

HUNGARY'S PATH TOWARD AN ILLIBERAL SYSTEM

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Hungary on the Way from a Liberal to an Illiberal System. Introductory Remarks

The idea of preparing a thematic issue on Hungary goes back one and a half years. The initiative started in February 2014 – shortly before the end of Viktor Orbán's second four-year parliamentary cycle, precisely two months before the elections. Almost four years of government should be sufficient to evaluate the main goals, achievements, instruments, costs, and consequences of this period. We were fully aware of the fact that the analyses in this volume would – at least partly – address the situation and developments after the parliamentary elections of 2014 as well. The authors were invited to publish on selected issues of Hungarian development covering the past 25 years, with particular attention to the period between 2010 and 2014/15. The main aim of this undertaking is to shed light on several challenging and, to an extent, controversial developments in Hungary. On the other hand, this publication is intended to provide orientation for policy makers, experts and, not least, a wider public interested in the rapidly evolving political, institutional, economic, social, and psychological situation in this EU member state.

There were several reasons for an enhanced interest in Hungary. In political terms, in the spring of 2010 Hungary became the only EU member state with a two-third parliamentary majority for a ruling party (FIDESZ-KDNP) as a result of free and democratic elections. The already weak and continuously weakening position of a fragmented opposition, the emergence of an increasingly apathetic society, and the decade-long deliberate mental contamination pursued by the governing coalition, has raised serious concerns about the sustainability of an EU-conform democratic system. The functioning of democracy under such conditions has become a theoretical and policy-relevant issue for both Hungary and the EU.

In economic terms, the first Orbán government inherited a double crisis management package, introduced by the previous government under Gordon Bajnai. The intention of the package was two-sided. On the one hand, it was supposed

to remedy the consequences of erroneous economic policies and huge budget deficits, accrued between 2002 and 2008 during the Medgyessy and Gyurcsány governments. It has to be emphasized that the roots of policy mismanagement were partly due to the constant fear of Viktor Orbán and his supporters – still in opposition – in Parliament and on the streets. Some of the reforms enforced by the international financial community (in exchange for emergency support by the IMF) had to be implemented under conditions of a permanent “cold civil war”, initiated immediately after Orbán’s electoral defeat in 2002. On the other hand, the management package was to alleviate the effects of the global crisis in 2007, which led to a decline of Hungarian GDP by 6.8 percent (EU average 4.3 percent) and of exports by almost 20 percent.

As a result, the decade-long political fragmentation accompanied by growing social tensions undermined economic growth and competitiveness, which simultaneously became the main obstacle to a proper democratic performance after 2010. Openly changing its previous populist attitude in opposition, the new FIDESZ government in 2010 switched to an economic policy labelled “unorthodox”, by seriously cutting social, health and educational expenditures; all of them indispensable factors for sustainable social cohesion and economic competitiveness. At the same time, an economically irrational and socially inhuman flat personal tax was introduced, and taxes in sectors mainly dominated by foreign companies were drastically increased. As a short-term result, Hungary, for the first time since EU accession in 2004, was able to leave the excessive budget deficit surveillance mechanism. Backed by substantial foreign trade and current account surpluses, partly due to previously obtained competitiveness, yet mostly due to the flow of foreign direct capital before 2010 and, in the last years, to the lack of domestic and foreign investments, the financing of international debt became easier. Finally, huge transfers from the cohesion fund contributed to relatively high economic growth after 2013, even if the pre-crisis performance level has not yet been reached until today. The key uncertainty however, remains the substantially questionable sustainability of the current economic situation.¹

Yet, the most important factors attracting international interest to Hungary after 2010 are non-economic issues, such as the rapid deterioration of democratic values, the limitations to media freedom, and the abolition of a checks-and-balances system of key official institutions, from the Constitutional Court through the judiciary system to civil organizations. In the economic context, the new government launched its “freedom fighting” campaign, accusing

¹ For a detailed recent analysis see András INOTAI, *Looking Behind the Curtain. What about the Hungarian „Economic Miracle”?*, Centre international de formation européenne (cife), CIFE Policy Paper, July 2015, available at <http://www.cife.eu/en/5/policy-papers_88-1>. All internet sources were accessed on 31 August 2015.

