national cause – *“it is the common goal of citizens and the State to accomplish well-being”* (ibid., National Commitment and Belief). At the same time, “there has also been a major change in the interpretation of fundamental rights, which have been included in the Freedoms and Responsibilities section of the Fundamental Law, as a result of the understanding that rights are accompanied by obligations and are not only to be interpreted individually” (Sárközy, 2019, p. 85).

Accordingly, although the Hungarian state, renewed after 2010, in addition to ensuring the exercise of individual freedoms through fundamental rights – which were defined by the constitutional majority in 2011, also considering the Charter of Fundamental Rights of the European Union¹⁵⁸ – also emphasizes the obligations and responsibilities of citizens. The latter include the obligation to work, as *“everyone shall have a duty to contribute to the enrichment of the community through his or her work, performed according to his or her abilities and faculties”* (Fundamental Law of Hungary,

¹⁵⁸ In this context, Gergely Gulyás, who played a significant role in the post-2010 constitutional process as an MP and who was the minister in charge of the Prime Minister’s Office at the time of writing, said after the adoption of the Fundamental Law that “it was also a decision not to copy the Charter of Fundamental Rights of the European Union, but to create a chapter on fundamental rights in our Fundamental Law by taking it into account” (Ablonczy, 2011, p. 98).

Freedoms and Responsibilities, Article XII, Paragraph (1)). The same article also imposes a duty on the state in this respect, by declaring that *“Hungary shall endeavor to ensure the possibility of employment to everyone who is able and willing to work”* (ibid., Freedoms and Responsibilities, Article XII, Paragraph (2)). It is in the spirit of these constitutional provisions that the post-2010 Orbán governments have acted, when they promoted the creation of 840,000 new jobs between 2010 and 2019 through their economic policies promoting the development of a work-based economy and society and rejected the social policies of the left-liberal elite forcing a welfare society, on the basis of the same philosophy. Especially as the latter is increasingly moving towards social benefits, it is enough to mention here the idea of a basic income without work requirements, which is essentially a permanent welfare program.

One of the most striking examples of the “work instead of benefits” principle – in addition to the shift from family allowances to work-related tax breaks for families – is the change in the role of the public employment system: the second Orbán Government in office in 2011 reduced the duration of the job seeker’s allowance from nine months to three, after which the state provides public employment for citizens who cannot find a job in the primary labor markets (Portfolio, 2011). This is of particular importance not only in principle but also in practice because of its socializing effect. On the one hand, it encourages people to look for a job as soon as possible, because if they have to work, it is better to do so in the primary labor market, which typically pays higher wages. On the other hand, the unemployed do not drop out of the labor market for long periods, which may facilitate their reintegration into the competitive sector. In addition, citizens who have been unemployed for a long time and, to a large extent, have never been active in the labor market, are given the opportunity through training programs to acquire basic skills that they could not acquire earlier in life.

This philosophy – together with an economic policy that prioritizes job creation – has not been without results: while at

the end of 2013, there were more than 200,000 people in public employment (Hungarian Central Statistical Office, 2014), by the end of 2019, the number had dropped to nearly 110,000, meaning that every year more and more people were finding their place in the primary labor market (Hungarian Central Statistical Office, 2020a). It is important to underline that the new system of public employment also had a positive impact on public safety and social cohesion by reducing crime: a study covering the period 2011-2014 concluded that *“public employment as an employment and social policy instrument contributes to reducing crime”* (Ignits & Varga, 2016, p. 19), while another analysis concluded that *“the most important impact for the local society and community is the overall social support for the principle and practice of ‘work instead of benefits’, which mitigates (also) conflicts at the local level, creating social peace. This active participation, instead of being passive recipients of benefits, and the value-creating work carried out by public employees has a positive impact on social cooperation and public morale in communities”* (Koltai, 2018, p. 109).

Gyula Tellér also expressed his views on the work-based economy and society built on the conservative concept of freedom¹⁵⁹ in a study written in 2014, which is worth mentioning separately because it also contained ideas that were decisive for Viktor Orbán, who led the renewal of the state. This is best demonstrated by the fact that in several of his speeches,¹⁶⁰ the Prime Minister analyzed the foundations of the system that emerged after the second regime change in 2010 by quoting some of Gyula Tellér’s thoughts.

¹⁵⁹ Gyula Tellér, although he did not use the term “work-based economy and society”, clearly describes the ideological foundations of this social philosophy.

¹⁶⁰ These included Viktor Orbán’s speech in Tusnádfürdő on July 27, 2019, his speech at the XII Congress of the Association of Christian Intellectuals on September 14, 2019, and the 2014 Tusnádfürdő speech.

Therefore, the thoughts of the sociologist, who is currently working as an advisor to the prime minister, are indispensable when describing the post-2010 period's concept of society and individual freedom, as they provide a more accurate understanding of the view of society represented by Fidesz-KDNP.

In his 2014 study, Gyula Tellér described the period since 2010 as a communitarian system, according to which the nation *“expects from its members the motivation and conduct necessary for the maintenance and operation of the community – participation in the solution of common tasks – after providing the necessary conditions for this”* (ibid., p. 356). Individual achievements – the most important of which are self-care, work, earning one's own living, paying taxes, studying diligently, a healthy lifestyle, starting a family, raising children, and being able to orient oneself in the nation's affairs, history and social relations – also benefit the community, because in the communitarian system, individual performance is also associated with *“community expectation and appreciation in addition to the need for individual success. (...) Community is not only a fact, but also an intention: an expectation, a demand, an obligation, an encouragement to participate in common tasks (...), and by seeing the links between individual destiny and the destiny of the community, it is also a source of ambition and aspiration”* (ibid., p. 357). According to Gyula Tellér, in a communitarian system, the liberal approach to the relationship between individuals must be abandoned.¹⁶¹ According

¹⁶¹ The liberal approach was also criticized by the political scientist László Gy. Tóth: “the aim of liberal mass democracy is not to create real freedom. The real beneficiaries of the system are the economic-financial elite, which lives in symbiosis with the political class and operates the social and economic structures that meet the elite's expectations through not very complicated transmission mechanisms.” (2016)

to the liberal principle, *“almost anything is permitted that does not infringe the similar freedom of others. However, what does and does not violate the freedom of others is always actually determined by the stronger player in a liberally organized reality. This morality is hypocritical at the level of existence because it is typically the ‘morality’ of power. Here too, the national, communal system is opposed to the (neo)liberal system of the regime change, insofar as it restores the ancient moral rule of ‘do not do to others what you don’t want to be done to you’ in the relationship between persons¹⁶² and even the positive inversion of this rule: ‘do unto others as you would have them do unto you’”* (ibid., p. 358).

¹⁶² Prime Minister Viktor Orbán interpreted this as a fundamental difference between the liberal and Christian concepts of freedom (Miniszterelnok.hu, 2019).

2.4. Crisis management measures to promote financial sovereignty and the establishment of a work-based economy and society

To create financial sovereignty and a work-based economy and society that embraces a conservative conception of freedom, the Orbán Government that took office in 2010 had to take several key steps, in addition to the political will that came from firm conviction.

Improving the fiscal balance has proved to be a priority for fiscal sovereignty, and as a result, Hungary was exempted, after nine years, from the EU's excessive-budget procedure in 2013. In fact, between 2012 and 2019, Hungary's budget deficit was consistently below the Maastricht criteria of three percent (Hungarian Central Statistical Office, n. d.). It is important to point out that the stabilization of the budgetary position has also led to the rebalancing of the economy's external position: while in the pre-crisis years, the current account deficit-to-GDP ratio was consistently between seven and eight percent, in 2010 – for the first time since the regime change – the current account deficit was in surplus and in 2018, the assets approached three percent. Thus, the external balance position of the Hungarian economy has shown one of the largest improvements in Europe, meaning that Hungarian economic growth is increasingly based on domestic savings rather than external borrowing.

In 2010, the incoming Fidesz-KDNP also imposed a special tax on the financial, retail, telecoms, and energy sectors in order to improve fiscal balance and common burden-sharing. *“In 2010, the tax on financial institutions contributed a revenue equivalent to 0.7 percent of GDP to the budget, while special taxes on other sectors contributed an amount equivalent to 0.6 percent of GDP. To reduce*

taxes on capital, sector-specific special taxes on certain sectors were abolished from 2013, and new taxes, mainly on consumption /traffic (telecoms tax, accident tax, insurance tax, financial transaction tax, utilities tax) were introduced. In addition, the special tax on financial institutions, which can be regarded as a tax on capital, has been significantly reduced since 2016” (Baksay & Palotai, 2017, pp. 709-710).

Measures to reduce the shadow economy have also improved the balance of public finances by increasing budget revenues without raising taxes. The introduction of online cash registers in the retail sector has brought spectacular results, with the VAT gap falling from 21 percent in 2013 to 9 percent in 2018 (Magyar Nemzet, 2019). The reduction of public debt has also strengthened Hungary’s financial sovereignty: in 2010, Hungary had a public debt of more than 80 percent of GDP, with a foreign currency and foreign share of over 50 percent. This pointed to significant financial vulnerabilities, but after 2011, the public debt-to-GDP ratio fell to a level below the EU average, thanks to a reduction in the budget deficit and the resumption of economic growth (Baksay & Szalai, 2015). Moreover, the foreign currency ratio also declined significantly, from 50 percent to 25 percent by the end of 2016, with the full repayment of the EU-IMF loan contributing significantly. Furthermore, thanks to the increased savings rate of the population, *“the share of domestic government bonds has gradually increased in recent years, so that household savings, which provide a more stable base than foreign borrowing, have played an increasingly important role in public financing”* (Matolcsy, 2019).

Thanks to the positive developments in public debt, Hungary’s risk perception had already started to improve in 2012, as reflected in the decline in risk premiums (CDS) and the significant reduction in government bond market yields. As a result, in 2014 financial markets were already pricing Hungary at a similar level to investment grade countries, followed by upgrades by international credit rating agencies in 2016 (Baksay & Palotai, 2017, p. 711).

A step forward in the development of a work-based economy and society was the reform of the tax system, shifting the focus from taxes on labor to taxes on consumption. The introduction of the flat-rate personal income tax (PIT) in 2011 should be highlighted, as the 16 percent flat rate was lower than the lower rate of the two-rate PIT in force until then, and in 2016, the tax rate was reduced by another percentage point. As a result of rising household incomes due to tax cuts and more cautious consumption patterns, *“we have seen significant changes in households’ propensity to save. Since the crisis, the savings rate as a share of disposable income has risen above nine percent. The net financial wealth of the population has been on a sustained upward trend since 2010, reaching historically high levels in recent years, while the household indebtedness ratio has fallen to below pre-crisis levels. The net financial position of families improved by more than HUF 25,000 billion between 2010 and 2018”* (Matolcsy, 2019), which has fundamentally improved the resilience to crisis of the Hungarian population.¹⁶³

¹⁶³ The phasing out of foreign currency loans has also contributed to the increase in household savings, as one of the first steps of the incoming Orbán Government was to virtually ban foreign currency based mortgage lending and to take measures that essentially helped avoid a social catastrophe. The conversion to forints of foreign currency loans was also an important decision, for which it was essential that the central bank – after György Matolcsy took office – provided the necessary foreign currency from its reserves in 2013 (Baksay & Palotai, 2017, p. 713).

3. The crisis management capacity of nation states and the European Union

3.1. Hungary's crisis management capacity has increased significantly

Hungary's strengthened crisis management capacity has not only proved effective in tackling the economic difficulties of the early 2010s but has also been instrumental in addressing the migration crisis that began in 2015 and the 2020 coronavirus pandemic. Among the core values that Fidesz-KDNP has consistently promoted, the conservative concept of political and governmental stability, (financial) sovereignty, a work-based economy and society, and individual freedom have particularly grown in significance in the face of the crises that have spilled over from the outside.

The main contribution to tackling the migration crisis has been made by our national sovereignty, which has also ensured political stability and a sufficient degree of financial independence. These two factors have given the Hungarian government the broad decision-making and capacity to act that has enabled Hungary to curb the negative economic, social, and public security impacts of mass illegal immigration. This is a particularly remarkable political and governmental achievement, given the fact that the liberal elite in Western Europe clearly saw the admission of immigrants as an opportunity: liberals fighting for a federal EU, i.e., essentially a United States of Europe, attempted to limit the freedom of national self-determination of Member States by criticizing the strict border protection measures of countries on the external borders of the Schengen area and tried to infringe the freedom of

social organization based on the national self-determination of the Member States with the plan for a mandatory resettlement quota and the so-called “relocation mechanism” (Center for Fundamental Rights, 2018).

The liberal elites in Western Europe have been particularly active in the latter, which is not surprising, since it is much more difficult to achieve a federal European Union without the development of multicultural societies. However, by creating political and governmental stability and a sufficient degree of financial independence, the Hungarian government has been able to protect the country’s national sovereignty and manage the migration crisis in accordance with national interests.¹⁶⁴

The medical management of the coronavirus pandemic, which was occurring at the time of writing, was underpinned by the ability to respond quickly and with a broad capacity for decision and action, thanks to political and governmental stability. Moreover, the work-based economy and society that has developed over the past decade has also played a key role in averting negative economic consequences. Thanks to the latter, our country was in a stable economic situation when the coronavirus pandemic hit, and the crisis tolerance and crisis management capacity of countries with stable economies is naturally stronger than that of countries with economic problems.

¹⁶⁴ During the national consultations, in the 2016 quota referendum and in the 2018 parliamentary elections, which gave Fidesz-KDNP a two-thirds majority in parliament, Hungarian voters supported the sovereignty protection policy of the government led by Viktor Orbán, which was based on strict border protection and the rejection of the mandatory admission of illegal immigrants.

Therefore, although the left in Hungary is always calling for the introduction of social measures (e.g., increasing the duration and amount of unemployment benefits, crisis-management basic income, etc.), the ruling Fidesz-KDNP continues to insist on the principle of “work instead of benefits”, and has sought to avert the negative economic and social consequences of the pandemic by focusing on job creation.

In this context, Viktor Orbán said in the National Assembly on March 23, 2020 that *“the most important thing in the economy right now is to protect people’s jobs, and for those who lose their jobs, to look for and find new ones as quickly as possible. We did it once before, after 2010, when we inherited hundreds of thousands of unemployed – we did it then, and we will do it again now, and we’ll pull through”* (Cabinet Office of the Prime Minister, 2020a). Accordingly, *“all the money will be spent on employers being able to give people a job, because that’s what helps them, not on benefits”* (Cabinet Office of the Prime Minister, 2020b). A month later, the prime minister also announced that everyone would have a job by the time the three-month job seekers’ allowance expired: *“there will be no one who does not receive a job offer from the economy or the Hungarian state”* (Magyar Nemzet, 2020b).

The government – whose slogans are *“create as many jobs as the virus destroys”* (koronavirus.gov.hu, 2020a) and *“the country has to function”* (koronavirus.gov.hu, 2020b) – has taken various measures to achieve this goal. It is worth making a distinction between family protection measures, which are both a continuation of existing benefits and allowances, and the introduction of new ones. Furthermore, the economic protection measures are built on the basic logic that, although a kind of “blackout” has shocked the economy, if capacity can be maintained or rebuilt in the short term, Hungary can, in the words of the central bank governor, “overtake on the curve”, i.e., emerge from the crisis as a relative winner compared to its competitors.

Another priority was to defend and even extend the family policy achievements of the past decade. The pre-2010 crisis management by the left – the Bokros package and the Gyurcsány-Bajnai packages – was characterized the use of austerity in family policy. It is worth remembering that at the time, they abolished the tax allowance for families with one or two children, reduced childcare to two years, and as one of their final decisions, they wanted to tax the family allowance. It was only thanks to the Constitutional Court that the liberal government majority could not implement the latter measure. These adjustments had a minimal positive fiscal impact at the macro level but were seriously damaging at the national level because they sent the message that families cannot count on state support in the long run.

The government's aim in 2020 was the opposite, as the cabinet assessed that economic recovery would be hampered if investments in families were not made. Protecting families' standards of living has also been helped by a moratorium on loan repayments, which also shows exactly the opposite crisis management logic to the impotence of 2008-2010 in helping foreign currency borrowers. On the one hand, the credit moratorium meant that individuals and companies did not have to pay the instalments on their loans until December 31, 2020. In fact, vulnerable groups such as families with children, pensioners, the unemployed and the publicly employed were automatically exempted from repaying loans for a further six months, until June 30, 2021. Finally, businesses whose turnover fell by 25 percent were also able to benefit from the moratorium. Once again, we see the reverse of the left's crisis management: people and businesses do not start their monthly planning (repayment instalments) already in the red, rather a kind of surplus appears – according to the principle of “he who gives twice gives quickly” – in the family or business calculations in the form of the amounts corresponding to the repayment instalments.

As for other family policy elements of the crisis response: in 2021, family benefits will increase again according to the budget,

to almost two and a half times the 2010 level in nominal terms. This means that Hungary will spend almost five percent of its 2021 budget on family support, an investment in demography that is close to twice the average of developed countries. Another important development is that new measures are also helping family policy and the economic recovery.

As regards the economic protection side of crisis management, the Orbán Government has made the protection of jobs, the creation of new jobs, and the wage subsidies to support them the main instrument of intervention. The scale of the resources allocated to this intervention is unprecedented in the history of the Hungarian economy. Nevertheless, it is a fact that the impact of the coronavirus has temporarily stalled growth in Hungary as well. It's no coincidence that Hungary's GDP fell by 13.6 percent in the second quarter of 2020 compared to the same period last year. It is little consolation that this is less than the average decline in the EU-27, or the decline in Italy, Spain, France, or Belgium.

According to government announcements, the total resources available for the measures of the Economic Protection Action Plan will amount to around HUF 9-10,000 billion between 2020-2022, which is 18-20 percent of the GDP. More than half a million jobs have been protected through investment and wage subsidies, and nearly one million Hungarians have received labor market or training support. The public employment framework has been extended to 200,000 people as a first step and will continue to operate as an open framework if exhausted.

As regards additional economic protection support: the government has introduced separate wage subsidies for job creation, R&D and innovation wage subsidies, investment subsidies, and SME support. More than 110,000 citizens who had previously lacked language qualifications and were therefore unable to enter the labor market with a higher education qualification have obtained their degrees.

So far, the government's approach to crisis management has not been without results: in August 2020, domestic industrial production was only 0.2 percent below last year's level, based on index data adjusted for the working-day effect, so at the time of writing this study, there is a chance of a successful recovery in Hungary. Sector activity corrected upwards by 56 percent from the April low (Hungarian Central Statistical Office, 2020b), which also had an impact on employment figures.

According to the latest information from the Hungarian Central Statistical Office, the labor market situation has improved again after the pandemic: in August 2020, *“the average monthly number of people employed increased by 54,000 compared to the previous month, to 4.514 million and decreased by 18,000 compared to August last year. The employment rate for 15–64-year-olds was 70.7 percent, up 1.1 percentage points from July and up 0.2 percentage points from August”* (Hungarian Central Statistical Office, 2020c). Just for comparison, the employment rate for the same age group was 70.1 percent in 2019, the year before the coronavirus pandemic, which was 15.2 percentage points higher than in the year of the change of government in 2010 (Hungarian Central Statistical Office, 2.1.2). Moreover, the Hungarian unemployment rate remains one of the lowest (8th) in the European Union.

Crisis management that preserves the achievements of the work-based economy and society thus seems to be effective, as according to the Takarékbank savings bank's baseline scenario, economic growth is expected to reach 7.2 percent in 2021, compared to a 4.7 percent decline in 2020, which could even help the Hungarian economy reach its pre-pandemic level in the third quarter of 2021. However, even if further measures are needed to contain the pandemic, and external demand loses some of its momentum, GDP growth is still expected to be significant at 5.8 percent next year, and the Hungarian economy could reach its pre-crisis level by the fourth quarter of 2021, just one quarter later (Takarékbank, 2020).

These findings could, of course, be contradicted by a prolonged second wave, but at the time of writing, in October 2020, the latest employment data point in the right direction. Moreover, there seems to be a chance that Central and Eastern Europe, with its competitive economic environment, could emerge as the winner from the shortening of global production chains and the strengthening of European economic protectionism.

