



Hungarian Politics in 2021



Hungarian Politics

in 2021

Hungarian Politics in 2021

© 2022, Policy Solutions

Publisher: Policy Solutions, Budapest

Editor: András Bíró-Nagy | Director, Policy Solutions, Senior Research Fellow, Center for Social Sciences (TK PTI)

Main author: Gábor Győri | Senior Analyst, Policy Solutions

Contributing authors: András Bíró-Nagy
Gábor Scheiring | Marie Curie Fellow, Bocconi University
Áron Szászi | Political Analyst, Policy Solutions

Design: Ferling | Adrienn Kovács, Gábor Ocsovai

Photos: Page 6: The Hungarian Parliament - Ruslankphoto/123RF, Pages 10-11: Viktor Orbán's speech at the pro-government Peace March - Attila Kisbenedek/AFP, Pages 16-17: Government advertisement about the success of the vaccination programme - Jennifer Varga/24.hu, Pages 24-25: Viktor Orbán at the Budapest Demographic Summit - Attila Kisbenedek/AFP, Pages 30-31: Prime ministerial candidates of the opposition at the ATV televised debate - János Bódey/Telex.hu, Page 34: Voting tents at the primary election of the Hungarian opposition - Attila Kisbenedek/AFP, Pages 40-41: Victory speech of Péter Márki-Zay, PM candidate of the Hungarian opposition - János Bódey/Telex.hu, Pages 44-45: Viktor Orbán, Mateusz Morawiecki and Matteo Salvini in Budapest - Attila Kisbenedek/AFP, Pages 54-55: Viktor Orbán and Marine Le Pen in Budapest - Attila Kisbenedek/AFP, Pages 62-63: Gold reserve of the Hungarian National Bank - Szilárd Koszticsák/ MTI Fotó, Pages 66-67: Family in Hencida - Ákos Stiller/National Geographic, Pages 74-75: The studio of Klubrádió - Márton Béres/Népszava, Pages 78-79: Budapest Pride 2021 - Attila Kisbenedek/AFP

Printing: Innovariant Printing Ltd.

HU ISSN 2416-1985

Table of contents

Introduction / 7

1 | The Hungarian government in 2021

1.1 | The strategic situation of Fidesz before elections / 9

1.2 | Hungary in the fourth wave of the Covid-19 pandemic / 15

1.3 | Fidesz builds a parallel state / 20

1.4 | Outlook on the Hungarian government's prospects in 2022 / 24

2 | The Hungarian opposition in 2021

2.1 | With the primaries, the Hungarian opposition has stepped up / 28

2.2 | What does the opposition offer to Hungary? / 35

2.3 | Outlook on the Hungarian opposition in 2022 / 39

3 | Hungary's place in the world in 2021

3.1 | Fidesz's place in Europe / 44

3.2 | Orbán's foreign policy in a global context / 49

3.3 | Outlook on Hungary's place in the world 2022 / 53

4 | Hungary's economy in 2021

4.1 | Overview of the Hungarian economy / 57

4.2 | Social reality: no country for poor people / 65

4.3 | Economic outlook for 2022 / 68

5 | The Hungarian society in 2021

5.1 | The state of independent media in Hungary / 71

5.2 | Fidesz goes all in on the LGBTQ issue / 77

5.3 | Outlook on the Hungarian society in 2022 / 81

Conclusion / 83



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 eighth time we herewith present an annual review of Hungarian politics. This is a comprehensive overview of recent developments, events and trends in Hungary in 2021, and an outlook on what topics we expect to dominate Hungarian politics in 2022, the year of parliamentary elections.

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 2021, be it the Covid-19 crisis management of the government, the prospects of the united opposition, Fidesz's place in the European Union, the main economic trends or the government's attacks on the LGBTQ community. 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 strategic situation of Fidesz before the 2022 elections, and how it tries to build a parallel state. In the second section we look at the opposition parties, their state and prospects after organizing successful primary elections in September-October 2021. The third section focuses on foreign affairs, in particular Fidesz's attempts to make new friends in Europe after leaving the European People's Party. In the fourth section, we take a detailed look at how Fidesz's policies have shaped the economy during the

Covid-19 crisis. Finally, some key developments of the Hungarian society – media landscape before the elections; intensifying anti-LGBTQ government campaigns – are discussed. All of the sections conclude with a brief analysis of the issues which may come to the fore in 2022.