transnational companies, foreign banks, and public utility providers of ignoring “Hungarian national interests”. Neither international organizations made an exception, since the initial attack on the International Monetary Fund, which saw Hungary as a symbol of “successful freedom fighting” – as Hungary had repaid its debt to the Fund – was quickly followed by permanent conflicts with the European Union, placing Brussels on the same level as Moscow or Vienna in the respective state socialist and imperial pasts.²

As often the case in dealing with complex topics, the guest editor, but to an extent also the invited experts, faced several challenges. First, the key subjects to be presented had to be determined. Since a comprehensive presentation of the situation in any country – not least in present-day Hungary – requires a multiple approach in order to provide a balanced and broadly understandable picture, the areas with the most fundamental changes and of international interest, have been identified. Six topics have been selected in the following sequencing.

Imre Vörös deals with the Hungarian legal system placing special emphasis on the new Constitution approved by the Parliament in early 2011, which did so without consulting the opposition parties and, more importantly, by omitting a referendum. The critical issue is to what extent the new Constitution is in accordance with basic European values and how a diverging legal environment should be interpreted and addressed.

Attila Ágh investigates the Hungarian party system, with special reference to the roots and potential consequences of the domestic political landscape with the two-third majority of the government coalition, the fragmented opposition, and the increasingly influential extreme right party *Jobbik*.

The constant as well as changing components of the Hungarian foreign policy are analysed by Károly Banai. The selection of this topic is particularly relevant due to the changing behaviour of the Hungarian government towards the European Union and the US administration (albeit not to NATO), as well as the official proclamation of a new foreign and external economic policy towards the “East”, and, most recently, towards the “South” (Africa and Latin America). The question is raised, why and how the “star pupil” of the newly formed Central and Eastern European democracies suddenly became a laggard, with diminished ability to contribute to solving international problems, and has in fact become more and more a *source* of problems.

The analysis prepared by András Vértes then provides a comprehensive survey of the economic philosophy of the government, the high-cost results, and the increasing unsustainability of its “unorthodox” economic policy.

² For a comprehensive survey of Hungary’s first decade in the EU see András INOTAI, *Ein Jahrzehnt ungarischer Mitgliedschaft in der Europäischen Union. Eine kritische Bilanz, integration* 37 (2014), no. 4, 320-344.

Special attention is allocated to the media landscape. Gábor Polyák points to the well-prepared structure of the media dominated by the government and its broad political, ideological and economic alliance network. The campaign of “freedom-fighting” in the political and economic areas has been strongly contrasted with serious limitation of freedom for the media in Hungary.

Bogdan Góralczyk, probably one of the best foreign experts on Hungary, contributes a study highlighting similarities and differences in Polish and Hungarian developments following the accession of both countries to the EU in 2004. His analysis may attract special attention due to the upcoming Polish elections in October 2015, which may prove to have more relevant impacts and consequences on the future of European integration and the EU in general, than, regrettably, Hungarian developments have been able to generate.

All authors agreed to consider, in their respective analyses, the last quarter of a century, starting in 1990. They put their emphasis on the last five years, however. In fact, this period has marked a clear “systemic” change compared to the previous two decades of fostering democratic fundamentals, preserving internal and external stability and accountability, as well as continuously building a competitive and open market economy.

Another challenge the guest editor faced stemmed from the interconnectedness of the individual papers dealing with different policy areas. Thanks to the broad vision and experience of all contributors, the volume reveals an interdisciplinary approach. All analyses include statements related to issues addressed in other papers. In view of this, the readers will hopefully be able to familiarise themselves and adequately evaluate the current situation of dominant trends in Hungary’s development pattern.

Finally, and most importantly, the task of combining and successfully balancing a high level of professionalism on the one hand, and the contemporary nature of the topic on the other, presented a challenge. Here, I would like to express my deepest thanks and respect to all authors who were open to various comments in the peer-reviewing process and, with exemplary patience and self-discipline, were ready to make changes and modifications they deemed suitable, at different stages of preparing the final version of the manuscripts.