This could be an investment breakthrough for the region, as highlighted by the Polish Economic Institute's analysis of the subject. The think-tank wrote in June 2020 (Polish Economic Institute, 2020) that "the EU Member States could be the winners if production is relocated from China, if a scenario is implemented in which national patriotism is combined with the strengthening of the new Central European Member States (Czech Republic, Poland, Slovakia, Hungary and Bulgaria) in terms of their production capacity for the EU". According to the Polish institute, the biggest absolute winner would be Poland, followed by the Czechs and then the Hungarians, with an annual increase in value added in Hungary of \$2.7 billion, or nearly HUF 850 billion at current prices, which would represent 1.8 percent of Hungary's 2019 GDP.

3.2. Nation states are proving more effective at crisis management

Finally, it is also important to point out that the global health, social and economic crisis caused by the economic crisis of 2007/08, the migration crisis starting in 2015, and the coronavirus pandemic of 2020 have confirmed, in the debate of a federal European Union versus a Europe of Nations, the legitimacy and effectiveness of the latter. Although the end of the pandemic is not yet in sight at the time of writing, it seems to be proving once again that in crisis situations, only the governments of nation states have the capacity and social legitimacy to act quickly, effectively, and efficiently. Of course, due to the diversity of nation-state solutions and different governance, economic and social characteristics, performance indicators differ between countries, but overall, it can be said that the European Union is still incapable of dealing with the European crisis phenomena on its own.¹⁶⁵ This may be due to two reasons:

1. Its scarcity of powers and complex decision-making mechanism: the inadequacy of the EU's crisis response capacity is partly due to its scarcity of powers and complex decision-making mechanism. These render the European Union incapable of effective crisis management, or at best only of post-crisis follow-up. This is not surprising, since if the EU had the competences necessary for crisis management, it would lose its very essence: instead of a community of sovereign states, it would look like a centralized confederation of states, functioning as a United States of Europe.

¹⁶⁵ This was also underlined by the events that followed the coronavirus outbreak. E.g., Italy criticized the EU (see: Origo, 2020), and Brussels lagged behind the Member States in repatriating European citizens: while by the end of March, Hungary alone had repatriated more than 5,000 of its citizens (see: Világgazdaság, 2020), the EU had contributed to the repatriation of 101 Hungarians by the same date (see: Magyar Narancs, 2020).

2. Diversity of Member States: the diversity of Member States does not justify an extension of the European Union's powers in the first place. The 27 EU Member States are affected differently by every global and/or European challenge, due to their political, cultural, and economic differences, which have developed over centuries. This may require different measures for different countries. Moreover, the diversity of the measures considered necessary is exacerbated by the existence of crises in which different views may emerge not only on the means of crisis management, but also on the nature of the crisis itself and hence on its meaning. Thus, while everyone agreed on the nature of the economic crisis and the coronavirus pandemic and the purpose of dealing with them (to restore the economy and defeat the virus, respectively), so that there were "only" differences of opinion on the appropriate measures to be taken, the sovereign EU Member States could not agree on the most basic interpretation of the migration crisis: Western European countries, influenced by the liberal political and economic elites, did not see mass immigration as the root of the problem, and therefore focused on expanding reception capacity and legalizing illegal migration.¹⁶⁶ By contrast, the Visegrád Group called for a halt to mass illegal migration and a solution of the situation in the migrants' home countries. The immigration crisis has thus clearly highlighted the fact that the EU is incapable of dealing with the crisis on its own, not primarily because of its limited powers and complex decision-making mechanisms, but rather because of the differences between its Member States, which are

¹⁶⁶ German Chancellor Angela Merkel said in fall 2015 (Mandiner, 2015) that "migration should be legalized", and "we should insist on fair burden sharing between Member States" (i.e., the mandatory resettlement quota).

the result of their different historical, cultural, and social characteristics. The necessary common ground does not exist and cannot be created without crude social engineering interventions. However, this should not be a problem in itself, as it is a natural state of affairs stemming from European historical traditions. To put it another way, the crisis phenomena of the last decade or so have made it clear that the peaceful coexistence and mutual development of the nations of a continent that has been burdened by numerous armed conflicts over the past centuries can only be achieved in the long term within the framework of the Europe of the Nations model.

The European Union cannot therefore be expected to deal effectively with crises, but it could play an important role in post-crisis reconstruction and recovery.¹⁶⁷ However, instead of accepting an integration model based on a Europe of Nations, which would also mean leaving the management of crises to the Member States, the Western European liberal elite that dominates European politics sees in certain phenomena of the European crisis an opportunity to realize their imperial ambitions, for crises always bring with them the possibility of change, as citizens have a legitimate expectation of political leaders to ensure that future crises are avoided, even if only through reform. This is also the mood that the liberal elite in Western Europe seeks to exploit when it envisages a further expansion of the powers of the European Union: the real aim is not to create EU crisis management competences, but rather to impose imperial ambitions.¹⁶⁸ Indeed, a radical extension of the

¹⁶⁷ We have already seen examples of this; just think of the proposal for a European recovery plan, see: European Council (n. d.).

¹⁶⁸ The federalist liberal elites in Western Europe now undoubtedly want to bring European states under a single center of power in a more humane way

powers of the EU institutions could bring within sight the creation of a federalist European Union – more aptly called the United States of Europe – in which the Member States resemble provinces subject to the central will, rather than sovereign states.¹⁶⁹

The federalist vision of the liberal elite in Western Europe, based on imperialism, is not a recent one; the so-called “founding fathers” – including Jean Monnet, for example – “wanted from the outset to create a supranational, unitary European state” (Center for Fundamental Rights, 2019). Crisis phenomena such as the global economic crisis in 2007/08, the migration crisis from 2015 onwards, or the current coronavirus pandemic at the time of writing, have provided a good opportunity to attempt further federalist moves, under the pretext that only a centralized European Union can overcome global and European crises. However, the political forces opposed to the liberal elite in Western Europe, including Fidesz-KDNP led by Viktor Orbán, have advocated a Europe of Nations model of sovereign Member States: they want to improve the EU’s political and economic competitiveness not through centralization but by preserving national competences, reinforcing the principle of subsidiarity, maintaining the primary policy-making role of the European Council of Heads of State and Government among the EU institutions, and ensuring the inviolability of national sovereignty.

than their empire-building predecessors, which have emerged from time to time over the past centuries and relied mainly on armies. The result, however, has been equally unsuccessful, with Brexit its most striking example. One of Europe’s leading powers, the United Kingdom, left the European Union as the result of a referendum in 2016, partly because of federal aspirations. The latter is unprecedented in the almost 70-year history of the confederation.

¹⁶⁹ Without being exhaustive, from 2021 they would link the disbursement of EU funds to arbitrary rule of law criteria that could even be open to political abuse; they created the European Public Prosecutor’s Office and tried to curtail the right of the European Council of Heads of State and Government to propose the President of the European Commission by imposing the Spitzenkandidat system.

The latter also implies that EU Member States can continue to sovereignly decide on the definition of their own statehood, within the framework of democratic and rule of law norms. This implies, inter alia, three “freedoms” built on the most basic elements of the concept of statehood (sovereignty, population, and territory)¹⁷⁰:

1. The Member States of the European Union are free to decide, without interference from the EU institutions and the liberal political elites of Western Europe, whether they wish to determine the principles of the exercise of sovereign power and the organization of the state within the framework of a democratic political system based on liberal, Christian democratic, social democratic or other values, in accordance with their national, historical, and cultural traditions. (*The freedom of constitution making.*)
2. The Member States of the European Union are free to decide, without interference from the EU institutions and the liberal political elite of Western Europe, the kind of society they wish to live in, i.e., who they wish to accept as their citizens. Each country has the right to decide whether it prefers a multicultural open society or a culturally homogeneous society. (*The freedom of social organization.*)
3. The EU Member States are free to decide who they allow into their territory, without interference from the EU institutions and the liberal political elites of Western Europe. This is a key issue, especially for the border states of the Schengen area, as Member States without external borders are bound

¹⁷⁰ “According to the Austrian statesman Georg Jellinek (1851-1911), statehood is based on the existence of a territory, a population, and the exercise of sovereignty over that territory and population, recognized by other states.” (Schanda, 2019, p. 93)

by their own sovereign decision to waive, as a rule, border controls within the Schengen area.¹⁷¹ (*The freedom to protect national territory.*)

At the same time, the imperialist thinking pushed by the liberal political elite in Western Europe not only aims to increase the powers of the EU institutions, but also to limit the abovementioned freedoms of the Member States, as the path towards a federal European Union is impassable without limiting the sovereignty of the Member States. However, this is not easy because of the still strong national, historical, and cultural traditions of the Member States that make up the European Union: European citizens are primarily attached to their own countries, so it is questionable whether they would support an expansion of the EU's powers beyond a certain point, let alone the creation of a United States of Europe. (For example, the British said no to all this in the 2016 referendum on EU membership.) The liberal elite in Western Europe must therefore first weaken the strong ties between the Member States and their citizens, by imposing in each country the concept of a value-neutral state – which is in fact based on the liberal ideology –, where “the state treats all views equally and does not protect the traditions of the country in any way” (Szikra, 2019). However, value neutrality is not the end of the story: the Member States must also be weakened in the public law sense, because without this, the possible rise to power of political forces that favor nationalism, which are typically right-wing

¹⁷¹ It is important to stress that there may be a crisis situation in which Member States without Schengen external borders may be forced to temporarily reintroduce border controls. The most striking example of this was the coronavirus pandemic that hit Europe in early 2020, but there was also precedent for it in the aftermath of the 2015 immigration crisis.

conservative, could jeopardize federalist aspirations. This latter process had already begun in Western Europe long before the regime changes in Central and Eastern Europe, and after 1989/90 – with the support of the liberal elite in Western Europe, which embraces federalist ideas – the states of the post-Soviet region also basically adopted this model. Accordingly, in this region, and thus also in Hungary, a consensual model of democracy based on radical power-sharing and a good governance (Stumpf, 2009, p. 111) approach promoting market dominance had to be imposed instead of a majority model of democracy, enabling the functioning of an effective state and a good government model that favors an active, intelligent, and strong state (*ibid.*, p. 111). As a result, “weakened states and their democracies, dependent on millions, have been rendered powerless, through the division of power, to the masters of the global economic world order. But by the same token, the world-state formations – and continental semi-federal formations such as the EU are part of these – that are also spurred on by them are in a better position than nation states in their ongoing power struggles with them because of the extreme fragmentation of member states through power-sharing” (Pokol, 2019, 50-51). It is important to point out that the state based on a good governance approach and a consensual model of democracy advocated by the liberal elite in Western Europe is in fact far from value-neutral: it is based on the liberal ideology that the state is weak and therefore vulnerable to global and European political, market and economic processes; instability, typically caused by coalition governments, has led to an increasing role for unelected and often foreign-backed interest groups in political decision-making; the individual takes precedence over the community; society is open, multicultural and still mainly welfare-based, rather than national, Christian and work-based; immigration is a natural, accepted and supported phenomenon; and national affiliation is increasingly overshadowed by the so-called European identity. Only if this liberal approach becomes predominant can the citizens of the EU Member States

accept, over time, the further expansion of the EU's powers and the creation of a federal European Union. So, it is not surprising that the liberal elite in Western Europe sees political forces and countries that do not want to establish their preferred model of state but try to create/maintain a state system and a philosophy of government based on a different set of values as a threat. And since the liberal elite in Western Europe sees this as a threat, it wants to act against it, because if were to succeed, it could become a model, thus disproving the idea of the exclusivity of the supposedly value-neutral state model, which is in fact based on liberal ideology.

Hungary is a good example of this: Fidesz-KDNP, which won a two-thirds parliamentary majority in 2010, has created a Christian democratic state based on national conservative values, in which the majority model of democracy and the good governance approach have been at the forefront over the past decade. The radical break with the pre-2010 regime was symbolized by the fact that the foundations of the renewed state were laid in a new Fundamental Law in force since 2012, and the official name of the country was changed from the Republic of Hungary to Hungary. Although all this happened with the support of the majority of Hungarian citizens – Fidesz-KDNP also won a two-thirds parliamentary majority in the 2014 and 2018 elections after 2010 –, the liberal elite in Western Europe has since then continued to attack elements of the reorganized Hungarian state and political system through various investigations into the rule of law. The “highlights” of the latter were – in addition to the numerous debates and resolutions on Hungary – the Tavares report on the situation of fundamental rights in Hungary, adopted in the European Parliament in 2013, and the Sargentini report, which included the initiation of the procedure laid down in Article 7, Paragraph (1) of the Treaty on

European Union¹⁷², voted in 2018.¹⁷³ The state of democracy and the rule of law in Hungary and the Article 7 procedure have been on the agenda of the EP's liberal majority ever since.¹⁷⁴ At the same time, the political elite in Western Europe is seeking to take perhaps the strongest sovereignty-reducing step ever in the face of the coronavirus pandemic, effectively limiting the discretion of national governments that disagree with the mainstream: the process of adopting the EU budget for 2021-2027 and the European Recovery Plan (European Council, n.d.) to help recovery

¹⁷² Article 7, Paragraph (1) of the Treaty on European Union: "On a reasoned proposal by one-third of the Member States, by the European Parliament or by the European Commission, the Council, acting by a majority of four-fifths of its members after obtaining the consent of the European Parliament, may determine that there is a clear risk of a serious breach by a Member State of the values referred to in Article 2. Before making such a determination, the Council shall hear the Member State in question and may address recommendations to it, acting in accordance with the same procedure. The Council shall regularly verify that the grounds on which such a determination was made continue to apply." (EUR-Lex, 2012).

¹⁷³ Alongside the liberal elite in Western Europe, pressure was also exerted by American liberals. This was most intense during the 2011 constitutional process, with Democratic President Barack Obama's Secretary of State, Hillary Clinton, expressing concern about the constitutional changes during her visit to Hungary in June, and sending a letter to Prime Minister Viktor Orbán on December 23, expressing the following thoughts: "Two weeks to go before Hungary's new Fundamental Law and a number of important related cardinal laws enter into force. I regret that the dialogue between the Hungarian and US governments, the constructive comments of our government, and the other constructive groups mentioned above, did not lead to a thorough rethinking of the laws. While I fully respect the right of Hungarians to make laws for Hungary, I would still urge you to consider the consequences of these laws coming into force next month without change." (Népszabadság, 2011, p. 7)

¹⁷⁴ Since 2015, Poland has been in a similar situation: the governing coalition led by the Law and Justice Party (PiS), which also represents a Christian Democratic ethos based on national conservative values, is now also subject to the Article 7 procedure, alongside Hungary.

from the coronavirus pandemic, which would include a rule of law mechanism, is in progress at the time of writing. The latter can be used as an effective political weapon against, for example, national governments that reject the federal EU and support the Europe of Nations model, by invoking vaguely formulated rule of law principles that allow for double standards. It is no coincidence that Hungary and Poland are exercising their sovereign choice not to adopt the new procedure (MH/MTI, 2020). Finally, it is important to underline that the liberal elite in Western Europe does not only want to limit the freedom of the Member States to draft constitutions, but has also launched an attack on the two other freedoms linked to the concept of the state in the context of the immigration crisis that started in 2015: by criticizing the strict border protection measures of the countries located at the external borders of the Schengen area, it tried to limit the freedom of the Member States to protect their territory, and with the plan for a mandatory resettlement quota and the so-called “resettlement framework mechanism” based on this, it set out to curtail their freedom to organize society (Center for Fundamental Rights, 2018).¹⁷⁵ The liberal elite in Western Europe has been particularly active in the latter issue, which is not surprising, since the realization of a federal European Union is impossible without the development of multicultural societies.

¹⁷⁵ In contrast to the ongoing rule of law investigations, criticism of quota plans and border protection have been relegated to the background at least for the time being. In fact, after Turkish President Recep Tayyip Erdogan announced at the end of February 2020 that his country would open its borders to immigrants, strict border protection is now being advocated even by the liberal elite in Western Europe. But this is mainly for political reasons: in 2015, the arrival of illegal immigrants in Europe was advocated under the banner of “Willkommenskultur”, but this has had serious political consequences as anti-immigrant forces have gained strength across Europe.

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DIGNITY

VI. CHANGE OF GOVERNMENT AND POLITICAL APPROACH, A SPIRITUAL TURN

1. Nation building and a sovereign Hungary

Between 2002 and 2010, the left-wing Hungarian governments pursued an uncompromising, and sometimes exclusionary, national politics based on the left-wing tradition of internationalism. After EU accession, they were unable to outline a national vision that the overwhelming majority of Hungarians could rally behind. Viktor Orbán also decided to make radical changes to Hungarian national policy. In his 2010 St Stephen's Day speech in Palić, Vojvodina, he recalled the tale of the dismembered prince, who is first cut into seven pieces, then glued together with magic herbs and spells, and finally the prince comes back to life. The reading of the tale referencing a nation torn apart is clear: there is a remedy that *"can glue together the shattered cities, the torn-apart families, and an entire nation torn into several parts, and it's called national cooperation"*.

The 2010 parliamentary vote on dual citizenship for Hungarians living abroad brought a paradigm shift in this matter, and apart from a few extreme cases, national unity was practically established in this highly important issue of national politics. It would be a huge mistake to interpret the institution of dual citizenship as a way of mitigating the tragedy of the past or as a gesture of collective remembrance. Rather, it is a recognition that the possibility of a successful nation cannot be created without the security of existence of Hungarian communities abroad.

Moreover, it is also a multifunctional measure. Its main objectives are to help Hungarians living beyond the borders and to support the survival of the communities there. But it also comes with measures involving "targeted side-effects". While, of course, the primary effect is the most important, i.e., the sense of common citizenship of those belonging to the same nation and the legal

(re)unification of the nation, there are other important effects at work as well. These include facilitating travel for Hungarians living outside the Schengen area and easier access for people from outside the homeland to work and study in Hungary.

First, the government tried to match the national policy goals with the appropriate institutional system: after six years, it reconvened the Hungarian Permanent Conference and set up the Hungarian Diaspora Council. After outlining the institutional framework, it is also worth examining the basic principles on which the new Cabinet made changes in national politics, and then we will also review the other key steps it has taken towards the creation of a Hungary that is sovereign in its self-conception, national consciousness, and self-advocacy.

1.1. National politics, or the cross-border reunification of the Hungarian nation

From the moment it took office, the second Orbán Government made it clear that its basic understanding is that all Hungarians are responsible for all other Hungarians, and that the Hungarian people are a world-nation because of the way history has developed. These ideas were implemented not only by the granting of dual citizenship and the right to vote to Hungarians abroad with registration. One of its first measures was to declare June 4, the day of the signing of the Trianon Peace Treaty, National Unity Day. The Hungarian Permanent Conference (MÁÉRT), the main Hungarian-Hungarian political coordination forum, resumed its activities in November 2010, after a six-year break. This is the institution where the representatives of domestic parliamentary

parties and Hungarian leaders from abroad can meet regularly to discuss the most important issues of the Hungarian nation as a whole. For a decade now, this has been the forum used by Viktor Orbán to give a higher-perspective overview of the directions of governance relevant from the point of view of national policy.

In addition to the Hungarian Permanent Conference, the Hungarian Diaspora Council was founded in 2011, which is the most important political forum for the 2.5 million Hungarians living in 'diaspora' around the world. At the first meeting of this new forum, the prime minister made it clear that the creation of the new institution is not only of spiritual or symbolic importance, but has values that go beyond these: *"Ladies and Gentlemen, our economic performance can be multiplied if more and more people, both within and outside our borders, have confidence in the strength, potential and future of our country, and if more and more people want to be active participants in Hungary's success and want to take part in what is happening here in Hungary. To put it even more simply: 14-15 million Hungarians can do much more than 10 million. And from whom else could the nation gain strength from outside our borders than from those Hungarians who were swept far away from their homeland by the storms of history in the 20th century, but who have always maintained their loyalty, attachment, and love for Hungary. As I once had the privilege to say in a celebratory speech in the United States, this is how I see the Hungarian nation becoming a world nation. This has its advantages"* (Orbán, 2011a).

After the Hungarian Permanent Conference, but before the establishment of the Diaspora Council, Parliament adopted the Fundamental Law of Hungary. According to the principle enshrined in it, Hungary bears responsibility for the fate of Hungarians living beyond its borders. This is expressed in a variety of ways. In 2010, the government reiterated the idea of cross-border national reunification as a goal, and in this spirit, programs were launched that contributed to the long-term prosperity of Hungarians living abroad in their homeland (Giró-Szász, 2019, p. 222-224).

