

# Sticks in the spokes of the “booth revolution”

A subjective assessment of the political  
situation in Hungary

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**This is the first piece of a series of articles in which the author intends to lift the veil on significant social, political and cultural transformations since the right-wing government came to power in Hungary. His main concern here is to assess and explain the political situation in Hungary. The next pieces will focus on specific issues, such as the new constitution, the transformation of the state, and the ethnicization of social tensions on the country's socio-economic periphery. The text is written from the perspective of a long-time member of the Hungarian green movement who co-founded the “Lehet Más a Politika” (LMP) party.**

## Malaise on the right

Mr. Orbán had it figured. April 25, the first anniversary of his overwhelming victory, was also supposed to be the day Hungary's Parliament adopts the country's new constitution. April 25, Easter Monday, was to be both a memento of Mr. Orbán's political resurrection and a symbol of the consolidation of Hungarian democracy.

That is no more. The way things stand, Hungary's Parliament will adopt the new constitution a week earlier - crucially, in the absence of the political parties which represent and

defend a democratic tradition which they claim to be in peril. The Prime Minister's retreat is symbolic. Its primary message is that he is no longer certain that the new constitution's adoption will be remembered as a glorious day in the country's history. Instead of symbolizing consolidation, it may well be remembered as an episode of the conflicts surrounding Hungarian democracy. Not only that, but one in which he may come to be seen as having stood on the “wrong side of history”. It is this risk that in my view has compelled Mr. Orbán to move the vote a week ahead. Yet this retreat is about more than the doubts of a leader worried about his future image. I believe it also expresses a malaise which has

slowly but steadily swollen in the ranks of the governing party and the pack of its closest supporters. This malaise, so far invisible to the outside world, has a plurality of faces, varying with the positions its bearers occupy in the ruling elite and in wider society. It is for instance manifested in the notable silence of intellectuals who had been amongst the most vocal advocates of the "Knight of Light" - as one of them previously characterized Fidesz's leader. There are also examples of the opposite reaction - for instance when MEP József Szájer (the president of the committee overseeing the drafting of the new constitution<sup>1</sup>) could not contain his frustration with the police's decision to turn down the request of gay pride organizers who wanted to extend the route of the demonstration to the Parliament<sup>2</sup>. At the moment it is difficult to tell the extent and impact of feelings of frustration, insecurity and shame in and around Fidesz. But their mere surfacing is already noteworthy in that it reveals a growing dissatisfaction in right-wing elite circles with the government's performance and plausibly unease with the Prime Minister himself. There are also signs that some of the most competent and intelligent people around Fidesz are reluctant to be a part of the game and are silently slipping out the back door (as recently testified by the trudging nomination process to the Hungarian National Bank's Monetary Council, which has been placed under the parliamentary majority's control). In short, the government's days of glory are over.

My piece will mainly be concerned with revealing the difficulties and obstacles that Fidesz's sometimes poor, short-sighted and - I can't find a better word - primitive governance has created for itself and what this may spell for the future. However, if one wants to assess the impact of forces that may push a governmental force down, it is necessary to formulate an idea of the forces that lifted it up. And in order to understand domestic and international reactions to Fidesz's first ten months in power, we must at least have a general notion of the expectations that Hungarian voters and international investors, money-lenders and politicians had vis-à-vis the new government.

### **Contradictory expectations**

Why did 53 % of Hungarians vote for the Fidesz-KDNP list on 11 April 2010? The short answer is: because there was no alternative. The socialists had completely discredited themselves, thanks mainly to the incredibly corrupt piece of machinery they had turned the state into, as well as their neglect of the popular voter base which had lifted them to power in 2002 and 2006. The far right (Jobbik) was perceived as too radical, even by those who yearned for change. The greens (LMP) appeal did not extend much beyond cities and the highly educated. And the new neoconservative alliance of two former antagonists (MDF and the liberals) was seen as a bad joke. But that is just the surface of things. We can begin edging towards some sort of intuition if we start out from the assumption that Mr. Orbán was clearly on to something when in 2008, decisively abandoning his erstwhile ideal of building a polgári (both bourgeois and civic) Hungary, he decided to push for a "social referendum" on school fees, hospital fees, medical co-payments (which the social-liberal government proposed to introduce). Since the astounding success of that referendum Fidesz's efforts have been spent on consolidating the "historic bloc" which had first coalesced around those three questions - an improbable coalition of the pro-capitalist bourgeoisie, and sections of an economically and socially insecure petty bourgeoisie and proletariat. Orbán's genius lay in his ability to convince these divergent groups that his professed ideal of national-plebeian democracy would bring justice to the nation and advancement for all those prepared to work hard. He achieved this by turning popular anger

against the culprits (the socialist "comprador elite" and transnational capitalists) and promising again and again that, contrarily to his predecessors, he would consolidate the economy without having recourse to austerity measures.