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

1

The Hungarian government in 2021

1.1 | The strategic situation of Fidesz before elections

Towards the end of 2021, Hungary's ruling party finds itself in a peculiar situation. On the one hand, its polling figures are robust; there is no indication in any of the independent polls that its support is going down. While the ruling party is virtually tied with the opposition in most reliable polls, most analysts agree that a dead heat favours the ruling party for a variety of reasons. These reasons include natural gerrymandering (i.e. the geographically favourably dispersed distribution of its support, with opposition support concentrated in urban districts while the ruling party's support is more spread out among a larger number of rural districts); artificial gerrymandering, that is the redrawing of district lines to favour government party candidates; a vast access to official and unofficial campaign resources, including the state's money and its public bodies; a huge propaganda empire featuring over 500 media outlets; a strong party organisation across Hungary; and vast support (likely over 90%) among a growing number of ethnic Hungarian voters outside Hungary, whose support the government has carefully cultivated over the years. At this point, Fidesz still has to be seen in a strong position for the 2022 electoral campaign.

Fidesz seems concerned

Generally, incumbent parties would feel exceedingly safe with such a background a few months before the election. Many moves of the ruling party in 2021 have nevertheless suggested that Fidesz feels no such comfort, however. It has moved to transfer vast publicly held assets to privately owned foundations controlled by boards loyal to Fidesz (see details in Chapter 1.3.), and it keeps installing old and new appointees for long periods (generally nine years) in key public positions that serve as a check on the government. Most

recently, Minister of Justice Judit Varga introduced an amendment that would make the removal of the chief prosecutor – Péter Polt, a former Fidesz politician who is widely seen as enabling corruption and shielding major Fidesz figures and oligarchs from investigations of corruption – by parliament contingent on a two-thirds majority rather than the simple majority previously demanded. Furthermore, the head of the media authority, Mónika Karas, whose term would have ended in the fall of 2022, after the parliamentary election, resigned from her position to make way for a new nine-year appointee to be installed by the Fidesz supermajority in the outgoing National Assembly. Karas has been replaced by a loyal Fidesz crony, András Koltay, the head of the National University of Public Service, while she herself has become deputy director of another key agency, the State Audit Office, which oversees public spending – including corruption and campaign spending, two areas rife with the abuse of governmental powers.

Reasons to worry?

While even in the case of a re-election victory, Fidesz does not stand to lose much from shoring up the seeming independence of institutions outside the government, which are in reality tightly controlled by Viktor Orbán through figures with a proven loyalty to the prime minister, this frenzy of outsourcing powers and funds beyond the control of the government or a simple majority in parliament do not appear to reflect the actions of an incumbent who is confident about its prospect of victory. On the contrary, these moves are widely seen as an indication of Fidesz's growing nervousness about the outcome of the 2022 election.

So why the nervousness? There are several reasons, which will be discussed in turn as we look at Fidesz's strategic position. Let's start by pointing out that this election is the first since 2006 where the outcome is genuinely unpredictable. An opposition victory is far from a safe bet, but 2022 marks the first time that the opposition competes in a constellation that will make it competitive. Given Fidesz's comparatively lower level of public support in 2014 (44.9% of the votes) an opposition alliance such as the one formed now might have defeated it already back then, even though the economic fundamentals – a key consideration for Hungarians – were better at the time. In fact, it was this insight coupled with the defeats in several subsequent by-elections that fuelled Fidesz's drive to find a new core issue, migration, which shored up its popular position and eventually led to its unexpectedly clear victory in 2018.

No core issue yet

Which brings us to the second reason for the ruling party's concern: at the end of 2021, it lacks a driving issue that could animate the electorate in the same way as migration did in 2018. While migration undoubtedly retains a potency and is seen as a lingering threat, unless another acute crisis emerges it is clearly not sufficient at this point to energise voters with the same urgency as four years ago.

Fidesz needs a new issue, and it appears that the one they tried during the summer – attacking sexual minorities on made up charges of conducting sexual propaganda aimed at Hungarian children – is not working well enough. Although the governing party has not dropped it altogether, for now they are not pushing it nearly as hard as they did with the migration issue. One explanation may be that they are waiting for the start of the campaign season to go into gay-bashing overdrive, but Fidesz believes in relentlessly driving a point home, so holding out in this way would be atypical. The other, more plausible explanation at this point is that the polls suggest that this issue does not play as well as migration did. In other words, while it is unlikely to harm Fidesz's prospects, it may not be enough to boost it sufficiently to justify endless propaganda spending.