Overall, the Cabinet has multiplied its support for Hungarians living beyond the borders: while in 2009, HUF 9 billion was allocated for national policy, today HUF 100 billion is available annually for this purpose. This more than tenfold resource is there to help Hungarian communities living across the border become more successful in their daily lives than before. It means more money for nurseries, meals, communities, networking, and preserving our shared cultural values. The government also aims to promote the prosperity of Hungarians abroad in their homeland with its economic development programs abroad. Tens of thousands of Hungarian families have received support for their businesses and farming.

The government recognized that the primary arena for assimilation is education, so in 2016, it launched the Carpathian Basin Kindergarten Development Program to give Hungarian children from abroad the opportunity to acquire knowledge and learn about Hungarian culture in a mother-tongue environment from an early age. The program is now in its third phase, with 110 new nurseries and kindergartens and 700 renovations. It is also worth noting that since the 2009/2010 school year, the number of kindergarten places within Hungary's borders has increased by more than 16,000, and there are 1,500 more kindergarten teachers working in kindergartens.

However, the infrastructure development related to children's education did not stop at the kindergarten development program, as the government also lent a helping hand to the establishment of football academies in Bačka Topola/Topolya in Vojvodina (Serbia), in Dunajská Streda/Dunaszerdahely in Felvidék (Slovakia) and in Miercurea Ciuc/Csíkszereda in the Szekler region of Romania. These institutions not only contribute to the development of further talents for Hungarian football in addition to the institutions in Hungary (Hungarian Football Academy, Puskás Ferenc Football Academy, Sándor Károly Football Academy), but also serve as special guardians of Hungarian identity abroad.

New roads have been built not only as a symbolic, but also as a very tangible sign towards the parts of the country that were separated a hundred years ago. The government has made it easier to travel to Hungarian territories outside Hungary, as expressways have been built to the border with Transylvania, Prekmurje (Muravidék) and Felvidék, and the expressway to the Sub-Carpathian Region (Kárpátalja in the Ukraine) is under construction. And if roads are built, then travelers are also needed. It is in this spirit that the “Határtalanul” (Without Borders) program was launched in 2013, with the aim of enabling young Hungarians to visit a Hungarian-inhabited area beyond the border at least once during their school years. The Hungarian state provides substantial support for these visits. Since 2015, more than 300,000 people have travelled to Hungarian communities abroad under the program, and, also thanks to the program, at least 78 percent of young Hungarians have visited a cross-border area, and 62 percent have friends abroad.

Previously, the borders had kept Hungarians apart for decades, so there was no chance for a living relationship. But the journey is a victory over the dividing line, creating the possibility of a vibrant experience of belonging. The program is a clear break with the obsequious foreign policy of the previous left-liberal governments, the dead-end nature of which culminated in the turning away of former President László Sólyom on the Maria Valeria Bridge.

As far as the reunification of the nation under public law is concerned, since the introduction of preferential naturalization in 2010, more than 1.1 million of our fellow citizens from abroad have acquired Hungarian citizenship. And under the new electoral law adopted at the end of 2011, citizens with a permanent address outside Hungary who register can cast a postal vote by list. At the same time, citizens with a permanent address abroad are not allowed to participate in the other, “local” branch of the electoral system, the single-member constituency vote. Hungarian citizens

living abroad whose permanent residence is in a non-EU country can also vote in Hungary's European Parliament elections.

The experience of the three elections – two parliamentary and one European Parliament – held since then under this system, which involves the participation of foreign citizens active in public life, shows that more and more cross-border citizens are exercising their right to vote. In 2014, 195,338 voters registered, roughly 60 percent of the total number of citizens not residing in Hungary who were eligible to vote at the time. Roughly half of those who registered for the 2014 parliamentary elections were Romanian, and 15 percent were Délvidék Hungarians (i.e., Hungarians from Vojvodina, Serbia) (Herner-Kovács, Illyés & Rákóczi, 2014, p. 9-10). In the end, 128,429 postal votes were valid, 95.5 percent of which went to the governing parties, giving them an extra seat in the 199-member Hungarian Parliament. Thus, the 2014-2018 Hungarian National Assembly was the first one to represent Hungarians living abroad, both with public law and electoral legitimacy.

In 2018, the number of Hungarian citizens living abroad was much higher, and so were the numbers of registered voters (378,449) and valid votes cast. In the end, 216,120 votes out of 224,564 votes, i.e., a slightly higher proportion of votes than before, 96.24 percent went to the governing parties. However, this time the votes from abroad did not change the distribution of parliamentary seats.

This was also the conclusion of the 2019 European Parliament elections, where Hungarian citizens domiciled in non-EU Member States could vote by post. Finally, although 55,287 out of 57,777 valid votes were cast for Fidesz-KDNP (95.6 percent), this did not change the distribution of seats. It is worth considering here that the members of the largest Hungarian communities abroad, the Hungarians from Transylvania and Felvidék, were able to vote in their own state of residence, which is why the number of votes cast abroad was lower.

Overall, since 2010, the shy and shameful face-lowering has been replaced by strong community-building, which is not only proud of its culture, but also boldly shows it. *“Often, fears and tensions,” says Balázs Gergely, archaeologist and chief organizer of the Hungarian Cultural Days of Cluj (Kolozsvár), “are caused by the fact that others don’t know us, and we don’t know each other. A closed, introverted community is more intimidating to an outsider. Let this be an experiment, an opening for them to ‘look inside’ us, so we can come closer to each other. (...) We have resolved a lot of tensions and are building a bridge between the two communities” (Sólyom, 2019, p. 32-33).*

1.2. Standing up for national self-possession and identity

The sovereignist direction of the Orbán Government was already evident in its first year of government and was largely fueled by its exceptional mandate, the existence of a two-thirds majority, and even stronger voter support by autumn 2010. In the sections on “Integrity” and “Courage”, we have already covered most of the main episodes of this change, such as the break with the IMF and the move to stand on our own financially. We have also analyzed at length the struggles with banks and multinational corporations.

Sovereignty disputes have thus been fought on several fronts, and perhaps the strongest and most enduring of all has been the decades-long legal, ideological, and communicative struggle with “Brussels”, the EU’s bureaucratic center of power. The main problem with bureaucrats is that they do not come to power through the will of the European people, but through bargaining processes; so they do not even want to answer to the electorate (Schmidt, 2013, p. 98-99). Moreover, as the left-wing British historian and

political scientist David Goodhart so eloquently put it, “the European Union has been our local version of the globalization story. European integration has been an Anywhere project par excellence, and in its technocratic elitism and drive to transcend the national it has become another story of Anywhere over-reach” (Goodhart, 2019, p. 138).

In our view (Molnár, 2019), this conflict is really about the answers to the question “who should have the supreme power?”. Of course, the basic goal of the sovereignists can take many guises: it can be called national self-determination, “self-possession” (Széchenyi), self-determination, freedom of movement, autonomous decision-making or even a fight for freedom. What is at stake is exclusive power over a territory and its population.

The struggle for sovereignty in our country goes back centuries, and the last thirty years have also been shaped by it. Tamás Láczi summarized this in the journal *Kommentár* as follows, referring to Viktor Orbán’s speech of June 16, 1989: “*the regime-changers are those who set the goal of fully restoring the sovereignty of the Hungarian nation, and we can speak of regime change from the moment this idea appeared in articulated form*” (Láczi, 2019, p. 113).

In Hungary, the conflict between the forces of regime change in favor of national self-determination and the liberal forces of supranational exercise of power seemed to be decided in favor of the latter until 2010. However, since 2010, the government majority, which won a two-thirds mandate and was twice confirmed, has successfully put the expansion of our national elbow room at the heart of its governance. This meant not only defending our sovereignty in the legal sense, but also significant strengthening of the practical, material, everyday decision-making capacity that had been weakened during the period of regime change. It is no coincidence that such sovereignty issues have been the dominant themes in several elections: in 2014, the reduction of public utility

bills, and in 2018 and the following European Parliament elections, the issue of immigration.

Since the start of the administration in 2010, several relatively serious conflicts with the leadership of the European Union have flared up. This was not a foregone conclusion, with EU Commission President Barroso appearing at an event in Budapest before the elections with the Fidesz candidate for prime minister. The left-leaning and international liberal forces explain the escalation of relations between the EU leadership and Hungary primarily by the pursuit of a conscious communication strategy. From a national, sovereignist perspective, however, the problem lies elsewhere. The common feature of the disputes of the past decade has been the application of the Brussels double standard (Szájér, 2019, p. 304-305).

Moreover, we can speak of a double standard in a double sense: on the one hand, compared to the practice with the previous, left-liberal and internationalist Hungarian governments; on the other hand, compared to the governments, national solutions, and legislation of other EU member states. Since summer 2010, the Orbán Government has been measured against a different yardstick: the Barroso Commission expected from the very beginning that the public deficit should be reduced from beyond the anticipated level, which was not demanded of the liberal coalition between 2004 and 2010, and which was a Maastricht rule that large states, such as Germany and France, were previously allowed to violate without consequences (Szlankó, 2007, p. 72). A typical example was when France, for example, was about to be put under the torments of the excessive-budget procedure again in 2016, President Barroso's successor, Juncker, made an exception for the French, saying that he was doing so "because it is France" (Guarascio, 2016). Indeed, the case of Greece, which was particularly ill-disciplined in its public management – promising a deficit of 3.7 percent in 2009, which turned out to be 15.4 percent (!) (European Fiscal Board,

2019, p. 14) – but later received huge European-funded bailouts, was used to justify the rigor imposed on us.

The same harsh double standard was applied to Hungary in late 2010 - early 2011 in relation to the media law. Although the new Hungarian regulation, which is based on a solution applied in numerous other countries, has – apart from a few technical details – passed the test of the European Commission’s legal investigations, Hungary has nevertheless come under a lot of attack. Moreover, these severe criticisms came just as Hungary was about to take over the EU Presidency in the first half of 2011, trying to deprive Hungary of the chance to make full use of a great opportunity to prove itself. Already then, a pattern emerged, which was later repeated several times. On the one hand, there were the representatives of the Hungarian government, who based their arguments on the sovereignty of the nation-state, the mandate of the electorate, and the diversity of practices in European countries, and, on the other, the various NGOs and MEPs supported by the mainstream media, who in turn were trying to torpedo the current legislative amendments by invoking rather vague and abstract “European values”, the rule of law and some kind of liberal universalism (Center for Fundamental Rights, 2019, p. 32).

It was from this point that Hungary was caught in the crossfire of the international liberal media, and that the contentious relationship between the Hungarian government and the liberal-majority European Parliament can be dated. Without going into all the details of these verbal, political and legal clashes, we would like to draw attention to the main points of contention, complemented by an account of the “sovereignist alliance” between the Hungarian government and the electorate.

The first, fundamental conflict, which has persisted since spring 2011, was over the Fundamental Law of Hungary. The main reason for this controversy can be found in the novelties of the new constitutional order, above all in its sovereignist, Christian and communitarian character. The Christian character of this Con-

stitution may have provoked strong reactions because it thus expressly assumed defiance of the increasingly “neutral” model of Western legislation, which in fact posits a liberal state.

While the reference to Christianity appears in the original text of the Fundamental Law “only” in two sentences of the National Creed, the whole text is permeated by the Christian-democratic inspiration of the constitutionalist. To prove this, it is enough to mention the responsibilities and obligations of the individual, the traditional understanding of marriage, the support for families and childbearing, and the rules protecting the role of the churches in the state. It is obviously no coincidence, but highly symbolic, that the Fundamental Law was adopted on Easter, the biggest Christian holiday (Center for Fundamental Rights, 2019, p. 30–31). One of the authors of the Fundamental Law, Gergely Gulyás – then a member of parliament and, at the time of writing, the minister heading the Prime Minister’s Office – said: *“The importance of Christian roots is as much a historical fact for Hungary as it is for Europe, and just because the latter does not embrace its religious and cultural roots does not mean that we have to deny ours. Let me quote the witty observation of József Antall, who said that ‘in Europe, even the atheist is Christian’, because the roots of our culture lead us all back to Christianity”* (Ablonczy, 2011, p. 53).

These debates continued in the following years on a variety of topics. Above all, the conflict between Brussels and Hungary revolved around the rule of law, but in the background, there were also issues such as the interests of Western banks and multinationals in Hungary, the spread of the so-called Hungarian model, and the issue of immigration. The latter will be dealt with in a little more detail below, as it opens up a number of issues that go to the heart of the fundamental disagreements between Brussels and Hungary indicated here.

But before that, one more phenomenon is worth mentioning, namely the prime minister’s speeches in the European Parliament. In 2011, at the start of Hungary’s six-month Presidency, it was the

first time that Viktor Orbán announced his basic position for the coming years in the face of the criticisms leveled at Hungary. He said: *“And allow me to refer to the comment that accused Hungary of moving towards dictatorship. I heard it here with my own ears. What are you protesting? I heard it here with my own ears. They threatened that Hungary is moving towards dictatorship. What is this if not an insult to the Hungarian people? And I have to say this, and here too, I will always defend my homeland and Hungary”* (Orbán, 2011b).

This type of argument was repeated several times in subsequent speeches, until the debate on the Article 7 vote against Hungary in fall 2018. Meanwhile, the majority of voters have confirmed, not only at the elections but through polls and a national consultation, that they agree with the prime minister in this debate. According to a May 2011 survey by the Nézőpont Institute, “more than twice as many people (58 percent) are satisfied with the prime minister’s advocacy in the EU than are negative about it (27 percent)”. In September 2018, according to a Századvég survey, a similar majority of Hungarians, 57 percent, rejected the adoption of the Sargentini report. In spring 2017, in the “Let’s stop Brussels!” questionnaire, the government asked six questions on national independence, on keeping the reduction of public utility bills and the job creation subsidies, on letting in migrants, on EU tax harmonization, and on the transparency of international organizations and paid activist groups. Nearly 1.7 million people took part in the consultation, a number one and a half times the support of the most popular opposition party at the time.

1.3. Fighting immigration

In April 2020, Policy Solutions, a declared left-leaning research institute, published a study entitled “*Orbán 10 – The past decade through the eyes of Hungarian society*” (Bíró-Nagy & Laki, 2020, p. 7). The study, based on a representative public opinion poll, revealed that “*the government has protected the country from migrants*” was the second most popular choice of answer to the question “*which of these three issues do you think has seen the most progress over the last ten years?*”. This option was ranked as one of the three most important achievements by almost half of respondents (45 percent). It was ahead of the issue of reducing public utility bills (35 percent), although it was far behind the response type “*families with more children receive more support*”, mentioned by 57 percent of respondents.

The government’s action on migration has been acknowledged not only by domestic public opinion but also by some foreign decision-makers, while the government has faced a lot of criticism both in Hungary and beyond our borders, above all from the liberal elite. While some have suggested that the issue of migration – similarly to, and linked with, the conflicts with Brussels – is just a well-timed, ad hoc invented, clever communication ploy by the prime minister, it is in fact a deep, substantive, strategic engagement. And time is the strongest proof of this.

It is less well known, but the issue of immigration had been raised several times in Viktor Orbán’s long-term thinking on the future of Europe even before 2015, the starting year of mass immigration. An example of this was when, on April 1, 2011, the prime minister, representing Hungary, which held the Council presidency, addressed an informal meeting of EU ministers responsible for demography and family policy issues at the Council of the European Union. Among other things, he said that “*it is therefore also important for the long-term equilibrium and peaceful*

functioning of societies that our communities are able to reproduce themselves, that they can remain viable and self-sustaining without the involvement of external forces. I am personally convinced that Europe cannot build its future on immigration rather than on families” (Orbán, 2011c).

In fact, Viktor Orbán had already made it clear much earlier, on March 3, 2007, as an opposition politician, at the Fidesz conference on quality of life, that *“we must be given the chance to say that we do not agree that the Hungarian government is preparing resettlement schemes, but we expect the government to do everything possible to enhance assistance to families. It should not restrict family benefits, opting instead for cheaper resettlement; we instead expect the government of the day to build a more complex and more expensive family support system, and we want no part of any mass resettlement” (Orbán, 2007).*

The issue became acute in 2015, with an increasing number of illegal immigrants arriving at our country’s southern borders from that January. Hungary was the EU leader in terms of asylum applications per 100,000 inhabitants that year. It was also the year in which a growing number of bloody Islamist terrorist attacks took place across Europe. From early 2015 to summer 2016, in just one and a half years, more than 300 people died in terrorist attacks on our continent.

The Orbán Government has gradually taken increasingly tough action to stop the growing and massive illegal migration. The Cabinet had been pushing for the protection of the EU’s borders from the outset to reverse this trend. Finally, in summer 2015, the Hungarian government decided to build a fence on its southern border. With the unprecedented cooperation of the Hungarian Defense Forces and the penitentiary system, the Temporary Security Barrier was built in record time: on the Hungarian-Serbian border by September 2015 and on the Hungarian-Croatian border by October 2015. In addition to the physical barrier, a legal and manned barrier was also built to ensure the safety of Hungarians.

An attempt to forcibly open the border at Röszke in mid-September 2015 was repelled by the Hungarian authorities. Despite mounting international pressure and harsh, mostly incorrect, accusations in the mainstream press, the Cabinet stood its ground and rejected the resettlement quota, which provides for the mandatory distribution of migrants who have already arrived in the EU. On this issue, the Cabinet also confirmed its mandate with a referendum, whose turnout was below the threshold, but still more than 3.3 million Hungarians said no to compulsory resettlement. In addition, the Hungarian government has so far managed to prevent Brussels from fining Hungary for its refusal to accept the mandatory resettlement of migrants. The Fundamental Law was also amended to prevent mass, compulsory resettlement.

While the left-wing opposition has been increasingly trivializing the dangers of migration as the number of illegal migrants arriving in Europe has fallen, the Cabinet's position remained unchanged in 2020. According to them, the unfortunate events in Western Europe in recent years, and even in fall 2020, prove that migration increases crime and the threat of terrorism, while parallel societies are emerging in Europe's cities. Despite this, proponents of immigration have not given up on their intention to accept migrants, while this is an issue where you can only make the wrong decision once.

The opinion of the vast majority of Hungarians in this respect has not changed in recent years, although the coronavirus epidemic has noticeably pushed migration to the background in the ranking of the most important issues of concern. At the same time, the vast majority of Hungarians, 77 percent according to a 2017 survey, believe that we must protect our way of life based on Christian culture. According to a survey by the Századvég Foundation, this was also the view of almost half of those who consider themselves atheists or without religion, 43 percent, and the absolute majority of left-wingers, 54 percent (Origo, 2017). Referring to this research, the Prime Minister argued that "the majority say that we should

preserve our Christian culture and traditions. It is true that only 55 percent in Western Europe feel this way, but in the West, this already includes migrants. In Central and Eastern Europe, on the other hand, Ladies and Gentlemen, the percentage of people who consider the defense of Christian culture important is 70 percent, and in our country, 80 percent. In a country like Hungary, which we know well, and we know that the degree of secularization is extremely advanced, we know exactly the percentage of churchgoers, yet – regardless of the question of personal faith – nearly 80 percent of Hungarians say that Christian culture must be protected. This is a clear and unambiguous mandate and orientation for the government” (Miniszterelnok.hu, 2019a).

On July 13, 2017, a respected British newspaper was quoted by Hír TV as saying that “Hungary was right about the migrant crisis” – the title of an analysis published in *The Times* (Boyes, 2017). According to the Conservative British daily, the Hungarian model of immigration management was ahead of its time. The Hungarian prime minister is right on two important points: Europe is just drifting on the issue of immigration, and it is incumbent upon nation states to strike the right balance between immigrants and their own population.

Over time, increasing numbers of European countries started to follow the Hungarian migration policy. On September 15, 2017, the European edition of *Politico*, the most influential newspaper among Brussels bureaucrats, stated that “no one in Brussels wants to say it out loud, but Viktor Orbán is winning the migration debate” (Barigazzi, 2017). The paper pointed out that more and more European leaders are following Orbán’s example in both rhetoric and action.