This was in essence a return to Kádárist tactics and rhetoric, with Orbán promising to protect the livelihoods of "people" (a 21st century translation of Kádár's reference to "little men") from predatory elites and the destructive forces of global capitalism. Fidesz's leader did not need to explain how he intended to square the neoliberal tax reforms he proposed with the protection of the welfare state. (The party did not bother to present a detailed program to voters.) It was enough for him to castigate the heritage of 1989 (carefully omitting the role of Fidesz's years in power between 1998 and 2002) and promise a new era of patriotic government, economic security and social justice. If this worked, it was primarily because twenty years of democracy failed to convince a majority of Hungarians that the rights enshrined in the constitution of 1989 could be used as weapons by the weak in their everyday struggle to keep their job, achieve income security, and gain access to quality health and educational services. This, however, also means that the fate of the new "system of national cooperation" depends on the political right's ability to redress the historical sins of the Hungarian left - which had been in power for 12 out of the last 20 years - by creating jobs, stabilizing livelihoods, and decreasing corruption.

What did international players expect from the new government? International investors were generally uneasy about Fidesz's anti-capitalist rhetoric and were looking to learn details about the government's vague economic plans. International creditors and credit rating agencies were fairly optimistic that a large parliamentary majority would allow the government to implement long-awaited structural reforms (of the municipal regime, state-owned public transport companies, and the pension system), but wanted to hear about the government's plans of curtailing the budgetary deficit. Hungary's Western political partners expected Fidesz to avoid the Czech (mis)handling of the EU-presidency, observe the countries' international commitments (e.g. reducing the budgetary deficit, maintaining efforts in Afghanistan) and contain the spread of the far right. While in opposition, Orbán made significant efforts to convince or at least neutralize these players. He suggested to investors that anti-capitalist rhetoric was for domestic consumption and that Fidesz's economic program (centered on tax-cuts) would be pragmatic and favorable to capital, irrespective of its origin. Fidesz did not clarify its relation to the previous government's so-called Convergence Program before the elections, but the party's communication expressed an awareness of the centrality of the question of the deficit. Finally, Orbán made clear on a number of occasions that he shared the key political goals of the country's international allies.

### **Managed democracy**

The contradiction between domestic and international expectations was palpable from the beginning. The key question was how a populist force which had campaigned on hunting down those who had robbed the nation, and seeking to appeal to the betrayed and dispossessed could avoid having recourse to policies which international players might interpret as anti-democratic or anti-capitalist. Knowing Orbán's ability to manage a plurality of concerns, one would have expected him to strike a fine balance between domestic and international expectations. Fidesz's ten months in government have falsified this hypothesis. As one of the former members of the Budgetary Council (which the new government liquidated) put it to me, it was shocking for him