What is more, developments between launching the initiative in February 2014 to submitting the final version of the manuscript in August 2015 have fundamentally strengthened and justified the idea of preparing a multidisciplinary and thought-provoking volume on Hungary. The FIDESZ-KDNP coalition repeated its two-third majority victory in the parliamentary elections of 2014; and even if it has recently lost this majority, its dominant position in legislation can hardly be questioned. The establishment of an unprecedented alliance between the political and the economic (and media) lobbies, more and

more frequently referred to as “mafia”³ has continued at the same speed, even if the constellation or participants has altered.

However, the widest resonance for the necessity of a special issue on Hungary was generated by Orbán’s clear preference to “illiberal democracy”, more accurately put as autocracy or the implementation of an authoritarian system, as he himself announced in the summer of 2014 in at the Tusványos summer university in Transylvania, Romania.⁴ Since this term correctly describes the entire Orbán system created over the past years, and prepared already previously during FIDESZ’ opposition years, we have opted to borrow it as the overarching title of the volume. Between recent announcements of the possibility or even desirability to reintroduce capital punishment, and official migration policy, including government messages to the Hungarian population instigating hatred against refugees, the essence of “illiberalism” in Hungary can be further underlined. Taking the current dramatic rise in migration into account with its increasing pressure on several EU states, Hungary has exacerbated the situation with its own migration policy, particularly materialised in the fencing erected along the Schengen border between Hungary and Serbia. The impacts of this policy in an already precarious society should not be underestimated, specifically considering a wider European order which is and will remain fundamentally globalized. Obviously, all this has generated widespread concern across Europe and has further undermined confidence in the Hungarian government.

Several experts, both as contributors to this volume as well as in international and Hungarian fora, rightly raise the question about the EU’s commitment to democratic values and the responsibility for the future of Europe in the context of the Hungarian developments. Certainly, the EU is facing a number of unprecedented challenges. Some are internal ones, such as the Euro crisis, economic recovery and competitiveness, high-level – mainly youth – unemployment, financial imbalances, energy, migration, security, and growing anti-EU movements. Other challenges arise from frustration in the international field, such as the neighbourhood policy based on misguided expectations and perceptions, international relations with Russia, and terrorist threats, among others. Yet, all these problems do not relieve the EU of its obligation to preserve the basic pillars of democracy and rule of law within the 28-member family. For the future of Europe, the stability of democracy (and the unequivocal rejection of any kind of “illiberalism”, let alone autocracy) should be considered as at

³ For a detailed and multidisciplinary analysis see Bálint MAGYAR (ed.), *Magyar polip. A posztkommunista maffiaállam* (The Hungarian Polyp. The Post-Communist Mafia State). Budapest 2013, 413–416 (English summary).

⁴ Viktor Orbán’s speech at the XXV Bálványos Free Summer University and Youth Camp, 26 July 2014, Băile Tușnad (Tusnádfürdő), *Hungarian Spectrum*, 31 July 2014, available at <<http://hungarianspectrum.org/2014/07/31/viktor-orbans-speech-at-the-xxv-balvanyos-free-summer-university-and-youth-camp-july-26-2014-baile-tusnad-tusnadfurdo/>>.

least as important as the financial stability of the Eurozone. Moreover, the EU's credibility is not limited to the member countries participating in the European integration project. Not less important is its external, global credibility toward third countries, both in Europe (mainly towards the Western Balkans and the Eastern Neighbourhood) and in Europe's wider geographic proximity.

Looking at the European and Hungarian environment at the end of August 2015, I am convinced that this publication provides a comprehensive survey not only on the current situation but, more importantly, on the ongoing political, institutional, economic and psychological trends and their potential outcomes, costs and consequences for Hungary, its geographic neighbourhood and the entire European Union. I am grateful for the possibility to publish this work and to the authors for their contributions. I would strongly recommend this special issue to policy-makers, professionals, business leaders, and financial analysts. Moreover, it would be especially welcome for this issue to reach a wider public interested in and concerned with developments in Hungary and their potential impact on the EU in general, and on regional stability and co-operation, in particular.

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