There are countries where this admission is belated but all the more convincing. On March 13, 2020, the news portal *Pesti Srácok* quoted Boris Kálnoky’s opinion piece from the *Kleine Zeitung*: “the EU has wasted five years to get to where Viktor Orbán was in 2015. The European Union owes Viktor Orbán an apology.” A

few days earlier, Hír TV also reported that “a German journalist says that both the former Austrian and the current German chancellor should apologize to the Hungarian prime minister who was right in 2015 about the handling of the migrant crisis”. The article, published in the liberal Viennese newspaper *Die Presse*, was shared by Zoltán Kovács, State Secretary for International Communication and Relations, on his Facebook page (Pesti Srácok, 2020).

It is important to note that following Viktor Orbán’s 2019 meeting with President Donald J. Trump, who is like-minded on the issue, Trump also praised the efforts of the Hungarian government to combat illegal migration.

1.4. Sovereign East-Central Europe, sovereign Hungarian foreign policy

Defending the Hungarian position on immigration would not have been possible without mobilizing allies. Over the years, governments have come and gone in Europe, so the composition of the sovereigntist coalition has changed constantly. Hungary continues to be the most vocal voice in this community of interests, while the strongest participant remains Poland, with its nearly 40 million citizens. Regardless of the orientation of their respective governments of the day, the Czech Republic and Slovakia are also part of the skeptical coalition on immigration, joined more recently by Slovenia, and from time to time, Austria, which is much more cautious than the countries listed above, and even Bavaria, which sometimes express doubts about migration. The Italian government, which had previously taken a strong anti-migration stance, has now reverted to a pro-immigration course with a new shift following the withdrawal of the Lega.

The core of the above coalition is thus formed by the states of the V4 Group, which over the past decade have clearly gone beyond their previous level of cooperation. While the countries that joined the EU in 2004 had previously been more of a loose lobby group for economic development, whose aim was to secure EU funds, after 2010, a highly conscious and successful effort has been made to organize them into a Central and Eastern European alliance capable of acting together on other issues as well. The V4 is following successful models in this field, such as the Benelux and Scandinavian collaborations.

EU enlargement to the Balkans has also become their common cause, as it would bring the countries of the region into a more central position in the EU market. The creation of the Western Balkans Joint Fund, supported by the V4, serves this purpose. Moreover, the coordination of the Visegrád Group members' defense policy efforts is crucial for the security and stability of the region. A good example of this is the joint V4 military training presence in the Baltics.

It is also a much-vaunted fact that the Visegrád countries and the Central and Eastern European region are now Europe's growth engines. While in the second half of the 2010 decade, Western countries were able to achieve an economic growth rate of 2 percent in the best case, the V4 countries registered roughly double that. For example, between 2014 and 2018, Austria increased its economic performance by an average of 1.8 percent per year, Germany by 1.9 percent per year, while Slovakia increased its economic performance by 3.5 percent per year, the Czech Republic by 3.6 percent, Hungary by 3.8 percent and Poland by 4 percent per year on average (Csáth, 2019, p. 99).

The V4 cooperation on migration has been able to go beyond diplomatic negotiations, e.g., the Visegrád countries, and even Austria, have supported the Hungarian border protection with concrete manpower and equipment. Hungary was also the first EU country to oppose the world's most dangerous migration doc-

ument, which resulted in nine EU member states – including the other three Visegrád member states – voting against the UN Global Compact for Migration. In addition to migration, the rule of law debate has forged an alliance between the Visegrád countries in a way that now gives them the strength to call a spade a spade in EU debates.

There is also unanimity on the need to stop the stealthy drift of competence to Brussels, and not to upset the balance between nation states and EU institutions. In fact, several surveys show that there is a common civilizational outlook among the peoples of the V4 countries, which is reflected in important issues such as the pursuit of security, self-defense, respect for traditional values, and the protection of national sovereignty. The latter was backed by 74 percent of Czechs and 70 percent of Hungarians, while there was also majority support in the other two countries (Békés, 2019, p. 191-193).

These examples show that the unity of the Visegrád Group has never been stronger. In fact, the Visegrád cooperation is the closest and most effective alliance in Europe. Almost a generation later, we can be grateful to the politicians who relaunched the Visegrád cooperation in 1991 and decided in March 1992 to expand it into a trade cooperation. Prime Minister József Antall was right when he said about integration efforts that “we should not approach Europe with feelings of inferiority”. Of course, there is still room for growth: while the V4 countries make up one-eighth of the EU’s population, they account for just over one-twentieth of the EU’s economic power (Márky, 2018, p. 53). Nevertheless, it has been shown in recent years that the Visegrád countries are growing in strength and are now indispensable in EU decision-making.

The cooperation and strengthening of the V4 Group have provided an excellent backdrop for the change in foreign policy content and style that has emerged since 2010. The previous left-liberal foreign policy stance, based on pliant, conflict-avoiding, and quiet international accommodation, was replaced by the representation

of the national interest from 2010 and its strong articulation in communication from 2014. The period between 2010 and 2014, when János Martonyi and later Tibor Navracsics held the Foreign Ministry portfolio of the Hungarian government, was characterized first by our rotating EU Presidency and then by the ongoing EU legal disputes, which required a more classical diplomatic approach from the Hungarian leadership. During its EU Presidency in the first half of 2011, Hungary achieved several successes (strengthening economic policy coordination, facilitating Croatia's accession, and adopting a Roma strategy).

From fall 2014, a more active foreign policy in terms of foreign trade, aimed at attracting foreign working capital and expanding Hungarian export opportunities, and responding to criticism of Hungary with lively communication, began under Péter Szijjártó's Foreign Ministership. Since 2010, the volume of Hungarian exports grew dynamically by almost 50 percent until 2018. Over the same period, exports to China doubled, foreign trade with Turkey increased by 78 percent and with Egypt by 136 percent.

According to Viktor Orbán's geostrategic conception, Hungarian foreign policy should always pay close attention to three capitals: Ankara, Moscow, and Berlin. These are the three great powers, within whose sphere of influence Hungary has lived for many hundreds of years. According to the prime minister, it is the job of Hungarians to make friends, not enemies. It is worth mentioning the Hungarian approach to these three great powers separately.

As far as Turkey is concerned, Hungary's – and Europe's – security is directly linked to Turkish policy, with four million migrants currently on Turkish territory, as the migrant route is the "traditional" route through our country. The Hungarian-Turkish relationship is therefore also greatly influenced by the issue of migration, in addition to the expansion of economic cooperation opportunities.

The Orbán Government's attitude towards Russia has been the subject of much criticism at home and abroad. Most of the criticism

is that Viktor Orbán, who “sent the Russians home” in his 1989 speech at the reburial of Imre Nagy and his companions, and who in 2007 warned the Gyurcsány Government to be cautious about building gas pipelines, has since 2009 built good relations with the Eastern superpower. According to critics, this is demonstrated not only by the gas supply agreements and the gas pipelines under construction, but above all by the maintenance of the capacities of the Paks nuclear power plant through a Russian loan and investment scheme. The cabinet’s position on this issue is that when there was tension between Eastern Europe and Western Europe, the Hungarians always came off badly, and when there was cooperation, we always came off well. At the same time, Hungary, as a member of the EU, supported our sanctions against Russia, albeit with criticism, even though Hungary’s interests were seriously damaged, as the Hungarian economy suffered significant losses.

Finally, on the 30th anniversary of the opening of the border at Sopronpuszta, the prime minister spoke in Sopron about our relations with Germany, saying, “you know that Germany is our number one trading partner and the number one investor in our country. Few people know that trade between the two countries is at a record high every year, exceeding €54 billion last year. German investors bring state-of-the-art factories to Hungary. I could also say that some of the most modern factories in the German economy are located in Hungary. There are 6,000 German companies operating in Hungary, and these 6,000 German companies employ 300,000 Hungarians. By mid-August this year alone, 17 new large German investments have been decided.” In his speech, the prime minister also praised the historical, military, developmental, and EU enlargement aspects of the cooperation (Miniszterelnok.hu, 2019b). This statement also demonstrates that, while the two sides have taken diametrically opposed positions in the immigration debate, to quote a liberal newspaper in Hungary, “recently (...) there has been a visible decrease in tension between the two countries’ leaders” (Panyi, 2020).

If we were to sum up Hungarian foreign policy and foreign economic aspirations in one word, it would be sovereignty. Hungary is today, clearly visible from afar, a self-reliant country in Central Europe. This is also demonstrated by the fact that, for a country of its size and economic strength, our country has a high profile around the world, as evidenced by the numerous summits with world leaders. It is no coincidence that in 2017 alone, a total of 21 heads of government paid official visits to Hungary. In February, Russian President Vladimir Putin visited Hungary, and in May, Viktor Orbán met President Xi Jinping in China. In summer 2017, for the first time in nearly three decades, Israeli Prime Minister Benjamin Netanyahu visited our country. The Chinese Premier met his 16 Central and Eastern European counterparts in Budapest in November. It was a similarly strong diplomatic year in 2019, when Russian President Vladimir Putin, Turkish President Recep Tayyip Erdogan, German Chancellor Angela Merkel, and Italian Interior Minister Matteo Salvini visited Hungary, while President Orbán was received by US President Donald Trump and the Chinese President in the same year.

1.5. The appreciation of national culture

In few areas has the national turn announced by the government been more strongly expressed than in cultural policy. Understandably, there are parts of the cultural sector where great progress has been made compared to the past (organization development, infrastructure, vibrant cultural life, film industry) and others where national approaches have not been successfully implemented (e.g., historical film production).

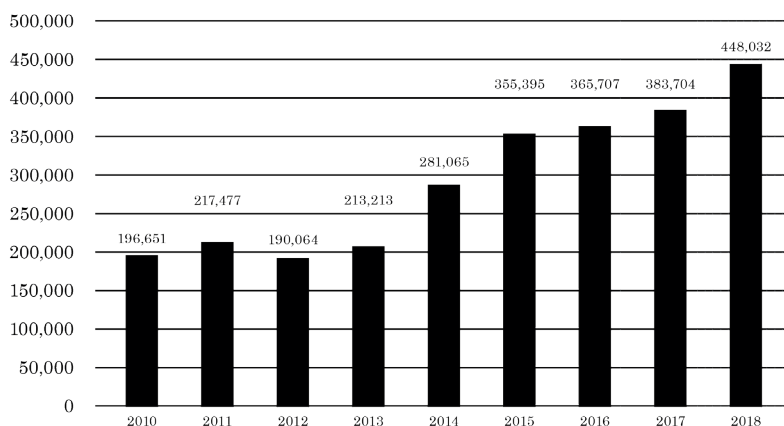
While there are, of course, tough professional debates about how resources should be spent as well as the preferred areas and tar-

gets, there is less debate about the fact that the cultural sector has been one of the big winners financially over the past decade. Between 2010 and 2018, the budget's cultural expenditure increased two and a quarter times, or 225 percent of the 2010 amount in nominal terms. The increase was also calculated at 84.5 percent in real terms.

On his approach to funding culture, the prime minister said in 2013: "Winston Churchill was once told that the increased costs of war meant that cuts were needed in the arts and culture in particular because, as was said at the time, they had no strategic role. Churchill said: if we do that, then what are we actually fighting for? Today, too, we hear voices saying that it is unnecessary to spend on theaters, sport, and culture, when the whole of Europe – and this is true – is in serious crisis. But to this, we can also only reply: then what we are actually fighting for? What are we struggling and working for every day? Many natural peoples have no economy, no GDP, no foreign trade balance, and often not even money, but they cling with tooth and nail to their culture, their unique art, and their traditions. They instinctively cling to what sets them apart from others and will tenaciously defend the spirit of their own community" (Orbán, 2013).

However, besides increasing resources, the institutional system has also been strengthened. Perhaps the most important innovation was the establishment of the Hungarian Academy of Arts (MMA). The organization, initiated by Imre Makovecz and modeled on the Hungarian Academy of Sciences, was also included in the Fundamental Law. Article X states that "Hungary shall defend the scientific and artistic freedom of the Hungarian Academy of Sciences and the Hungarian Academy of Arts", and another section states that the President of the MMA shall be confirmed in office by the Head of State.

Figure 1
Budgetary expenditure on culture
in Hungary between 2010 and 2018 (HUF million)
(own editing, based on Hungarian Central Statistical Office, 2020)



In addition, a new basis for the funding of cultural activities has been put in place and basic cultural services have been introduced. Furthermore, the reform of the maintenance and financing of the county's institutional system has led to a clearer distinction between the representation of local cultural interests (county museum centers and county libraries) and the performance of state subfunctions (archives and public cultural organizations). So-called basic cultural provision is designed to support the creation of community value rather than leisure. In line with this, support for library and public cultural services has also been increased, so that in 2018, the minimum amount of support per settlement was HUF 1.8 million.

In addition to organizational development, we are increasingly experiencing and living our cultural values, as attendance

at cultural events has steadily grown. The number of theatrical performances in 2019 was practically double that of 2010 (19,000 compared to 37,000), while the number of registered theater visits per 1,000 inhabitants increased from 458 to 817 in nine years, a growth of nearly 80 percent. It is also a major achievement that the number of concerts increased from 3,654 in 2010 to 6,653 in 2019, the year before the pandemic, while the number of concert visits increased from 994,000 to 2,126,000 in the same period. Finally, the number of museum visits rose from 9.5 million in 2010 to 11.5 million in 2019.

As for infrastructure development, the reconstruction of the Erkel Theater and the Academy of Music were completed, which, even according to Tamás Sárközy, a law professor who has published several major works on the Orbán Government with a rather critical approach, is “undoubtedly a great success of the government’s cultural policy” (Sárközy, 2014, p. 316). The Opera House and the Eiffel Hall will also be renovated. The Budapest Music Center was built, and the Erzsébet Square Cultural Center was inaugurated. The new National Dance Theater opened in Millenáris Park. Moreover, we are also continuously renovating our important listed buildings, such as the Várkert Bazaar, the Buda Vigadó and the Pest Vigadó, or the Olof Palme House. The Romanian Hall of the Museum of Fine Arts was renovated, the National Museum Restoration and Storage Center was built, and the Liget Project is underway. The Matthias Church, the Museum Garden and Gül Baba’s tomb were also renovated. There are also plans to renovate the Hall of Art (Múcsarnok), the House of Terror, the National Museum, and the Attila József Theatre. Of course, this list far more impressive than it is complete.

Cultural development does not stop at the borders of the capital. In 2019, for example, the renovated Kaposvár Theater was inaugurated, while the renovation of the Szolnok Theater and the planning of the renovation of the Kecskemét Theater have also started. The Szentendre Skanzen Village Museum is being de-

veloped, the Komárom Star Fortress was restored to its original state, and the Makovecz program is underway, which will see the completion, renovation, and extension of 30 buildings across the country in the coming years. An interactive library and archive will be built in Szekszárd, a Munkácsy Quarter in Békéscsaba, and a Mindszenty Museum in Zalaegerszeg. The National Castle and Forts Programs are ongoing and will continue in the coming years, with the renovation of 19 castles and 15 fortresses, while the Edelény Castle Park and the Sirok and Ozora castles have already been restored (Magyar Hírlap, 2020).

By international standards, perhaps the most significant progress has been made in the cinema and film industry. Hungarian films are also achieving success abroad, while more and more foreign films are being shot in Hungary. The restructuring linked to the late Andy Vajna has yielded results, with direct investment in film production in Hungary increasing to HUF 165 billion in 2019 from HUF 54 billion in 2013. Foreign productions are attracted to Hungary not only because of the exciting locations, but also due to its skilled professionals and tax incentives. Meanwhile, Hungarian productions have finally won hundreds of foreign awards in just a few years, including Oscars (*Son of Saul*, 2016; *Sing*, 2017), Golden Globes, Cannes Grand Prizes, Berlin Golden Bears and Student Oscars. The domestic audience was also better targeted: the number of cinema admissions per 1,000 inhabitants increased from 1,111 in 2010 to 1,547 in 2019.

Finally, a major national symbol has also returned to Hungary. The currently known 15 items of the Seuso treasure were returned home in 2014 and 2017, following a series of successful negotiations over several years. According to the former government spokesman, “the (...) government’s aim is to preserve our built heritage by saving and restoring our cultural treasures to a dignified state, to arouse and increase the interest of the population, to develop tourism and to strengthen a healthy national consciousness” (Giró-Szász, 2019, p. 208-209).

2. Strengthening our communities

One of the most important innovations in governance since 2010 has been the rise of communitarian thinking. This has been achieved by reunifying the nation across borders, asserting national sovereignty and identity, promulgating a policy of national issues, restoring public taxation, and strengthening the national risk community rather than privatizing healthcare, while family benefits have also served a community-building purpose.

Left-liberal governments – especially the cabinets of Ferenc Gyurcsány – pursued a neoliberal policy of strengthening individual responsibility. This was particularly true in the healthcare sector, but they also had such ambitions with pensions, more in line with the Alliance of Free Democrats (SZDSZ) than the traditional left. Incidentally, Gyurcsány has never made a secret of this position: as early as 1999, he wrote that “socialists must say that the individual is responsible for himself” (Gyurcsány, 1999).

The right, on the other hand, wrote in its “Our Future” manifesto, already in opposition, that “it is a natural fact that all political and cultural communities are based on the cooperation of smaller communities” (Fidesz, 2007); and according to the 2010 Government Program (Office of the Hungarian National Assembly, 2010): “A community can only be rebuilt and can only rise if it embraces the fundamental meaning and purpose of social organization: cooperation. This is the signpost on the road to the changes ahead. It is the direction marked out for us by the unprecedented national unity that has emerged from the elections.” In this chapter, we briefly summarize the strengthening of three key communities - churches, sports organizations, and NGOs - and then present a series of government measures to benefit the most basic communities, i.e., families.

2.1. Increasing church involvement

It is well known that the churches played an indispensable role in the organization of Hungarian society until the Second World War. In addition to their religious functions, they also performed educational, cultural, social, health, developmental, and even economic tasks, as long as the respective state powers provided the opportunity. After 1990, it was no longer realistic to expect this situation to be restored, but it was all the more realistic to expect our churches to be able to provide serious help in the above-mentioned areas to strengthen the Hungarian nation, and the state should contribute to this as far as possible.

The Orbán Government is openly following this line, so it is no wonder that Hungarian churches and religious organizations have received a total of around HUF 736 billion in subsidies since 2010. Budget support for churches doubled between 2010 and 2017. Nearly 220,000 children are enrolled in church-run public education institutions, 14 percent of all pupils, compared to 6 percent previously. In addition, the share of churches in the social sector has roughly tripled over the last decade, from 11 percent to 33 percent (Magyar Narancs, 2019).¹⁷⁶

Support for persecuted Christians has been at the forefront of government policy in recent years. This is also in line with the principle of tackling problems where they arise, in the country of origin of those suffering, rather than importing them into Europe. Therefore, in the field of humanitarian aid, the government has taken several measures to improve the situation of Christians

¹⁷⁶ See the Magyar Narancs (2019) article on the parliamentary committee hearing of Zsolt Semjén.

in the Middle East and Africa. Direct financial support has been provided for the construction of schools, hospitals, and other facilities, while a special scholarship program for persecuted Christian youth has been launched, and Hungarian churches are receiving special support to continue their missionary activities. It should be emphasized that the Hungary Helps Program supports communities in need on a broader scale, regardless of denomination. By 2018, nearly 35,000 people had benefited from Hungary Helps support.

Religiousness in Hungary shows a very diverse picture. While the proportion of regular religious practitioners is lower, according to a survey by Századvég published in fall 2020, “nearly two and a half times as many people feel they belong to a smaller Christian denomination than are baptized into one”. According to a survey conducted at the end of 2017, “since the regime change, the proportion of people attending church at least monthly has steadily declined, from 23 percent in 1990-1993 to 15 percent in 2014. However, our current research shows an eight percentage point increase over the past three years, equivalent to the figure recorded in the early 1990s” (Századvég Foundation, 2017). This rise may also be linked to mass Islamic immigration to Europe. According to another survey in 2019, “79 percent of the Hungarian population believe that Europe should rather preserve its Christian culture and traditions, i.e., cultural Christianity is very strong in Hungary” (Századvég Foundation, 2020).

2.2. Sport as a new national strategic sector

Sport is an uplifting, life-enhancing activity that is essential for a balanced, harmonious existence, both for the individual and the community, and is therefore the foundation of health in the individual and in society. Health, as a concept, denotes the perfect functioning of our cells, the components of the human being, while at the level of the community, it means its indispensable cohesion. Moreover, this is not just a physiological issue, as success in sport also brings huge psychological benefits to individuals and national communities.