to see how far the new Prime Minister has proven willing to sacrifice the country's international standing. According to him relations between Hungary and its main economic partner, Germany, are at an all-time low, with little chance of improving in the near future. It is not easy to explain this turn of events, but two things are to be kept in mind. The first is that the government was visibly unprepared for the European Commission's veto on softening up the Convergence Plan (containing a commitment to a deficit of 3,8 % in 2010). Refusing to abandon its promise to introduce a flat personal income tax, the new government was facing the next to impossible task of covering a hole of approximately 2 billion Euros in the budget. The ensuing decision to nationalize private pension funds and impose so-called "crisis taxes" on banks and mainly multinational businesses put the government on a collision course with democratic institutions (most notably the Constitutional Court whose powers the Parliament curtailed<sup>3</sup>) detaining the power to thwart or delay their implementation as well as big business infuriated by the selectivity of the introduced measures. The second, related, point is that the unexpectedly vulnerable position and volatile situation in which the governing party found itself triggered an autocratic response on its behalf. It seems to me that Fidesz's virulent frontal attack on the system of checks-and-balances can be interpreted as an intuitive overreaction induced by fear and insecurity. While agreeing with my friend Péter Rauschenberger's assertion<sup>4</sup> that Orbán "was among those who took personal risks to help bring down our last dictatorship, and surely, he is not interested in establishing another one", I also believe that, if necessary, he may well be prepared to move towards a formally democratic, but essentially authoritarian system of governance based on centralized government, control of public opinion, and a strong (possibly shady) regulation of economic processes and actors. On 21 February MPs voted in favor of an amendment of the law on the National Bank, deciding that the four external members of the Hungarian National Bank's Monetary Council will henceforth be elected by Parliament. This will allow the ruling coalition to exercise indirect control over the last independent institution and to tame its renegade president, Mr. Simor. Despite recently codified amendments negotiated with Brussels, the media law will allow the Fidesz-dominated Media Council to severely fine newspapers, televisions and radio stations which fail to adhere to loosely defined balanced information requirements, for example "proportionality". (Neelie Kroes, Vice-president of the European Commission, visibly not too happy with the amended text, made clear that she would carefully monitor the implementation of the law.)

But further moves in the direction of "managed democracy" could easily backfire, provoking international backlash. For one thing, Mr. Orbán could need help from European allies to lift the excessive deficit procedure which is in force against Hungary. However, even countries such as Italy and France, who have a stake in the game, appear reluctant to come to the rescue. Seeing the frightening surge of the budgetary deficit in February (news has just got out that we have reached 81 % of the annual deficit projected for 2011), it is difficult to see how this will change. The continuation of the deficit procedure could trigger a chain of negative reactions. It is likely to undermine trust in the government's economic policies, specifically its recently announced structural reform program which was tepidly received by the market (mainly due to fears of softening up in the phase of finalization). This, in turn, may lead to the depreciation of the forint and a widening of default insurance spreads on Hungary's sovereign debt. This is of course speculation, but it says a lot about the interrelatedness of economic and political, domestic and international processes. In the current volatile economic situation (don't forget, Moody's, Standard and Poor's and Fitch are one step from lowering Hungary's credit rating to

junk status, with negative outlooks) the government is in dire need of easing its international isolation. The new constitution, boycotted by the opposition, is to say the least - unlikely to help that process. Therefore, Mr. Orbán cannot allow himself the luxury of populist domestic moves.

### **Will the "revolution" devour its own children?**

The problem for Fidesz is that its approval ratings have already begun to fall. Political pundits have pointed out that a slow erosion of popularity is almost inevitable at the end of the first year in government. But the latest opinion polls revealed that support for the governing party fell sharply (by 7 % or approximately half a million voters) in the first two months of the year. According to the most reliable polling company's analysis, the crucial factor appears to be dissatisfaction within the ranks of the close to 1 million working poor who have lost out on the tax reform. 29 % of taxpayers said their net income has decreased (and more than half of respondents declared that their income didn't change or only slightly changed). Of those who went home with less money in their pockets in the first days of February (when the reform came into effect) only 16 % said they supported Fidesz, while the ruling party's support still stands at 38 % in the total voting populace. This is significant because it basically means that Fidesz has lost a considerable number of lower class voters thanks to its ill-conceived tax reform. (The government had promised that no taxpayer would have to go home with less money in his or her pocket. Its experts apparently had not taken account of the fact that negotiated wage-increases would only come into effect from the middle of the year.) This signals a fracturing of the "historic bloc" that lifted Fidesz into power. The poll, moreover, reveals significant long-term shifts in people's opinion of how the weight of taxes should be distributed amongst the population. In the last ten years support for a flat tax has fallen from 44 to 25 %, with voters of Fidesz almost as likely to support progressive taxation (69 %) as supporters of the opposition. Support for Fidesz among lower income-earners is likely to continue falling if the government's promise to create 1 million jobs fails to materialize. Economic analysts do not see how it would. Péter Oszkó, Finance Minister under the Bajnai government (2009-2010), who is generally not hostile to flat taxation, has observed that the flat tax did not lead to a substantial increase in demand for labor in the countries where it was introduced and that it was even less likely to do so in Hungary (which suffers from an "unhealthy structure of employment"). And indeed, the latest statistics provide little reason for optimism: the number of people looking for work increased by approximately 90 000 in January. Here, problems spawned by contradictions between domestic and international pressures become visible again. The "crisis taxes" (which will remain in vigor until at least 2013) designed to cover the budgetary gap are likely to counterweigh whatever positive effects the tax reform may eventually have. Analysts are warning that restricted lending and dwindling profit rates in key industrial sectors are likely to result in the postponement of investments, smaller growth and fewer new jobs. This puts the key goal of the economic strategy - outgrowing the deficit - in peril.