This leaves Fidesz with a motley of assorted issues, e.g. the “old” issues, namely migration and vast amounts of campaign presents (e.g. one-time sizeable bonuses for pensioners, massive income tax rebates for parents), a harping on the utility price freeze and personal attacks, in particular efforts to frame the entire opposition as being beholden to Ferenc Gyurcsány, the controversial former prime minister who leads the strongest opposition party, the Democratic Coalition. Will this be enough, though? Fidesz cannot be sure and it does not appear to be, but for now it does not have a better narrative to dominate the 2022 campaign.

An unfortunate choice by the opposition voters – for Fidesz

Furthermore, one of the key pieces of this puzzle, the portrayal of the opposition as “unpatriotic traitors that serve foreign interests” and “wish to flood Hungary with migrants” and “destroy Hungarian sovereignty”, has been undermined by the unexpectedly clear victory of a staunchly conservative candidate in the primary to lead the opposition in the 2022 election. Of the opposition figures competing to become Viktor Orbán’s challenger, Péter Márki-Zay seems like the least plausible role model for the aforementioned caricature of the opposition. He has a long track record of anti-migration remarks, and his dedication to conservatism and Christianity, two cornerstones of Fidesz’s popular appeal, appear authentic to many voters. Crucially, while holding beliefs that are in many respects compatible with those publicly espoused by Fidesz, Márki-Zay has also built a series of successful campaigns on his opposition to corruption, and for now his reputation as an earnest anti-corruption crusader remains untainted.

“Stop Gyurcsány” will not work well on Márki-Zay

Márki-Zay is also an ill-fit for Fidesz’s allegation that any opposition alliance is but a Trojan horse for the comeback of Ferenc Gyurcsány. Both his personal background and his values belie that

claim, and his acrimonious confrontation with the Democratic Coalition’s primary candidate for prime minister, Klára Dobrev (who is also Gyurcsány’s wife) was not perceived by many as a show but a sign of genuine tension between the two. Clearly, Márki-Zay is pragmatic enough to cooperate with Gyurcsány and he does not have much of a choice: DK’s support and party organisation are ineluctable for an opposition victory and their seats will be essential in forming a post-Fidesz parliamentary majority, if that can be attained after April 2022. But he does not come across as Gyurcsány’s puppet, and when Márki-Zay seemed like a distant long-shot to win the primaries, the government’s spokesman István Hollik admitted this much in what seems like a serious gaffe in retrospect: Hollik said that Márki-Zay could never win because unlike the other candidates he is not Gyurcsány’s man. Although Fidesz’s and Hollik’s official version is now completely different from that comment, Hollik’s early assessment has become viral.

The fear of a domino effect

So even though he is inexperienced and a dark horse as a national candidate, Márki-Zay is much more difficult to get a grip on than most of the other candidates in the opposition primary, and this boosts Fidesz’s nervousness. Which brings us to another major concern of the ruling party: the stakes are very high, artificially inflated by Fidesz itself. Fidesz has cast every election as a life or death decision, where Hungary is at the edge of annihilation in the event of an opposition victory, and the stake of the election is the very survival of the nation. In this narrative, the fate of the nation cannot be disentangled from the regime that the ruling party has built, which is the only guarantee of Hungary’s welfare and security. In reality, of course, Hungary could do with a good dose of governance that is different from Fidesz’s approach – and even if that governance fails, it would not destroy Hungary as the ruling party alleges. But from its own perspective, Fidesz may be correct in arguing that the stakes are high. The ruling party has indeed built an entire regime, fuelled by corruption, cronyism and clientelist networks, and even with an opposition government boxed in by a vast array of supermajority laws enacted

by Fidesz, an election victory is the most likely domino that could herald the collapse of this regime.

And if that domino proves effective, then the potential repercussions could become unpredictable. In the wake of its two-thirds victory in 2010, Fidesz had the option of building a broad consensus to enhance democratic control in Hungary and to govern strongly but subject to the limitations that would safeguard the political interests of all parties – including Fidesz itself – in the long run. It chose instead to go down a path where political control was exercised to manipulate the democratic ground rules and to subvert fair competition, frequently subjecting the opposition to attacks that reek of authoritarian practices. The total erosion of a societal consensus on the issues of how democracy should work, the very idea of illiberal democracy in fact, make it imperative for Fidesz to hold on to control. From Fidesz’s perspective it is not only conceivable but likely that a new government might turn its own toolkit against the governing party, and they are of course all too aware of how rough such a treatment would be.