Starting from this basic thesis, the government's philosophy of the last decade is of particular importance, one of the central elements of which is the support and promotion of sport. According to Eurostat data, Hungary spent by far the most on sport and recreation in 2017, roughly three and a half times the EU average as a share of GDP, or 2.5 percent of its GDP (Balázs, 2019). The Orbán governments had a fundamentally different approach to sport than their predecessors, and this was not only reflected in the huge difference in financial expenditure. Perhaps more importantly, they understand and feel the need for sport, without which Hungary cannot succeed in the long term.

Hungary is traditionally a sporting nation. In fact, it is commonly said that we are the most successful nation not to have hosted an Olympic Games. Hungary ranks 8th (!) in the number of Olympic victories, with an average of seven victories at the Summer Olympics so far. Budapest could have hosted the Olympics in 2024, but the consensus between the government and the left was disrupted by an extra-parliamentary movement that later joined the left, so Paris ended up as winner.

The results of government policies in the years before 2010 were striking: underpaid athletes and coaches, struggling and

failing sports clubs, poor quality sports grounds and dilapidated halls characterized the domestic sporting scene. The government that was formed in 2010 made it a priority to promote a healthy lifestyle, shape attitudes, and support Hungarian sport. In 2011, sport became a strategic sector, resulting in several positive changes. Previous negative trends have taken a positive turn, with more and more people taking part in club sports and new sports grounds being built to replace those that were closed or ruined. Over the past decade, the operational context for sports clubs has been reorganized, with many new facilities being built or renovated across the country. Athletes and coaches now also receive greater professional support and financial appreciation, and salaries in the sector have become more predictable.

Recreational sports participation was 5 percent of the population before 2010, rising to 15 percent in 2017. The number of competitive athletes doubled between 2010 and 2017 to 501,354 (more than half of them of junior age), an increase of 114 percent since 2011. In 2014, the government set a target of 500,000 licensed athletes by 2018, and this target has been met.

While 55 sporting events were organized in Hungary between 2006 and 2010, a total of 372 prestigious sporting events took place in the country between 2010 and 2018. In 2019, Hungary hosted almost 150 international sporting events in a single year, while in 2017, we hosted the best ever World Aquatics Championships, according to the President of the International Swimming Federation (FINA). It is no surprise, therefore, that Thomas Bach, President of the International Olympic Committee, saw Budapest as indisputably one of the world's most important sporting capitals.

In addition to sporting events, there has also been an unprecedented development of sports infrastructure in recent years. While stadium construction dominates the public debate, and indeed several football arenas have been built or renovated, there have also been major developments in the sanctuaries of other sports. After many years, the construction of a torso in Buda,

the Tüskecsarnok, has been completed. Numerous handball and basketball halls have been renovated or built in various parts of the country (e.g., in Kaposvár, Nagykanizsa, Zalaegerszeg, Győr, Tatabánya, Érd, Székesfehérvár, Siófok, Oroszlány, Dunaújváros, Szeged, Nyíregyháza and Békéscsaba), and specialized training facilities for young players have also been established in Pécs (National Basketball Academy) and Balatonboglár (National Handball Academy). Moreover, a series of small halls and training centers have been built across the country, including many in district seats, which have become sports centers of the sub-regions. In addition, practically all the top football clubs in Budapest and across the country have received new stadiums or had their stadiums renovated, while the new national stadium, the Puskás Arena, has also been completed.

The results of recent years have also required the creation of a new system of public sports bodies: the branches of the Hungarian Olympic Committee (MOB), which had been internal departments, became independent and continue to operate as public bodies with public service missions in certain large areas of live sports. More emphasis than before is being placed on student and academic sport, recreational sport, and sport for people with disabilities, as well as on the performance of the sports representation, civil sport, and sports administration tasks of non-Olympic sports.

It is strategically important to involve children in sport, so that exercise and physical activity become a way of life and a conscious activity from a very young age. This is the aim of introducing daily physical education and swimming lessons. The former acts as a multifunctional measure: its primary impact is to ensure physical activity for children. At the same time, there are other effects, such as the encouragement of sporting succession and the development of an attitude that discourages sedentary lifestyles, i.e., education for a healthy lifestyle. This will bring longer-term labor market and budgetary benefits for Hungarian society as a whole.

In addition to everyday physical education, youth training is also a key area of sport, where the aim is to create a professional athlete base along with health promotion. Since 2010, significant progress has also been made in this area: thanks to a stable club base, sports facility improvements and talent management programs, the number of children playing sport has increased dramatically in almost all types of sports compared to 2011. In addition to the growth of the youth sports base, the I Believe in You! (Hiszek Benned!) national sports program is also helping to support small and medium-sized sports clubs through grants. Daily physical education has been compulsory in all 12 grades from the 2015/2016 school year. Today, nearly 1.5 million students throughout 12 grades are moving every day, and two out of three parents consider this a good objective.

2.3. Supporting real civil society organizations

Before 2010, instead of the wide range of Hungarian civil society organizations, the funding was appropriated by internationally connected, partly foreign-funded NGOs, which were primarily linked to the smaller coalition party, the Alliance of Free Democrats (SZDSZ), which was also formally in government until 2008, and one of its main supporters, George Soros. Incidentally, these organizations – through their considerable media influence and resources, and with an extremely clever communication strategy – have appropriated the very concept of “civil organization” and equate themselves with the tens of thousands of Hungarian civil society organizations. In public, their opinions were presented as those of “the civilians”, while in practice, they functioned as political activist groups, as a kind of “opposition”, even proto-parties of certain political forces.

Towards the middle of the decade, when the government became increasingly involved in conflicts with these organizations, the disputes surrounding this sphere came to the forefront of politics. The lobbying power of the foreign-funded pressure groups concerned is illustrated by the fact that in 2014 the President of the United States of America came to their defense. The biggest fight was over the distribution of the so-called Norway Grants. According to the government's position, the biggest problem was that the same institutional players and individuals who had a stake in the NGOs decided on the use of the fund's resources.

Even by fall 2020, no agreement had yet been reached on the 2014-2021 financing period of the EEA and Norway Grants. The dispute, partly ideological in nature and linked to Hungarian sovereignty, is about the ten percent civil funding share of the HUF 77 billion that Hungary is entitled to, and its fund manager. The Orbán Government was criticized by the left for the risk of losing funding. The former fund manager, together with one of the abovementioned organizations, nevertheless still has access to the "Norway Grants" within the framework of a regional cooperation (Teczár, 2020). Based on November 2020 news, the dispute is expected to end in a settlement; however, it is telling that – for similar reasons, i.e., the involvement of other members of the same international network – the Norway Grants' support for NGOs is not without problems in Poland either (Kósa, 2020).

In 2012, the government set up the National Cooperation Fund (NEA) to give civil society networks based on volunteering more room for maneuver. While NGOs were eligible to apply for a total of HUF 4 billion in 2014, the NEA alone will reach HUF 9 billion in 2021. In 2020, a Village Civic Fund was opened for the first time with a budget of HUF 5 billion, open to civil society organizations from settlements with fewer than 5,000 inhabitants. By comparison, between 2008 and 2010, almost 2,000 organizations applied in vain for the three calls for proposals under the Norway Grants, but only 240 were successful (Norwegian Grant, 2014, p.

15). It is also highly symbolic that the government can provide the same amount of support as the Norway Fund to civil society organizations working in small rural communities in Hungary.

2.4. Strengthening families and improving standards of living

Although it undoubtedly played a significant role, it was not only the government's immigration policy that resulted in the outstanding social support needed to win another two-thirds majority in 2018. Family policy measures and Hungary's year-on-year improving financial and economic situation were equally important factors. As far as family policy is concerned, the emphasis on the central role of the family as a union between a man and a woman was already included in the 2010 Fidesz-KDNP election manifesto, and later it was also included word for word in the government program: "the family is the foundation of social policy and the national and European common denominator that we must protect with the utmost care. The spiritual and mental health of Hungary and Europe depends on how we restore and keep families healthy at home and in our common Europe. We should therefore use instruments in which social policy itself is oriented towards family policy" (Nézőpont Institute, 2012, p. 93).

However, the focus on families has not just been a matter of words and value options over the past decade, as Fidesz-KDNP's policy has prioritized the promotion of family formation and having children from the very beginning. The basic philosophy of the government can be described as prioritizing helping families with children, because Hungarians agree that children come first.

Accordingly, budget resources for family support have increased year on year since 2010¹⁷⁷, and the measures taken by the third Orbán Government (State Audit Office of Hungary, 2019), building on previous decisions, have already led to significant positive changes. These include, for example, the introduction of the family tax system, the tax base reduction for first-time married couples, the introduction and expansion of the Family Housing Allowance (CSOK), the reduction of VAT on new housing from 27 to 5 percent, and the increase in the family tax allowance. The linking of the family allowance to schooling was a necessary and typically multifunctional measure. This was expected to have the primary impact of reducing the number of unexcused absences, but also had other effects such as reducing school drop-outs due to absenteeism and improving equality of educational opportunities for children.

In addition, in May 2017, the government proclaimed 2018 the Year of Families and announced significant measures such as a further increase in the family tax allowance, an increase in the duration of the childcare fee (GYED) for university graduates, the introduction of a state contribution to the repayment of mortgage debts of families, the suspension/waiving of student loan debts for women, the easing of the administrative burden of the CSOK, and the launch of the €10 billion nursery development program.

In 2019, this series of steps was accompanied by new benefits, such as the HUF 10 million pre-natal baby support for young couples, which was already taken up by more than 100,000 couples in summer 2020. Mothers with at least four children will get a lifetime exemption from personal income tax from 2020. In addition, other new forms of family support have been introduced in recent years, such as the extra childcare fee, the “sibling childcare fee”, the “graduate childcare fee” and the grandparent childcare fee.

¹⁷⁷ In 2020, the allocated budget was already HUF 2,228 billion, more than double the HUF 960 billion of 2010 (Government of Hungary, 2020).

From September 21, 2020, Katalin Novák – formerly State Secretary for Family and Youth Affairs of the Ministry of Human Resources – will assume her duties as Minister without Portfolio for Families, which is not only symbolic, but of practical importance, with many practical consequences for the representation of family policy at governmental level. This is one of the reasons why the government is extending family benefits even in the crisis period: the amount of the baby care fee (CSED) will increase from July 2021, so those who have children will earn more in the six months following the birth than they did while they were still working. In fact, the government will encourage home ownership with new measures, including five percent VAT for homes, from fall 2020. The goal of home ownership is also supported by other measures. This means that in the future, parents raising a young adult child will also be eligible for the housing renovation aid, subject to an age limit of 25 for the child. From 2021, if a family with a child buys a property with CSOK, they will not have to pay a single HUF of stamp duty. Incidentally, the amount of stamp duty was four percent of the value of the property until 2020. The government also supports the creation of multi-generational homes, so from 2021, anyone who converts the loft of their parents' or grandparents' house can claim the full amount of the CSOK. Translated into figures, this means HUF 600,000 for one child, HUF 2.6 million for two children and HUF 10 million for raising or having three children.

The increase and expansion of family benefits can also be seen as a multifunctional set of measures. The primary effect of family policy incentives has been to create the conditions necessary for starting a family and for families to have the number of children they want. The underlying aim, often voiced by the cabinet, is to ensure that there are no financial obstacles to having children in Hungary.

At the same time, family policy programs also have other co-benefits, such as breaking negative demographic trends (i.e.,

depopulation) at the level of society as a whole, increasing the internal stability of families, and improving children's education and living conditions, and thus their social mobility. Another important effect could be to offer a nation-state alternative to a pro-immigration policy, and to slow down or reverse emigration from the Hungarian countryside or the country. Reducing labor shortages is another important aspect of helping new mothers into work. The various types of home building subsidies can boost construction, thereby stimulating sectoral employment and economic growth.

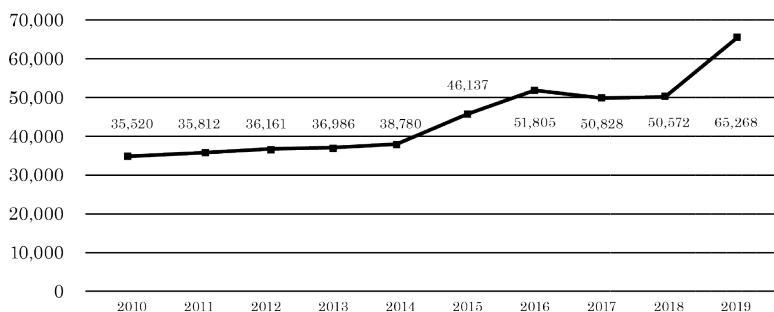
Although the nation is still a long way from halting Hungary's population decline, we have achieved successes in this area too. The total fertility rate¹⁷⁸ rose to 1.56 in the January-September 2020 period, up from 1.25 in 2010, and the marriage rate indicators, which are crucial for future childbearing, have improved even more: while in 2010, the year Fidesz-KDNP came to power, there were only 35,520 weddings in Hungary, the number of marriages has been steadily exceeding 50,000 since 2016, and reaching 65,300 in 2019. The latter figure is also a record for several decades, as the number of marriages in Hungary rose to a level not seen since the end of the regime change 30 years ago. The total marriage rate increased from 39 in 2010 to 88 in 2019.¹⁷⁹ Meanwhile, the number of divorces fell from 23,873 in 2010 to 17,600 in 2019, or roughly 36 percent.

¹⁷⁸ Total fertility rate expresses the number of children a woman would give birth to in her lifetime if her age-specific fertility rate in a given year were to be maintained over a sustained period (the entire reproductive period).

¹⁷⁹ The total first marriage rate expresses how many out of 100 unmarried persons will marry by the age of 50 if the marriage rate for a given year is maintained. It is also a proxy for the propensity to marry.

Besides the increase in family benefits, other government decisions have also contributed to the creation of a social coalition behind the Orbán Government. Standards of living have also been improved across the board by the reduction in public utility bills, the elimination of foreign currency lending and the aid to foreign currency borrowers, as well as by wage increases, the reduction of taxes on labor, and, in general, the substantial increase in the number of jobs, which all gained momentum in the second half of the decade.

Figure 2
Trends in the number of marriages
in Hungary between 2010 and 2019
(own editing, based on Hungarian Central Statistical Office, 2020)



In 2010, the proportion of the population at risk of poverty and social exclusion in Hungary was close to 30 percent, according to Eurostat. This means that nearly three million people were poor in the country according to official Brussels indicators. The situation was even worse among children: for under-18s, the rate was 39 percent, not 30 percent, according to EU statistics. More than a third of households with children were at risk of poverty in 2010. It

is worth remembering that the cost of living rose significantly under left-wing governments. Electricity prices doubled and residential gas prices tripled before 2010. Housing maintenance costs had more than doubled by 2010 compared to 2002. The situation was further complicated by the fact that around 1,750,000 people had foreign currency loans. This burden was a ticking time bomb not only in economic but also social terms.

That is why the government has taken a series of measures to free foreign currency borrowers from debt – proceeding step by step, always to the extent possible. Hundreds of thousands of people have benefited from the preferential final repayment of foreign currency debts and then the rate fixing. The government also set up the National Asset Management Agency, which has enabled 36,000 families to avoid eviction. Thanks to the extremely favorable conditions offered by the state, 28,500 of these families were able to buy back the homes previously repossessed by the banks. In 2014, thanks to the bank clearing system, the amounts – around HUF 1,000 billion – unfairly appropriated by banks from customers through unilateral interest rate increases and exchange rate differentials were returned to the customers. On average, repayments have fallen by 25-30 percent. Foreign currency loans have virtually disappeared from Hungary following the forint conversion with the involvement of the National Bank of Hungary.

A similar contribution to helping foreign currency borrowers was made by the reduction in utility bills, which broke with the decades-old tradition that the new year always meant rising utility bills for Hungarians. The government consulted the public in 2012 on the issue of overheads. Then, at the end of 2012, it took a decisive step and announced a reduction in utility bills from January 2013. Thanks to the cuts, the prices of district heating, gas and electricity have fallen by an average of 25 percent, saving residential consumers nearly HUF 1700 billion since 2012.

The government wanted to improve the living conditions of the Hungarian people not only by reducing the cost of living but also by

raising wages. In line with this, the minimum wage was increased from HUF 73,500 to HUF 161,000 by 2020 and from HUF 89,500 to HUF 210,600 for skilled workers. Meanwhile, the average gross wage doubled from HUF 200,000 to HUF 400,000. Several sectors (e.g., health, education, culture and public administration) have also seen pay rises and career development programs, while health workers received a HUF 500,000 bonus for their efforts during the coronavirus pandemic.

There have been many targeted measures to help families with children, in addition to the forms of family support already described. Almost one million children now receive free textbooks, and from the 2020/2021 school year, free textbooks will be fully available. In 2018, a total of 626,272 children, around 62 percent of all children receiving school meals, received free or reduced-price meals (around 455,000 children, and over 171,000 children, respectively). Launched in 2012, the Erzsébet program has so far supplied free or reduced-price holidays and camps for nearly 500,000 children. As a result, the proportion of the population at risk of poverty and social exclusion fell from nearly 30 percent in 2010 to 19.6 percent in 2018, i.e., by one million people, according to non-governmental, Brussels figures. The inclusive nature of the economic expansion is reflected in the halving of unemployment among Roma since 2010.

Meanwhile, the generations who have worked their entire lives for Hungary were not left without help either. The real value of pensions has increased by around ten percent since 2010. The increase in the real value of pensions can also be interpreted as a specific multifunctional measure. The primary impact is obviously the improvement of the financial situation of pensioners, but the other co-benefits can also be significant: reducing dependency on family members and social transfers, improving quality of life, and from an overall socio-economic point of view, increasing consumption and thus stimulating economic growth.

The performance of the Hungarian economy has also enabled the elderly to receive Erzsébet vouchers, pension premiums, and pension supplements. In fact, the latter exceeded four percent in 2017, 2018 and 2019, with the elderly receiving a pension premium due to the economic expansion. Over 240,000 women have already retired after 40 years of work under the Women 40 (Nők 40) program. Another specific tool has been the facilitation and tax incentives for working while retired, again a kind of multifunctional incentive. Its primary impact is to improve the income situation of working pensioners. Other impacts include reducing labor shortages and possibly reducing dependence on external assistance, improving quality of life, and again, expanding consumption and stimulating economic growth.

In 2020, the government decided not to abolish the 13th month pension in the crisis period, unlike its left-liberal predecessor, but to formally restore it in four steps over four years, starting in 2021. This should lead to considerable status security, and at the same time rebuff criticisms that pensions will be “dwarfed” in relation to the value of (hopefully) sharply rising wages.

3. Improving standards of living

Even in the middle of a crisis, Hungary in 2020 looks vastly different from Hungary in 2010. This fact can be measured in many aspects of the quality of life, from education to healthcare, which is performing well in the face of challenges, or the various infrastructure developments in the capital and in rural areas, to the state of national wealth, or even the preservation of our environment. Since most of the criticism from the left over the past decade has been directed at the first two, we will first look at the measures in these sectors.

3.1. Education instead of teaching

The amount of resources allocated to education and the effectiveness of their use is a constant point of contention. The situation is complicated by the fact that, unfortunately, the number of children has been falling steadily over the past decade. Much controversy has been sparked by the transfer of schools from municipal to state control, which critics say has increased bureaucracy rather than efficiency. In reality, however, the government's restructuring of the state school system adjusted it in such a way that preserves the original goal of providing equal educational opportunities.

The Cabinet's decision to introduce a national reform was prompted by the large regional disparities and the inadequate load capacity of the municipalities. The centralization of state education also served multiple purposes, as a multifunctional measure. As mentioned above, the primary impact was to reduce disparities between schools and improve equal opportunities for

children. At the same time, other effects such as cultural education, preparation for the labor market, individual development, and even the implementation of the National Core Curriculum, including national consciousness, the knowledge and love of Hungarian culture, were also achieved. Another important effect has been to improve the financial equalization of schools, to avoid school closures in small municipalities, and to relieve the budgetary burden on poorer municipalities.

Another centralization move also fitted into this logic. The primary effect of the centralization of the textbook market was to reduce differences between schools and educational levels. There were also other effects such as improving equal opportunities for children, or, as in the case of the centralization of state education, facilitating the implementation of the National Core Curriculum.