A final word on the social contradictions of implemented and promised governmental policies. Further cuts in social welfare are one of the few things the ruling coalition, international partners and domestic analysts mutually agree on. Hungary, according to them, is said to suffer from a "prematurely born welfare state". This is not the place to argue against this fallacious and deeply ideological assertion. However, being in connection with Roma activists and having the opportunity to make regular visits to the country's Northeastern periphery, I can safely say that our

“prematurely born welfare state” is currently allowing thousands of families to starve. During my last trip to Borsod county Roma leaders were telling me that people, driven by hunger, had begun raiding “carcass wells”. People say the situation has not been so bad in the last fifteen years, and there are no signs of amelioration (the only good news being that spring is approaching). In many villages the local council, which is the largest employer, has still not received state funding for small-scale public works. (This, in the past, provided most poor families with a seasonal income which they then used to cope with emergencies, meet lifecycle needs, or grasp rare economic opportunities.) Poor families are left with the choice between scavenging and stealing - the latter inevitably leading to tensions between the Have-a-Little and Have-Nots. Jobbik, which has seen a decline in its popularity, is attempting to exploit these social tensions by ethnicizing them. (A couple of days ago I witnessed the march of the old-new Hungarian Guard through the village of Gyöngyöspata.) If the government does not allocate funds for the protection of livelihoods, the social crisis may easily erupt in the form of a food riot or another “Gypsy-hunt”. But where will that money come from?

It appears to me that the ruling coalition has its hands tied. It has no other choice than to pursue unpopular economic reforms which will further erode and fracture its voter base. Mr. Orbán can no longer point backwards in time, laying blame on previous governments' evil deeds. If he dares to strike xenophobic, anti-European chords, he risks totally alienating allies whom he desperately needs to improve the situation at home. Riding on symbolic issues can help a little, but there is no way he can spin his way out of this quagmire. The only real question is whether Mr. Matolcsy's risky economic policies will allow the country to steer a course between the Scylla of sovereign debt crisis and the Charybdis of no-growth. If he manages to pull the trick off, Fidesz may lose the support of poor voters, but will probably manage to win the next parliamentary elections. If he doesn't, Fidesz could end up in the garbage can of history, joining the other parties of the former “democratic opposition”. Of course, not

everything depends on Fidesz. The parties in opposition have some leverage over the winning scenario. But that is a story for another occasion.

## Notes

1 The committee, composed of six members, was created on the Prime Minister's proposal and charged with the task of aiding and overseeing the work of the parliamentary committee responsible for coming up with an actual draft. The body plays a mainly symbolic function, exhibited by Orbán's choice of people asked to sit on it. Amongst the new “Founding Fathers” we find two members of the European Parliament, a former Prime Minister, a former Minister, the current president of the Hungarian Academy of Sciences and a former leader of the Hungarian Socialist Workers' Party.

2 On 18 February the Court of Budapest overruled the police department's decision, allowing the march to proceed on the requested route.

3 The parliamentary majority stripped the Constitutional Court of its power to determine whether certain types of laws are in conformity with constitutionally protected rights. The laws which the court can no longer examine include those pertaining to taxation (and the budget), as well as those pertaining to property rights. (The latter amendment was necessary to ensure that the nationalization of private pension funds is not repealed by the Court). This, however, does not mean that the Court will necessarily become a toothless tiger, as revealed by its recent repeal of the civil service law (which hitherto allowed the government to sack civil servants without justification).

4 Article by Péter Rauschenberger: “What is happening to Hungary?” (January 2011, <http://www.boell.de/worldwide/europenorthamerica/europe-north-america-what-is-happening-to-hungary-10947.html>)

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