



Hungarian Politics in 2019





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Introduction

Policy Solutions has a long history of providing international audiences with in-depth analyses of Hungarian political life. Thanks to the support of the Friedrich-Ebert-Stiftung (FES), for the sixth time we herewith present an annual review of Hungarian politics. This is a comprehensive overview of recent developments, events and trends in Hungary in 2019, and an outlook on what topics we expect to dominate Hungarian politics in 2020.

The target audience of this publication is students and academics, journalists, diplomats or international organisations. In other words, anyone who has an interest in the political, economic and social landscape of Hungary in 2019, be it the European Parliamentary and the local elections, the state of the Hungarian opposition, Hungary's place in the European Union and beyond, the main economic trends or the government's plans to gain more influence over cultural life. It is important to stress that our review is not chronological and does not claim to be exhaustive in its scope, rather it reflects our selection of the major developments over the past twelve months.

In particular, we focus on five broad areas, presenting distinct developments in each. In the first section we review the year from the perspective of the Hungarian government, with a special emphasis on the impact of the two elections on Viktor Orbán's Fidesz party and the flagship policies of the government. In the second section we look at the opposition parties, their state and prospects after tasting success at the local elections for the first time in more than 10 years. The third section focuses on foreign affairs, in particular the place of Fidesz in European politics after the EP elections, and Hungary's foreign policy in a global context. In the fourth section, we take a detailed look at how Fidesz's policies have shaped the economy. Finally, some key developments of the Hungarian society – media landscape, increasing government control over culture and science – are discussed. All of the sections conclude with a brief analysis of the issues which may come to the fore in 2020.

The views expressed in this publication are not necessarily those of the Friedrich-Ebert-Stiftung.

1

**The Hungarian
government
in 2019**

1.1 | Another Fidesz landslide at the 2019 European elections

True to form, the governing party once again dominated the election, winning 52.56% of the votes, the second highest share of any party in the EU. Fidesz performed slightly better than in the parliamentary election in April 2018, and its result was in vein with its previous dominance in EP elections, where it tends to dominate even more strongly than in national parliamentary elections. If the EP election made anything clear, it is that one year after the parliamentary election Fidesz's position as the most dominant force by far in domestic politics remained stable (see Table 1).

The lesson of the 2019 European Parliamentary elections is the same as that of previous years: the country is still split into two roughly equal blocks of government and opposition supporters respectively, and whatever changes occur in the support of opposition parties reflects an intra-opposition redistribution of votes, without affecting the aforementioned overall balance.

Table 1. 2019 European Parliamentary election results

Party	European political affiliation	EP 2019	EP 2014
Fidesz-KDNP	EPP	52.56%	51.48%
Democratic Coalition (DK)	S&D	16.05%	9.75%
Momentum	Renew Europe	9.93%	-
Hungarian Socialist Party (MSZP)	S&D	6.61%	10.90%
Jobbik	NI (Non-attached)	6.34%	14.67%
Our Homeland	NI (Non-attached)	3.29%	-
Hungarian Two-Tailed Dog Party (MKKP)	NI (Non-attached)	2.62%	-
Politics Can Be Different (LMP)	Greens/EFA	2.18%	5.04%

Source: National Election Office – valasztas.hu



Winner at home

Fidesz delivered almost exactly the results projected by the polls, with 52% of the final tally. This was three points stronger than in the national election last year and marked the third consecutive 50%+ showing for Fidesz in an EP election.

Though one would hardly guess so from the Hungarian figures on election night, Hungarian Prime Minister Viktor Orbán was one of the losers of the EP election. Yes, the same Orbán whose Fidesz party crushed the divided Hungarian opposition once again, was finding himself in retreat. To understand why, it is necessary to zoom out of the Hungarian context and to look at the Hungarian EP election result in the broader setting in which it was embedded.

Loser at the European level

For the first time, Orbán was no longer just competing in Hungary but also at the European level, positioning himself as one of the prospective leaders – together with the then Italian deputy prime minister Matteo Salvini – of a pan-European far-right movement. All indications before the elections were that if such a movement looked promising, in other words if the far-right could form a large enough and politically coherent group in the EP, Orbán would be ready to either tell the European People's Party (EPP) that he would only be willing to stay if they included some of the far-right parties, or just leave.

European voters failed to play along with Orbán's neat script, however. This is not to say that the European far-right performed awfully, on the contrary, it did rather well on the whole. Their impressive results included first-place finishes in three of the EU's four largest member states, the UK, France and Italy. However, it was clearly not the breakthrough that was expected on the whole. For once, the far-right had mismanaged expectations. Most importantly, there was no breakthrough in Germany, where

Orbán was heavily banking on a successful AfD performance to put Chancellor Angela Merkel and her CDU under pressure. Far-right results were also below expectations in Spain, Austria, Denmark, Finland and the Netherlands.

In the EP campaign, Fidesz was suspended from the EPP

Central as Fidesz's domestic performance is for Orbán, he had set his goals higher for the EP election, and there he was disappointed. Since Orbán does not wish to be perceived as far-right, however, it was also vital for him to sell his party's shift to the far-right as a scenario where it is not actually Fidesz that is changing. Instead, Fidesz argued that the European People's Party was the one drifting to the left, "into George Soros' ideological orbit", thus forcing Fidesz to leave to save Europe.

The EPP leadership was desperate to keep the "Fidesz issue" out of the European Parliamentary campaign to make sure that its electoral efforts would not be tainted by an ugly internal rift with the man who had positioned himself as the hero of the anti-migrant movement across Europe. In spite of this, Fidesz decided to launch its EP campaign with a defamatory attack on European Commission President Jean-Claude Juncker, who is actually also an EPP politician. The Fidesz campaign accused Juncker of orchestrating mass immigration jointly with Soros. The EPP was still not prepared to cut the cord to its most influential Central Eastern European member party. The mutually painful compromise was to suspend Fidesz instead. Although only a few hours before the decision was announced Fidesz vowed never to accept a suspension, it ultimately acquiesced into precisely such an outcome, justifying its volte-face by arguing that it had been suspended at its own request.

Intra-opposition redistribution of votes

Although the Hungarian EP campaign's main theme was the struggle between Fidesz and the European People's Party, in terms

of domestic politics, on election night the big news was the intra-opposition redistribution of votes. This time, the changes within the opposition were massive indeed. In a stunning upset that the polls had failed to predict, former Prime Minister Ferenc Gyurcsány's left-liberal Democratic Coalition (DK) moved into the strongest position by far among the opposition parties, capturing 16.05% of the votes. More shockingly for the establishment, Momentum, a new liberal party, which had missed the parliamentary threshold of five percent as recently as April 2018, emerged as the second strongest opposition party with a result of almost 10%.

In the meanwhile, the two parties that had been the strongest opposition parties for almost a decade now, the Socialist Party (MSZP) on the left and Jobbik on the right, spectacularly fell behind. Even though most polls had pegged them as continuing to lead the opposition at roughly 10-12% a piece, they received only between 6-7% each, which put a major dent in their claim to lead the opposition.

DK and Momentum: the winners of the EP elections within the opposition

DK's rise owes to a variety of factors, but part of the story is definitely that it has successfully marketed itself as the party that is the most intense and bitter opponent (one may call it enemy) of the Orbán regime. At this point, none of the other parties would necessarily reject some form of this mantle, but DK has been most eager and most successful in seizing it, which explains why an increasingly bitter and passionately anti-Orbán electorate (especially higher educated, older voters in cities, but DK has been expanding its base in all social groups) is gravitating towards it. In the particular context of the EP election, this general advantage was compounded by the successful launching of the political career of Gyurcsány's wife, Klára Dobrev, who led the DK list for the EP, as well as the party's resolute embrace of the idea of a federal Europe, once again in striking contrast to Fidesz's idea of a Europe of nation-states. It must be also stressed that the EP elections have low turnout rates and thus parties with an extremely committed base (like DK) perform relatively better.

Momentum's good performance is also a complex phenomenon, but it nevertheless seems to boil down to one key notion: the lack of an alternative for many opposition voters, particularly young voters. For one, Momentum's strong performance owes substantially to the collapse of green party LMP, which was punished by voters for its incessant internal squabbling and its failure to cooperate with other opposition parties in key districts, which was identified as one of the major reasons behind Fidesz's renewed two-thirds victory. Moreover, MSZP and DK are undesirable alternatives for many young voters, classical liberals and dissatisfied conservatives as the parties of the "old left". Jobbik is still too mired in its racist legacy for some, while in the eyes of others it has been just lame since the departure of its long-time leader Gábor Vona. In all, this left Momentum as the default option for a fairly large segment of the opposition electorate. More importantly still, Momentum has learned from LMP's most vital mistake and approaches the notion of electoral coordination much more openly – which does not stop it from occasionally criticising Gyurcsány and highlighting how different they are from the party of the controversial former prime minister, and from the "old left" in general.

1.2 | Local elections in Hungary: the first crack in the system

There is not much to qualify about the overall assessment of the Hungarian municipal elections of 13 October 2019. The opposition's clear victory in Budapest – especially Gergely Karácsony winning the city's mayoralty, but the opposition also won the majority of its districts and of the city council – and almost half of the major urban centres (10 out of the 23 major cities) was the first impressive electoral success for the opposition in the nine years since Fidesz took power with a supermajority in 2010. After a string of massive electoral victories in three national elections, three nationally held local elections and two EP elections, for the first time the goliath of Hungarian politics finally looks vulnerable. In the meanwhile, the utter hopelessness which had permeated Fidesz's opposition has given way to some euphoria. Even if many caveats must be kept in mind, the exuberance is justified. Fidesz's electoral dominance across the board in Hungary can no longer be taken for granted. Achieving the seemingly impossible success of seizing control from Fidesz of the capital and a range of major Hungarian urban areas also implies a responsibility for the opposition to actually use the opportunities provided by the election.

The opposition's first major breakthrough since 2010

Among the most crucial aspects of the opposition's first major electoral breakthrough since 2010 is that it was achieved against the backdrop of robust economic growth, rising wages and record-low unemployment. To be sure, the economic picture is much more complicated than the macro statistics let on, but nevertheless, ordinarily one would not expect such a shift in the

public mood at a time when the economy is not in a recession. To put it bluntly, there is a lot reserve here for mobilising anti-government sentiment when the main tenet of the government's popularity, the solid economic climate, takes a turn for the worse.

The opposition can also derive some hard-earned confidence from the fact that by and large the electoral coordination was realised smoothly and in a disciplined manner, with visibly less of the usual acrimony or public bickering that has consistently accompanied all previous efforts at coordination. For the time being, most opposition politicians seem to have absorbed the lesson that this is the only way forward. Moreover, it is likely that the leaders of the opposition now believe that this is also the voters' expectation, which means that those who defect from cooperation are likely to be punished by opposition voters. This ought to make it easier for parties to swallow bitter pills in the inevitably highly divisive negotiations that will accompany the same process before the next parliamentary election in 2022.

In rural Hungary, Fidesz retains a commanding lead

It must be pointed out that for Fidesz the outcome was tragic only when measured against its previous overwhelming dominance in all types of municipalities. Simply put, Fidesz has become unaccustomed to losing, anywhere, anytime. The governing party has not had a popular majority in Budapest for some time now, but it skilfully exploited the opposition's weakness to keep on dominating the politics of a city where its popularity was shrinking.

Municipal elections tend to be merciful terrains for political parties because there are usually some redeeming victories out there when discussing the results in the media – there are municipalities which are unexpectedly won or retained. Thus, even a general sense of defeat can be alleviated with a reference to holding one's own in some municipalities. In this specific instance, however, Fidesz's defeat was relative, so much so that under normal conditions of competitive rivalry everyone would have seen such a result as mixed. The governing party's own projections of undefeatability and its apparent internal conviction that voters could never tire of the good they do have magnified the scope of the opposition's breakthrough.

But if as a thought experiment one were to bracket the prior expectations and look at the election just from the vantage point of what they tell us about Fidesz's electoral hold over Hungary right now, the picture is considerably more nuanced. If one were to project these results onto a national parliamentary election, it would still yield a robust Fidesz majority, albeit far from the two-thirds dominance which the governing party enjoys right now.

Even if one adds up all the seats that can be won in Budapest and all the major urban areas where the opposition has a decent chance, it is not enough for a majority in parliament. Winning urban Hungary is a necessary but not sufficient condition for the opposition. To win, the current opposition must be able to gain a foothold in some areas of rural Hungary, and based on the local elections results that still looks like a tall order, even in those areas where the "old left" used to be competitive. At the moment, winnable rural districts continue to remain elusive for the opposition, and with Jobbik's decline their best hope to change this in the near future is also in doubt because none of the other opposition parties have any substantial rural presence at this point. Even with the success of the opposition in many municipalities, Fidesz still has major demographic reserves which are sufficient for an electoral victory.

However, Fidesz cannot ignore that its support has decreased in urban areas, especially among the youth and higher educated

segments of the society. Fidesz now relies on older, lower educated and rural voting groups more than ever. An especially striking example for these trends are the wealthy Buda districts, which had exhibited signs of trending away from Fidesz already in the national election last year (the Fidesz incumbents were only saved by a divided opposition) but now turned decisively (even if they are still swing districts at best). This is one of the transformations that would have been inconceivable as recently as 2014: it has happened in parallel with Fidesz's abandonment of parts of its traditional intelligentsia and its decision to focus on consolidating its support in rural areas and lower educated voters in particular.

Coordination is vital but not enough

The biggest challenge for the opposition is that as essential as it is, electoral coordination can carry it only so far – it helps where its aggregate support is enough to defeat Fidesz but in and of itself it will not be enough in vast tracts of rural Hungary where there is virtually no opposition presence and where there is no way for the opposition to communicate with voters other than bussing in their very limited number of activists from the urban centres and have them canvass relentlessly.

The opposition's most important asset in this election, the successful deployment of electoral coordination and cooperation, is not something that can be taken for granted in future elections. At the local elections, the stakes were relatively low, since it is easier to surrender mayoralties – especially since the winner of the mayoral nomination could offer an increased number of municipal council seats in exchange – than to do so with promising parliamentary seats, and there are a lot fewer of the latter to go around. In the municipal election, the national party leaderships could lean heavily on local organisations to compromise in order to stay focused on the national goal of defeating Fidesz; but in 2022 it will be up to the national leaders to compromise and concede coveted opportunities, that will be a different ballgame.



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Helyi önkormányzati képviselők választása
2019. október 13.



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A similar problem applies to strategically timed defections, as we saw in the Western Hungarian city of Győr, where at the last minute the local Jobbik pulled out the rug from under the joint opposition candidate. This move likely doomed the chances of the opposition candidate with the result that she lost by a very slim margin to the incumbent mayor, Zsolt Borkai, whose sex and corruption scandal rocked the entire national scene in the last week of the campaign and likely tilted a number of close races towards the opposition while it increased the margins of victory elsewhere. Despite the swift action taken by Jobbik's national organisation, which condemned the move and immediately dissolved the party's local chapter, the damage was already done. There is little that any of the opposition parties could do to pre-empt similar defections before a parliamentary election, where they would hurt a lot more.

In any conceivable scenario where the opposition is not on the verge of a landslide victory but needs to compete hard in many swing constituencies to cobble together a parliamentary majority, these two factors – the inherent conflicts that coordination engenders and defections – constitute major risk factors for a potential opposition victory.

Candidates matter

A piece of good news for the opposition is that candidate selection does play a huge role – not as a variable that can override deeply ingrained party preferences, but as a factor which can enhance voter mobilization and tilt the result among the diminishing share of swing voters. The fact that the highly respected media figure András Pikó managed to crack the toughest nut in Budapest, the eighth district (the only district in Budapest where Fidesz was stronger than the entire opposition without Jobbik in the 2018 election), is a key case in point. On the other side, the impressive re-election margin of the Fidesz party elder Zoltán Pokorni – widely regarded as a silent internal critic of Fidesz's current course and a non-corrupt politician with personal integrity – despite the opposition's surprising sweep of the traditional Fidesz strongholds

in the wealthy Buda neighbourhoods is another illustration that personal appeal has an impact.

Independent candidate Péter Márky-Zay's success in the rural town of Hódmezővásárhely, which was one of the most classic right-wing bastions in Hungary, definitely holds part of the clue to weakening Fidesz's grip on rural Hungary. Thus far, the main elements of his success seem to be his independence from parties combined with a strong conservatism that is nevertheless tolerant of left and liberal views; a high intensity engagement with the public; and a reputation for integrity. Although it tried, Fidesz was not able to sell Márky-Zay as a liberal traitor who is at odds with the needs of rural Hungary. Instead, Márky-Zay appears to have established his conservative bona fides and earned the trust of a segment of (probably loosely-aligned) Fidesz voters, without alienating those to the left of him. These elements may not capture the entire story, but they are nevertheless key insights for future campaigns in towns similar to Hódmezővásárhely, which may be winnable despite the fact that most of them look elusive for now.

1.3 | The issues and policies of the Orbán government in 2019

In this section, we take a look at the government's key public policies in 2019 and the communication framework they are embedded in, keeping in mind that the list is also noteworthy for the glaring absences (for example education, health and welfare).

Demography as a flagship policy

In terms of policies, the demographic challenge remains the central theme of the government's communication and the area where many of its flagship policies are focused. The "Year of the Family" in 2018 was followed by the more martial-sounding "Family Protection Action Plan" in 2019, which was essentially a continuation of the same programme with a different label.

Money to middle and especially upper-middle class families continues to be the core of the various programmes. Although it has thus far failed to produce the anticipated baby boom, the already generous housing subsidy programme (named CSOK), which offers several years of an average net salary in Hungary to subsidize the home ownership of families with three children, recently saw the rule lifted that limited the use of the subsidies to newly-built homes, which will be a boon to urban-dwelling "ideal" families, for whom new homes are often a financial challenge even with the subsidy.

Even more importantly, another generous program was introduced that kicks in already at the first child. The CSOK is now complemented with the "Waiting for the Baby" programme, which offers a zero-interest loan up to 10 million HUF (roughly €30,000), which can be claimed by any married couple as long as the mother-to-be is over 18 and under 40. Unlike the CSOK, which offers 10 million HUF in grants

and 10 million HUF in loans for three children but is limited to home-buying, married couples are free to do with the baby-waiting money as they please. Moreover, the conditions of repayment are generous: the monthly instalment may not exceed 50,000 HUF (€150) and all payments are paused for three years when a second child is born within three years. Moreover, when a third child arrives (within three years of the second), the total debt is entirely forgiven, thus turning the loan into another grant. Given the extremely long repayment period and the rising rate of inflation, the loan is extremely favourable to begin with. So at this point, not counting all the other subsidies (such as the massive income tax cut for three children), for three children a Hungarian family can receive a total of roughly €100,000 from the Hungarian state – in a country where the average net salary is still about €800 a month, and only a third of this sum needs to be repaid.