In any case, even with all the controversial issues, it is true that the adopted budget foresees an increase of HUF 645 billion for education in 2020 compared to 2010, and almost HUF 60 billion more than in 2019. Part of this is reflected in the fact that teachers' salaries rose by an average of around 50 percent between 2013 and 2017. A teacher with a university degree who has been working for 20 years earned HUF 173,000 before the wage rise, but now takes home HUF 335,000.

Another important measure of how resources are being spent is that in the last thirty years there has been no school development in Hungary on the scale of what is happening at the end of this decade. A total of HUF 276 billion worth of educational investment and renovation is underway in 800 locations. The government has also spent more than HUF 120 billion on nursery and kindergarten places. There are now 51,000 nursery places in the country. The number of places is set to rise to 60,000 by 2020 and 70,000 by 2022. This is also necessary because kindergarten education has been made compulsory from the age of three. In the cabinet's view, this has a key role to play in preparing children for school and thus reducing early school leaving.

In addition, there is unprecedented digital development in schools. For example, 45,000 laptops and 24,000 tablets were delivered to schools before the start of the 2018 school year. It is also a tremendous help that every young person under 35 can now obtain a language exam certificate for free. Although this is not possible during the pandemic, there is a long-term commitment to offer two two-week language courses abroad for pupils in the 9th and 10th grades.

It has also taken considerable resources for the government to redeem more than HUF 36 billion worth of PPP projects in higher education. In addition, dual training has been introduced in higher education, with 26 higher education institutions already offering such training in cooperation with thousands of partner companies. The government's decision has made student loans for higher education courses interest-free, and from fall 2019, they can also be used for language learning. In line with government intentions, the proportion of students enrolled in STEM (science, technology, engineering, information technology and mathematics) higher education courses has increased from 22 percent in 2010 to 30 percent in 2019. Moreover, thanks to academic diplomacy, the number of Hungarian guest lecturers at foreign universities has almost doubled compared to 2010.

Results in education inevitably followed. An example of this is the much-improved performance of pupils in reading comprehension. Between 2011 and 2016, Hungarian students moved up from 20th to 13th place in the PIRLS survey of students' reading comprehension, ahead of countries such as the Netherlands, the Czech Republic and Germany. In fact, Hungarian students made progress in 2018 compared to 2015 in all three areas of the PISA assessment – reading comprehension, mathematics, and science.

3.2. An outperforming healthcare system

Perhaps the most controversial policy area of the last decade has been healthcare. This is nothing new in Hungary, where debates about the state and methods of healing have continued for decades, and some of the inherited problems are cultural and a harmful legacy of socialism. And since Ferenc Gyurcsány received perhaps the most criticism of all the left-liberal governments – apart from the state of the economy – in connection with the healthcare reforms, it was to be expected and in line with the logic of democracy, that the Orbán Government would also receive the sharpest opposition attacks in this area.

Above all in this area, it is worth noting that in 2020, HUF 724 billion more will be allocated to the healthcare system than in the last budget presented by the left in 2010. Within this framework, the government is spending two-thirds more on primary healthcare than was planned in 2010, with HUF 199 billion this year instead of HUF 119 billion then. In addition to a HUF 500 billion countrywide hospital development strategy, a HUF 700 billion hospital development program has been launched in Budapest. Thus, by 2020, 77 hospitals, 54 clinics, and 104 ambulance stations have been renovated, and 23 new clinics and 31 new ambulance stations have been built. Under the Healthy Budapest Program, 4 central hospitals will be established, while 25 hospitals in Budapest and Pest County, and several specialized clinics will be upgraded in the coming years.

The issue of healthcare salaries has also been a constant topic of debate over the past decade; however, doctors' salaries have increased by an average of 82 percent since 2012, and in fall 2020, it was enshrined in law that there will be a further doubling on average in the coming years. In addition, the salaries of health professionals have also increased significantly since the earlier tough recessionary downturn year of 2012, and by 2022 they will

be 2.5 times their 2016 level. Finally, ambulance service staff have seen an average 67 percent pay rise between 2016 and 2018. It is also a related issue that while left-wing governments did not buy new ambulances, the national government started to modernize ambulance stations and ambulances in 2010. Around 1,000 ambulances have been replaced since 2010.

In addition to salaries, the number of doctors has also been a constant bone of contention. While there is indeed a serious ageing of the general practitioner system, with an increasing number of unserved municipalities without their own general practice, there have never been so many doctors working in Hungary. There are currently more than 39,000 professionals working in the country, which means that the number of doctors working in Hungary has increased by 15 percent since 2010. This is also due to a 60 percent drop in the number of Hungarian doctors applying to work abroad since 2010.

In the case of equipment procurement, we are talking about decades of backlogs. The number of ventilators, for example, had practically become a “measure of corruption” in the country, already in the 2000s, long before the coronavirus pandemic and the Orbán Government’s taking office. At the same time, there has been noteworthy progress in the area of medical equipment, with the number of MRI machines doubling since 2010, and the number of CT scanners increasing by more than 40 percent.

In Hungary, we also pay special attention to screening and prevention: ten mobile screening stations are already in operation. In addition, the government has made cervical cancer vaccination free of charge for 7th graders, and a whole series of steps have been taken to reduce smoking. To achieve the latter goal, the government has reorganized the retail market and in 2011, passed a law banning smoking in enclosed public places to protect non-smokers. In addition to EU obligations, the reduction in the number of smokers and fairer public taxation explain the increase in excise duties on tobacco products.

These measures have certainly contributed to the doubling of the number of years spent in good health between 2010 and 2019, which is higher than the EU average: by 3.8 percent for men and 3.2 percent for women. This also means that while a decade ago Hungary was in the bottom third of the EU ranking, it has now moved up from 21st to 14th place, just in the middle of the midfield.

3.3. 21st-century Hungary

After 2010, with the gradual improvement of the economic situation and the increasingly strong and efficient use of EU funds, the characteristics of a Hungary that can offer its citizens increasingly better opportunities in the 21st century began to emerge, including a series of everyday infrastructure changes, improved transport, generous public support for local development, and greater protection of the environment.

It is probably worth starting with some of the technological changes. In the last decade, energy efficiency improvements have been made in around 400,000 homes and nearly 900,000 households have been connected to superfast internet. Digital Wellbeing Program Points are operating already in 1,500 locations. The share of households with broadband internet increased from 58 percent to 83 percent between 2010 and 2018.

The government has significantly increased the security of natural gas supply. As a result of the developments since 2010, Hungary's gas pipelines are interconnected with almost all neighboring countries, allowing natural gas to come from several directions, so diversification is now a reality. Renewable energy is also gaining ground: in just two years, between 2018 and 2020, the amount of energy supplied to the grid from solar power plants

increased more than thirteenfold. This has reduced the share of energy imports in domestic energy consumption from above one third to close to one quarter. In fall 2020, there was already a southern peak period when solar energy accounted for more than a quarter of domestic electricity generation.

In the field of transport, the government's aim is to have motorways in all directions reach neighboring countries. This was achieved at two border crossing points with Slovakia, Slovenia, and Romania. In addition, it is a strategic goal to connect county seats and towns with county rights to the motorway network (19 towns will be connected by the end of 2020), and an important goal is to have the motorway network within thirty minutes reach of every settlement. Between 2010 and 2019, the total length of motorways increased by 18.5 percent. By 2025, this is expected to be a daily reality for three quarters of Hungary's settlements and nine out of ten Hungarians.

Since the change of government, a total of 761 new buses have been added for intercity and 2,133 for local transport. As of 2010, 474 kilometers of railway lines have been upgraded. and 96 kilometers of railway lines have been electrified. The Balaton Bike Circuit will be completely renewed by spring 2021.

A new bridge on the Danube has been built at Komárom, and others will be built at Paks and Mohács; the Galvani Bridge is planned in Budapest, while the country's busiest road crossing, the southern Danube bridge over the M0, has been renovated. On the Tisza, the M44's expressway bridge from the Kecskemét area to Békéscsaba is under construction at Tiszaakört, and the M4's north of Szolnok.

Launched in 2015, the Modern Cities Program is the largest urban development program in Hungary's history, with around 270 planned developments. Between its launch and summer 2020, HUF 1,800 billion worth of development has been completed, bringing the program total to HUF 4,000 billion. The program is

building motorways, hospitals, cultural institutions, industrial parks and tourism projects across the country.

Announced in 2018 and implemented since 2019, the Hungarian Village Program (MFP) aims to improve the situation of the smallest settlements (with under 5,000 inhabitants), directly affecting 30 percent of Hungary's population. With the launch of this program, villages can now directly benefit from the positive economic results of recent years. The main aim of the program is to improve the quality of life in rural areas and to increase their population retention ability. More than 10,000 winners had been announced by fall 2020, while 1,400 kindergartens across the country have been renovated in two years. Within the framework of the Hungarian Village Program, the government also introduced the rural family home creation support, i.e., the rural CSOK, which positively affects nearly 2,500 settlements, and which – together with VAT refunds – was used by 20,000 families by fall 2020, with a total value of around HUF 85 billion. In addition, as part of the program, 2,500 kilometers of the national secondary road network will be upgraded between 2018 and the beginning of 2022.

From the outset, the government has treated Budapest as the Capital of the Nation, and has aligned its development support accordingly, which can also be seen as a multifunctional incentive. The primary impact of the measures will be to develop public spaces in Budapest, to improve services in the capital and to enrich the cultural life of Budapest. Other co-benefits include making the city more orderly and livable, boosting tourism, generating extra (local) income, and improving the image of the city and the country.

Thanks to a right-wing city administration and government, Budapest's financial situation has been consolidated and the state has taken over the capital's debts. Between 2010 and 2018, security in the capital has improved significantly, with a 46 percent reduction in recorded crime. Many old development debts have also been repaid, which we cannot list exhaustively here due to space limitations. In brief, the most important ones: the

long-unfinished metro line 4 was finally opened in 2014, while the metro line 3 trains have been renovated. The reconstruction of the northern and southern sections of the metro line is also complete. Numerous important squares have been renovated, such as Széll Kálmán Square, Kossuth Lajos Square, Ferenciek Square, Nyugati Square, and II. János Pál papa (Pope John Paul II) Square.

The former, left-liberal city government also neglected the City Park, which can finally live up to its traditions. Vajdahunyad Castle and the entire park will also be renovated under the Liget Budapest project. Many university and research buildings have also been built or renovated, including the buildings of the Moholy-Nagy University of Art and Design, while the National University of Public Service gained new buildings, the House of Human Sciences was built, and the Natural Sciences Research Center of the Hungarian Academy of Sciences was also completed.

Protecting the environment has become a major global issue in recent years. Hungary has already taken important steps in this respect with the adoption of the 2011 Fundamental Law. Such a crucial step is Hungary's GMO-free status, the first in the world to be enacted into law. Hungary considers the regulation of activities related to genetically modified crops and the preservation of the GMO-free status of Hungarian agriculture as a strategic issue of the highest importance. This strategy is also enshrined in Article XX of our new Fundamental Law, which came into force on January 1, 2012.

Article P of the Fundamental Law also states that "natural resources, particularly arable land, forests and water resources, as well as biological diversity, in particular native plant and animal species and cultural values, shall comprise the nation's common heritage; the responsibility to protect and preserve them for future generations lies with the State and every individual". This provision of the Fundamental Law therefore establishes the protection of natural resources as a responsibility that is both public and individual.

The government's position is that it is important for Hungary to protect the environment and fight climate change, as we all want cleaner water, cleaner air, and a more tolerable climate. In recent years, Hungary has taken measures which set an example even at EU level by committing to achieve 90 percent of Hungary's electricity production being carbon dioxide-free by 2030, using a combination of solar and nuclear energy.

To reduce pollution from transport, the government is working to increase the uptake of electromobility. To date, the purchase of almost 2,000 electric vehicles has been supported by public subsidies, and the network of charging stations is expanding, with more than 170 stations to be installed by the end of the current program.

Hungary has long been doing its part in the fight against climate change. Today, Hungary is one of the 21 countries in the world where gross domestic product has grown since 1990 while carbon dioxide emissions have fallen by 32 percent, energy use by 15 percent and greenhouse gas emissions by 35 percent. In 2019, per capita carbon emissions in Hungary were 40 percent lower than in Germany.

Finally, looking to the future, it is worth setting the important environmental target of increasing the forest cover from 21 percent to 27 percent by the end of the next decade. This objective will be achieved through the Settlement Afforestation Program, support for the planting of private forests, and the Newborn Forest Program implemented in state forestry holdings, which involves planting ten trees for every child born.

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VII. PANDEMIC AND CRISIS MANAGEMENT IN 2020-2021

1. Health crisis

Since 2010, the Hungarian government led by Viktor Orbán has dealt with a financial crisis and a related real economic crisis, and a red sludge disaster and a flood emergency; it also responded decisively to the migration crisis in 2015 and to a minor economic downturn in 2016, while twice being re-elected. It cannot therefore be claimed that the Hungarian government's policies have lacked routine and stability. Both the two-thirds parliamentary majority and the reforms that strengthened the ability of the public administration to act predestined the Orbán cabinet to successfully manage the coronavirus pandemic and the resulting economic downturn. The Nézőpont Institute's comparative study of Central European countries at the end of 2021 concluded that, "in the Central European region, the more politically stable governments have been more successful in restarting the failing economy, protecting jobs at risk, stabilizing the canceled public debt and in terms of the effectiveness of their vaccination program".¹⁸⁰

¹⁸⁰ "Government stability was assessed through the stability of the head and members of government, the stability of the parliamentary majority, the government's relationship with constitutional institutions, and the public support for governments. This also means that harmony between constitutional institutions or the stability of the parliamentary majority in government increases stability, even if the composition of the government changes. As indicators of government performance, the analysis used macroeconomic indicators for economic growth and unemployment in 2021, as well as the evolution of the general government debt ratio. In addition, the report examines the rate of vaccination against coronavirus, as the development of these indicators is directly the responsibility of the government." For a more detailed description, see: Nézőpont Institute: Kormánystabilitás és kormányteljesítmény. Közép-európai országok összehasonlító vizsgálata 2021-ben. 12.11.2021. Retrieved from: <https://nezopont.hu/wp-content/uploads/2021/12/Nezopont-Intezet-Kormanystabilitas-es-kormanyteljesitmeny-Kozep-europai-oroszagok-osszehasonlito-vizsgalata-2021-ben.pdf>

However, it must also be considered that the pandemic situation has challenged many previous logical and automatic mechanisms, and uncertainty has taken over everything (G. Fodor 2021, p. 3). The unusual situation that has arisen has simultaneously demanded public trust, government action, medical responsibility, and unprecedented discipline from all members of Hungarian society. This cooperation could not be flawless by its very nature, but by the end of 2021, it was becoming increasingly clear that it could be called a success. This is why the Hungarian government, unlike the leaders of other countries, has not been brought down by the pandemic, and (at the time of writing) is looking forward to the end of its term in early 2022 with a chance of re-election.

1.1 A premonition of the crisis

Starting in February 2021, a virus from China spread around the world in just a few weeks, causing another global economic crisis after the 2008 financial crisis. It would clearly have been impossible to foresee this type of health-based upheaval. However, it is also true that business cycles have long been the subject of study in economics, with Kondratyev, Schumpeter, Juglar and other eminent scholars of the subject identifying short (3-5 years), medium (9-12 years), and long (40-50 years) cycles (see Bródy, 2007 for more details), the downward phase of which always ends in a crisis.

Some familiarity with the economic history literature cited above also enables politicians to be ready for the arrival of cyclical waves: to save in good times, so that in bad times, they can step in and help the stalling engines of the economy. As discussed in detail in this volume, Hungary experienced years of crisis between 2008 and 2012 but managed to recover unharmed from this period

from 2013 onwards. From 2013 to 2019, there was a kind of “seven years of plenty” in economic terms, which is true both at the level of the national economy and for the living conditions of most citizens. From the growth in GDP to the start of the investment boom, from the increase in employment, almost unparalleled even in European comparison, to the rapid rise in real wages and the reduction in poverty, the improving indicators can be detailed at length (Regős, Horváth, and Molnár 2021, p. 101-115).

Despite the favorable conditions, the possibility of an impending crisis has become more frequent in domestic political discourse since the summer of 2018. This is, of course, a natural communication strategy on the part of the opposition, but in this case, the prime minister himself spoke (ATV, 2018) about the possibility of a European economic-financial crisis. Since the 2008-12 global economic crisis and the euro crisis, Viktor Orbán has regularly discussed the mounting problems of the European economy in his speeches, calling for common responses and changes. It is not surprising that in summer 2019, in his usual assessment speech in Kötse, he again mentioned that storm clouds were gathering in the skies of Europe and made it clear that this would not have such a shocking effect on Hungary as the crisis that started in 2008, given the achievements of recent years (ATV, 2019).

However, the premonition of the crisis in Hungary was not limited to the prime minister's speeches. The minister of finance spoke of a slowdown in the global economy in fall 2019, saying it was “probably deeper than anyone had previously expected”. By then, the global economy had already been weakening for a year and a half, but this was only a mild prelude of what was to come from February 2020.

1.2 End of 2019-March 2020: the arrival of the epidemic in Europe and first actions

In the Chinese city of Wuhan, a new type of virus is likely to have already started spreading during the last months of 2019. The first patients were admitted to the local hospital on December 10 of the same year. Doctors in the coastal city of Yangtze sent a sample to a laboratory, and on December 26, 2019, it was found to be a coronavirus similar to the virus that causes SARS¹⁸¹. On January 5, 2020, a virologist first alerted the authorities of the need to introduce protective measures. Finally, on January 20, 2020, the Chinese leadership confirmed for the first time that the mysterious new virus could spread from human to human (LA Times, 2021).

Closures were ordered in Wuhan, population 11 million, from January 23, 2020. It was here that the institution of “lockdown”, which has since become an international term, was first applied during the outbreak, and was soon extended to several neighboring regions. Italian Prime Minister Giuseppe Conte confirmed the first outbreaks in Italy on January 31 and declared a national health emergency. The Atalanta vs Valencia match was played in Milan on February 19, 2020 and was identified by many virologists as one of the main causes of the subsequent outbreak of the pandemic in the Bergamo area, which claimed thousands of lives. On February 21, the first Italian case was identified in the municipality of Codogno, which was obviously a rather symbolic identification. Two days later, the decision was taken to lock down northern Italy (Il Sole 24 Ore, 2021).

¹⁸¹ Severe Acute Respiratory Syndrome.

As for the pandemic chronicle in Hungary, the Orbán Government established the Coronaviral Defense Operational Staff on January 31, 2021, headed by Minister of the Interior Sándor Pintér and Miklós Kásler, Minister of Human Resources, including Health. It was the first of its kind in Europe and its tasks were laid down in a government decision¹⁸². The legislation was worded as follows: “The Government has reviewed the situation regarding the coronavirus outbreak in the People’s Republic of China and concluded that, in order to protect the citizens of Hungary, it is essential to monitor the health and epidemiological situation closely, to organize appropriate measures effectively, and to coordinate the activities of state agencies.” The composition of this operational board also reflected the complexity of its task: leaders from the fields of home affairs and health were involved in its work from the outset.

Since February 2020, the Operational Staff’s activities have set the tone for the news feed and everyday life. This is not a simple statement describing a communication agenda, but a fact from which various consequences stem that still have an impact today. On the one hand, stability: the constant meetings of the Operational Staff, and the communication about them, have brought a kind of certainty into the situation. On the other hand, action: the term “operational” was filled with content. In this context, it is worth noting that the government in Hungary works on a weekly basis, usually with Wednesday sittings. During the crisis, this level of strategic decision-making and the logic of ministerial-administrative decision-making was complemented by the daily “pandemic-centered” decision-making of the Operational Staff, which became a horizontal policy that also determined other

¹⁸² Government Decision 1012/2020 (I. 31.) on the Establishment of the Coronaviral Defense Operational Staff.

government policies. According to a paper on how the European Union works, “a horizontal policy is a policy whose aspects and principles are integrated and mainstreamed across all sectoral policies” (Soós 2020, p. 6). The effective functioning of the Operational Staff and the government was guaranteed by the daily morning participation of the head of government, the minister of the interior and the minister of human resources.