2022 will be another turnout election

In terms of securing an electoral victory, the lack of a fundamental mobilising issue is the biggest concern for the ruling party right now. Like the 2018 election and like most elections in a highly polarised climate, the 2022 election is also more likely to be about mobilisation and turnout than about a major realignment. While an opposition victory is a possibility, the polls have thus far consistently shown that Fidesz’s base is robust and highly unlikely to collapse. In the event of a narrow victory of either side – and for the time being, with the polls being as close as they are, that is a likely scenario – the ability to make one’s own base turn out in the largest possible number will be the most important factor in tilting the balance in parliament. While Fidesz’s level of support seems to have peaked at a high level, it does not need to increase this support by adding voters who currently support the roughly equally strong opposition: all it needs is to make sure that its own supporters get out and vote in larger proportions than the opposition voters, especially in swing districts. Fidesz

clearly has both the data and the resources to target its get-out-the-vote efforts specifically at those rural and small town seats which are a must-win for the opposition. Experience suggests that when a party has no driving issue then voters in the outer reaches of the party’s universe of supporters may stay home, which is one of the major risks the governing party faces right now.

And then there are the known unknowns

This is especially true because there are two major and unpredictable risks that did not figure in either of Fidesz’s two successful re-election campaigns. One is the coronavirus pandemic, which is rearing its head once again, and the other one is the delicate economic situation.

While the political impact of the pandemic has been very limited thus far – in line with our projections last year –, the virus and its impact is not something the government can control (although it can and does massively control the publicly available information about it). In light of the vastly improving pandemic figures in the summer the government chose to let the only redeeming factor in its otherwise disastrous handling of the pandemic slide and abandoned the intense campaign for vaccinations. Hungary, once the leader in the EU on Covid-19 vaccination uptakes, has dropped well below the EU average. While roughly 37% of the population have still not received even a single shot, the increasingly alarming rates of new infections, hospitalisations and fatalities still do not seem to stir the stubborn vaccination holdouts. Trying to manoeuvre between highly unpopular vaccination mandates and letting the virus rampage freely, the government might be in a tight spot if the figures spiral out of control once again. And while the coronavirus is very unlikely to lead to a major realignment in popular preferences, the government’s obvious inability to control a crisis after it has already declared victory might shift a few points in the result, and as we noted, that can tilt a close election.

All the more so because the pandemic management is strongly interlinked with the most important foundation of Fidesz’s electoral success thus far: economic management. An expectation of material

security was the pillar of its success in all election victories since 2010, and if that falters for whatever reason, then Fidesz knows it is in trouble. And that is also a factor that the government knows it has little control over – all it can do is to dole out massive amounts of cash to voters in the hopes that the bitter consequences will not be felt until after the election.

As we noted, Fidesz is still well-positioned to tackle these electoral challenges and to overcome the concerns about its electoral prospects in 2022. But the truth is that it is much easier to build a fence on the border than to manage all the above at the same time.

1.2 | Hungary in the fourth wave of the Covid-19 pandemic

Coming out of the third wave of the Covid-19 pandemic in the spring of 2021, with vaccination rates rising rapidly and infection figures, hospitalisations and fatalities finally dropping, the Orbán government declared victory over coronavirus and life surprisingly quickly returned to normal as if nothing had happened. While early in the summer vaccination passes were still required at hotels and many public events, these requirements were eventually abandoned, too. Although the third wave in Hungary was among the worst in international comparison – in no small measure because of the government's reluctance to enact swift and decisive lockdowns because of their preference to keep the economy going –, Hungary was not extraordinary in returning to normalcy. International practices varied in terms of the precautionary measures left in place, but by and large a semblance of pre-Covid life resumed everywhere.

Nevertheless, in terms of abandoning all precautionary measures and failing to take prophylactic action in anticipation of the predicted fourth wave, the Hungarian government was on the more extreme end of the global scale. Fidesz quickly returned to its original attitude towards the pandemic: it put economy first and focused on controlling the discourse by its huge media empire instead of controlling the spread of the virus. For months, the government's communication on the subject rested on the true yet dubious claim that Hungary was the European leader in terms of vaccination rates, which is how the pandemic had been defeated (the truth is that a combination of the vaccinations, lockdowns at the peak of the third wave and the apparently "natural" cycle of the virus – lower infection rates in the summer – led to the ebbing out of the disastrous third wave).

But the fact is that by rejecting the common European vaccination scheme and allowing in Chinese and Russian vaccines that were not authorised in the EU (and still aren't), Hungary did end up vaccinating a substantial chunk of its population more swiftly than almost every other EU member state save Malta. This did probably contribute to scaling back the third wave, albeit after immense sacrifices in human lives – for a long time, Hungary's fatality rate from Covid-19 topped the global rankings, and it is still near the top.