Like the CSOK, this loan is also contingent on requirements that are meant to pre-empt the eligibility of poorer families, such as three years of employment or enrolment in higher education.

Other benefits to urge a baby boom

The most generous aspect of the "protection plan" was complemented by an array of smaller measures, such as the possibility for non-retired grandparents to claim the Hungarian parental leave if they care for their grandchild, subsidies for buying cars, and the permanent income tax exemption of mothers with four or more children. More importantly, the government has pledged to increase the crèche places in Hungary from 50,000 to 70,000. In combination with the stubbornly declining birth-rate, a realisation of this figure would bring

the government very close to the promise of offering a crèche place for every child in Hungary.

Somewhat problematically, the expansion could run into massive HR problems, as educational institutions across the country are already finding it difficult to hire teachers, and wages and working conditions in the sector lag so far behind the private sector that save for an economic crisis with the concomitant mass layoffs, there just will not be enough people to staff the crèches.

Attempts to save rural life in Hungary

Hungary is also known for its abundance of small municipalities. Roughly half of the country's ca. 3,200 municipalities has a population of fewer than 1,000 souls, and many small villages are teetering on the edge of demographic and fiscal viability. Lacking infrastructure, access to education and healthcare (large swathes of Hungary lack access to reasonably close general practitioner services), and often jobs, too, make small communities increasingly unattractive places to live, especially for young people.

But rural areas have emerged as the core of Fidesz's political support, and this trend was highlighted even more emphatically by the municipal election of October 2019. The overall trend towards the opposition not only failed to trickle down to most rural areas, but Fidesz in fact managed to improve its results in many of these small communities. Sustaining rural life is of vital importance for Fidesz, both because of the votes that can be won there and because it meshes with their broader ideological outlook and the corresponding communication, that is the protection of the Hungarian way of life – of which small village life is one traditional component.

Correspondingly, the government has created a much-touted but so far modestly funded subsidy scheme called the Hungarian Village Programme, which is designed to facilitate life in these communities. Grants can be applied for to finance village superintendents, for



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example, who perform maintenance, as well as trying to improve local healthcare services and infrastructure (roads and town hall renovations). Yet at roughly 70 billion HUF (€212 million) up to August 2019, the amounts disbursed in the forms of grants are relatively modest when compared to the government's massive outlays into elite sports, for example (the much-celebrated Puskás stadium in Budapest alone cost 200 billion HUF – €606 million). While the programme may sound good in terms of communication, and the government plans to further increase financial support for this programme, the investments are merely a trickle compared to the needs of rural communities and they are highly unlikely to turn the demographic tide of booming cities and declining rural areas.

Protection remains the key

As in previous years, the consistent line throughout Fidesz public policies and communication is the concept of protection and of halting changes, be it in the form of the changing demographic makeup of the national and local communities, cultural transformations or the global trend towards urbanisation.

This is of course in keeping in line with the relentless focus on migration and the theme of protecting Hungarian society, which has served Fidesz exceedingly well electorally since the issue cropped up in 2015, at a point when the governing party was at an alarmingly low point in the polls. It is also interesting how the particular focus on protection has been translated into the language and communication of the demographic/family policy (see the “Family Protection Action Plan”), something which implies that the concept of family is under threat and needs the state's intervention/protection.

How potent is the migration issue still?

And even as the migration issue remains a vital focus of the government's propaganda, cropping up in almost every context when the opposition is discussed no matter how far removed it might be from the issue at hand, Fidesz is obviously struggling at this point to

convince large parts of the public that there is an actual threat from migration. This does not challenge the fundamental hypothesis that migration is a powerful issue that can send Hungarians clamouring for governmental intervention and for the safety of Viktor Orbán's protection. But as the municipal elections showed, without the acute fear of masses of migrants barging in, at least Hungarians in high-information areas are willing to consider other issues as well, most of which do not bode well for the governing party.

Still, the notion of protection will undoubtedly remain at the core of what the government does and especially what it communicates. As Orbán knows all too well, however, protection needs a plausible threat, and finding one in time for the election of 2022 is Fidesz's most important project at this point. Especially so since a potential economic downturn before the next election could erode the most important bastion of the governing party's popularity, its supposed economic competence (also built around the theme of protection from foreign interests).

Increasing conservative influence over education

In 2019, the government also moved to increase conservative influence over education. With a supermajority amendment, the government has given itself the right to fully control the educational activities of independent private schools in Hungary. How the government will wield this vast authority over the growing segment of independent schools in Hungary (many of which have served as refuges for the offspring of Fidesz politicians and intellectuals from the underfunding and outdated teaching methodologies that prevail at state schools) is still in question, but the players involved have every reason to be worried. The Waldorf Schools and many other alternative schools remain vulnerable to political pressure.

This move can be considered as part of a wider backlash against the perceived harmful liberalism in many cultural sectors which, according to government-aligned politicians and media, has hindered the implementation of a grand strategy aimed at national grandeur and

development (see Chapter 5 for more details on “culture wars”, here we focus only on education). Yet many of these actions have been, by all means, at odds with the proclaimed goals. The accumulation of human capital was supposedly at the heart of this strategy. The new model for higher education has been one of foundations directly financed by local businesses which would ostensibly serve as partners in training and eventually employing graduates. The model for Corvinus University was already being adopted by Széchenyi University in Győr, the second industrial city of the country and home of a major Audi plant. As for the reforms to primary and secondary education – notably: centralization and the purging of alternatives to government-sanctioned curriculum and books –, they have led to devastating results in international comparison.

The newly published PISA survey on reading comprehension, science and math showed a stabilization of subpar levels for Hungarian pupils in comparison with their best record dating back to 2009 (before the forming of the second Orbán government). The performance of Hungarian teens placed them around place 32 in the three dimensions out of 79 participating countries. All these results were below the OECD average. Hungary also lagged behind all countries in Central and Eastern Europe, except for Slovakia.

As for Zoltán Pokorni, a former minister of education in the first Orbán government, a former president of the Fidesz party, and a current mayor of an affluent district of Budapest, school reform was at the heart of underwhelming performance on standardized tests. Vocational schools cannot cope with students who did not learn to read and make basic calculations in primary school. In his view, the centralized state school system should learn from alternative and private schools which better prepare their students for a world that puts a premium on problem-solving and swift decision-making. Pokorni is by no means in the inner circle of current Fidesz decision-making structures, his general criticism – also shared by József Pálincás, his successor as education minister in the first Orbán cabinet, and former president of the Hungarian Academy of Sciences – points to the disenchantment in conservative milieus with the education policy of recent times.

Government plans to limit judicial independence

Judicial independence as it continues to persist in the ordinary court system (i.e. the courts outside the Constitutional Court, which interprets the constitution) has been a thorn in Fidesz’s side ever since it took power in 2010. The government itself, Fidesz officials and their loyal media keep losing many high-profile and sensitive cases, including, among other issues, election law disputes, freedom of information or libel. These failures have generated a desire to speed up the process of controlling the judiciary. The ground for one potential route to this end was laid in the seventh amendment of the Hungarian constitution, the Fundamental Law, which was passed by Parliament in 2018 and provided for the creation of administrative courts, which resulted in the subsequent adoption of a law that “complied” with this constitutional mandate. However, citing international pressure the Orbán government ultimately abandoned the plan of establishing administrative courts in 2019, which was greeted with relief by NGOs and international organizations.

The withdrawal of the proposal to set up a parallel judicial system through the administrative courts appeared to be the government’s most important concession to the rule of law since it took power in 2010. However, like often before, it quickly emerged that Fidesz had only given up on a specific approach without abandoning the overall goal of increasing political control over the judiciary in general and sensitive judicial decisions in particular. Soon after this decision was announced, an omnibus bill was introduced in parliament by the Ministry of Justice (and approved by the National Assembly on 10 December).

The most important of the changes is a legal amendment that will effectively undermine the traditional functional separation between the Curia and the Constitutional Court and open up the possibility of taking cases that were unfavorably decided outside the ordinary judicial system and bringing them before the Constitutional Court, even if the underlying statute that the case

was decided on is deemed to be constitutional. Effectively, in certain contexts the Constitutional Court may overrule the Curia in cases that previously could not have even legally ended up before the Constitutional Court. The prevailing assessment among independent NGOs is that unlike the impartial Curia – which is made up of career judges, whereas constitutional judges do not need to be judges to be elevated to that position – the Constitutional Court is heavily biased towards Fidesz.

It will also become easier to second judges to public administrative bodies, such as the State Audit Office, the Public Prosecutor's Office, regional government authorities, etc. While this practice exists already, its expansion and facilitation will serve to blur the lines between the judiciary and the public administration. It is worth noting that this harks back to a longstanding effort of the government to remove the clear separation between the judiciary and the executive branch by allowing public administration officials to transition to the judiciary with relative ease, which was a key aspect of the since abandoned plan to set up administrative courts.

Introducing the concept of 'Christian freedom'

At the rhetorical level at least, the challenge for Fidesz is the classical dilemma between freedom and security, and as the party officially remains committed to both, Viktor Orbán has announced the notion of "Christian freedom" as the alternative to the classical notion of what we know as, well, freedom. Christian freedom appears to be to freedom what illiberal democracy is to democracy.

It would be easy to dismiss Orbán's new fad as another rhetorical ploy, and it is especially tempting to do so given its vague meaning. But it would also be a mistake. Given what we have learned about Orbán's illiberal democracy in practice, it is a concept that does broadly correspond to how Fareed Zakaria defined the term in his famous article two decades ago. By our modern and complex understanding of democracy, it is not a democracy at all but

a transient hybrid that progresses at varying speeds towards authoritarianism, where it will likely end up unless it runs into massive social resistance.

While the literary source and hence the meaning of Christian freedom is less clear, the prime minister's intention to bring it about should be taken as a given. It is fair to assume that promoting Christian freedom will be couched in the language of protection, in this case the protection of Christian freedom, because that is how Viktor Orbán's protection racket operates. For Hungarian civil society, the challenge is to anticipate and brace itself for how this will play out in practice.

1.4 | Outlook on the Hungarian government's prospects in 2020

The slew of legislation introduced in the final weeks of the year are enough to lay to rest any delusions in the opposition that in line with its initial rhetoric following the electoral setback in the municipal elections, Fidesz is going to follow a less aggressive tack than previously. In fact, the opposite appears to be happening, with the governing party pushing through legislation aimed at taking away both competences and fiscal latitude from the municipal governments, aimed particularly at crippling Budapest's mayor and his majority on the city council, at increasing the government's influence in the judiciary, and changing media and parliamentary rules to make the life of independent media and the parliamentary opposition more difficult.

Two ideas in particular are going to shape Fidesz's thinking. First, while it does not necessarily need to win back those regions it lost to the opposition in October 2019, it needs to cement its hold over the rest of the country. It appears that to the government's mind a conciliatory approach and the implied admission of weakness and of previous errors does not help in achieving that goal. Second, as the new rules for the future parliament highlight – in particular a lot of formal rules that Fidesz adopted to make it far more difficult for the opposition to coordinate electorally – Fidesz assumes that the era of a two-thirds majority is over for now. That seems reasonable. Had the opposition coordinated only a little more in 2018, they could have easily stopped the government from attaining the supermajority, which is now being wielded to suffocate the opposition and removing the few remaining checks and balances (courts and municipalities).

But even if the scope of the opposition's gains in 2022 fail to measure up to the level of their success in the October 2019 municipal

election, as things stand improved electoral coordination would be sufficient to end Fidesz's current constitutional supermajority. This means that the government needs to use its majority in ways that lay the ground for a leaner period when it will not have easy recourse to major changes to reduce the democratic rights of the opposition or to increase its control over public discourse and society in general.

This creates a major incentive to consider and try to anticipate in detail what constitutional and cardinal law amendments Fidesz might need after 2022 and to pass these now. What makes this especially pressing is that, ideally, doing so should not occur immediately before the election, so as to minimise the impact of a backlash. Hence, 2020, which is still relatively far from 2022, may seem ideal for drastic changes – although none of the above reasons should lead us to entertain doubts about Fidesz doing harsh things before the election if it perceives that it needs to take drastic action to cement its power. It should not be forgotten that Fidesz could easily modify the electoral system with its current supermajority in Parliament, and several observers already point to the possibility of further gerrymandering in Hungary's 106 electoral districts before the next general elections.

Fidesz's success thus far has been dependent on a combination of tilting the playing field by using its powers to cripple the opposition legally, financially and through character assassinations carried out by a vast media empire; the effective removal of all checks on its power; and a robustly growing economy. The first two are still given. But as the government knows all too well, the latter is predicated on cyclical and global influences, and while Fidesz has lucked out for a decade, it cannot necessarily assume that this streak will persist. The

last time the economy lagged temporarily, in the middle of the first post-2010 term of Fidesz, the ruling party slumped massively in the polls.

If an economic slowdown hits before 2022, Fidesz will clearly find that it needs to clamp down even harder on anyone who is in a position to criticise the government. At the same time, an economic slump will also have the impact of bringing into sharper relief those issues that Hungarians do manifestly care about – such as the desolate state of healthcare and education, as well as growing inequality – but not enough to vote against a government that delivers a booming economy and keeps migrants out. The threat of lifting the fog of economic boons and thereby laying bare the sad reality of Fidesz's failures in the abovementioned areas should presumably inspire the government to do something about these, to tackle the obvious crisis in these areas so that it has something to sell to the public when the economic going gets rough. Unfortunately, it is very unlikely that Fidesz will ever find it worthwhile to compete with the opposition by delivering better healthcare and education or by reducing inequality and alleviating extreme poverty. It would be a pleasant surprise to be wrong on this count, but genuine and beneficial reforms in these areas are unlikely to be on the agenda for 2020.

2

**The Hungarian
opposition in
2019**

2.1 | New dynamics – the impact of the municipal election on the balance of power in the Hungarian opposition

The Hungarian municipal election of 2019 was an unprecedented political development since Fidesz took power in 2010 and began reshaping the entire Hungarian political system to consolidate its power. After years of bickering, the opposition parties finally managed to coordinate electorally and felt the first taste of a major electoral success in a decade. It is clear that Fidesz's defeat in a number of major municipalities has reshaped the Hungarian political landscape, it has opened up the possibility of real competition, hampered as it must necessarily be under the vastly unfair conditions imposed by the government.

At the same time, the rivalry with Fidesz is only one layer of the democratic competition, even if it is the most crucial one. The intra-opposition rivalry is promising to be fierce as well, especially since the stakes of each parties' relative position will be more significant than at any time before. If there is any likelihood of the opposition ousting Fidesz and taking office in 2022, then this will involve a lot of power for the winners in terms of shaping the new government's policies, and also in terms of the many positions that can be distributed among the parties' activists. These in turn are likely to have a major impact on the long-term viability of opposition parties, since as long as the current electoral system persists, it will be impossible for minor parties to independently gain parliamentary representation that corresponds with their level of support in society, while larger parties in turn will be relatively overrepresented.

Realignment in the leftwing and liberal opposition

Broadly speaking, the local elections of October have reaffirmed the new balance of power among the opposition parties, which we already saw taking shape in the European Parliamentary election. In short, Ferenc Gyurcsány's Democratic Coalition (DK) and Momentum have emerged (or rather have solidified their position) as the leading opposition parties, while the Socialist Party (MSZP) and Jobbik have stabilised their declining support for now, albeit at lower levels than they enjoyed in April 2018. LMP still scrapes the bottom of the barrel to mobilize some of its once impressive base, but it is clearly on life support without much of a strategy of how to revive itself.

Most of the swing in the electoral outcomes of the October municipal elections (that is the mayoralties and local council seats won by the opposition) owed to the opposition's ability to unite in places where it already enjoyed a lead or was close to it, while the overall balance in the support of Fidesz and the opposition, respectively, was broadly stable before October. Thus, these numbers also suggest that DK and Momentum benefit from winning over existing opposition voters from other parties rather than expanding the base of the opposition altogether.

An interesting aspect of the current constellation is that to some extent DK and Momentum get along better thus far than most

analysts would have expected. Apart from a dose of self-discipline on the sides, a major reason is that they cover different voting groups of the electoral market. There appear to be few voters who are undecided between Momentum and DK. For the time being, these two parties have very different bases and they are growing slowly enough not to clash over the same types of voters.

DK and Momentum: different voters, different strategies

By and large, the core of DK's support continues to be made up of elderly voters; those left-leaning voters who feel most strongly anti-Fidesz; and former MSZP voters who are turning away from their party and always saw DK as their secondary preference. Momentum, for its part, is primarily drawing on young voters and intellectuals (DK, too, has a base among intellectuals, but they are almost exclusively older). With its nebulous place on the left-right continuum it tries to appeal to disaffected green (LMP) voters and moderate rightwingers, and it is also fairly successful at establishing itself as the party of choice for first-time voters.

The strategies of the two parties are also distinct in how they approach the process of building a base. DK believes that in the age of political polarisation a harsh rhetoric and tribalisation is the best route forward, and it is building a fierce subculture around former prime minister Gyurcsány. DK is the party that is second only to Fidesz in the intensity of the loyalty of its supporters, who are also vociferously critical of anyone who takes a position against Gyurcsány or DK, be it right or leftwing critics.

DK and its supporters are increasingly establishing themselves as the most cohesive block on the opposition spectrum and, consequently, the dream that many other opposition politicians once harboured about ousting Fidesz without entering into an alliance with Gyurcsány seem more elusive than ever. This also explains why the former prime minister is almost never mentioned by other opposition politicians at this point, even though he was

a frequent target of rhetorical attacks previously and remains so among opposition intellectuals. Momentum is eschewing the tribalism of DK and it focuses more strongly on issues such as corruption and transparency, quietly expanding its base by appearing as a centrist and less shrill but nevertheless staunchly anti-Fidesz force.