The third aspect is the introduction and enforcement of strict, almost military, decision-making responsibility. The constitutional aspects of all this will be discussed in more detail later, but for now, we will just note that this type of crisis always implies the centralization of decision-making, to ensure efficient functioning. The situation is also recognized, regulated, and constrained by liberal constitutions, but they provide greater room for maneuver than ordinary governmental functioning to deal with the situation. There is no doubt that the management of the pandemic in Hungary involved the staff of internal affairs and military agencies, but it was not accompanied by public outcry and did not lead to any South American-style militant operations.

Returning to the presentation of events and the first protective measures in Hungary, the Operational Staff published a 28-point action plan on February 1, 2020. The police were given tasks related to border protection and control, public health had to immediately start checking and procuring supplies, while the National Prison Service, for example, had to prepare for the transition to producing medical protective equipment. In addition, virtually all the relevant bodies, as well as all the mayors and educational establishments in the country, were given information tasks. In short, vertical tasks were set within the framework of a horizontal epidemiological policy, reaching all the municipalities in the country.

This was, therefore, the intensity and logic of action at the level of the nation state in the first weeks. But how did the federal EU decision-making center react? The starting point would have been a correct assessment of the extent of the threat, but this

was a long time in coming, as the European Center for Disease Prevention and Control (ECDC) underestimated the scale of the threat in the first six weeks. According to an announcement on January 17, 2020, “the likelihood of importation of cases of novel coronavirus (2019-nCoV) to the EU is considered to be low, but cannot be excluded in the current situation” (ECDC, 2020).¹⁸³ Even more worryingly, almost a month later, on February 14, 2020, the scale of the problem was still not correctly understood, and although the first European patient died on that day, and there were 11 registered cases in France and 6,500 in China, the risk of infection to EU citizens was still considered low. Indeed, the ECDC was also wrong on the same day to rule out the possibility of a pandemic overloading the healthcare systems, setting the risk at low to medium (Origo, 2020).

In the same period, in mid-February 2020, the Hungarian economy was reported to have grown the fastest in the fourth quarter of 2019 in the European Union as a whole among those countries that had submitted reports by then.¹⁸⁴ The prime minister, in his usual annual assessment speech (Orbán, 2019a) on February 16, 2020, reported on the Hungarian economy’s debt-free growth, the maintenance of external and internal fiscal balance, declining public debt, wage increases, declining wealth inequality, and record investment levels. From this point of optimism, it only took a few weeks to shift to a crisis management mode of operation, due to the health and economic impact of the pandemic.

¹⁸³ “The likelihood of importation of cases of novel coronavirus (2019-nCoV) to the EU is considered to be low, but cannot be excluded in the current situation.”

¹⁸⁴ In the end, Hungarian growth was only outpaced by Irish development, but the actual level of real economic growth of the latter is a matter of debate in economics circles, due to the low tax rates for multinational companies using the country as a base for their operations.

In his usual public radio interview, on February 28, 2020, the Hungarian prime minister warned that “it is impossible to hermetically seal Hungary, so with due caution, but I have to say that there is a high probability that the virus will appear in Hungary”. It is noteworthy that the communication of the head of government at that time already included the recognition of the uncertainty of the situation and the consideration of the human factor: “This panic reaction of people is not entirely unjustified, because we are facing an unknown problem. Hence, I have also asked the authorities not to talk about what this is with the tone and posture of the well-informed; we must take seriously not only the virus but also the people, as this is an unknown virus or infection with unforeseeable consequences for them. So let us try somehow to get through this difficult period together, working with each other.”

From the very first moment, Orbán realized that the situation could become serious, that people needed certainty, which constant communication could provide, and that the success of combating the pandemic ultimately depended on the people, as well as on the system of state organization (“the authorities”). It is not surprising, therefore, that when the first infected person was admitted to a hospital in Hungary on March 4, 2020, the prime minister himself announced the outbreak of the epidemic in Hungary. On the same day, the coronavirus.gov.hu website was launched, as well as a related social media site, to inform citizens.¹⁸⁵

¹⁸⁵ According to data from Similarweb, the site still had 5 million monthly visits in November 2021, and by mid-December 2021, more than 5,000 news items had been published on the site. In the “sharpest” period, in March and April 2020, the platform registered around 170 million views.

1.3 The declaration of the state of emergency and the subsequent attacks on the rule of law

On March 11, 2020, the government decision to declare a state of emergency was published. According to the text of the legislation, “the Government declares a state of emergency for the entire territory of Hungary in order to avert the consequences of the human pandemic that threatens the safety of life and property, in order to protect the health and lives of Hungarian citizens”.¹⁸⁶ The Hungarian constitutional system regulates in detail the different types of extraordinary legal order. Article 53 of the Fundamental Law describes the state of emergency as follows:

“(1) In the event of a natural or industrial disaster endangering lives and property, or to mitigate the consequences thereof, the Government shall declare a state of danger, and may introduce emergency measures defined in an implementing act.

(2) During a state of danger, the Government may issue decrees empowered – under an implementing act – to suspend the application of certain laws or derogating from the provisions of laws, and to take other extraordinary measures.

(3) The decree of the Government under Paragraph (2) shall remain in force for fifteen days, except if the Government – based on an authorization from Parliament – extends the effect of the decree.

(4) Upon termination of the state of danger, the decree of the Government shall cease to have effect.”

¹⁸⁶ This was Government Decree 40/2020 (III. 11.) on the declaration of a state of emergency.

Thus, the conditions for declaring a state of emergency are well circumscribed, and although in such cases, the cabinet may have more power, as it effectively becomes a (temporary) legislator, it is ultimately bound to the National Assembly for its regulatory action by several time limitations and a limitation on its powers. In addition, the next article of the Fundamental Law states that in a special legal situation, such as a state of emergency, certain fundamental rights may not be suspended, despite the exceptional nature of the situation, and furthermore that “the application of the Fundamental Law may not be suspended under a special legal order, nor may the functioning of the Constitutional Court be restricted”.

When the state of emergency was declared, the question was also raised as to whether the text of the Fundamental Law allows for the possibility of imposing this legal instrument in the event of an epidemic. The fact is that the laws on national defense and disaster management contain detailed rules on emergency situations. This law defines what constitutes an emergency at the very beginning of the specific provisions on emergencies. These include “hazards of other origins”, such as contamination of a drinking water source or a “human epidemic causing mass disease (or threat thereof)” (Mandiner 2020a).

The first patient in Hungary died of the virus on March 15, 2020. Also, as of the middle of that month, hospitals suspended dispensable surgeries and examinations, and only emergency procedures were performed. On March 21, 2021, 103 infected people were known to the authorities. On March 30, 2020, the Hungarian Parliament voted in favor of the law on the introduction of a state of emergency due to the pandemic caused by the new type of coronavirus.¹⁸⁷

¹⁸⁷ Act XII of 2020 on protection against the coronavirus.

Initially, there were indications that Parliament might decide on the emergency law by full consensus, and there were advanced background talks between the cabinet and its opposition to this end (Mandiner 2020, b). However, the increasingly united left, under pressure in no small part from the liberal elite, ultimately did not vote in favor of the legislation, which undoubtedly gave the cabinet greater room for maneuver in tackling the pandemic. With this decision, the opposition opted for sharp conflict rather than consensus during the first wave of the pandemic, and thus radically opposed a large part of public opinion. The overwhelming majority of voters¹⁸⁸ believed that the government's response to the pandemic was adequate, and, as we shall see, the cabinet returned the extraordinary powers to the National Assembly relatively quickly after the first wave of the pandemic (Molnár 2021, p. 671-672).

The reader may ask why we felt it necessary to describe the Hungarian constitutional system and the legislation based on it at such length. On the one hand, the declaration of the state of

¹⁸⁸ This may be indicated by the fact that in Medián's May-June 2020 survey, support for Fidesz-KDNP among the party voters who are sure voters increased by 5 percentage points. In addition, 58 percent of the total population was satisfied with the government's actions in the field of epidemiology during the period in question, according to the Medián survey. A slightly later survey by the Nézőpont Institute, conducted between June 24-26, showed that 62 percent of respondents were satisfied with the work of Prime Minister Viktor Orbán. For more details about the survey, see: HVG, "Medián: A járvány enyhül, a Fidesz erősödik, de a 30 év alattiak közt elvérezne". [hvg.hu](https://hvg.hu/360/20200610_A_jarvany_enyhulesevel_erosodott_a_Fidesz_de_a_30_ev_alattiak_kozt_elverezne) 06.10.2020. Downloaded: 08.14.2020. https://hvg.hu/360/20200610_A_jarvany_enyhulesevel_erosodott_a_Fidesz_de_a_30_ev_alattiak_kozt_elverezne; respectively: "Nézőpont, Orbán Viktor a járványkezelés nyertese." [mandiner.hu](https://mandiner.hu/cikk/20200701_nezopont_orban_viktor_a_jarvanykezeles_nyertese) 07.01.2020. Downloaded: 08.14.2020. https://mandiner.hu/cikk/20200701_nezopont_orban_viktor_a_jarvanykezeles_nyertese

emergency and the (temporary) strengthening of the government by parliamentary mandate created a huge rift between the cabinet and the opposition, and on the other hand, Hungary was criticized and even attacked internationally for the introduction of the special legal regime. Dictatorship accusations have become commonplace in the international press, while fundamental rights have been much more severely restricted in other European countries than in Hungary. One of the highlights of the unfounded accusations was when the Hungarian foreign minister was accused by a reporter of the US left-liberal television network CNN in a live broadcast that the Hungarian Parliament was not in session at all¹⁸⁹, to which Péter Szijjártó replied that it was fake news, as “the Parliament is in session; this week, for example, it has been in session for three days”.¹⁹⁰ This debate on the rule of law was all the more curious because there are no uniform standards for special legal orders in Europe. In many countries, there is no constitutional provision for them at all, and in numerous places, the controlling role of the legislature has been curtailed, due to the strengthening of certain administrative bodies (Center for Fundamental Rights 2020).

¹⁸⁹ In the interview of April 9, 2020, Amanpour’s infamous line was (unlike other parliaments), “your parliament is closed down”. The allegation was based on a March 31, 2020 Washington Post article which included this baseless claim, among others (Ishaan Tharoor: “Coronavirus kills its first democracy”. Retrieved from: <https://www.washingtonpost.com/world/2020/03/31/coronavirus-kills-its-first-democracy/>).

¹⁹⁰ You can watch the interview in English here: <https://www.facebook.com/szijjarto.peter.official/videos/teljes-cnn-amanpour-interj%C3%BA/510943829580530/>

1.4 First steps in economic crisis management

On March 13, 2020, the prime minister announced that schools will move to digital distance learning.¹⁹¹ Viktor Orbán also set up ten action groups, which were responsible for a wide range of areas from communication and the construction of a mobile epidemic hospital to economic and financial issues. “We expect that the economy will soon come to a standstill and will have to be restarted, which will require government decisions,” the prime minister added to the announcement. It was clear that, partly due to parents staying at home, partly due to the disruption of global supply chains and border restrictions, economic players would face problems on both the supply and demand sides.

Thus, the Orbán cabinet was preparing for a relaunch even before the economy had come to a standstill. A few days before the above announcement, on March 10, 2020, the prime minister foreshadowed the decision in his usual annual speech to the Chamber of Commerce and Industry. The prime minister asked for proposals for these decisions from players in the industry sectors, while naturally he also included among his tasks the re-drafting of the 2020 budget and the public finance plans for the coming years.¹⁹² He set the long-term goal for economic governance by saying that “we need to find a way to ensure that the economic

¹⁹¹ Extraordinary announcement by Viktor Orbán on the extraordinary government measures related to the coronavirus. 03.13.2020. Retrieved from: <https://koronavirus.gov.hu/cikkek/orban-viktor-rendkivuli-bejelentes-koronavirus-sal-kapcsolatos-kormanyzati-intezkedesekrol>

¹⁹² This is important because in Hungary, since 2015, it has been customary for Parliament to adopt the next year’s budget at the end of the spring session.

downturn is not as severe as in 2008-2009, but at most of such a magnitude that we can maintain our speed advantage over the European Union” (Orbán 2020b).

One of the key principles behind the decisions remained the same as it was in the first decade of governance, based on the central role of jobs, now in the form of protecting jobs during the pandemic. This was done through several measures, such as allowing parents who, for whatever reason, were unable to provide home care for their children, to continue to rely on schools. Also in line with this logic, one of the first series of measures taken by the cabinet was to waive employers’ contributions in the economic sectors most affected by the virus, such as tourism, catering, entertainment, sport, cultural services, and passenger transport. This was complemented by significant reductions in social security contributions for workers by June 30 and a waiver of the tourism development contribution in the tourism sector. Another important step was to make employment rules more flexible, helping employers and workers to reach an agreement.

On March 23, further economic protection measures were taken. More than 80,000 small businesses were granted tax exemptions until June 30. Family support was extended with special regulations for the state of emergency, as childcare allowance, child benefit and childcare fee entitlements that had expired during the emergency were extended, keeping mothers in their current status until the end of the period.

However, there is also a strong social aspect to crisis management. As we discuss in detail elsewhere in this volume, one of the most important repercussions of the crisis in Hungary from 2008 onwards was the difficulty of repaying foreign currency loans. The Orbán cabinet, in a deliberate bid to contrast sharply with that period, announced in mid-March 2020 that the repayment obligations of individuals and businesses – both on capital and interest – would be suspended until the end of the year. Based on 2019 figures, this package of measures involved around HUF

3,600 billion. The maturity of short-term loans to businesses was extended until June 30, 2020. In addition to the measures listed, also as part of the package announced on March 23, 2020, foreclosures, repossessions, and evictions were suspended, greatly easing the situation of those already well beyond the level of arrears on instalments.

2. March 2020 - June 2020: the first wave of the pandemic

A spike in the number of infections during March forced the imposition of a countrywide curfew at the end of the month, following the school lockdown. From March 28, 2020, people were only allowed to leave their homes for work or basic needs for two weeks, as initially regulated. Only essential businesses were allowed to stay open, a special, separate shopping time for the elderly was introduced, and people had to keep one and a half meters apart in public areas. Several other measures were also taken in the area of public administration, such as extending the expiry date of personal identity documents.

These solutions, which had already been applied in other countries, aimed to contain the spread of the pandemic by radically reducing the number of human contacts. By this time, events in Italy, particularly in the Bergamo area, had made it clear that one of the key issues in managing the pandemic was to slow the spread of the virus and thus delay the strain on the healthcare system. Or as Gábor G. Fodor summarized: “defense is therefore nothing more than buying time” (G. Fodor 2021, p. 39).

The virus also brought with it a particular phenomenon, namely the intense presence of police and military forces in the daily lives of citizens. This covered virtually all parts of the aforementioned sectors: both police and soldiers were on patrol, military administrative staff joined strategic companies, hospital commanders managed stockpiling, the national prison service produced masks, protective equipment was guarded by the police, the military played a key logistical role in the later stages of the defense, in vaccinations, and the minister of the interior became one of the main organizers of the Operational Staff and the defense, alongside the prime minister.

After the ventilator and vaccine wars (G. Fodor 2021, p. 49), it should not be surprising that the pandemic management has had some militant features. The question then is how citizens view this – do they support it, or do they see it as a threat to their freedoms? Where there have been protests – and there have only been occasional ones in Hungary, while in the Netherlands, Italy or Austria, for example, protests have been more frequent – they have not so much been about the “militarization” of states as about other restrictions on individual freedoms (e.g., curfews, vaccine certificates, privileges associated with vaccinations).

It was also during this period that the issue of equipment procurement first arose, from protective equipment to ventilators. While literally vital competition occurred worldwide, the mainstream liberal press also raised the question from a geopolitical perspective (Foreign Policy, 2021), in terms of East or West. And since the East – mainly China – had become a major player in the production of these devices in recent decades, the Hungarian government was mainly able to obtain protective suits, masks, and other medical equipment (e.g., gloves, tests), including ventilators, from them. The drug containing the active substance favipiravir, which was approved in Japan in 2014 and has been shown to be effective against other diseases besides coronavirus, also arrived from the East in spring 2020.

The second part of the Economic Protection Action Plan was announced by the cabinet on April 6, 2020. This again consisted of various measures. The first decision aimed to safeguard jobs by having the state take over part of the wage costs of employees who were working shorter hours and by providing wage subsidies. The second measure was to gradually reintroduce the 13th month pension, a benefit that had existed until 2010 but had been abolished by the left-liberal cabinet during the previous crisis, on a weekly basis, over four years (the full 13th month pension was finally paid in February 2022).

In addition, under the third program point of the Economic Action Plan, several priority sectors, such as tourism, health, food, agriculture, construction, logistics, transport, the film and creative industries and, later, agriculture, have been given special support during the crisis. Finally, interest-rate subsidized and guaranteed loans have been provided to businesses that needed them, totaling more than HUF 2,000 billion, and additional investments have been supported in the amount of around HUF 450 billion. Also during this period, the Magyar Nemzeti Bank (the central bank of Hungary) made an important announcement. Through its monetary instruments, the MNB provided HUF 3,000 billion in new resources to protect the financial system, equivalent to 6 percent of GDP as expected at the time for 2020. Later, it was also decided that the at least 75,000 students who only needed a language exam to graduate would receive their diploma by way of exception, thus being able to find a job requiring secondary education.

Health workers were, of course, on the front line of the defense against the virus. It was their efforts that the government recognized by announcing a one-off allowance for all health workers in the amount of HUF 500,000 at the beginning of April. The cabinet also pursued a longer-term tax reduction program by cutting social security contributions by a further two percentage points from July 1, 2020, and by allowing around 600,000 companies and organizations to submit their annual accounts and file and only have to pay their corporate and local business taxes by September 30, 2020. This package, with a one percent cut in small business tax from the beginning of 2021, has left another HUF 200 billion for employers, helping to improve employment levels.

This was also the aim of a very deliberate investment promotion policy, intended to boost investment by both domestic firms and multinationals. This was helped by the fact that in early April 2020, the European Commission authorized the launch of a new investment aid scheme under which the state would provide

incentives of up to 800,000 euros for corporate investment. In another measure to promote investment, the government enabled companies planning to invest in Hungary during the four years from 2020 to benefit from a full corporate tax exemption on the profits they intend to invest.

Of course, the measures listed so far have entailed considerable additional costs, which the cabinet has covered partly by borrowing, thus increasing the public deficit, and using a kind of Keynesian approach, and partly by applying the tried and tested recipe. Several profitable sectors have again had to bear a larger part of the burdens, with a special tax on credit institutions and high-income retailers, in the order of HUF 91 billion.

The number of infections was kept under control in the first phase of the pandemic, and Hungarian mortality figures were lower than in other European countries, even though Hungarian data reporting is among the strictest in the EU. In practice, this means that for almost everyone who was infected at the time of their death, a COVID death was registered even if the actual cause of death was not the pandemic but some other underlying disease. In 2020, Hungary had the 18th lowest excess mortality rate among the 27 EU Member States, i.e., only 9 Member States had a lower rate, which was most likely due to the successful prevention of the first wave.

The timely decisions were successful: from April 30, 2020, life could gradually resume in Hungary, i.e., the restrictions were lifted in several stages. The reason given for this was that by this date, the Hungarian health system was also prepared to deal with mass disease. From then on, the restrictions were aimed more at protecting the elderly and people living in the capital and its suburbs. In the countryside, shops, restaurants, and other establishments could already reopen in early May. However, the government maintained digital education until the end of the school year.

By mid-May 2020, the Chief Medical Officer was already saying that the pandemic had entered a dormant phase and was abating. At the same time, Pest County, i.e., the agglomeration of the capital, was put in the same protection category as the other counties, and a few days later, the restrictions were also eased in Budapest.

On May 21, 2020, Gergely Gulyás, the Minister heading the Prime Minister's Office, stated at his usual press conference (Kormányinfó) that Hungary had taken the same measures significantly earlier after the first outbreak compared to Italy and other Western European countries. The cabinet said it was due to this that "the Hungarian figures are significantly better", with infection and death rates remaining lower than in other countries. By summer 2020, the focus of protection was increasingly on maintaining health and epidemiological preparedness, while the executive restored its emergency powers and parliament decided in mid-June to end the state of emergency. The state of emergency finally ended after the first wave, on June 18, 2020, so despite all the attacks invoking the rule of law, it can be said that the Hungarian state of emergency was one of the shortest in Europe at that time. Meanwhile, in Italy, the lockdown lasted for three months: it was the first on the continent to start and the last to end amidst serious controversy (Giubilei 2020, p. 147).