The fourth wave is rolling into Hungary

As Hungary is now rolling full steam into the fourth wave, with all the relevant figures rising rapidly just as experts had predicted they would in the fall, even the previous successes of the Fidesz government need to be reassessed because they did not appear to have stood the test of time. While in early October infection rates were low and daily fatalities from Covid-19 were in single digits and about 500 persons were hospitalised with a Covid infection, the figures started rising rapidly in October. By early December, Hungary had reached around 200 deaths a day, hospitalisations had climbed to 7,000 – the actual figures look very similar to last year, despite the fact that around 60% of the population are fully vaccinated.

This brings us to the most important problem in the government's Covid-19 management. After the early success of the vaccination drive in the spring, when the numbers rose rapidly and vaccines were more widely available in Hungary than in other EU countries, the figures plateaued quickly at around 60% (including children under the age of 12 who were not allowed to be vaccinated until 15 December) and would not budge. Like in other countries, a substantial minority of

AZ OLTÁS MŰKÖDIK, MAGYARORSZÁG MŰKÖDIK.



**Prof. Dr.
Merkely
Béla,**
a Semmelweis
Egyetem rektora

Készült: Magyarország Kormányának megbízásából.

OLTÁS
MŰKÖDIK,
MAGYARORSZÁG
MŰKÖDIK.



Készült: Magyarország Kormányának megbízásából.

the population is either uninterested in being vaccinated or downright hostile to the idea, but thus far the government has done little to motivate this minority to become vaccinated. As a result, Hungary has gone from being a leader in vaccination rates to one of the laggards, and it is now in the bottom half of the EU rankings in terms of the share of fully vaccinated citizens.

The reluctant many – and their reasons

According to a survey conducted by Policy Solutions jointly with Závecz Research, almost a quarter of adult respondents said they have not yet been vaccinated, and while the survey was carried out in September – before the brunt of the fourth wave hit – this segment of the public seems fairly resistant to the idea of accepting the vaccine. In our survey, about half of the vaccine-sceptics said they were afraid of long-term side effects while a third said they were sceptical about the effectiveness of the vaccine. Furthermore, our survey also showed that as compared to the previous poll taken in the spring during the third wave, the position of the sceptics has hardened, with more people believing in conspiracy theories about the coronavirus in September, including the outlandish thought that it is a hoax.

While vaccine sceptics exist everywhere, in Hungary the government has contributed to the pervasive ill-feelings about the vaccinations by relying solely on the hasty introduction of the Russian and the Chinese vaccines early in 2021 to avoid the economic impact of total lockdowns. The price of the rapid success of the vaccination drive in the spring was that many Hungarians have justified doubts about the effectiveness of the vaccines pushed by the government, and many have already run into problems that their Sputnik (Russian) or Sinopharm (Chinese) vaccines were not recognised in foreign countries they visited either as tourists or for work.

Abrogation of responsibility

The government, which has arrogated itself a vast scope of emergency powers in international comparison to manage the

pandemic, is doing actually hardly anything at all to stem its spread. The emergency powers are instead primarily used to squeeze opposition-led municipalities. Rather than taking decisive actions through lockdowns or vaccine mandates, it has passed the buck to employers, saying that it is up to them to decide whether they require their employees to be vaccinated.

This is an abrogation of policy responsibility since even though employers obviously do not have the government's epidemiological expertise at their disposal, they are expected to bear the brunt of the tension that arises from requiring reluctant employees to be vaccinated to protect their other employees from breakthrough infections, for example, or to prevent a spread of the virus in their company that might halt their operations. Physicians working for large employer organisations such as schools, universities and corporations are often on their own in managing difficult situations involving portentous judgment calls without adequate guidance or information from the responsible public authorities.

Public opinion on the government's Covid-19 crisis management: not great, not disastrous

Even though as compared to many other countries there are vast "surplus" deaths owing at least in part to the government's mismanagement of the public health crisis, some segments of Hungarian society are simply not aware of this. Many may have also priced these losses in, accepting it as "other people dying" because of wrong individual choices (excessively risky behaviour), the poor state of healthcare or other reasons that are incidental to the government's crisis policies specifically. While the government's handling of the pandemic is not perceived as great, in line with other polls our own survey on the subject has found that on average the Hungarian public does not perceive it as disastrous either: on a scale from 1 to 5, respondents gave the Orbán government's pandemic management a score of 3.1, which appears somewhat perplexing in light of the disastrous statistics. Despite the arguably far higher than necessary fatality rate, few people blame the government. Maybe

many people think that the pandemic was going to be bad, that much was clear from dramatic news coverage all around the world, and it may be a little worse here, but who is to say the government is to blame? And if it were to blame, did we not get fewer lockdowns and longer periods of life-as-normal in return?