Ideological ambiguity

It is also worth exploring where the two parties are similar. Both parties are remarkable for how difficult they are to pin down ideologically. With Momentum, ideological ambiguity was an openly acknowledged and proudly worn label based on the presumption that since most Hungarians do not fit neatly on the left-right continuum, their party does not have to, either. DK has skirted the left-right issues more quietly, but while aligning itself with European social democracy in the EP (unlike Momentum, which has joined the centrist liberal Renew group), it is basically staking out a similarly amorphous position by traditional left-right standards. The most recent controversy concerning the party's decision to vote against an EP resolution about the refugee crisis, which was supported by most of the left in the EP and ultimately failed because of how the four DK MEPs voted, was a potent signal of its willingness to appeal to a fundamentally rightwing but widely popular sentiment in Hungarian public opinion, which remains resolutely anti-immigration.

The paradox of the Socialist Party: low in the polls, high in elected positions

MSZP took hits at the EP elections, but it stabilized its position at the local elections, and it is not necessarily down for the count. Vitality, the Socialists offer something to the opposition coalition beyond their mere voters. In a remarkable paradox, despite its low support in the polls and in the elections (wherever citizens could vote for separate party lists), the Socialists continue to wield considerable influence by having the biggest reserve of experienced officials, elected and

appointed, while the other opposition parties sometimes found that they have fewer of these than needed, which inevitably gave the Socialists greater clout in some municipalities where the opposition took over.

MSZP holds more mayoral seats and has more influence in the municipal assemblies and in the town halls than one would have expected, and, if properly deployed, these could of course prove instrumental in revitalising the party. At the same time, some old and new scandals attached to several of these figures also continue to weigh down on the party's public perception, so the reservoir of expertise is a double-edged sword.

A vacuum on the left...

What is most striking about our survey of the opposition is the absence of a strong leftwing party. Which, incidentally, brings us to one more party that deserves to be discussed in this context. Along with MSZP, the only leftwing party with a parliamentary presence is Párbeszéd (Dialogue), which had to partner with MSZP in every election since last year to either pass the relevant thresholds or to win. Arguably, Párbeszéd was the biggest winner of the municipal election, since its candidate Gergely Karácsony won the Budapest mayoralty, and it also scored some smaller successes, including the mayoralty of one of the Fidesz bastions in Budapest, the elite Castle district.

For years, Párbeszéd has suffered from the fact that even though several of its leading politicians are popular nationally – Karácsony's surprisingly strong victory in Budapest was a sign – the party itself simply fails to climb in the polls. Except for the lack of a national organisation – which is clearly a problem for Momentum as well, which nevertheless performed better than expected in rural areas for a Budapest and youth-centred party – there is no obvious explanation for the gap between the popularity of the party's most prominent politicians and the party itself.

But as it stands, for the time being there is no strong leftwing party in Hungary, which suggests that there is an ideological vacuum in Hungarian politics because a sizeable minority of Hungarians still identify as leftwing and, moreover, on economic issues a majority of Hungarians lean left. This is another mystery that cannot be easily explained, but Viktor Orbán's outsize influence on Hungarian politics is probably a part of the puzzle. Fidesz defines the terms of Hungarian political discourse, and the opposition is to a significant extent defined by its ability to stand up to Orbán and to engage him effectively. This ability is what opposition voters reward primarily, and in this league DK and Momentum stand out at this time. Moreover, even when they occupy centrist positions, all of the parties in the Hungarian opposition – Jobbik included – evince a significant sensitivity to socio-economic issues, which may satisfy voters even if the underlying policy responses are not explicitly labelled as leftwing.

For the time being, the opposition parties find themselves in a brittle equilibrium based on the individual benefits they have derived from the successful electoral cooperation and the hope of future successes. But multiple challenges lie ahead. First, the cooperation at the municipal level will be fraught with conflict, and some fault lines have emerged already within a few weeks of the election. Moreover, the opposition parties will have to balance their competitive streak and the democratic desire for a greater slice of the electorate with the other democratic desire of not undermining the opposition's unity to an extent that makes electoral coordination impossible, which would make an opposition victory extremely unlikely.

The new Budapest leadership under government pressure

No doubt, Budapest was the big prize at the local elections for the opposition. The developments concerning the budget, the competences and the infrastructural investment plans in late 2019 already indicate that the new leadership of Budapest will not be short of challenges.

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Four weeks after losing Budapest and 10 of the 23 biggest cities to the opposition, the Orbán government submitted a proposal related to the use of local business tax revenues, which would considerably reduce the new Budapest Mayor Gergely Karácsony's powers over the capital's budget. The legislation – which was approved by the National Assembly in December – will force local councils to redirect the business taxes to finance public transport before any other items. Given that the public transport system of Budapest has been seriously underfunded since decades, and has relied on cash infusions from the central government even under the previous, pro-government mayor István Tarlós, the restrictive measure threatens to cut other spending including on social services. The City of Budapest is already spending half of its business tax revenues (roughly €500 million a year) on buses, trams and subways.

Reacting to the bill, Gergely Karácsony called on the government to withdraw it. He also urged PM Viktor Orbán not to backtrack on his promise to work with local authorities even where his party, Fidesz had lost. Orbán said it several times publicly that he was ready to cooperate with the responsible leaders of the Hungarian capital. The prime minister even invited Karácsony to one of the cabinet meetings, and also promised that the government would comply with all agreements it struck with Budapest during the previous term. A key element of those agreements was that the government would not make any decisions concerning Budapest without consulting the city's leadership. The bill about the local business tax revenues goes clearly against this promise.

There is another sign that the government changes laws in such a way that they will further tie the hands of all municipalities. Until now, it was the municipalities that handed out building permits. According to an amendment voted in the Hungarian Parliament in December 2019, building and construction affairs will be taken away from them. This will give the government a free hand to build anything anywhere without any consultation with the city leaders. The amendment fits into a wider trend regarding the Orbán government's approach towards local governments. Since 2010,

Orbán has centralized power in Hungary to an unprecedented degree, taking away some of the responsibilities and budgets of municipalities, including the management of schools and hospitals.

Besides turning Budapest into a „green and free“ city, Gergely Karácsony's key electoral promise was to stop building stadiums and rather focus the resources on improving the state of healthcare in the capital city. The first big test of the new mayor's „stop stadiums“ pledge is the potential construction of a new athletics stadium for the 2023 Athletics World Championships. Budapest won the right to host the event last year, and constructions should begin soon if the city wishes to go ahead with the organisation. Since the local elections, the new Budapest leadership has decided to modify somewhat its electoral promise. Instead of saying a clear no to the government, the Budapest City Council voted unanimously to back hosting the 2023 IAAF World Championships in the capital, if certain conditions proposed by the opposition are met.

Support for hosting the world championships has been tied by Karácsony to at least 50 billion HUF (€150 million) in additional central budget funding for healthcare investments in the capital, expanding green spaces around the planned venue of the event, the construction of student dormitories and a government promise to stand by its earlier commitments regarding the financing of public transport in the capital. The Budapest City Council also demands full transparency regarding the contracts related to the event, including the construction of the new stadium. Karácsony demands an official government decision in order to guarantee the fulfilment of these conditions. As the event is widely considered of personal importance to PM Viktor Orbán, most Hungarian opposition politicians believe that setting conditions is a good way to force major concessions from the government. The government has promised to meet these conditions, and all eyes will be on the Orbán cabinet whether they keep their word or not in the next years.

2.2 | Strategic dilemmas on the Hungarian far-right

It is clear that Jobbik has been one of the opposition parties that have suffered the most from last year's massive parliamentary election defeat. In a sense, Jobbik's fall has been the worst since until last year it was the top opposition party by a significant margin. It was well positioned to play a leading role in challenging the government. Instead, it has lost over half of its supporters since 2018, and it obviously struggles to connect with voters.

The causes of Jobbik's crisis are manifold, and it is difficult to rank them by importance. Nevertheless, the most conspicuous is clearly the lack of a convincing leader in the vein of the party's previous chair, Gábor Vona. By traditional standards, Gábor Vona may not have been charismatic in the sense that Viktor Orbán or Ferenc Gyurcsány seem to their respective followers. But Vona did improve over time as an orator and despite the shifting ideology of his rhetoric, he exuded a credibility that connected with many voters. It was also clear that once he left unexpectedly, Jobbik did not have anyone in reserve who could match Vona's popularity with the base or his ability to appeal to rural Hungary. The party's most talented political figure right now, Péter Jakab MP, is quickly rising in stature but he has to wait at least until the next party congress in 2020 to try to take over the party.

Seamless integration?

There is some irony in the fact that one of the chief criticisms concerning the ascent of the duo of Tamás Sneider and Márton Gyöngyösi to the Jobbik leadership in 2018 was that the party seemed to be turning its back on Vona's steadfast pivot towards the ideological centre by selecting as its leaders a former skinhead and a politician who became notorious for a comment that was widely

understood to be thinly veiled antisemitism. Nevertheless, despite the worries or critical expectations of some, Jobbik has not only continued to position itself clearly to the left of Fidesz under Sneider and Gyöngyösi, but from the party's own perspective it has done so in a way that risks completely subsuming Jobbik in the general opposition without any distinguishing features.

On issue after issue, from the MTA (Hungarian Academy of Sciences) scandal over the EU all the way to the passing of the famed left-liberal intellectual Ágnes Heller – as a Jew and a former communist, Heller was considered one of the archenemies of nationalist Hungarians – Jobbik politicians have staked out positions that align increasingly closely with the other opposition parties. If you combine that with the fact that on many social justice and economic questions Jobbik had been fairly leftwing to begin with, then the number of positions that make its ideological outlook distinct keep shrinking. Moreover, for a variety of reasons, including smoother electoral cooperation with the other opposition parties, Jobbik currently finds it advisable to downplay the issues where it remains – one must presume – most distinctly rightwing, such as for example crime and the integration of the Roma minority.

No familiar faces

Initially, when the rapprochement between Jobbik and the rest of the opposition began, the unusual sight was that at the increasingly frequent joint opposition press conferences Jobbik politicians stood side-by-side with the once reviled representatives of leftwing and liberal parties. Now that the novelty has worn off, the surprise is usually that although one assumes that a Jobbik politician is present



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at such events, for the most part it is not clear who it is – partly because the largest opposition group in parliament has very few nationally known faces. The lack of distinct politicians who give the party a national voice is one of the most obvious causes behind Jobbik's crisis.

To some extent, it is also an outgrowth of the peculiar Hungarian media environment: while all opposition politicians – Jobbik definitely included – are excluded from the Fidesz media that dominates most of the Hungarian media system, Jobbik is not widely reported about in most of the remaining opposition media, either, because the latter tends left on the one hand, and is very Budapest-centred on the other, while Jobbik draws much of its remaining strength from rural areas.

Losing the fringe

The party's ideological shift under Vona and his successors has clearly cost Jobbik a significant chunk of its support (it also won many new voters with its mainstreaming strategy, especially among youngsters, higher educated voting groups and in Western Hungary). But some of this loss arguably occurred already before 2018, when there was likely an exchange of voters between Fidesz and Jobbik, with immigration obsessives moving towards the governing party and disenchanted centrists moving towards Jobbik. At the same time, as the evenly split party congress after Vona's departure in 2018 revealed, there was a substantial minority in the base that wanted the party to draw a clearer line in the sand when it came to centrist positions and especially to cooperation with leftwing opposition parties. After barely losing the internal vote for the party leadership, the losers formed their own party, Our Homeland, whose support at roughly 3-4% nationally is significant enough to hurt Jobbik but still far too small to be relevant in national politics. This clearly does not stop the government media from reporting extensively about Our Homeland and its leader László Toroczkai, in the hope that the extremists will continue to successfully siphon off support from Jobbik towards a non-Fidesz party that is nevertheless harmless from the government's perspective.

For the time being, Our Homeland occupies the perennial spot of radical parties at the margin of politics, and its electoral prospects are not particularly rosy, either. Even though its potential pool of voters is fairly large with the spread of far-right ideas in Hungarian society, most of those who would opt for Our Homeland unhesitatingly as their secondary preference have absolutely no reason to abandon their primary choice, Fidesz. Our Homeland is trying to compete for ideological terrain that is held by a more powerful, popular and resourceful occupant.

Our Homeland's 3-4% in the polls is of course a substantial chunk of potential voters whom Jobbik might be able to reclaim if it were credibly to the right. But at the same time it is also clear that this reserve is not substantial enough to make the party relevant again: assuming that Jobbik would not lose any voters in the centre of the political spectrum by moving rightward (an unrealistic assumption), currently an additional 3-4 points in the polls would not be enough for any more than an unsteady second place in the opposition, far removed from the top opposition party status that Jobbik enjoyed in 2018. Gábor Vona and those who followed ideologically in his footsteps were strategically right: given the Hungarian electoral system, there is simply no place for Jobbik to grow on the rightwing fringe; like Our Homeland, the party would be doomed to a permanent minority status there.

At this point, it is worth to be mentioned that Jobbik's mainstreaming strategy started in 2013, two years before Fidesz started to move forcefully into radical right territory. The radicalisation of Fidesz just made it practically impossible for Jobbik to return to their original position. Within the framework of the mainstreaming strategy, Jobbik has been pretty consistent in leaving racist messages behind for six years now. The major change in Jobbik's politics has been that anti-Semitic and anti-Roma messages have disappeared from the party's official statements. Jobbik has also set a softer tone on European integration: it no longer wants to leave the EU, and in some aspects (wage union, for example) it even urges further integration. As long as these positions remain unchanged, it can be argued that

we continue to see the more moderate Jobbik, which has apparently no plans to return to its far-right roots.

The dilemma

However, the current dilemma for Jobbik is that there is no room for it to grow elsewhere, either. The party has not found a way to position itself strategically in the centre in a way that could really meaningfully distinguish it from the other opposition parties. A crucial strategic challenge for Jobbik is the rise of Momentum. For a time, Jobbik could hope that the parties of the old left, MSZP and DK, would further weaken by the years, leaving a more centrist Jobbik that was popular among youth as the sole relevant opposition option for voters who transitioned from youth to middle-age after a socialisation as Jobbik supporters. If Fidesz were to become unpopular, that would be the opening for Jobbik to claim the mantle of a genuine challenger, a centrist but moderately nationalist force that holds out the unfulfilled promise that Fidesz stood for in 2010, to paraphrase Gábor Vona. But that approach was predicated on the absence of a party that is successful at challenging Jobbik for the support of young voters, and with the rise of Momentum that is no longer given.

Jobbik is facing at least four fundamental challenges. First, it needs to resolve its leadership crisis and find someone who has a popular appeal that matches or outshines Gábor Vona's charisma. Second, it needs to find a way to make itself ideologically distinct and relevant in a way that does not openly hark back to the racism that previously defined its ideological character in the Hungarian political landscape. Arguably, the latter is even more difficult, which is why Jobbik has struggled for a long time now to say anything original about Hungary's situation. Third, the party seems to have clear problems with funding its operations, and this problem is exacerbated by the very transparent hostility of the Fidesz-directed public authorities that oversee campaign funding and will obviously penalise Jobbik for even the minor infractions of the unrealistic campaign and party finance regulations. Finally, Jobbik needs media. The lack of media access is true for the entire opposition, but maybe more so for Jobbik,

which is comprehensively shunned by the vast Fidesz media empire and for the reasons mentioned above is mostly still a stranger in the remaining independent and opposition media.

What remains

Jobbik still has one major asset up its sleeve. Despite its battered popularity, it remains the only opposition party with a relevant rural base. If the opposition wants any connection to the public outside urban Hungary, it needs Jobbik's voters, and for the time being that means Jobbik and its activists. If Jobbik is to survive as an integral part of the changing opposition landscape, then it must make the most of this asset.

And there are indications that this is happening in fact. In the local electoral coordination agreements, Jobbik was barely even contesting many urban areas. The largest opposition party in parliament accepted what are effectively morsels of representation on city councils. In return, the opposition parties lined up behind several hopeful Jobbik candidates in rural towns (Jobbik even won in two important cities: Dunaújváros and Eger). Given the importance of municipal governments in directly connecting with the electorate and proving that changing the "governing" party can make a genuine difference in people's lives, this may prove to be an important chance for Jobbik.

If Jobbik's mayors prove their mettle over the next years, then Jobbik will be able to claim that it is indispensable for the opposition in terms of rallying rural support. That does not imply that it will necessarily (or even likely) retain its position as the leading party of the opposition. But even without a position as the leading party, Jobbik might well remain the political force that can potentially tip the balance towards the opposition in an otherwise close election outcome. This means that the rest of the opposition cannot for now afford to alienate Jobbik.

Their mutual willingness to cooperate quietly shows that both sides see the benefit. Clearly, one of the reasons of the smooth

cooperation has been that for the most part Jobbik is not competing for the same urban seats that are highly coveted by the rest of the predominantly urban-based opposition. Ironically enough, it seems that this makes Jobbik one of the easiest partners in the immensely complex puzzle that is the electoral coordination on the opposition side. When problems do arise, these stem mostly from Jobbik's legacy as a racist party and the question of how much the relevant sentiments continue to prevail within the party. However, what is striking in light of the history of many Jobbik figures is that there have been relatively few problems of this kind. This also owes to Jobbik's discipline in deciding not to compete with Our Homeland for the fringe vote. Rationally, the party seems to have accepted the loss of the furthest right as an irretrievable sunk cost. Both strategically and morally that was a wise choice, but it will only pay off if Jobbik can address the other major problems inhibiting its rise in the polls.

2.3 | Outlook on the Hungarian opposition in 2020

The local elections held on 13 October 2019 opened a new phase and changed the mood of Hungarian politics. PM Viktor Orbán has suffered his first electoral blow since coming to power in 2010, with an opposition candidate scoring a shock win in the Budapest mayoral race and the opposition performing above expectations in other cities. The vote was seen as a litmus test for the opposition parties' new strategy of cooperation, which could offer a route to mount a serious challenge to Orbán at the next general election in 2022.

Following an initial, relatively friendly approach from both sides after the local elections, in the last few weeks of 2019 the muscle flexing before the 2022 parliamentary elections has started. To run Budapest, the new mayor Gergely Karácsony has to collaborate with the Orbán government, while simultaneously demonstrating his power to challenge it. He has to maintain cooperation with the government, while the government is not interested in his success. This strategic insight is driving the negotiation strategy of the new Budapest mayor.