2.1 Summer 2020: preparing for the next wave of the pandemic, national consultation

With the country reopened and the economy slowly recovering, to the extent possible, the government sought to use the transition period to gather support from citizens for its planned measures for the next wave. This was the purpose of the national consultation announced by the prime minister at the end of May 2020, which consisted of 13 questions and could be returned until the end of August 2020.

The national consultation was sent to all Hungarian citizens over the age of 18 in the form of a letter, and people were also able to express their views online on epidemiological, economic, migration, and sovereignty issues. In the end, more than 1,682,000 people completed the consultation in summer 2020. It became an important decision-making criterion that only 59 percent of citizens who expressed an opinion would have supported a new curfew, with support for other possible protective measures exceeding this, including the 83 percent support for wearing masks.

In an essay published in fall 2020 (Orbán 2020c), the prime minister assessed that “the will is unanimous: Hungary must function! We cannot allow the virus to paralyze the country, the economy, schools, and everyday life again. So, we must protect ourselves against the virus by protecting the lives of vulnerable older people, our schools, nurseries, and workplaces at the same time. This is a different tactic from the one we used in the first wave. The situation is also different from the spring. We needed total lockdown then because we were facing an unknown enemy. We needed to buy time to prepare the health sector. And we succeeded in that.”

3. Fall 2020: the second wave of the pandemic

The Hungarian prime minister predicted as early as May 1, 2020, during the reopening period following the first wave lockdowns, that although Hungary had won the first battle against coronavirus, experts expected the virus to attack again in October or November. Meanwhile, by summer 2020, Hungarian ventilator production had started, and the country's economy had become capable of producing other medical devices, while the country had also entered into various vaccine development programs.

Nevertheless, the second wave hit the country hard: both the number of infections and the number of deaths were much higher than during the first wave. While there were 6,257 infected people in Hungary on September 1, 2020, by December 31, this number had risen to 322,514. Fortunately, deaths had not risen as much in relative terms, but – also attributable to the poorer health of Hungarian citizens than the EU average – the number of deaths rose more (from 616 to 9,537 over the four-month period) than the Western European figures. However, if we look at the excess mortality statistics, we find that in 2020, the overall excess mortality in other countries was more severe. Since such a statistic was presented in the Hungarian Parliament on February 15, 2021, it is worthwhile recalling the prime minister's statement at the time: "I would like to inform you that Eurostat keeps such a record, such a sad record, of how much the so-called mortality surplus is for each country, how many more people have died in each EU country compared to the average of the previous five years. Here we will see, and you can see for yourself, that in Hungary this is a 9 percent indicator, which is painful. The same indicator is between 10 and 15 percent in France, the Netherlands and Austria, and above 15 percent in Spain and Belgium."

By the end of 2020, the restrictions had reached levels close to, but not at, those seen in spring, and were broadly in line with other European countries (Maurer 2021, p. 363). The extraordinary legal order, i.e., the state of emergency, was introduced as of November 3, 2020. From November 11, evening and night curfews were introduced, mass events were again banned, sporting events were held behind closed doors, restaurants and hotels were closed, and digital distance learning was reintroduced in schools from the 9th grade and in universities.

3.1 The transformation of the health sector

Already after the first wave had subsided, Health Minister Miklós Kásler suggested that the lessons learned from the pandemic should be followed by a rethink of the healthcare structure. Maintaining public health care was identified as the main value to be preserved, as in many European countries private health care has not proved adequate to deal with the pandemic. In his aforementioned programmatic fall speech (Orbán 2020, c), Viktor Orbán set the following targets in this sector: “In the meantime, we need to continuously strengthen the health sector, which is on epidemiological alert and bears the lion’s share of the burden of the defense, strengthen the management system, speed up digitalization, rationalize the administrative burden, settle the chaotic legal relations, and, in addition to the 70 percent wage increase for nurses, we should also have a breakthrough salary adjustment for doctors. All this while continuing the reorganization begun in the spring to combat the pandemic.”

Finally, the National Assembly decided on the breakthrough salary adjustment on October 6, 2020, on a government proposal,

but with a complete degree of unity rarely seen in Hungarian politics. The very substantial wage increase¹⁹³, implemented in three stages in consultation with the Hungarian Medical Chamber, was finally part of a package that banned and severely penalized the practice of “parasolvency” (an under-the-table payment in Hungarian healthcare), which had been widespread in Hungary since socialism. It also introduced healthcare service contracts, prohibiting the increasingly harmful intertwining of public and private healthcare, while regulating assignment, i.e., the control of doctors in certain cases. In November 2020, the National Directorate General for Hospitals was established to monitor the functioning of the healthcare system and to provide the basis for strategic government decisions concerning its review.

¹⁹³ For example, the gross salary of a junior doctor will rise from HUF 255,000 in 2020 to HUF 688,000 in 2023.

4. February-May 2021: the third wave of the pandemic

Hungary was hard hit by the third wave of the pandemic. Although the first vaccine was administered in Hungary on December 26, 2020, the arrival of supplies and the development of immunity was clearly slower than the speed of spread of the next variant of the virus, i.e., the UK variant. The start of the third wave in February 2021 virtually coincided with the end of the second, so the virus did not give a single minute's pause to the Hungarian response this time.

On March 28, 2021, there were already 1,529 people on ventilators at the same time, while 12,533 were hospitalized that day. The total number of deaths more than doubled from 13,752 on February 15 to 27,540 on April 30, compared with the start of the pandemic. The same tragic doubling occurred in Slovakia, with only a couple of days difference, although the registration of coronavirus deaths was carried out in a completely different way. During this period, the cabinet fought against the virus by reintroducing distance learning, making the wearing of masks in public places compulsory, and closing non-essential shops and restaurants, while it became increasingly clear that the real solution would be a mass vaccination program.

4.1 Vaccination as the main tool for disease control

Vaccinations were already taking place in Hungary during the last days of 2020, and in this respect, of course, the medical staff on the front line of protection were given priority. The Hungarian government made it clear from summer 2020 that it did not want to make a geopolitical issue out of the procurement of vaccines, and therefore did not want to choose between East and West, in this case China, Russia, or the British and American vaccines, but tried to obtain as many of each as possible. Thus, it also participated in the European Commission's "central" procurement of vaccines, while a sample of the Russian vaccine arrived in Hungary on November 19, 2020 for testing. Vaccination registration for citizens started in December of that year, and in the same month, the Chinese vaccine documentation arrived in the country. On December 21, 2020, the vaccine of the US pharmaceutical company Pfizer received marketing authorization in the European Union and as mentioned above, the vaccination program was launched on December 26, 2020 in Hungary and Slovakia, making them the first among the EU countries.

Then, from February 2021, the Hungarian authorities authorized the administration of both the Russian and the Chinese vaccines, with the former being administered from February 12 and the latter from February 24. For example, Viktor Orbán was inoculated with the Chinese vaccine on February 28, 2021. Meanwhile, from January 2021, the Brussels bureaucracy was already coming under heavy criticism over the issue of joint vaccine procurement and licensing, also related to the acceleration of the spread of the UK variant. Millions of Hungarians decided to get vaccinated, which is why on March 8, 2021, the number of vaccinated people in Hungary exceeded one million, and on the penultimate day of the same month, two million.

In mid-March 2021, the cabinet linked the timetable for easing restrictions to the number of vaccinations administered, so when the number of vaccinated had reached two and a half million on April 6, the relaxations came into effect. Three million Hungarians had been vaccinated by April 13, 2021, three and a half million by April 23, and four million by April 30. This was also a major achievement by European standards: while on March 1, Hungary was in third place in the EU in terms of vaccination coverage, a week later it moved up to second place, behind Malta. On May 23, 2021, when the number of vaccinations exceeded three million, the most severe restrictions, the night curfew, the closure of shops, the obligation to wear masks in public places, and the restriction on the right to assemble were also lifted.

There have been serious political debates in Hungary on vaccination. The left-wing parties have attacked the use of Eastern vaccines in parliamentary resolution proposals, on social media, and other platforms for months. The “campaign” started with a denunciation by the Democratic Coalition (DK) in Brussels in November 2020. This was followed in January 2021 by an attack on the licensing procedure of the Hungarian health authorities, and then DK, the party of former Prime Minister Ferenc Gyurcsány, launched a petition against the use of the Chinese vaccine in Hungary. Finally, they would have banned them outright, if they could have, on the grounds that these vaccines were not authorized by Brussels. In fact, this would also have meant limiting the freedom of choice of citizens, as a total of 2,222,900 doses of Chinese and 1,807,392 doses of Russian vaccines had been used in Hungary by December 17, 2021. According to data from the end of November 2021, a total of 24 million “Western” and 7 million “Eastern” vaccines had arrived in Hungary, so it makes sense that far more of the former were used.

Faster reopening has given Hungary an economic competitive advantage in a European comparison. The rise in the number of infections and deaths fell sharply from May onwards, and in the

summer and September, mass events such as several European Football Championship matches and the World Eucharistic Congress took place in Budapest without severe restrictions. Hungary had moved up to third place in the world by the first week of August 2021, according to the Nikkei indicator of the success of the pandemic management, compiled by a respected Japanese business magazine.

4.2 New measures to tackle the economic crisis and the relaunch of the economy

The second and third waves have, of course, set the economy back again, even if the downturn has not been as deep as it was at the time of the spring 2020 lockdowns. This is why the government launched a series of stimulus measures earlier, in December 2020, such as reducing the VAT on housing construction to 5 percent or providing HUF 6 million in preferential loans to families for housing renovation, of which HUF 3 million was non-repayable support. It was also previously announced that from January 1, 2022, workers under 25 would not have to pay personal income tax, following the example of Poland.

This series of measures also highlighted the fundamental philosophical difference that we described earlier in relation to the practice of right- and left-wing crisis management in Hungary. This can be briefly summarized by saying that, while in such cases, the left sought to put public finances in order through austerity measures, the right aimed to revive the engines of the economy through various tax cuts and subsidies. Of course, at least in the last case, the government's crisis management reactions were

partly due to the different state of public finance: in 2020, the right-wing government, unlike the left-wing one, did not start the recovery in a near-bankruptcy situation. Nevertheless, it is true that the focus of left-wing crisis management in Hungary has always been on protecting the financial subsystem, while right-wing crisis management has focused on protecting the social subsystem.

The first breakthrough results of the economic crisis management started to be seen in the second quarter of 2021, with a faster opening and recovery than in other countries. Hungary's GDP grew by nearly 18 percent on an annual basis over the period, one of the best performances in the European Union. The economy had already reached its pre-crisis level in this quarter, and employment reached new records in the third quarter, even surpassing the 2019 level. This means that crisis management has been successful in restoring high employment levels, one of the key important indicators.

In the summer, the cabinet launched another national consultation on the post-pandemic relaunch, in which more than 1.4 million people expressed their views. As a result, under the leadership of Viktor Orbán, several key decisions were taken at the end of 2021 and the beginning of 2022, and continuously from then onwards, to make life easier for the Hungarian people. Another important side effect of the measures is that the resulting stronger demand could further boost the economy's internal engines.

For example, the minimum wage increased from HUF 167,400 to HUF 200,000 in a single step, while the minimum wage for skilled workers increased from HUF 219,000 to HUF 260,000 from the first day of the new year. Overall, these decisions affect the wages of more than one million workers, and since such a wage increase "pushes up" the wages of other workers, the "domino effect" of a minimum wage increase can affect millions of people. Finally, the amount of several family allowances linked to the minimum wage was increased in line with the minimum wage increase.

The cabinet also announced wage increases in several other sectors. The pay of doctors and nurses was increased as a result of a previously planned decision. A new element is that workers in the social and cultural sectors also received pay rises of 20 percent. The salaries of teachers, soldiers and police officers also rose by 10 percent, with the latter also receiving a six-monthly arms allowance. In addition, the monthly wages of public workers increased from HUF 85,000 to HUF 100,000.

The government also proposed in the 2021 national consultation that certain families and businesses in need should remain in the credit moratorium until July 2022. This decision was supported by 91 percent of respondents to the consultation questionnaire. Accordingly, the credit moratorium has been extended until June 30, 2022.

4.3 Laws and lessons of pandemic management

For the time being, we can hardly talk about the end of the pandemic waves and the regression of the virus. However, we can already point out a few regularities. These include the fact that the ability of nation states and governments to act has proved crucial in managing the pandemic (G. Fodor 2021, p. 37-40). Another important lesson seems to be that, as Hungarian Foreign Minister Péter Szijjártó put it after a meeting with his Danish counterpart, Europe must never again be so defenseless on strategic issues.¹⁹⁴

¹⁹⁴ <https://koronavirus.gov.hu/cikkek/szijjarto-peter-meg-egyszer-nem-fordulhat-elo-hogy-europa-ilyen-vedtelen-legyen>

To this end, the Hungarian state is devoting considerable resources to building up its own manufacturing capacity for protective equipment and vaccines, and to gain a kind of sovereignty in health issues.

This also confirmed the justification for the Hungarian government's continuous communication and successive information campaigns. Public opinion polls have played a crucial role in informing these and in taking epidemiological measures (G. Fodor 2021, p. 26), ensuring that the cabinet is always "just one step behind" in following the citizens, as no defense or decision would make sense if it were not implemented by the people. Likewise, polls also show that a clear majority of people are satisfied with the Orbán Government's handling of the pandemic, with 56-59 percent in fall 2021 (Nézőpont Institute 2021), while satisfaction with the vaccination program was 75 percent at the end of April 2021 (Századvég 2021).

These figures should be viewed particularly in the context of the recent fall of several cabinets in Europe, because of the crisis caused by the coronavirus pandemic. This successful crisis management in Hungary is reflected in the fact that the support for the Hungarian governing parties has remained stable even after a decade. Of course, the ultimate measure of government practice and satisfaction with the management of the pandemic will not be the various opinion polls, but the parliamentary elections on April 3, 2022.

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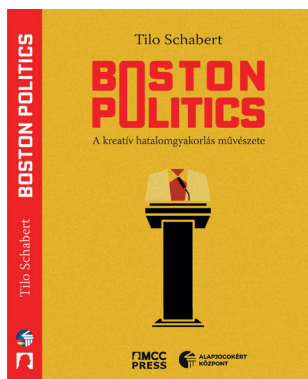


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BOSTON POLITICS

THE CREATIVITY OF POWER



The book, as its title suggests, deals with politics and creative strategies of using political power. Those who successfully deploy good political power need to display such intellectual and intuitive prowess, along with such mental and physical resilience, that “politics” could justifiably be identified as a form of art, in the old-fashioned, noble sense of the word. In *Boston Politics*, Tilo Schabert dissects the political operation of the American city of Boston, which works as a great model for understanding everything we need to know about using political power. Local politics revolves around a single person, the main character of the book, Kevin H. White, the city mayor. Mr. White is the originator of every political event, he is also where the buck stops, he is the sole actor capable of seeing the forest among all the myriad branches of the many trees. *Boston Politics* is much more a than foundational text on the history of modern politics. It’s a book for all those who want to understand what lies behind effective governance and the use of political power.

THE WOKE REPORT

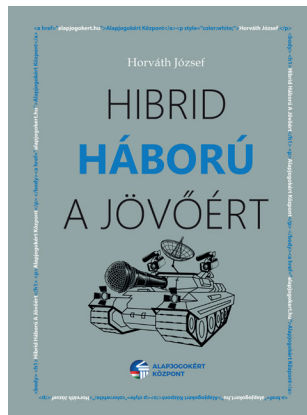
A DIGEST OF POLITICALLY CORRECT MADNESS



Though many believe political correctness is an amusing self-parody of itself, but the sad reality is that this process has gone far beyond liberals trying to erase a few insufficiently “tolerant” words or expressions from our shared vocabulary. The real aim of these dark knights of “open society” is to completely re-write our language word by word, and through this process to transform the entire system of interpersonal relationships. The barely hidden agenda is to restrict public discourse and our ability to understand and discuss concepts to the lexicon approved by liberals. Social phenomena that, as of now, have Hungarians laughing or merely disconcert us have become part and parcel of everyday life in the West. The Woke Report is a collection of the most bizarre pieces of news from the last year, and intends to display the most amusing and most upsetting changes in the world of political correctness.

József Horváth

HYBRID WAR FOR THE FUTURE



We have entered the age of hybrid warfare. Many people are yet to realize this, as Hungary has been an island of peace in recent years. That is still so today, but in a matter of weeks or months we could suddenly find ourselves surrounded by chaos. This is why we need to open our eyes to the real world. We must learn to distinguish good from evil, truth from lies. That is not an easy task amidst the information overload of the 21st century. The written and digital press, the internet, social media are among the most effective tools of our age, and they are often weaponized. This is the first frontline of hybrid warfare.

Gergely Szilvay

A CRITIQUE OF GENDER THEORY

THOUGHTS ON THE REVOLUTION IN ANTHROPOLOGY
FROM FEMINISM TO TRANS



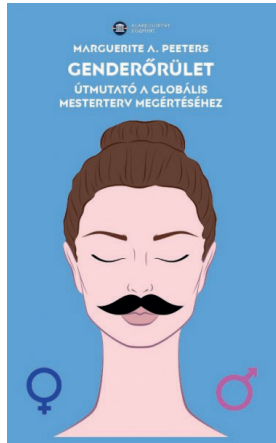
This book explores gender theory, why it is possible to deal with its various branches as a single phenomenon, the real-life consequences of this approach, and why it is utterly wrong. The reader can find out what “gender mainstreaming” means, if there is such a thing as “gay propaganda”, if gender theory qualifies as an ideology, why it’s a bad idea to re-write our fairy tales, or subject those of our fellow human beings who feel severe discomfort over their genders to sex change surgery. The author delves into the mistakes of the feminists, and demonstrates the distorted trends that appear in universities due to these mistakes. The book makes it clear that gender roles are far from being a pure social construct and have deep biological roots.

SOON IN ENGLISH

Marguerite A. Peeters

THE GENDER REVOLUTION

A GLOBAL AGENDA:
A TOOL FOR DISCERNMENT



The Gender Revolution offers a tool for those readers who seek clearer understanding of the maze of gender ideology. Peeters unmasks gender madness, the destructive effect it has on relationships between men and women, and serves as a warning against repeating mistakes of Western societies in institutionalizing practices and a legal framework that undermine marriage and the family. Peeters is an eloquent author who delivers her message with clarity and honesty in an approachable writing style, even as she brings practical examples as well as philosophical arguments.

Gergely Deli – Gábor Kemény – József Tóth

INTRODUCTION INTO THE BEHAVIOURAL ECONOMIC ANALYSIS OF LAW

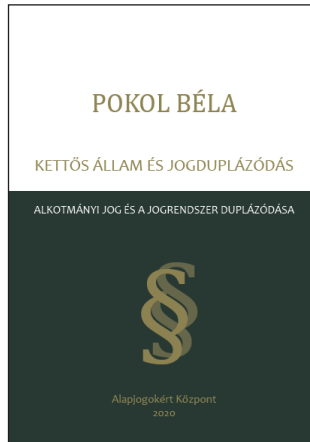


Our decisions are influenced by our values, the temptations of the ambitions we wish to achieve, our available competence and expected consequences. As a result, taking decisions and analyzing those decisions cannot rely exclusively on legal or economic considerations. There is a need for an approach that can include the full complexity of human interactions, and can become a useful tool of analysis. The Introduction into the Behavioural Economic Analysis of Law is a book that seeks to demonstrate the results of psychological studies alongside legal and economic ones in this field.

Béla Pokol

THE PARALLEL STATE AND THE DOUBLING OF LAW

CONSTITUTIONAL LAW AND
THE DOUBLING OF THE LEGAL SYSTEM



Global constitutional law, juristocracy, the doubling of law, legislating from the bench – these terms may seem mysterious, but understanding them is key to understanding the legal and political debates of our age. Béla Pokol explains these concepts in his *The Parallel State and the Doubling of Law*, which analyzes the creation of a new “ladder of law”. The author argues that constitutional courts around the world are engaged in the construction of a new, parallel framework. This leads to a doubling of law, which can cause state and political will to also double, which would institute parallel states, where the legislative and the judicial branch would find themselves competing against each other.