The attitude towards the virus does not follow traditional political divisions

This leads to the odd outcome that although the Hungarian government's pandemic containment efforts have been largely disastrous, that has not put a discernible dent in Fidesz's popularity. How impotent the coronavirus is as a political wedge issue in Hungary is also manifest in the fact that the opposition does not devote much energy to criticising the clearly lacking anti-Covid measures, and the question plays a subordinated role in the opposition campaign, especially as compared to the core issues of democracy, social justice and corruption.

Another key reason why Covid-19 is difficult to politicise is that by and large there is no strong correlation between the partisan/political preferences of sceptics – be it those who eschew vaccinations in particular or those who do not believe that the virus exists or think its impact on public health has been vastly blown out of proportion – and those segments of the population that are intensely afraid of the virus and clamour for more lockdowns. One will find both virus-sceptics and ardent supporters of lockdowns and mandatory vaccinations in both major political camps, among pro-Fidesz voters as well as opposition supporters. Thus, if they were to push for stricter actions to stem the pandemic and to use it as an electoral wedge issue, any of the two major blocs would risk losing a segment of their own supporters.

The risk of losing swing voters

Another key datapoint in this political calculus is the fact that the share of virus sceptics and the opponents of lockdowns and vaccines

mandates is highest among those who are sceptical of party politics altogether or undecided in their voting preferences (i.e. independent/swing voters). Thus, for example, while 52% of Fidesz supporters opposed making vaccinations mandatory, among opposition voters 59% were opposed, and among those outside the two major camps an overwhelming 80% are opposed to the idea. The figures are similar when it comes to other measures to combat the pandemic.

Any government or party pushing for major restrictions now would risk alienating large segments of this vital voting bloc. Election-savvy Fidesz, which subordinates all to the goal of winning next year's election, will not pick a fight with swing voters that might turn them against the government or make them stay home next April. And in fairness to Fidesz, it is unlikely that any party or coalition intent on winning the next election would be bold enough to make this a signature issue of their campaign because for the time being, the risks of alienating the hardline sceptics outweigh the political benefits.

As in many western countries, the furthest-right – in this case the Our Homeland party, which seceded from Jobbik in protest of its centrist drift – has homed in on the sizeable share of virus/vaccination sceptics, trying to boost its own popularity by giving a platform to the laissez-faire Covid policies propagated by conspiracy theorists. Fidesz has been staunch in never letting any party flank it from the right, and while it is unlikely to fully embrace the idea that the virus is not dangerous, it is also unlikely to cede the sizeable share of virus/vaccination sceptics to the furthest-right in Hungary. Instead, the ruling party's strategy has thus far been to mostly ignore the pandemic situation and to focus instead on economic promises and on a stubborn insistence on keeping life going as normally as possible. And on the coronavirus front, at least politically speaking this strategy has worked so far.

1.3 | Fidesz builds a parallel state

In 2021, Fidesz's strategic capture of Hungary has continued. Amidst the worst public health disaster in generations, Fidesz did as it often does during times of crisis. It vastly increased its control over money and power, trying to both expand and entrench its already outsize position in Hungarian society.

In addition to an unceasing stream of small measures, Fidesz introduced two major changes that will reorganise large segments of Hungarian public life. One privatised the overwhelming majority (experts estimate over 70%) of Hungarian higher education along with a host of other cultural and educational institutions (as well as a giant agricultural conglomerate), while the other created a regulatory super authority.

In one fell swoop, public higher education becomes virtually extinct

The gist of the new privatisation wave concerned the higher education sector. The government has established nearly three dozen private asset foundations that have taken control over various public institutions and their entire assets (including vast wealth in the form of real estate), with nearly two-thirds of these involving institutions of higher education. It needs to be pointed out that Fidesz used to be the harshest opponent of privatising public assets – in particular in health and education, and yet its privatisation spree leaves only a few universities in the hands of the state. It must be also mentioned that the government introduced a new definition of the concept of public money on a constitutional level (“Public money is the revenue, expenditure, and due of the state”) in 2020. The constitutional amendment stated that issues related to public-interest asset management foundations should be regulated by laws requiring a qualified majority. All in all, this regulation ultimately

enables such foundations to easily hide their finances, arguing that the funds they had been endowed are not public money. Meanwhile, the law regarding these organizations cannot easily be replaced even after a change of government as they require a two-thirds majority. With this amendment, many believe that the government aimed to secure some of the money even in case Fidesz loses the next parliamentary election.