At the same time, while the government's political interest is to make sure that the new mayors supported by the opposition parties do not become successful politicians, it is also true that the government is not interested in turning the whole population of these cities against itself. The need for such a delicate balancing act explains why the prime minister makes relatively cooperative comments in public, and then opens the door to financially squeeze Budapest, for example.

It seems that the Hungarian government aims to create a situation in which the cities that are run by opposition politicians can still function, but the hands of the new mayors are so tied that they are unable to fulfil their electoral promises. Forcing local governments to finance public transport completely from their local business tax revenues could potentially reach exactly this goal.

Fidesz has also learnt the lesson that the cooperation of opposition parties is the single biggest threat to its power. As a result, the National Assembly passed an amendment to the Parliament's Rules of Procedure that will make it significantly more difficult to the opposition to cooperate at the next parliamentary elections. According to the new rules, independent MPs can no longer join parliamentary groups. What Fidesz basically wants to prevent with this amendment is opposition candidates running independently en masse only to form their parliamentary groups once elected, since during the local elections campaign many opposition politicians ran as independent candidates with informal party support. The new rules will not allow parliamentary groups to split either. So for instance, if at the next elections, parties of a fragmented opposition decided to run on a joint list, they would be forced to stay within the same parliamentary group for the entire term. It is worth to stress that the campaign finance rules also provide more funding to the opposition parties if they run separately in Hungary's 106 electoral districts.

Although the governing party apparently puts extra obstacles in the way of cooperation, there is clearly no alternative to the opposition parties. The local elections proved that the strategy to create face-to-face situations between the government and opposition works, and despite all the potential difficulties, it seems guaranteed that the strategy will continue for 2022. Local election results have given hope to opposition voters, and the major challenge of the new mayors supported by the coalition of opposition parties in 2020 and beyond is to maintain their support by proving that politics and policies can be different from how Fidesz has governed Hungary since 2010.

The campaign promises and the first few months in office of successful opposition candidates throughout the country – who also formed the “Alliance of Free Cities” at the end of 2019 – suggest that the overall goal may be to create a more social and green alternative to Fidesz's governance with a series of local policies that can prove the competence of the opposition to govern. Based on their first moves, the priorities of the new mayors also include a strong commitment to transparency, participation and inclusion.

Besides setting up laboratories of good governance, for the opposition one of the main challenges in the coming years will be to find ways to reach the rural public while making sure that the urban electorate continues to support it. The positive results at the local elections can only be interpreted as a good first step. In order to be competitive at the national level, the opposition parties need to gain more support in rural Hungary, which starts with strengthening their local infrastructure and increase their presence in villages. Looking back at the dynamics of the last decade, that is not going to be easy.



3

**Hungary's place
in the world
in 2019**

3.1 | Fidesz's place in Europe after the European elections

Although Fidesz's nine-year long Eurosceptic campaign has not reversed the general positive domestic assessment of the EU, its effect can be detected, without doubt. As a Policy Solutions research published in 2019 ("15 years on – The European Union and the Hungarian society") showed, the Hungarian society evaluates the country's first 15 years as a member state of the EU favourably, and still associates the community with positive values. However, the EU's favourable assessment is based mainly on material reasons (contribution to Hungary's prosperity and wealth). Currently, the highest proportion of Eurosceptic citizens is among Fidesz voters, and almost the same amount of people think that the EU is heading in the wrong direction as those who think otherwise. The government's messages about defending national sovereignty have a wide audience as limitations on sovereignty is a decisive detriment for many voters and support for making decisions in national competence has a majority in most policy fields. Orbán's fight for "national sovereignty" must be seen in this context: he has the support of his followers.

The narrative propagated by the Orbán government and its media empire has been for years that the European conservatives were abandoning the ideal of Christian Europe to serve some liberal agenda, especially in terms of allowing in "hordes of Muslim invaders" who are planning to move here by the millions, driven by a desire to conquer the continent in the name of their religion. In Orbán's interpretation of events, the European People's Party had two options to choose from. First, it could come around ideologically, recognise Orbán's position on immigration and allow him to build a bridge towards parts of the far-right. This would make Orbán the linchpin of the new broad alliance and allow

the EPP to reassert its position as the largest EP group by far, while also claiming the Orbánian mantle of being the staunchest defender of Europe and Christianity. Second, in the first half of 2019, Fidesz and the pro-government media suggested that the alternative was that EPP would be buried by the voters, which would turn towards the far-right in droves, while Fidesz would become a leading force in a newly ascendant populist faction in the EP.

The European People's Party — less afraid and more tired of Orbán

As we showed in Chapter 1, in this respect, things did not go as Orbán planned. A stronger electoral performance of the European far-right (and the continuation of the most severely felt uncertainties of many EPP-members regarding the future of moderate conservative parties) would have been essential for this strategy to succeed. In the showdown with the EPP, the latter did not blink, it unequivocally rejected following Orbán down what it perceived as a far-right and authoritarian course, and it also roundly dismissed the Hungarian prime minister's proposal to ally with Salvini and other far-right populists. Vitally for Orbán, his key allies within the EPP (such as the German and the Austrian centre-right parties), who had held the line for years despite his increasingly flagrant abuses of democratic ground rules and the erosion of the rule of law under Fidesz, also moved away from him and aired their disappointment with the Hungarian leader publicly.

Although Orbán has avoided publicly cutting the ties to the European People's Party, until the EP election in May all the indications were

that Fidesz would quit the EPP and join forces with Salvini. The pro-government media, which generally follows Orbán's lead and would never dare take a position on such an issue for fear of running afoul of the prime minister, shot ahead on this particular issue, no doubt primed by the government to demand most energetically that Fidesz quit the softened EPP "liberals" and join up with the real men on the right.

Backing down from the European far-right alliance

Given Orbán's general pragmatism and preference for interests over principles, it should not have been surprising, but it was still stunning to behold how quickly the Hungarian prime minister disavowed the idea of the far-right alliance led by Salvini. Although lauding the Italian far-right leader personally, Fidesz made clear that it wishes to remain a part of the EPP. Orbán in the meanwhile knows that his position in the EPP is weakened because of his previous actions (as a consequence, Fidesz could not attend the EPP party congress in Zagreb in November 2019), so the challenge is for him to regain the favours of the EPP elite that he has alienated without appearing obsequious, which would undermine him in the eyes of his followers. This does not mean that the numerous Fidesz-sceptics in the EPP ranks will be easy to appease. The scandals surrounding the Hungarian governing party have caused a rift within the EPP, and several member parties would prefer to see Fidesz on the outside even at the risk of Orbán boosting the ranks of the far-right.

Finding a place for Fidesz in Europe

The European People's Party will decide whether to expel Viktor Orbán's Fidesz party from its ranks in early 2020. In a speech at the EPP party congress, Donald Tusk, the new EPP President – and arch-rival of Orbán's closest ally in the region, Jarosław Kaczyński – vowed to fight "populists, manipulators, and autocrats". According to him, these politicians „lead people to believe that freedom

cannot be reconciled with security, that protecting our borders and territory cannot be reconciled with liberal democracy, and effective governance with the rule of law". Tusk called this conflict „the essence of the internal debate" within the EPP.

The decision about the future of the Hungarian governing party will be based on a report prepared by a three-person panel of „wise men", led by former Belgian Prime Minister and Ex-President of the European Council Herman Van Rompuy. The „three wise men" are asked to investigate the state of democracy and the rule of law in Hungary and issue recommendations on whether the EPP should expel Fidesz. This report is due in January 2020. To be realistic, regardless of the outcome of this process, Orbán's influence in the EPP is much diminished anyway. Even if Fidesz could somehow retain its membership, that would be a formal arrangement without much room for substantive input in the policy/decision-making process. At the end of 2019, it is clear that Fidesz is in a weaker bargaining position, which is distinctly manifest in its unusually gentle tone towards the EPP.

In any case, it must be also mentioned that Fidesz does wield some influence at the European level, except it does not do so through the 13 MEPs that are often mentioned as its chief source of power. Fidesz's influence stems from its behaviour in the Council, where it could potentially drift in a direction of undermining any joint work. Currently, despite its intensely anti-EU rhetoric, the government has not embraced a systematically obstructionist role in the Council. Generally, most of the conflicts with the European Commission – and also within the EPP – stem from things Fidesz does at home rather than in Brussels. But recently, news about obstruction – with Hungary alone impeding joint communiqués, for instance – have begun to proliferate, and they offer a glimpse into a future that the EU can ill afford. There is risk that kicking Fidesz out of the EPP could result in Fidesz going berserk in the Council. For the European centre-right, Fidesz is thus trying to create a major dilemma that will likely have an impact beyond the next few months when the basic decision for the immediate future will be taken.



Difficulties surrounding the nomination of Hungary's new EU Commissioner

The seriously damaged image of Fidesz among the mainstream European political groups has not only been reflected in the debate about the party's fate within the EPP, but also in the difficulties surrounding the approval of Hungary's new EU Commissioner. László Trócsányi, a former justice minister, and Orbán's first candidate for the post, was rejected by the European Parliament. Trócsányi's nomination was widely considered as a risky move from the start, given that the Orbán government came under scrutiny precisely because of accusations that it breached the rule of law. The EP did not even hold a hearing for the Commissioner-designate of Hungary, after the Legal Affairs committee concluded that he was not fit for the job due to a conflict of interest (the hearing of Romania's original candidate, Rovana Plumb, was cancelled because of the same reasons).

Following the rejection of László Trócsányi by the European Parliament, Viktor Orbán nominated a diplomat, the Permanent Representative of Hungary to the European Union Olivér Várhelyi as the replacement. There were no changes to the portfolios within the European Commission, Várhelyi received the enlargement and neighbourhood portfolio in the von der Leyen Commission. Várhelyi has been known as highly loyal to Orbán and as an assertive advocate for the Hungarian government's political priorities in ambassadors' meetings. Várhelyi also faced some difficulties, as he failed to convince the EP's committee during his hearing, but he got a second chance to prove that he would be independent, that he would not be in thrall to the Hungarian government as a Commissioner. In an additional round of questions and answers, the EP gave him the green light. Várhelyi needed to confirm in writing that he will "neither be bound nor influenced by any statement or position of any Prime Minister of any country or any other representatives of any government." Pro-government media was enthusiastic after the approval of Várhelyi, Viktor Orbán even said that gaining the European Commission's enlargement and neighbourhood portfolio is Hungary's greatest diplomatic success of the last ten years.

Demanding a 'fair' EU budget

The developments of 2019 have also indicated that the next EU budget is likely to become the next hot issue in the relationship of the Hungarian government and the European Union. In November, Viktor Orbán made some remarks about the currently circulating proposal for the next European Union budget, and he called it unfair and stressed that „we want justice”.

According to the Hungarian prime minister, it must be taken into account that what Central European countries receive in funding is largely going back to the Western member states as the newer member states open their markets, and that must be reflected in the proposal. Orbán also said that it is unfair to reduce cohesion funds because the result is “the poorer someone is, the more money taken from him”. The same applies to climate neutrality. Orbán emphasized that the general level of economic development remains a decisive factor in the cost of achieving a carbon-free economy. Hungary is ready to achieve a carbon-neutral economy by 2050, said the Hungarian PM, but “we want to see the source of its funding in the budget on a fair basis”.

Besides the amount available to Hungary in the 2021-2027 EU budget, the other key issue is the potential link between rule of law and the use of EU funds. Representatives of the Hungarian government have made it clear several times that Budapest will resist any European Commission effort to condition EU development funding to rule-of-law standards, which Brussels sees as being undermined by the Hungarian authorities. When Commission President Ursula von der Leyen presented her programme for the next five years, she has stressed that respecting fundamental EU values would be at the heart of her policies. While the European Commission is working on making EU funds conditional on respecting democratic rules – and most Member States agree with this proposal – Gergely Gulyás, the minister in charge of the Prime Minister's office has said Hungary will veto the EU budget in its current form. According to Gulyás, Hungary's main objection is that the EU would make payments to

members conditional on rule of law criteria, instead of each country's performance and fiscal discipline.

The debates that have started already in 2019 around the next EU budget suggest that Hungary as a country might pay a substantial price for the poor image of the Hungarian government in mainstream European political circles. This is the time when Hungary would need more allies to improve its financial position in the next EU budget. However, following the numerous conflicts of the last few years, it seems that the good will that the Orbán government can count on in this vital process is rather limited. This also explains why Orbán is now trying to find strategic alternatives to secure more funding in the next budgetary term (such as vetos in the Council, or placing himself as an intermediary between the EU and the illiberal regimes of the East).

3.2 | Hungary's foreign policy in global context

For years now, Viktor Orbán has tried to balance his political and personal sympathies for certain eastern authoritarian leaders and their regimes with Hungary's formal commitment to European integration in the form of the European Union and to the western defence system in the form of NATO. From the very start, this put Orbán – and by extension Hungary – in an awkward position. For example, when Vladimir Putin invaded Crimea and split it off Ukraine, Viktor Orbán found himself in the uneasy position of being alone in an outraged European Union to publicly stand by his friendship and political alliance with the Russian President. Clearly, Orbán did not go as far as to condone Putin's actions in Ukraine, but he was continuously evasive when it came to condemning it.

Solidly anchored in the illiberal East

The political stars aligned in Orbán's favour in the last few years, as despite Putin's increasingly aggressive foreign policy the unity in the West was undermined by the surge of European actors who are broadly sympathetic to what one might legitimately call the "Orbán way" in the broadest sense of the word. With the ascendance of Putin-friendliness in a variety of EU governments, such as for example Greece, Italy, Slovakia and the Czech Republic, Orbán was no longer isolated in this matter. And when Donald Trump won the US election in 2016, that proved to be the completely unexpected ace up Orbán's sleeves. Now his policy moved from high-risk to low-risk to downright prescient. Viktor Orbán found himself in a leading role of a resurgent international movement of pro-Putin and anti-immigration rightwing populists.

Ever since, Orbán has been pushing his anti-western, pro-authoritarian rhetorics more, which continues to be reflected in both his domestic and international policies. While this consistent policy cannot be reduced to any singular datapoint, the twin visits of Russian President Vladimir Putin and Turkey's leader Recep Tayyip Erdogan in late October and early November 2019, respectively, was nevertheless another symbolic high point showing how Orbán has realigned himself internationally.

Traces of Viktor Orbán's balancing act remain, but it is increasingly seen as a sham. The Hungarian prime minister has now solidly anchored himself and Hungary in the "illiberal East" (or what he perceives as such).

More steadfastly forward on a well-trodden path

This is not at all entirely new, of course, but 2019 has been nevertheless a year when what previously might have seemed like haphazard and inconsistent manoeuvring, a back and forth between conflicting loyalties, has more clearly than ever revealed itself as a deliberate approach that firmly entrenches Hungary in a strategic alignment with global authoritarianism. What has brought this to the fore in autumn 2019 was not the umpteenth visit of Vladimir Putin in Budapest. The regularity of these ties has led to a habituation, and at this point many of the relevant questions about these visits – such as their purpose – are no longer asked as pointedly as they were before. The lack of transparency in the government's communication about the substance of the cooperation between the two leaders is now part of the accepted political practice in Hungary.

What struck a chord in the fall of 2019 was Hungary's veto of a joint EU resolution against the Turkish invasion into Kurdish-controlled territory in Syria. The government did not leave it at that, however, but even as news about atrocities in the wake of the Turkish invasion spread, the Fidesz government expressed its support for the Turkish

actions in advance of Erdogan's visit to Budapest, which turned into one of the most elaborate state visits in modern memory. Large sections of the Hungarian capital were shut down, with no public or private vehicular transportation, and in large areas also without pedestrian traffic.

What about minorities then?

The ceremonial welcome seemed problematic not only because of the traditional liberal concerns that Orbán scoffs at – i.e. the cynicism which is manifested in celebrating a politician who had just given orders which resulted in massive human rights violations – but also because Erdogan's policies in Kurdistan run so obviously afoul of one of Hungary's most important foreign policy objectives, namely the protection of national and ethnic minorities.

Because of the large Hungarian diasporas living in the regions of the neighbouring countries which Hungary lost after World War I, the Hungarian government – especially under Fidesz – has been highly protective of the interests of national minorities. Although Hungary has few national minorities, they have extensive formal rights and the Hungarian government is pushing hard for international rules that protect the cultural and other interests of such communities. In fact, Orbán and his government have been harshly critical of Ukraine's treatment of their Hungarian minority and use this as a justification for blocking a common EU policy towards Ukraine and for arguing that Putin has a point in his anti-Ukraine campaign. Needless to say, what Erdogan's army and their allied militia have been doing to the Kurds is completely antithetical to how the Hungarian government wants its Romanian, Slovakian, Ukrainian and Croatian neighbours, for example, to relate to their respective Hungarian minorities.

It's the refugees, stupid

The government's justification was that Erdogan is ultimately the key to the European refugee crisis, and that if he were to decide to pull



the plug that has kept millions of Syrian civil war refugees in Turkey, then that would plunge Europe into another crisis as seen in 2015. Even if we acknowledge that Turkey's control over the volume of European refugee flows is indeed massive, the implications of Orbán's comments on the subject are stunning in how they cast his previous communication on the migrant issue in a completely different light. It is a tacit acknowledgment first of all that Erdogan is a crucial lever when it comes to European refugee flows. If one extends this logic back to 2015, then it raises the question of the role that the now celebrated Erdogan played in the massively increased refugee flows that year, which Orbán portrayed as the gravest threat to Hungary and Europe. This was the crisis that Orbán has used – or rather exploited – to dominate Hungarian political discourse for several years now. He has also used that opportunity to emerge as a key European player and a widely recognised standard bearer of anti-migration sentiments on the continent. At the same time, it also raises questions about the role of Vladimir Putin in the refugee crisis because Russia's military engagement in Syria, its assistance to the Assad regime, have played a major role in the mass of refugees who are stuck in Turkey and are potentially threatening to spill over into Europe.

A fusion of domestic and foreign policies

The Erdogan issue and its connection to the refugee question and the Russian angle highlight a key feature of Orbán's foreign policy. They are completely inseparable from domestic considerations, that is Orbán's foreign policy agenda is seamlessly integrated into his domestic communication. Most facets of foreign policy are subordinated not to Hungary's long-term strategic interests – which would clearly position the country in a deeper European integration and in the western alliance – but to Fidesz's power interests.

But the intertwinement between his foreign and domestic policies is not limited to issues that one might broadly call material or tactical interests, the relationship also extends to the ideological level. In understanding this, it is vital to consider how Orbán's praise of authoritarian leaders – not only Putin and Erdogan, but also for

example his fawning over assorted dictators at the Turkic Council in October 2019 – mesh with his ill-defined vision of an illiberal regime. When Orbán rails about vaguely specified concepts, there is a tendency not to take his pronouncements seriously because they are so vague and because sometimes they turn out to be nothing more than rhetorical flourish.

At the same time, however, Orbán does have a wish to be taken seriously and thus it is worth listening to what he says and how his words may translate into policy – or regime-building, for that matter. Arguably, if some of his earlier pronouncements on politics had been taken more seriously, then neither disaffected conservatives in Hungary nor international players would be surprised by many of his actions today.

And while it is of course always true that foreign policy is intertwined with domestic politics, it does not always map this neatly onto the domestic ideological preferences as it does with Orbán, who tends to have contempt for democratic leaders while he usually harbours friendly admiration for authoritarian leaders.

Birds of a feather

Orbán's sympathies for authoritarianism and his physical and symbolic embraces of Erdogan and such leaders are not born out of strategic necessity. When Orbán speaks of Hungarians as a "semi-Asian people" who crave a commensurate regime, he is not babbling, and he has built his entire foreign policy around demonstrating the weight of this statement. If anything, it is his efforts to remain on basically friendly terms with democratic leaders which reflect a concession to the essential strategic needs (especially in economic terms) of a small Central European country whose economic fortunes are deeply entangled with European democratic regimes.

That his commitment to Hungary's traditional alliances are phony is by now abundantly clear, and his repeated willingness to torpedo joint European positions on Russia and Turkey – and to do so alone,

isolated even from his allies in Central and Eastern Europe – for example, should have driven this point home everywhere, from Brussels to Washington.

It is Orbán's historic luck that with Donald Trump in the White House he has found a rare US leader who genuinely empathises with this outlook, even if unlike Orbán Trump is bound like Ulysses to the mast of the US constitution and cannot yet wriggle free to follow himself the alluring siren song of authoritarianism. It is inconceivable that under any other US presidential candidate competing in 2016 Orbán would have received a hearing in Washington given his open allegiance to the United States' key international rivals (China included, which even Trump regards as an enemy). However, as things stand, the invitation Orbán received to talk to Trump in the White House in May 2019 – a massive success for Hungarian foreign policy – is further evidence for Viktor Orbán that his policies are aligned with broader historical trends.

It was only under Trump that Orbán could become so blatantly open about his allegiance to Putin without facing a massive blowback from the US. Moreover, in an especially fortuitous turn of events for Orbán, Trump's obsession with Ukraine for domestic political reasons has also played into Orbán's hands. It has allowed Orbán to act as an intermediary on the subject for Putin, badmouthing the Ukrainians to Trump, who could point to the "objective" opinion of an ally to justify what he believed anyway, namely that the Ukrainians are the bad guys in the regional conflict.

Western in name only

The implications of Orbán's massive reorientation of Hungarian foreign policy are profound, especially because of what they reveal about his understanding of democracy. But they are of course also vital in terms of Hungary's role in the European Union and NATO, which have to figure out how they can continue operating with it. Thanks especially to Trump, but also because of the rise of his populist friends across the EU in recent years, and because of the focus on

Brexit, Orbán has gotten by amazingly easily with his unorthodox foreign policy. Ordinarily, one would have predicted that this course would have ruffled a lot more feathers.

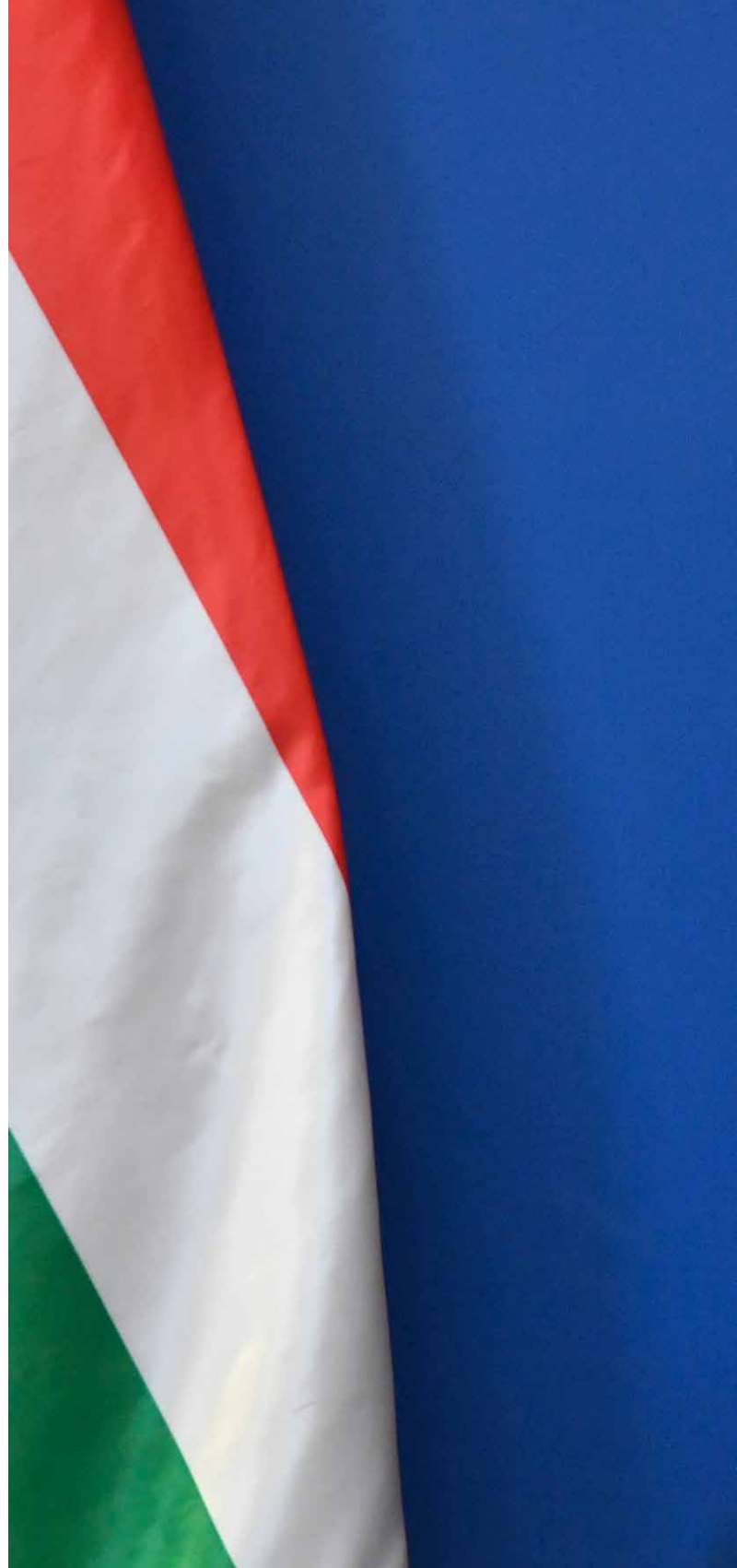
Given the unpredictability of global developments, it is hard to say how long his luck will last. At least two major pieces of the puzzle must continue to align for him. First, he must hope that Trump remains in office, because his ouster could induce a massive realignment of US foreign policy, which would have both a direct impact on US-Hungarian bilateral relations and an indirect impact through potentially reinvigorating NATO.

Importantly, the Hungarian PM has also staked out a cultural and historical position in his speeches and in his foreign policy, and his message is both literally and in the form of specific policies that Hungary should be what his understanding is of an "Asian" country and a "work-based society", meaning broadly authoritarian, strictly hierarchical and mostly inegalitarian. It is doubtful that if they understood this in detail, the Hungarian public could muster up as much enthusiasm for this ideal as the remaining Fidesz intelligentsia and media profess day to day. But as long as the economy works well and travel is not restricted, large parts of the public – including some Fidesz supporters – seem to put this off as just political babble.

3.3 | Outlook on Hungary's place in the world in 2020

In 2020, the poor image of the Hungarian government at the European level could prove to be costly during the EU budget negotiations for the budget cycle 2021-2027, which are of cardinal importance for Hungary. They are a crucial component of the government's vaunted economic success, and as such a key feature of the most important pillar of its public support. At the moment, Orbán is not isolated in the EU. On many of the issues where he is most extreme, he can count on the support of at least some fellow EU members, especially in the region. But as he is increasingly willing to play the loner in vetoing otherwise unanimous EU positions, the game could become dangerous and set him once again on the path of isolation from which he successfully rebounded just a few years ago. At the same time, such behaviour in the Council can be also interpreted as raising the stakes for EPP to oust Fidesz.

The EPP membership has provided an increasingly tenuous cover against such a development; it is difficult to conceive that the EU could take serious actions against the Orbán government if the EPP does not break with Fidesz. However, if and when that protective umbrella is gone, Hungary might be exposed to a variety of negative consequences in response to Orbán's actions. But in the end, it is highly doubtful whether Orbán will make any substantial long-term concession in exchange for EPP membership. Thus far he has not, and nine years into the game, it is late to reinvent himself as a compromiser.





Despite his professed willingness to remain part of the centre-right European People's Party, Viktor Orbán has practically aligned Hungary with the far-right forces that see Vladimir Putin as one of the main bulwarks against European federalism. Orbán's balancing act between the EU and NATO on the one hand, and Putin, Erdogan and authoritarians on the other, is no longer an artistic performance – it is a stage illusion. Orbán's most effective magic trick has been to make his European and Trans-Atlantic partners believe that he is still part of the Western alliance system, all the while he has time and again openly shown fealty to Putin and other authoritarians who wish to undermine the same alliance system that Orbán claims to be a part of. The cosiness of Orbán's strategic position still hinges on his ability to keep the illusion going.

What we have underestimated in recent years is the West's willingness to go along with the illusion of the balancing act and to continue hoping despite all signs to the contrary that at the core Orbán might be one of their own even as he courts authoritarian leaders with visible delight. As long as there is no acceptance of the fact that the Orbán train has left the station and is headed towards the "Illiberal East", the EU and NATO are unlikely to come up with a strategy for handling Orbán's strategic shift and considering its ramifications for the Central and Eastern European region in particular and Europe and the West more generally.

Whereas others who are at odds with the general European course prefer to lay low to avoid unwanted attention (cf. Slovakia's ruling Smer party, which agrees with Orbán on many of his most controversial policies) or feel discomfort at the notion of undermining the alliances that provide their security umbrella even if they disagree with many of the core values of the West (cf. Law and Justice of Poland), Viktor Orbán embraces controversy and limelight. It is part of his character and it works, electorally, too, in a country that may be small but where the public sympathises with Orbán's ambition for more international influence. Although Viktor Orbán is not risk-averse, he is not blind to risks. This makes it impossible to predict whether he will ever

break with the West openly if he is forced to choose. But it is not in his interest to decide unless he is compelled to do so. Thus, he will court controversy in foreign and domestic policy as long as he can get away with it – and then declare his preference based on a cost-benefit calculus. Once that situation comes, one can only hope that the macroeconomic interests that tie Hungary to the West will prove stronger than the financial interests and authoritarian values that bind Orbán to his fellow authoritarian leaders in Russia and beyond.

The division between Fidesz and opposition voters over decision-making competences predicts that the debates about Europe's future which are expected to be more frequent in the following years will further polarise Hungarian society. The supporters of opposition parties approve of a decision-making coordinated with Brussels; however, demanding the "United States of Europe" is not a mainstream position. Opposition voters still have a clear confidence in the EU, and in the beneficial effect European integration may have on the country – and not just in an economic sense. Voters of each opposition party explicitly expect the EU to prioritize defending democracy and the rule of law, as well as demand tougher actions in the fight against corruption and the misuse of EU funds. Living up to these expectations may influence a great deal whether the EU can remain the same positive point of reference for the majority of Hungarians as it has been in the last 15 years. This is why the interpretation of events (blame game) between the government and the opposition will be so vital if Hungary ends up with significantly less EU funds for the 2021-2027 period than during the current term.

4

**The Hungarian
economy
in 2019**

4.1 | General overview of the Hungarian economy

In 2019, the Hungarian government proved wrong all naysayers with strong (in some cases even record-braking) macroeconomic figures. Real GDP growth was amongst the best in the EU, although Hungary slipped back to fourth place in GDP per capita compared to the other three Visegrád countries. For the time being, visible cracks in the unity in economic policy leadership did not translate into subpar economic performance. The government maintained its fiscally conservative stance even in the face of ever-frequent signs of crisis in many sectors of social policy, including education and healthcare.

The decline in German manufacturing and the potential drying up of EU funds also cast a shadow on the immediate outlook for maintaining a healthy macroeconomic balance. The government adapted to a possible global recession with a reorientation towards the digital economy, a modest economic action plan and a new strategy for boosting the competitiveness of small and medium-sized enterprises.

A full employment economy with warning signs of exhaustion

The Hungarian economy continued on its high-growth path with a year-on-year real GDP growth level of 4.6% according to estimates by the European Commission (see Table 2). This rate was exceptional both in comparison to data from the previous decade and vis-à-vis the average of the Visegrád 4 countries over this period. According to OECD historical real growth rate data, while each of the four countries had its moment in the sun, ever since 2013 Hungary has maintained its first or second position in this group (with the exception of 2015–2016). This trajectory was also synchronized with Poland, to a large degree. In line with our estimation in last year’s edition this signals a slowdown in the rapid economic expansion of the late 2010s. However, the robust growth figure, which put the country in second place in the EU28 behind Ireland, surprised most economic analysts.

Table 2. Key indicators of the Hungarian economy (2018-2021)

Indicators	2018	2019	2020	2021
GDP growth (% <i>, yoy</i>)	5,1	4,6	2,8	2,8
Inflation (% <i>, yoy</i>)	2,9	3,4	3,1	3,0
Unemployment (%)	3,7	3,4	3,4	3,4
Public budget balance (% of GDP)	-2,3	-1,8	-1,0	-0,8
Gross public debt (% of GDP)	70,2	68,2	66,7	64,4
Current account balance (% of GDP)	-0,3	-1,2	-0,8	-0,7

Source: European Commission

According to the last available data of the third quarter of 2019, from the production side the composition of growth was balanced between industry, construction and market services (most importantly: tourism). On the one hand, construction posted a 18 per cent expansion figure based on a last ditch effort to put to use all remaining EU funds from the 2014-2020 cycle. On the other hand, agriculture contracted on a yearly basis by 1.6 per cent while it is also notable that administrative, education and health services lost 1.4 per cent in value added. In terms of expenditure, both household consumption and investment reached around 4 per cent of growth, with government consumption lagging behind. Despite expectations for the opposite, the current account balance remained in negative territory due to a strong demand for imports.

Inflation remained firmly within the tolerance band of the Hungarian National Bank, MNB (3 per cent +/- 1 percentage point). The 3.3-3.4 per cent headline rate was expected to stabilize in the near future by both EU and domestic estimations. Core inflation surpassed the general consumer price inflation figure due to, inter alia, the subdued increase in global fuel prices. Unemployment continued its course towards historic lows with a 3.4 headline rate coupled with a similarly exceptional 63 per cent activity rate in the 15-74 age group. This figure stood at 72 per cent in the more restrictive 15-64 group, which hovered around the average of Eastern European countries.

The traditionally conservative fiscal policy of post-2010 Orbán governments yielded yet another year of sub-2 per cent public budget deficit. Social expenditures – with the usual exception of pensions – were firmly under control and the installation of a country-wide system of cash-register control brought in the necessary tax revenues for government pet projects (such as the renewal of the infrastructure of both amateur and professional football). Fiscal restraint allowed for the continuation of a long-standing debt reduction path – a good investment as interest rate expenditures also plummeted from 4.3 per cent of GDP in 2012 to 2.3 per cent in 2018 (the latest figure available).

Financial self-reliance was also reinforced by a controversial new product of state debt management, the Hungarian Government Security Plus. A security with a nominally 5-year maturity, it provided household investors with a 1-3% yield premium and duly sucked out long-term investments from the banking sector. While the strategic importance of relying on domestic savings for government debt financing is undeniable, the de facto buy-back guarantee associated with the new product may in fact contribute to financial instability in a more uncertain environment.

In the aftermath of the “financial war of independence” of the early 2010s, the Hungarian government struggled hard to re-establish trust with international investors and institutions. It took a concerted effort to ameliorate the tarnished country brand by setting up strategic partnership agreements, handing out tax breaks and other regulatory incentives (such as land grants for a new BMW plant in Debrecen) and in general striking a conciliatory tone with any foreign party which accepted the government’s premise of economic sovereignty in bilateral relations. By the late 2010s this push stabilized Hungary’s position as a more or less business friendly target for investment.

All this was reflected on multiple comparative rankings, such as the annual list of the Institute for Management Development (IMD). On this list, which was based on measures of competitiveness, Hungary retained its 47th place out of 63 countries. By contrast, Czechia, Poland and Slovenia once again made it into the top 40. Hungary came in at exactly the position on a similar list by the World Economic Forum (this latter contains 141 countries). As in previous years, the country lagged behind all other Visegrád 4 countries despite gaining one place on the list and a small improvement in the overall score. These scores provide some food for thought when it comes to the ongoing debate on how to properly assess the performance of the Hungarian economy and that of economic policy.

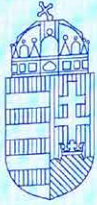
Good macroeconomic results in an illiberal political regime

The strong macroeconomic performance of the Hungarian economy made many commentators scratch their head. After all, these data suggest that an illiberal political regime may allow for superior macroeconomic performance vis-à-vis liberal democracies even in Central and Eastern Europe, inside the European Union. Many of the aforementioned indicators were either better than average in historical comparison (such as growth or the budget deficit) or even record-breaking as was in the case of unemployment, even though the social reality in Hungary did not improve as nicely as the macroeconomic performance. This left Fidesz in a strong rhetorical position: they seemingly outplayed liberal economists on their own turf.