The university privatisation was neither entirely unanticipated nor completely surprising, but it was nevertheless stunning in its scope. The privatisation project began already in 2019 with a trial balloon, when the Corvinus University of Budapest was turned over to a private foundation. The project was deemed a success story by Fidesz and seven further universities followed in 2020, with only one, the University of Theatre and Film Arts (abbreviated as SZFE in Hungarian) protesting vigorously. From then on it was clear that others would follow, although one did not quite expect the trickle to turn into a sudden flood that would essentially turn over the entire higher education sector to Fidesz.

The members of the foundation boards established thus far have been predominantly figures close to Fidesz, including several cabinet members and other Fidesz politicians. This has proved to be the case with the newly privatised universities as well, given that the main point of the changes is that Fidesz wants to control the institutions in question, along with their funds and assets.

Giving the universities what they want?

The government claims that the changes it has implemented reflect the interests of the institutions in question, giving them greater freedom to operate. Thus, for example, they will be able to diverge

from the mandatory public sector pay scale, which allows them to pay promising researchers more. They will also have greater latitude in seeking corporate sponsorship for research. Some universities had indeed expressed interest in a model that would allow them greater flexibility than the rules governing state universities. Nevertheless, it is unlikely that any of them wanted to operate under the full control of a partisan board, at the whims of a political party that now has the leverage to massively influence their educational curriculum, funding and spending, including at the extreme the sale of valuable assets to private investors looking for bargains, as has been the trend with publicly-owned real estate.

The universities will receive the greater freedom that some of them have craved, but it will be vested with the Fidesz appointed board rather than the current university leaderships, and whether the actual interests of the university community will be the foremost consideration for the boards is highly questionable. Nor is this problem limited to higher education, since Fidesz has also privatised several other cultural institutions, including museums, cultural and educational centres as well as the National Stud and Model Farm, a vast agricultural conglomerate set up by Orbán's former second-in-command, János Lázár. Lázár fell out of grace in 2018 but has been clawing his way back into the prime minister's graces from the backbenches. Orbán gave him the vast funds to start the agricultural project – which Lázár admitted to having dreamed up himself – as Lázár's chance to prove himself, at a considerable cost to taxpayers. Now the agricultural empire is simply turned over to a private foundation with basically no public oversight of its operations.

Building a parallel state

These moves are widely perceived as a way for Fidesz to brace itself for a potential electoral defeat in 2022, to consolidate power and resources outside government in the event that it no longer holds the reins of the latter. If Fidesz loses not only its two-thirds majority but even its parliamentary majority in 2022, and hence its hold over both the legislature and the executive, then 12 years

after its “revolution at the voting booth” and the launching of what it has referred to as a new regime, it will no longer control the major institutions of the country.

One way for Fidesz to insure oneself against such an outcome is to make sure that a new, potentially opposition-led government simply has less power, while the currently ruling party in turn has defences in place that entrench its interests in opposition, as well as the resources to both stifle the new government and pave the ground for its own rebound in the next election. This is the lens through which these momentous changes can be best explained.

The control over universities is a multi-faceted investment. It gives Fidesz control over educational contents, curricula, the hiring of professors, the types of research that are funded and so on. For a party that is willing to use institutions to enforce its own partisan interests, the control over universities is an important instrument in shaping the knowledge and ideological outlook of the next generation. This must appear all the more vital to Fidesz since it is clear that it has limited support among young university students and graduates today, which the governing party most likely attributes to a failure of the educational institutions to instil these youths with the proper values. To make sure that future generations do not “fall through the cracks”, universities must change their ways. And under the new, Fidesz-appointed management they most likely will, although it bears pointing out that large ships generally take long to shift course. But seeing the pliability of universities thus far and their readiness to bend themselves to Fidesz's will, the prospects of noteworthy resistance look slim. In the short-run, however, an even more important consideration may be the control over funds and assets, of which the institutions involved have plenty, particularly in the form of real estate and procurement.

Stifling any new government

On the one hand, the policies adopted aim to give Fidesz control over a significant slice of public life even in the event that it loses public

power next year. At the same time, the government also wishes to significantly bind the hands of a successor government. With the gradual takeover of the judiciary, the solidly entrenched apparatchiks in the prosecutor's office, the State Audit Office, the media authority and a variety of other public institutions, the groundwork for that is already in place, and it has been further expanded in 2021, with the establishment of what may be termed a comprehensive super-regulatory authority, with a commensurately Orwellian name: the Supervisory Authority of Regulated Activities.