Four lines of criticism were levelled against the government's narrative of success. These were associated with different degrees of skepticism with regards to official numbers. All four have some merit, yet applying all four at once would render any debate of macroeconomic trends pointless. The first critique claims that government statistics is doctored. Especially in the case of inflation, this position was widely adopted in social media. There was in fact a debate in expert circles on the usefulness of extant inflation measurement and the Hungarian National Bank, for its part, was in the reform camp. Also, in the past, Eurostat did, in fact, nullified creative accounting with regards to quasi-governmental activities (such as the foundations of MNB), but not with regards to consumer prices. All in all, an across-the-board distortion of macro-trends seemed unlikely in an EU country watched by international institutions and analysts world-wide.

The second line of objection attributed good figures to external factors. This position basically claims that Orbán and the governor of MNB, György Matolcsy just got lucky with a low interest rate international environment which allows keeping borrowing costs low and the domestic economy humming. Having said that, 6 years of steady growth was last sighted in the first half of the 2000s and the U.S.-China trade war or Brexit did not exactly allow for an optimal





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global background. The inflation and short term growth figures have much to do with government policy (VAT reduction for milk, fighting tax evasion, allocating EU funds to construction projects, just to name a few), and unemployment plunged to a historic low both due to the workfare approach and robust economic expansion. Deficit and government debt was also kept in check with a deliberate effort with the goal of keeping the country out of the excessive deficit procedure (and, therefore, minimizing the authority of Brussels over Hungarian fiscal policy).

Thirdly, detractors of government statistics point to regional rivals with even better numbers. It is certainly true that for a former poster child in the region Hungarian GDP per capita (on purchasing power parity) was only 70% of the EU28 average while Czechia posted 90% and even Slovakia did better with 78%. But it would be also difficult to deny that real GDP growth was most robust in Hungary in the Visegrád 4 during 2018-2019.

But it is a fourth contention that cuts deepest into the reality of the Orbán regime. In its purest it can be summed up with two words: who cares? In this view, macroeconomic trends disguise the developments in the social sphere that matter the most. The progressive position is clear in this respect: Hungary under Orbán only does well when measured with a failed set of indicators. Although these describe positive developments in the Hungarian economy, such as larger and better paid workforce, they do not cover at least the two crucial challenges of 21st century economic development: human capital and the climate (see the chapter on Social reality below).

Disunity in economic policy leadership with regards to the euro

In 2019, the issue of eurozone integration generated a rare sighting of cracks in the unity of the economic policy leadership of the government. Viktor Orbán, a lawyer by profession, has traditionally relied on outside expertise when forming economic policy. The appointment of Matolcsy

as governor of the Hungarian National Bank (MNB) in 2013 has created a new dynamic in Fidesz economic policy circles: formally independent, Matolcsy has started to venture beyond the traditional confines of monetary policy. He created a network of foundations, established a university department and sponsors media outlets which properly appreciate the effectiveness of Hungarian monetary policy. All this served as a springboard for propagating his grand strategy, one of geopolitics, a global reorientation towards the East ("this is a new yin/yang world") and a rewiring of the domestic economy towards the realities of the 21st century.

The underlying differences in economic philosophy and demeanor came to the fore with a series of blog entries and public speeches by the central bank governor. In these, Matolcsy deemed the concept of the common European currency a failure, built on harmful political preconceptions. Fast forward to 2019 and, according to Matolcsy, the former European dream of becoming a global superpower has been „killed by Brexit, migration policies, the euro, the stopping of further accessions to the EU, austerity policies and the weaknesses of the single market.” This narrative of decline is contrasted by one of an emerging „Eurasia”.

These utterances by Matolcsy prompted the Minister of Finance Mihály Varga to intervene both verbally ("the euro is a promising, if unfinished, project") and on social media, where he posted a picture of Christine Lagarde, the newly appointed head of the European Central Bank, along with a note confirming that he is happy with the job she was doing in maintaining the value of the euro. In a response, titled Maastricht 2.0, the governor backtracked a bit by asserting that the eurozone must be reformed, but not necessarily discontinued. This intra-Fidesz bickering took place against the background of a Hungarian forint losing 10 per cent of its value vis-à-vis the euro in less than two years (although historically low interest rates may have had a more pronounced impact on the exchange rate than this affair). In contrast to the issue of the euro, in terms of the forint exchange rate it was Matolcsy whose policies prevailed.

All in all, the controversy points toward the traditional bricolage approach to policy-making in the Orbán-governments: there are always multiple, separate, and sometimes conflicting, streams leading up to an eventual decision. Policies are chosen in a voluntary manner, sometimes neoliberal (such as the flat income tax), sometimes statist (see the heavy regulation and centralization in social policy). Orbán likes to keep his options open, both in terms of staffing and substance. Plausible deniability (“no one really meant to stay away from the eurozone over the long term”) is especially key in international interactions. And the two-headed economic policy leadership allows ample room for manoeuvring, even if it comes at the cost of some public discord.

Preparing for the crisis with the Economy Protection Action Plan?

Varga and Matolcsy also clashed on their assessment of the outlook for Hungarian growth. At an annual gathering of economists the finance minister considered that the economy’s “golden age” was coming to an end due to an external slowdown. Matolcsy, for his part, begged to differ and wrote “golden age isn’t over, it’s just beginning ... and will last for decades”. The central bank governor was also unhappy with Varga’s demand for a “stable” forint, as MNB only targeted inflation, not the exchange rate. “Why shouldn’t one doubt the words of a finance minister if they go against the desires of the nation and the plans of the government in office?” wrote Matolcsy in his usual grandstanding style.

Yet alarming signs of a downturn in the EU economy for 2020 dominated the news in late 2019. The average real GDP growth of eurozone countries was stagnating with 0.2% registered in the second quarter and the outlook for the next year looked similarly grim with a yearly average of 1.2 per cent. The gloomy reality of major industrial powers, such as Germany and Italy, suffering an even more pronounced slowdown created angst in the heavily export-oriented economies of many Eastern European countries. German industrial production hit a ten-year low in October 2019, with a contraction

of 5.3 per cent over the base. The usual geopolitical risk factors of Brexit, the ongoing trade war between the U.S. and China weighed heavily on manufacturing in Europe’s economic powerhouse.

Despite the optimism of the central bank, the Hungarian government went to great lengths to prepare for a possible downturn. As always, the policy proposals were packaged for the broadest of audiences, and a new round of the “Economy Protection Action Plan” came into being with the explicit aim of maintaining a 2 per cent growth advantage over the EU average. Many items of the Action Plan focused on maintaining a high level of employment. The reduction of the employer social security contribution continued with a 2 percentage point cut. Tourism, a key sector with major investments from known associates of the Fidesz government, was assigned to the lowest, 5 per cent VAT category which, even with the expansion of the tourism development contribution, cut the relevant tax rate in half. Other strategic branches of the economy such as construction and agriculture also received extra aid. Around 60 per cent of EU funds were also directed towards the economy, a result of a strategic shift over pre-2010 governments.

In sum, while government and central bank estimations differed in terms of the potential impact of the German and EU-wide manufacturing, the aforementioned measures offered a buffer against the decrease of demand from Western European partners, at least in the short run. Nevertheless, these mostly cosmetic interventions would not have fully prepared the Hungarian economy for a more protracted period of slow growth in Europe.

A Celtic Tiger on the shores of the Danube?

The key to the creation of a more crisis-proof domestic economy was related to diversification and moving away from a dominantly export-led growth model. Such a reorientation was not high on the agenda during the era of the second and third Orbán-government (2010-2018). However, with the emergence of a third strong man in economic policy, broadly conceived, besides Varga and Matolcsy, a partial change of direction took place.

László Palkovics, a former mechanical engineer at a multinational vendor of electronic brakes, joined the government as a state secretary for higher education in 2014. Over time, primary and secondary education was also added to his portfolio and in 2018 he was appointed as minister for innovation and technology (this title came with a telling rebranding of the erstwhile Ministry of National Development). Palkovics made his name in Fidesz circles as an enforcer for the overhaul of the educational system. While the compulsory school-leaving age had been lowered from 18 to 16 back in 2011, years before he came into office, Palkovics proved himself to be capable in implementing the policy which re-oriented students from upper secondary general high schools to vocational training and the labor market.

The creation of the Innovation Ministry signalled a wind of change in terms of the intended developmental model for Hungary. Under the old regime of the previous two Orbán governments, Hungary was to provide a fairly high-skilled workforce and a lax regulatory environment for multinational industrial companies, whereas utilities and services – with the major exception of retail – were either nationalized or firmly regulated. The first pillar of export-oriented multinational enclaves was subsidized by ever-increasing handouts per jobs created (which reached a record of €40000 per job in 2019 according to press calculations). In the second pillar a newly created national bourgeoisie was gaining ground with the help of government-backed loans. The service sectors, such as tourism or banking, were mostly controlled by this bourgeoisie and were catering for domestic consumers who enjoyed a higher than average real wage growth by Hungarian standards (and therefore: spending power). Although this parallel did not appear in official communication, the new model more closely reflects that of post-1990s Irish economy (the “Celtic Tiger”) than that of an “assembly-plant” country somewhere in South-East Asia. This approach pairs single digit corporate taxation and incentives to attract FDI with a fascination with high added value and FDI in high-tech sectors and a social pact with workers. Stable macroeconomic policies, EU funds and access to the European single market all played a role,

as did a sharp rise in workforce participation. In the first phase of the Irish “miracle” relatively low-wages and labor market flexibility were more important factors of competitive advantage than an investment in education and training (which in later phases allowed for the sustainability of high growth rates).

Most of these elements were present in the reorientation of economic strategy in Hungary. We already touched on many of these components (such as low corporate taxation and job subsidies). In Hungary, the social pact took the form of the 6-year wage agreement reached between social partners in 2016. This allowed for a gradual increase of the minimum wage and a reduction of employer social security contributions indexed to average and real wage growth.

Industry 4.0 has become a buzzword in government documents, and a test track for self-driving cars in Zalaegerszeg, a town near the Austrian border, was hailed as a major achievement. Palkovics even maintained an office in Debrecen, the second most populous city in Hungary, to keep an eye on the site where a new car plant by BMW was under construction. Artificial Intelligence was also hyped as a potential area for breakthrough: the minister set the target for engaging no less than one million people (more than 10% of total population) with basic training in the new technology. Research and development received a nominal extra 20% of funds in the annual budget for 2020 and Corvinus University, a traditional institute of higher education catering to the children of the elite, was reorganized into a foundation with the aim of attracting top quality scientific talent and students from around the world.

Despite these positive developments, the earnestness of this metamorphosis is at least questionable as, in all probability, the government was trying to kill two birds with one stone. Forcing CEU, the pre-eminent research institution in the land, out of the country for political reasons certainly did not contribute to the stated aim of convincing world-class researchers to conduct their projects in Budapest, neither did the de facto nationalization of the research network of the Hungarian Academy of Sciences. Both

cases smacked of a crack-down on independent researchers who criticized government policies home and abroad. A similarly politically motivated (if from a policy standpoint: somewhat justified) megafine on Facebook revealed that the “Hungarian Tiger cub” may take some more time to grow up.

A belated strategy for SMEs

The role of domestic small and medium size enterprises (SMEs) in these grand schemes has traditionally remained unclear. That is not to say that business development agencies did not function, or that sizeable funds, both state and EU, were not directed towards the sector. It would also be unwise to negate the role of SMEs in the economy in general. This sphere accounted for more than half of GDP and employed two-thirds of the active labour force. More than 99.8% of the 724 000 registered companies in Hungary were SMEs. Over the past decade, productivity also increased vis-à-vis other segments of the domestic economy and also the EU28 average. However, in terms of both value added and productivity, the sector still lagged behind relevant benchmarks.

Many problems plagued SMEs since the regime change of 1990. In the first phase, in the 1990s, SMEs were synonymous with the forced self-employment of workers laid off at socialist factories. Government figures revealed heavy inequalities in the regional composition of growth potential. Home-grown enterprises had seldom success with their own products on global markets and if they did, as was with the case of Prezi, a presentation software, or NNG, a navigation company, it was not primarily due to supportive public policy initiatives. In general, Hungarian SMEs have been lagging behind in the digital economy, which may also be due to the fact that many companies are still led by their founders, many of whom are in their sixties or older.

Furthermore, horror stories abound when it comes to the misuse of public money in business development. In the matter of just a few days in December 2019, two emblematic reports appeared in the

Hungarian press. One was on the Ministry of Finance using almost all funds from a small business aid call on two of its own affiliates which were busy renovating the new headquarters of said ministry. The second one concerned not-so petty corruption: a former vice-president of the Szolnok county council, and a right-hand woman of the local Fidesz MP, was detained on charges related to the “channelling” and eventual embezzlement of EU funds. This story was one of many similar on regional Fidesz strongmen working the system to their own benefit. The list goes on with, for instance, the questionable use of government-backed venture capital schemes. All in all, Hungarian SMEs remained underdeveloped in international comparison despite the efforts and funding by consecutive governments. Similarly, despite their large share of output and employment, they did not serve as a backbone in the Hungarian economy.

The government admitted as much by drafting a new strategic document for the development of the sector for the period 2019–2030. Besides offering tax breaks, the baseline solution to virtually any problem that government policy-makers faced in the Orbán-era, the reduction of administrative burdens was also highlighted. But the thrust of the white paper was aimed at digitalization and international competitiveness, without question two major areas for improvement.

The Economic Protection Action Plan also contained multiple measures directly aimed at improving the general conditions and also the cash-flow of SMEs. Loan guarantees were extended, minor cuts to the tax rate for special groups were implemented. The date of corporate tax payment was moved down 5 months, leaving €500 million in positive cash-flow at around 40 000 firms as a one-time effect. Tax breaks for innovation were also expanded as were funds for the creation of worker-accommodations. Yet despite the renewed focus on the sector, it is difficult to look beyond the fact that 9 years have passed with no evident progress in terms of closing the gap for SMEs as a whole in comparison to both Western Europe and even some countries in the region (see the aforementioned trends in GDP per capita).

4.2 | Social reality

Persistent problems hallmarked the social reality of 2019 in Hungary from health care to inequalities and deprivation. A government proposal to restrict access to health services for those with over three months of unpaid contributions potentially jeopardizes 700 thousand people and has come in a situation in which Hungary has been already among the EU countries with the worst record for the share of deprivation in the population.

Substantial real wage growth coupled with mid-range inequality

Real wage growth continued at a fast pace in 2019, although the over 10% rate of 2017 looked now firmly a thing of the past. Based on the latest available data of a 10.8% year-on-year increase in the average gross wage in September 2019 and an expected inflation rate of around 3.4 per cent, analyst estimations for real wage expansion were in the range of 6-7 per cent. The current two-year plan of the general six-year wage agreement sanctioned an increase of 8 per cent for both 2019 and 2020, which proved to be a major factor in pushing salaries up.

According to official numbers, income inequality slightly decreased from 2017 to 2018 (the last available data). Net income inequality between the highest and lowest decile dropped from 8.2 to 7.8 (i.e. the best positioned families enjoyed an income 8 times higher than those of the impoverished households). The Gini coefficient, a widely used measure of income inequity, was 0.7 point lower than the 2017 level of 28.7. These figures put Hungary in the mid-section of the EU28 inequality chart. In contrast, the similarly frequently cited measure of the ratio of total income received by the 20% of the population with the highest income to that received by the 20% of the population with the lowest income (S80/S20) showed a slight increase for Hungary,

from 4.3 to 4.4. This was still below the EU average of 5.2 although worse than the statistics for neighboring Slovakia and Slovenia, or those of Czechia and Poland.

In terms of regional disparity, the per capita income gap was the largest between Budapest (the wealthiest region) and the Northern Great Plain area (the poorest). The respective inequality figure barely decreased (from a ratio of 1.6 to 1.5), meaning that the average household in Budapest commanded an income 50 to 60 per cent higher than one in the Eastern countryside. Recently, two distinct phenomena have characterized Hungary's territorial development: the declining performance of Budapest, which is the country's economic powerhouse, and the widening gap between the FDI-rich, industrialized regions and the rural areas. While overall inequality has somewhat decreased because of the capital city's recent inferior growth performance, there is an ongoing process of economic divergence between the catching-up and the lagging regions.

Despite substantial economic growth, almost a third of Hungarian citizens still live in deprivation. This is the fourth worst figure in the entire EU, behind Romania, Bulgaria and Greece, and puts into perspective the success narrative of the government. It also reflects on its priorities: as poverty remained rampant it spent €100 million on moving the chancellery and €150 million for relocating the finance ministry to the Castle District in Buda.

Neglected health care comes back to haunt the government

During the year, slowly but surely, the problems of health care crept ever higher on the public policy agenda. One of the symptoms of the chronic underfinancing of the state health system was that



the government was only ready to cover around 60 per cent of the €200 million outstanding debt owed to health care providers. The new “brown lamp rule” was one of these major items. For anyone with no employment contract or state coverage (such as those for students) “free” health care services in the state system are only available for a fee of €20 or so. In the past this could be covered on site when someone turned up for an appointment (after a red light in the computer system prompted the provider to ask for a proof of coverage), or let the tax agency collect it in an administrative procedure. In the future, anyone with no ongoing health care coverage will receive a brown light, meaning that a cash payment will be requested not for the monthly coverage, but the actual cost of the treatment.

This measure may impact over 10% of the population and could possibly lead to a U.S.-style dynamics in which those with no insurance end up in emergency rooms and exorbitant bills to cover post-treatment. The reform has also created a new social security contribution by merging two previous health care contributions, a pension and a labour market premium. This decision also dismissed any semblance that employees had a direct claim on their own future pension via a private virtual account (a major promise of Fidesz at a time when the government more or less “nationalized” the private pension pillar).

News of plans of closing down divisions in rural hospitals, such as the one in Dunaújváros, a town of around 50 thousand, were circulated based on internal government documents. In some cases the shortage of doctors has already led to a de facto suspension of the provision of services for outpatient care. Yet the prospect of travelling 50 kilometres for a routine check-up by a specialist caused concerns in the municipalities on the list. Furthermore, mice and cockroaches running around in medical centres and public calls for toiletries betrayed a third-world level of infrastructure in at least some facilities. It should not come as a surprise, that after 16 years the reigning head of the medical chamber was removed and a new, reform-minded chairman was elected.

It was also no coincidence that one of the most memorable pledges of Gergely Karácsony, the eventually successful opposition candidate for the mayoral election of Budapest, focused on procuring more computer tomography (CT) machines for underserved districts of the capital. In fact, he made the organization of the 2023 World Athletics Championship (and the construction of a new stadium for that purpose) conditional on €150 million in government support for a rejuvenation of health care in the city. This was a welcome concession on behalf of a government which only spent 6.6 per cent of GDP on public health, one of the worst such figure in the OECD.

4.3 | Economic outlook for 2020 – thoroughly dependent on EU-budget decisions

Until the potential success of the aforementioned large-scale re-purposing strategy of the Hungarian economy towards a high-added value and digital model, the short-term outlook for 2020 offers more of the same with some cooling off in an overheated economy. In the given structure – that is: both export-oriented and domestic consumption-based growth model – the economy came to its full potential in 2018-2019. This has been reflected in GDP growth surpassing the long-term growth potential, as well as high industrial capacity utilization and substantial real wage increases.

The year 2020 may provide a turning point for the extant Hungarian developmental model in multiple respects. First, the global slowdown may constrain one of the key sources of growth: a major automobile cluster with multiple ongoing new plant projects. Competitiveness rankings and statistical data describing the productivity of home-grown SMEs show an unflattering image and cast a doubt as to which sector may cover the lost growth realized at multinationals targeting global markets.

Second, fiscal sustainability was only feasible in the past decade due to the influx of EU development funds. According to statistics published by MNB, the effective utilization of cohesion and structural subsidies ranged from a 2 to 8 per cent of GDP on a yearly basis between 2013 and 2018. The projection for this rate is below 4 and 3 per cent for 2020 and 2021, respectively. It is notable, that the Orbán government opted out of the agreement establishing a new European Public Prosecutor Office, and treats cases opened by the European Anti-Fraud Office (OLAF) as infringements on national sovereignty. Considering these issues and the ongoing Article 7 procedure with regards to the rule of law in Hungary, and also efforts by Western

and Northern European governments to tie this procedure to the allocation of EU funds entails significant risk even for these moderate estimations.

This is not to say that the prime minister has no bargaining chips in the negotiations. As the example of the von der Leyen proposal for the Green Deal showed, Hungary can in fact extract concessions from Western partners in exchange for approving even uncontroversial decisions (in the event, only Poland held out of a joint declaration).

The medium term outlook for economic growth is thoroughly dependent on the outcome of the EU budget negotiations. Therefore, a major reduction in development funds would either make the fiscally conservative stance untenable or, given the government's well known priorities, would lead to an even more severe degradation of social services.

A third, and related, risk factor is that as investments scale down either because of a global recession or a reduction of development assistance, the economy falls below its long-term potential. News reports already point towards a petering out of labour demand, even as a few additional years of substantial real wage growth may be on the cards as the labour market adjusts. These developments will make future tax cuts (the Swiss army knife of Orbán governments as it was applied to a wide variety of problems ranging from competitiveness to the low purchasing power of families) less likely. In the context of these intertwined trends, the aforementioned strategic reorientation towards innovation and a high-added value economy looks a sensible option (notwithstanding the worrying developments in the field of higher education and science).

As for the short term outlook, the projections by international organizations for key macro indicators paint a similar picture. Our survey of the reports published by the European Commission, the OECD and the IMF shows that real GDP is expected to grow by 2.8-3.3% in 2020. This would entail a 1.5-1.8 percentage point drop on a yearly basis, something that government and MNB projections debate (and, at least for 2019, these latter proved to be more accurate). With a return to moderate expansion, inflation is set to decrease to around 3.1-3.4 per cent while unemployment keeps steady at 3.4 per cent. International organizations are optimistic about budgetary and debt trends, with a projected public budget balance of -1.0 per cent of GDP. The current account balance will stay in negative territory for the foreseeable future according to these reports.

5

**The Hungarian
society
in 2019**

5.1 | Between storms – the Hungarian media in 2019

As thick as this year was with political news and elections, one of the striking features of 2019 was the lack of major changes in the media market and in media regulations. The annual Soft Censorship report of the media watchdog NGO Mérték Media Monitor noted that “despite the fact that it could do so at any time, since the elections of April 2018 Fidesz has not used its two-thirds supermajority in the Hungarian parliament, the National Assembly, to amend the media laws”. In a sense, after years of major upheaval wrought by the departure of Hungary’s erstwhile largest media oligarch, Lajos Simicska, from the pro-Fidesz camp, the media situation has come to a fragile equilibrium of sorts.

The unexpected consolidation at the end of 2018 of the almost entire privately-held Fidesz media empire into one massive media conglomerate comprising almost 500 media outlets did not change much in practice, but it did change a lot in terms of the how the picture looked. Previously, critics of Fidesz’s media policies had argued that these disparate media outlets essentially belonged to the same “club” – no matter who their official owners were. The owners’ “voluntary” forfeiture of their private property gave a legal imprimatur to the widespread assumption that they were in fact owned by a single source. And while the governing party has still not been officially inscribed as the beneficial owner, everything about the Central European Press and Media Foundation (KESMA) makes clear that it is a Fidesz-controlled institution, a fact that neither the ruling party’s politicians nor the media workers themselves deny at this point.

But since 2019 was a comparatively calm year as compared to the foregoing period, it is a good point to take stock and review some key insights from how this temporarily consolidated system has played out. And as the starting point of this analysis, it is worth noting that

one of the reasons why Fidesz did not intervene as heavily in the media market last year as before was that for the first time in years it seemed reasonably satisfied already with the way that the media market works – with good reason.

Finally ‘balanced’?

After nine successive years in office – and 13 years overall since regime transition – Prime Minister Viktor Orbán finally found that the Hungarian media landscape had become “balanced”. Following decades of carping about a real and then a presumed left-liberal dominance in the media, Orbán at one point acknowledged that there is now a rough “parity” in the Hungarian media. Needless to say, that is not in line with the reality perceived either by the opposition, independent NGOs and observers or, in fact, anyone outside Fidesz. Media watchdogs in particular find that there is an overwhelming and growing dominance of pro-government media, which is stifling critical discourse and distorts the free process of opinion formation which democracy needs to operate.

It is difficult to exactly measure just how much massive the government’s dominance in the media is. Various NGOs (including the media watchdog Mérték and the investigative site Átlátszó) have tried to operationalise this, but they ran into limits both because of lacking data and the difficulty of capturing the various ways in which dominance can be measured. Nevertheless, no matter what approach has been tried thus far, the number of media outlets, their reach, media consumption patterns, advertising volumes or state advertising (which is a crucial slice of the advertising market in the relatively small national market), the result has always been that Fidesz controls a far greater portion

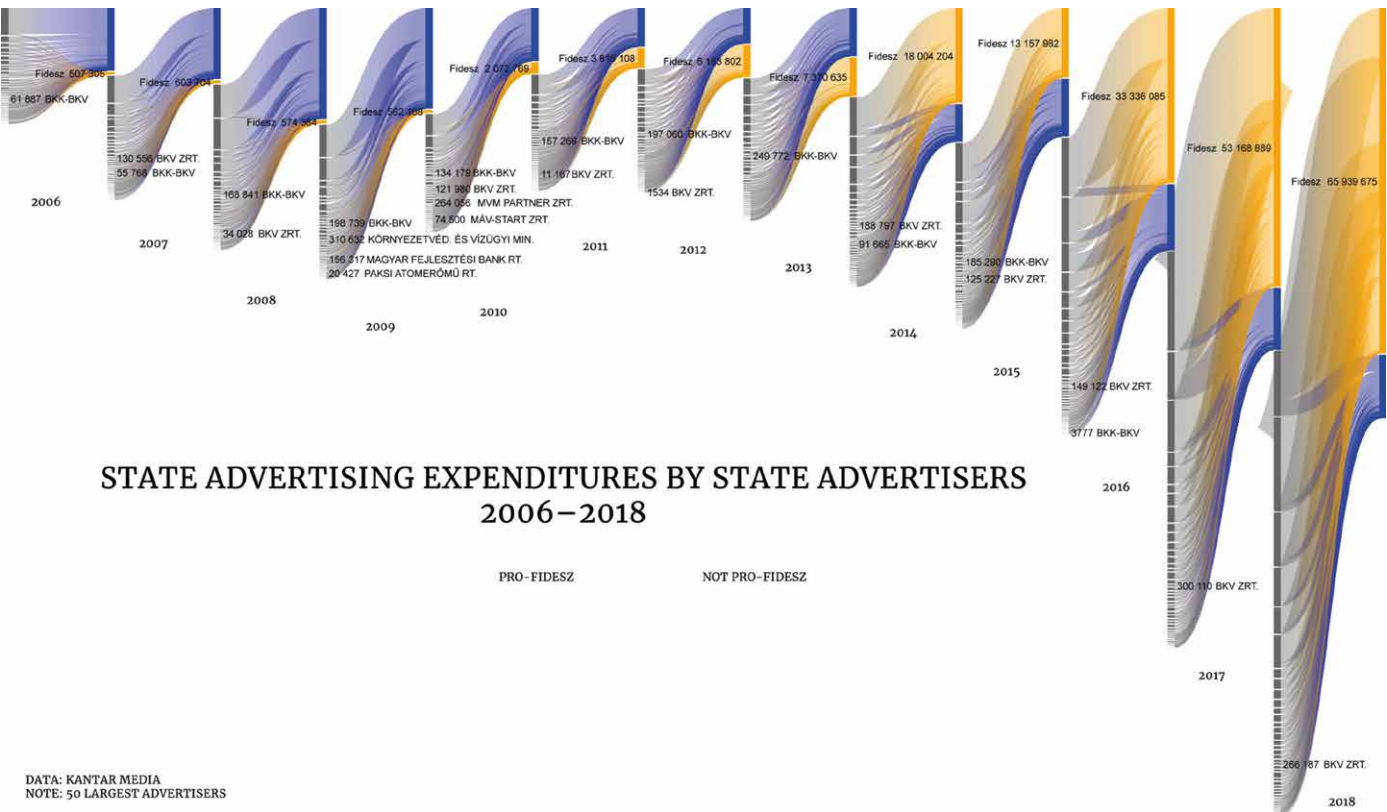
of the media landscape than the “opposition media”. The latter is Fidesz’s umbrella term for every media outlet whose coverage is not completely aligned with the government’s own perspective, from independent media over ideologically-aligned media all the way to partisan media outlets.

A hamstrung officially tolerated non-Fidesz media

With respect to government advertising, the dominance of pro-government media (which can only be estimated because the

government does not publish much of the relevant information), is estimated to be as high as 80% by Mérték (for state advertising trends see Graph 1). But it bears pointing out that whatever money is spent by the government or by government-owned corporations on advertising in independent, critical or opposition media – which is but a small fraction of the total government media spending – is mostly given only to media outlets that conform to some ground rules and either avoid certain lines of inquiry and/or agree with the government on certain key issues. The publicly professed critical attitudes of the owners of Hungary’s sole critical news channel, ATV, about migration and homosexuality, are a case in point.

Graph 1. State advertising expenditures in Hungary, 2006-2018



Source: Attila Bátorfy, ATLO Team, <https://atlo.team/allamihirdeteselek/>
Note: Yellow: Pro-Fidesz, Blue: Not Pro-Fidesz

At this point two vital remaining critical outlets, ATV and the weekly newspaper 168 óra, are owned by small churches (an evangelical and a Jewish congregation, respectively) whose thinking hews close to the government on a variety of political issues. And even though in this context it is only fair to acknowledge that their interventions in editorial policy are not blatant and heavy-handed, the coverages of these still-critical media outlets have indeed shifted in recent years.

Capturing what's missing: rural dwellings and the elderly

This adds nuance to the question of what the media balance in Hungary looks like, since even if Viktor Orbán's idea of a media market parity were correct based on figures (and it is not), if some of the critical media are effectively muzzled with the leverage of state advertising then that would still not imply that the market is actually divided 50-50. But to add further nuance, it may be helpful to conceptualise the media market in a way that the existing surveys did not because it is even more difficult to quantify. A highly relevant dimension of our understanding of the media market constellation pertains to the question of where independent or opposition media do not reach, be it geographically or demographically. No matter what the national balance is like, if there are areas or segments of the market or the population where no independent information reaches, that can result in massive distortions of the public sphere.

Looking at the market by segments and regions, two vital facts stand out. The entire market for regional print newspapers includes no independent or opposition media whatsoever. Furthermore, there are also no independent and opposition media outlets in the national radio market. In fact, the only major critical radio in Hungary, Klubrádió, was deprived of its rural frequencies and is limited to broadcasting to the choir in Budapest.

It is also important to note that although these are legacy media, they still matter in Hungary. Within the declining print segment,

regional newspapers are far more likely to be read in large swathes of rural Hungary than national newspapers. Radio, too, is still widely listened to by millions of Hungarians, especially among the elderly, who are overrepresented in both rural populations and among active voters. Viewed in conjunction with the fact that the national print media hardly reach outside major urban areas, this suggests that much of rural Hungary and large segments of the elderly population have little access to information that has not been "curated" by the government and its media reviewers, as the news disseminated by both the public media and the vast private Fidesz media empire invariably are.

Information and voting – two hypotheses

This is just a hypothesis, but given what we know about media consumption patterns and voting behaviour, it is one worth investigating: if one were to superimpose a given region's diversity of media sources onto an electoral map of the municipal election of 2019, which resulted in the first significant gains by the opposition since Fidesz acceded to power in 2010, one would find that the lack of alternatives to the news propagated by pro-government media correlated very heavily with the massive margins that Fidesz racked up in most rural areas.

If this hypothesis is true and we complement it with another hypothesis, namely that the correlation is also partly causally explained by Fidesz's media dominance, which effectively constitutes a near monopoly on information in some vital segments of the electorate (elderly rural voters in particular), then the message for Fidesz is contradictory. On the one hand, it suggests that their general strategic approach to the media issue is correct. The better they are at controlling the news and information that a given segment of the population can access, the more likely they are to win their vote. At the same time, Fidesz's local election failures in major parts of urban Hungary suggest that their losses owed in part to the governing party's inability to expand their control over the media consumption of the urban public.



An unstable equilibrium

Whether Fidesz shares this insight and how it reacts to it will have a crucial impact on the government's media policies in the coming years. Even if Viktor Orbán and Fidesz were to decide that the basic idea underlying their aggressive media policy was basically the right idea despite the electoral setback the party suffered in October 2019, they might nevertheless opt to leave things as they are. For the fact is that the geographical areas and numbers of voters won by the governing party would be enough for a parliamentary majority in 2022 – theoretically.

In practice, Fidesz is not known for assuming that it can coast to victory. Furthermore, there is the risk that an economic downturn may lead to a broader disenchantment with the government which could make the existing media control in rural areas insufficient for holding on to all of the rural regions that make up Fidesz's electoral firewall. As we said previously, Fidesz argued correctly about the municipal election that if the results were extrapolated to a national election, the outcome of the municipal election would still yield a diminished but stable Fidesz majority. But seeing as its buffer has shrunk considerably as compared to April 2018, this means that the governing party can ill afford to lose many more constituencies without forfeiting its majority in parliament.

For non-Fidesz aligned media, more pressure likely ahead

Thus, even though some in Fidesz's position might argue to leave good enough alone and to focus on other issues instead, the governing party is more likely to take further steps towards increasing its dominance in the media. There is a thought-out and effective strategy behind Fidesz's media policy (as in most areas concerning political control), even if this strategy has little to do with what is considered acceptable in a democratic or rule-of-law framework. And even while 2019 was a relatively mellow year overall, underneath the relative stability in the media market the quiet progress towards Fidesz media control has continued.

Consider the often awful financial state of non-Fidesz media, which are mostly deprived of access to domestic advertisers who fear official retribution, while they are also often not attractive enough to large multinational corporations whose economic role makes them unconcerned about the Orbán government's revenge. Large multinational corporations – which make their advertising decisions based on cost-effectiveness considerations rather than political goals – still play a key role in sustaining the most successful independent and critical media outlets, such as for example the online newspapers Index.hu, 24.hu, 444.hu, not to mention the commercial TV channel RTL Klub. The latter continues to present some critical reports that would be otherwise unseen on Hungarian television, which makes the television channel the only media outlet that provides some limited real information about Hungary to some segments of the rural and elderly population who have little access to other sources of critical coverage about the government's activities.

Drowning in a lack of funding

Fidesz's long-game of quietly financially suffocating at least the most vulnerable segments of the non-Fidesz media may be paying off in ways that are not immediately apparent since the media outlets continue to persist. But the lack of advertising, subscribers or other reliable access to funding is proving an increasing strain on the non-Fidesz media, and many outlets are either operating on a shoestring budget or teeter on the edge of bankruptcy. The abovementioned 168 óra weekly, owned by the Jewish ultra-orthodox congregation Chabad, regularly fails to pay its journalists on time, which has a massive negative impact on employee morale. The weekly's editor-in-chief and his deputy, two prominent Hungarian journalists whose work probably did a lot to inspire confidence among the readers despite their misgivings about the fact that the paper is now owned by a pro-Fidesz group, have recently called in quits. So one of the remaining flagship non-Fidesz weekly newspapers is near extinction level. It seems unlikely that a newspaper that is critical of the government can be operated in the

long-term against the interests of its owners, and the fact that the latter often fail to pay the staff for extended periods suggests that this arrangement is peculiar for both sides.

Thus, even without further government intervention, some non-Fidesz media will probably not make it through 2022, owing to the effectiveness of the policies that have cut off their access to funding. But the odds are that there will be further interventions, and the decision by the National Assembly to effectively make it impossible for reporters covering Parliament to interview politicians in the building suggests that the government is very much open to the possibility that it must accelerate its plan against all efforts to inform the public.

For the opposition, it follows that they must find ways to invest in informing those segments of the population whom the government has cut off from all media sources but their own. Finding practical ways of doing that without access to either television or radio, not to mention money, will be hard, however. One possibility is that the victory in the municipal election might loosen the purses of wealthy donors who now perceive a real possibility of ousting Fidesz in the next election. Yet, giving money to critical media invites attention from the government that few if any of the superrich in Hungary would like to endure.


If democracy operated normally, figuring out how to attract massive investments into the media would not even be a job that politicians ought to be thinking about. But the Fidesz-generated reality is that investing in public affairs journalism does not beckon with any hope of making money, which means there is obviously no reason for business-oriented market players to invest in the Hungarian market. Given that volunteer journalism can only go so far in making the playing field slightly less unequal, the Hungarian paradox created by the ruling party is that even as the opposition rightfully bemoans the government's heavy-handed interventions in the media market, if they want to be electorally competitive they will likely see no alternative to getting in the media business themselves. Thus, the excessive partisan polarisation that Fidesz had always (mostly falsely) accused the Hungarian media market of may indeed become a reality.

5.2 | In culture and science, Fidesz crushes its chosen enemies

Months of wrangling and negotiations about the fate of the Hungarian Academy of Sciences (abbreviated as MTA in Hungarian) ultimately resulted in what many assumed would be the outcome from the very start. Fidesz used its constitutional supermajority to take the entire research network of MTA away from the Academy and fully subordinate it to the new Eötvös Loránd Research Network (ELKH). This new organisation now directly controls the nation's largest scientific network comprising a staff of ca. 5,000 persons overall, including thousands of scientists, and will get to use the Academy's properties without remuneration. The ELKH is controlled by a 13-member governing board with six delegates of the Academy and six of the Government, and a President. As all decisions require a simple majority, the Academy's delegates have little chance to go against the will of government delegates.

More control over scientific research

It is worthwhile to quickly review the theories that have been advanced why the government wants to control such a big chunk of scientific research in Hungary despite the fact that ostensible political benefits are rather slim. The assault on MTA in fact even cost Fidesz substantial portions of its already diminished support among intellectuals. The government's actual motives remain unclear, but the ostensible reason provided was that they want more emphasis on practical research that yields tangible benefits in the realm of the economy, while they want less theoretical/foundational research that cannot be converted into GDP. That may actually be part of the



A large crowd of people is gathered at night, holding up protest signs. The background is filled with out-of-focus lights, creating a bokeh effect. The crowd is diverse in age and appearance, with many people wearing winter hats and coats. Two prominent signs are held up in the foreground, one with a red curtain graphic and another with a color calibration chart graphic.

**SZABAD ORSZÁG,
SZABAD VÁROSOK,
SZABAD MŰVÉSZET!**

**SZÁJKOSÁR TÖR
=
CENZÚRA**



motivation, even though critics with a background in science counter that without foundational research to precede it, applied research does not have a leg to stand on.

Many suspect, however, that the publicly presented reasons do not reflect the real motivations behind the government's subjugation of the MTA. According to a theory, the ultimate answer leads back to money. According to this school of thought, the Hungarian science network stands to receive massive EU funding in the coming years, which Fidesz was loath to leave outside of its grasp. Direct control over the Academy's research network equals direct access to these funds. While that certainly meshes with the government's overall approach, at the same time it is also worth pointing out that in terms of their total value, these are relatively small sums. Would Fidesz risk the political damage at the European level and in terms of its standing with the rightwing segments of the Hungarian intelligentsia for however much it can gain from a few ten billion HUF worth of science funding – which appears to be a rounding error when compared to projects such as the expansion of the Paks nuclear power plant (estimated to reach about 3,000 billion HUF or 10% of Hungary's annual GDP)?

Which brings us to the third hypothesis – and at this point it is worth pointing out that these explanations are not mutually exclusive, in fact they are likely to be complementary. It is possible that MTA has just fallen prey to Fidesz's general desire to control all of public life, and especially institutions that previously operated autonomously and generated knowledge that might disagree with the government's own views, values and political narrative. With its several thousands of scholars who research a host of issues from economics and history all the way to such egregious affronts to Fidesz's sensibilities as gender studies, MTA has been one of the last vestiges of independent thinking in Hungary which produce knowledge that can run counter to Fidesz's narrative even if it does not seek to dabble in politics at all. As in many other walks of life, the power of the purse and the control over the employment of the scholars may have a chilling effect on scientific research even if Fidesz were to decide to wield this power cautiously.

Culture wars on

When changes in culture and science are discussed, one must remember Orbán's proclamation of the culture wars in his annual Tuszányos speech in 2018. "An era is determined by cultural trends, collective beliefs and social customs. This is now the task we are faced with: we must embed the political system in a cultural era," Orbán said last year. His supporters have called for an end to what they see as the dominance in Hungarian culture of leftist-liberal ideas for years.

The fate of the 1956 Institute, an established research outfit with a small crew that focused on the history of communism and regime transition – from a critical perspective – has been mainly discussed in intellectual circles, but the ease with which the institution was flattened by the government steamroller was both symptomatic and disconcerting. The Institute's director, János M. Rainer, a renowned scholar of communism only found out about the decision to integrate his institution into Veritas, the government's own institute for Fidesz-aligned historiography, when friends began to call him about it. Rainer had no doubts as to what was going on: "What is happening to us is the same thing as what the government intends to do with the MTA research institutes. They need to trample anyone who is not part of their coterie, eradicating the small circles of liberty that remain." All of the Institute's staff heard Fidesz's message loud and clear and resigned immediately or left the institute within weeks, arguing that Veritas was not a place where independent research could be performed.

Hungarian government targets theatres as well

The last weeks of 2019 brought another episode of the culture wars. On 11 December the Hungarian government passed a bill in an accelerated process, with the aim to tighten control over theatres, a move that has triggered protests from actors and audiences who see artistic freedom under threat. According to the new law, which the government softened compared to an original version after the

protests, Hungary's minister for human resources, who oversees culture, will have a say in appointing theatre directors at institutions jointly financed by the state and municipalities. Fidesz MPs confirmed that the government seeks a greater say in the operation of theatres that it partly funds. They cited a recent sexual harassment case at a Budapest theatre as the reason of the changes, because the government currently has no power to sack the director of the theatre involved.

To put this change in context, it must be added that few municipalities have the means to finance their theatres and often rely on government funds for their maintenance. In line with the new law, the minister and the relevant municipality now will have to sign a deal defining the joint operation of a theatre, including how to appoint its director.

The new cultural law will also set up a National Cultural Council, which will be responsible for "setting priorities and directions to be followed in Hungarian culture". The law says cultural organisations should "actively defend the interests of the nation's wellbeing and development".

The party with a plan

What is further striking about these changes is how they follow a similar blueprint. These stories tend to include a campaign of vilification in the rightwing media, including character assassinations. In terms of vilification, Fidesz's former friends and its established "enemies" are treated differently, but they are attacked all the same: a whole series of Fidesz moderates have been targeted in the rightwing media as lacking the necessary zeal in purging leftwing and liberal influence from their own terrains or for failing to represent Fidesz's partisan interests in a dogmatic enough manner.

The overall trend is very clear. Fidesz is shedding itself of its moderate intellectuals, and the line of former high-level Fidesz moderates who have been relegated to the background or have even turned openly

critical of the party is growing. It includes once major figures such as the conservative economist Ákos Péter Bod, whom Fidesz nominated as its prime ministerial candidate in 2006 when it seemed Orbán would not be able to win the election; Géza Jeszenszky, a former foreign minister who was Hungary's ambassador to Norway but was forced to resign when he could no longer follow the government's anti-Norway communication stemming from Fidesz's frustration of Norway's support for independent civic organisations in Hungary; József Pálinskás, a prominent nuclear physicist who was Orbán's education minister for a stretch during Orbán's first term in office and was until recently in charge for representing the government's goals at the MTA for a while; and Tamás Mellár, the former head of Hungary's statistical office who was fired by the leftwing government for lacking in servility and found a job as a senior manager at the pro-Fidesz think-tank Századvég, from where he served Orbán as an economic advisor until his views were seen as incompatible with Fidesz's policies (Mellár is now an opposition MP).

What unites these men is that they have strong professional credentials, which takes precedence over Fidesz's partisan agenda. The people who have come to replace them in the Fidesz-intelligensia usually also have a theme in common. They are persons with deeply-held grudges against the real or perceived leftwing dominance in their respective fields, which is a wrong they desperately want to right.

Control over resources

In assessing how important total control over resources is for the government, a key point of evidence is the political controversy surrounding the Norway NGO Grants. To wit, Norway pays a large subsidy to all Eastern European countries – Hungary among them – in exchange for access to the EU's Common Market. A part of this package is subsidies for civil society in Hungary, a relatively small amount of money, roughly 10% of Norway's 200 million euro spending in total. Yet the Fidesz government has been at odds with the Norwegian government over the insistence of the latter to allocate this small amount through independent NGOs rather

than the government, which controls the distribution of the other subsidies. At this point, the position of the Hungarian government is that it would rather forgo all funding from Norway than to allow NGOs which it perceives as hostile to its political objectives to receive any funding.

Looking at the issues above from this perspective, it does seem at least conceivable that when it comes to control over these relatively trifling sums the point is to make sure that no one who could be a source of critical views of government policy has access to funding. Moreover, this theory meshes not only with the evidence but also with Viktor Orbán's own pronouncements on the culture wars. In this spirit, the culture war is not only on, but it is becoming increasingly intense, in which the goal is the destruction of any cultural and ideological models that could rival the governing party's own.

5.3 | Outlook on the Hungarian society in 2020

Every indication is that Fidesz's conservatism is going into overdrive as the desire to control all walks of social life moves from the political and economic sphere to the cultural and social. For lack of a better word, Viktor Orbán takes a holistic view of politics, where dominance in specific areas is not enough if it is not embedded in a broader framework of control. Hence, Fidesz's outsize dominance in the political and economic realm, including a massive edge in the media market, is not seen as sufficient. The grand vision is for a more comprehensive control that will shape Hungary's future and will cement the role of the Fidesz oligarchy (or "national elite", as they would like to see themselves) within it, and that requires a control of culture, education and the social values that dominate large aspects of everyday life.

At the end of 2019, the government whose head had promised to respect the voters' decision to turn control of some municipalities – foremost Budapest – over to the national opposition, just announced that it wishes to practically take away the cities' right to appoint the general managers of theatres. As the bill is already adopted, from now on the government will have a say in the appointment of theatre directors, unless the local governments decide to finance their theatres completely. This is neither the first nor the last blow to municipal autonomy since the opposition made significant gains in the local elections in October 2019, but it is not only a significant break with the publicly professed "respect" for the voters' choice, it is also a vital manifestation of the desire to colonise the cultural realm. It would be impossible to select any random slice of the Hungarian population that is culturally more different from the Fidesz's ideal in terms of their values and cultural preferences than the average Budapest theatre-goer. Fidesz now has decided to directly go after the liberal elite as it seems that the governing party no longer allows them to cosily cling to their cultural bubble amidst the growing authoritarianism around them.

This is a battle cry in a war that Fidesz is vastly better equipped to win. The increasingly conservative slogans surrounding family policies and the shrill anti-gay pronouncements of senior Fidesz politicians should not be seen as random pronouncements on disparate subjects but as part of a broader strategy for the wholesale cultural transformation of Hungarian society. Whether the government will succeed or not is far too early to tell, but the policies of the coming year should be expected to be in line with this overarching strategy. There will be stricter control over all types of cultural contents and, while it seems outlandish to imagine for now, the discrimination of gays need not necessarily remain limited to rhetoric.

Although a backlash is always possible – the municipal election and the urban vote, which also featured conservatives voting against Fidesz, were also a backlash against this type of policy – Fidesz has clearly decided that in the age of polarisation showing strength and shoring up the base are more relevant than currying favour with the urban intelligentsia. The next parliamentary election in 2022 will not be decided in Budapest and especially not by the theatre-goers in Budapest.

The electorally vital rural folks who could swing the pendulum against Fidesz may not even hear such news in any relevant detail from the pro-government media that have a near monopoly in many rural media markets. And even if they do, they may well decide that although they might not have thought of such policies themselves, by and large such anti-elitist policies reflect their values and preferences. The question for Fidesz is whether they can reconcile the broader social policy approach with their welfare and other social policies, which overwhelmingly favour the urban upper classes while they offer little to nothing for the rural poor, who see their healthcare and education institutions vanish, and with it their future, too.

Conclusion

In many ways, 2019 was just another milestone in the long road of Fidesz's efforts at building an illiberal regime in Hungary. From a long-term perspective, two spectacular things stand out about this year. First, the municipal elections showed that even within the shrinking space available to it, and despite the authoritarian squeeze of the various government agencies, the opposition can score some goals. Whether it can or will be allowed to do so at the national level is unclear.

The other striking feature of 2019 is at the same time how effective the government's media machinery has become. Wherever the government has succeeded at establishing near-monopolies on information, it has performed outstandingly with voters. In an ironic twist, the government's defeat in many major urban municipalities – a result that was unexpected in its scope, even if the trend was discernible – could be seen as reinforcing Fidesz's fundamental strategy of putting the control of information on the top of its agenda. Hungary is divided among many lines, but 2019 showed that in terms of how the government is viewed by voters, information may be one of the most vital issues.

It is worthwhile to recall that similarly to 2019, 2018 went out with a bang, too, as the opposition successfully seized on the opening provided by the unpopular overtime law, which became colloquially known as the Slave Law – one of the few instances when the opposition managed to successfully frame the public communication of a Fidesz policy. Then the opposition finally found the energy to do something different, to do it together, and to energise thousands of youth to protest each night in the freezing cold for weeks. These were the weeks that forged the opposition into the unity that paved

the way for its first major political success since 2010, the municipal elections of October 2019. It may be true that electoral coordination would have likely commenced anyway, but as it happened the immediate catalyst was the Slave Law. Apart from forging personal bonds between previously antagonistic opposition politicians who camped out in the public media building for days, it also provided a good excuse for bringing them together: their rage was directed at the plight of the common folk.

Such type of energy is not likely to come out of the arcane rules governing whom independent MPs can caucus with and what type of parliamentary groups may or may not be formed, even though these issues are clearly of vital importance to the primary challenge facing the opposition in Hungary, namely electoral coordination and then parliamentary cooperation. Similarly, it is hard to imagine thousands of youths railing against the fact that the Constitutional Court will be recast as an appeals forum to override the Curia in cases that it otherwise could not even have heard. But there should be no mistake about this, the politicisation of the judiciary can have a decisive impact not only in general but also at vital and historically unique junctures, such as for example the arbitration of election results, a not at all unlikely scenario in Hungary. It bears keeping in mind that the point at which the prime minister called the Curia "intellectually unfit" for its responsibilities was precisely an election case ruling that was unfavourable for Fidesz in 2018.

The omnibus law adopted to subvert the judiciary, along with all the other seemingly innocent laws adopted in a rush at the end of 2019, point to a very distinctive feature of the regime. When future historians will retrace the steps that Viktor Orbán took to consolidate power in

Hungary, they will note that a surprisingly large portion was done by smart lawyering. As a case in point, consider how Fidesz changes the use of the local business tax that municipal governments depend on for a large chunk of their discretionary spending. All the amendment does is to say that rather than having to “pre-eminently” focus on funding public transportation, municipal governments will have to do so “primarily”. Again, it is hard to picture a mass demonstration with banners protesting this amendment, but it is still pure poison for local autonomy.

Fidesz’s founding core are a bunch of law school students, and to some extent this is reflected in how they build a regime by deploying sophisticated legal mechanisms. None of this would be possible, of course, without a two-thirds majority, and Fidesz’s frequent violations of both the text and the spirit of existing laws suggest that it does not shrink back from more overtly authoritarian moves when it loses patience or when European regulations or norms do not permit changing the underlying statutes. We can expect this to continue in 2020, especially as Fidesz still wants money out of the EU and will try to present its least overtly authoritarian self, which works better with codification experts churning out tons of boring amendments than, for instance, government-sponsored skinheads blocking an opposition politician from filing a referendum question (as it happened in 2016). Moreover, it has the added benefit that it is less likely to get the public riled up.

Nevertheless, Fidesz has thus far weaponised every conceivable instrument it could lay its hands on, and despite all the speculations that it would be reasonable – for the governing party’s own objectives, that is – to take a step back, it has kept intensifying its martial approach to politics every year since it has been in office. Whenever the expectation was that it would “moderate” the pace before fully hollowing out democracy, Viktor Orbán presented another piece of legislation that eroded a vital piece of the democratic structure and of the system of checks and balances. In this spirit, 2020 should also mark the year when the fumbling speculations about Fidesz’s “moderation” finally end, at both the Hungarian and European level,

to be replaced by the better-late-than-never realisation that Fidesz’s policies are a fundamental threat to democracy in Hungary and Europe.

For the opposition, 2019 brought two fundamental changes that seemed unattainable for almost a decade. The first, chronologically, was the ability to put aside petty personal and legitimate ideological differences, and to work together on the one goal that they have now all mutually recognised as the top priority in Hungary: stopping Viktor Orbán and his Fidesz before they complete an authoritarian regime that will become largely immune to a democratic challenge. While the differences in mentalities and ideologies, the frequent personal antipathies and the bad history between the players in the opposition still crop up often enough, by and large they have taken a backseat to their joint insight that given the inescapable logic of the electoral system and how Fidesz continues to tilt the playing field against them, nothing but unity can work.

The other key change is hope, which was absent among all but a few highly dedicated activists. Now, for the time being, opposition politicians and, just as importantly, their voters, too, have hope. The most important source of that hope was the electoral success of October in the municipal election, when these parties, together with an energised base, managed to secure some very limited (and since shrinking) degree of autonomy by winning in many large urban municipalities in Hungary.

Now comes the hard part of consolidating and expanding that support, for the positions won need to be both defended and expanded since they are by far not enough for a national election victory. Based on current polling data and the results of the municipal election, Fidesz would return with a comfortable majority in 2022, barring further shifts in public opinion.

This leaves the opposition with several vital challenges as the next steps in building on their previous successes. First, they must use the municipalities they won to the maximum effect in showing that they

are not the incessantly bickering clowns as Fidesz tries to portray them to the voters. The opposition parties must prove that they are a competent and diverse crew that can steer the ship of several major municipalities and could hence be trusted to also pilot the national ship in the stormy seas of domestic challenges (education, healthcare, reducing inequality, diversification of the Hungarian economy, sustainable development, etc.) and global risks (climate change, migration, European integration, etc.). Doing good work in the municipalities that they have won is an essential condition, and corruption scandals and policy failures would make the opposition a perfect target for the government's claims that an opposition that cannot properly manage towns should not be put in charge nationally.

And while all this is ongoing, the opposition parties must devote massive energy to winning back parts of the rural base without which a national victory is simply mathematically unattainable. By whatever methods, building local media, canvassing or organisation building, among others, they must drive these points home to at least portions of the rural voters who may harbour reservations about the Fidesz government but see far too little evidence that it is time to jump ship into the great unknown that the opposition appears to stand for. This is a highly challenging enterprise, to say the least. But unless voters in rural areas perceive that there is an alternative to Fidesz, the opposition's chances are rather limited.

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