This new institution will be in charge of overseeing a disparate and somewhat curious array of fields, including gambling, tobacco, the winding up of businesses and judicial enforcement. The Authority will be led by a Fidesz-appointed president (Marcell Bíró, former head of the Government Office of the Prime Minister) who will be practically irremovable for 9 years – thus covering the next two terms of government – and he will also have the power to draft decrees to enforce the Authority's responsibilities. Unless a new government commands a two-thirds majority, they will be practically powerless to interfere with the Authority's work, even if it will be lax in enforcing gambling rules in the case of Fidesz-controlled casinos and tobacconists, for example, while it will be stern when it comes to impeding the government's work.

The risk of explosive conflicts is even higher when it comes to the privatised universities. While the early pet project of Fidesz – the Corvinus University – received a massive endowment by Hungarian standards, the other universities will have to make do with less generous funding at the start. All of these institutions will continue to depend on state funding; the idea that most could rely to a significant extent on corporate donations or research sponsorship is outlandish at this point. This would very likely lead to intense conflicts between the Fidesz-controlled university boards and a potential new government. The latter would be faced with the stark choice of either giving substantial chunks of public funds to what is effectively Fidesz or being accused of starving Hungarian higher education, thus turning the students against the government. An unpalatable choice

at best, and one that the new government will not have a way to legally circumvent unless it wins a two-thirds majority.

Hedging against the Simicska-risk

As Orbán learned to his disappointment, the personal allegiance of oligarchs cannot be taken for granted. Even while he was in power and vested with a two-thirds majority in parliament to boot, his erstwhile friend and oligarch-in-chief, Lajos Simicska, a key architect of the 2010 victory and Fidesz's policies thereafter, turned against him in 2014 for reasons that are still not entirely clear but probably involved a rivalry for power exacerbated by a personal rift. If an oligarch could do this while Fidesz held the levers of government, how many might become emboldened to switch sides or at least to abandon Fidesz once the opposition was in power?

Hence the current arrangement is a two-fold investment. For one, the "owners" of the vast educational, cultural and agricultural empires are not individuals but foundations with a collective leadership in the form of the boards. Individually, their control over assets is extremely limited as compared to oligarchs, and collectively they are unlikely to move against Fidesz.

At the same time, the entrenchment of Fidesz participants in the authorities that operate independently of the government ensures that Fidesz-aligned figures can continue to operate with impunity even in situations in which their dealings potentially cross into shady territory. Those in charge of public institutions such as universities will also be free to subordinate their official responsibilities to the interests of their political party. To get them to collectively change course would take outside intervention, but unless they amass a two-thirds majority, future governments will not have such power. The latter highlights the role of the public authorities outside the government, for these do have the power to take action within the scope of their competence. The competence of the newly-established super authority, for example, extends to some of the most lucrative activities of the pro-Fidesz business empire.

The most important aspect of the changes enacted, however, is that they increase Fidesz's partisan control no matter what the 2022 or other future elections bring. The control of the Hungarian state and the Hungarian citizens over vast public resources is being eroded, while major regulatory authorities are entrusted to formally independent partisan hacks whose activities are subservient to a political party.

1.4 | Outlook on the Hungarian government's prospects in 2022

Fidesz goes into 2022 with a decent chance to win re-election in April. This is not a reflection of its successful public policy performance but of its relentless focus on putting party politics first, often at the expense of the foundations of democratic competition and the rule of law, and often also at the price of eschewing sound public policies that could provide the basis for Hungary's long-term development. The Covid-19 pandemic has laid bare many of the structural weaknesses of Orbán's Hungary. After a decade of Fidesz wielding governmental power backed by a constitutional supermajority in parliament, the Hungarian healthcare system is in shambles, and the government is both unwilling and apparently uninterested in moving decisively to contain the spread of the lethal virus. In the meanwhile, the social safety net hardly provides for those who suffer from the economic impact of the virus.

Rather than remedying the long-term structural problems that plague the Hungarian public administration, economy and society, the Orbán government is scurrying to privatise public assets and to expand its partisan control over state institutions to prepare for a potential loss of power. It is also throwing long years of relative fiscal discipline overboard to spend its way to a re-election victory by doling out massive campaign presents. These are not the actions of a government that is confident of its own record.



Two risks are especially poignant for the Fidesz government. For one, the main pillar of its success has been a fortuitous international economic climate, which has boosted Hungarian economic growth. Fidesz has successfully sold the solid but unexceptional economic growth of the past decade as its own doing, all the while glossing over the fact that relatively speaking Hungary is falling behind the other countries of the region due to its economic performance. In 2021, even the economic foundations of Fidesz's electoral success look rocky. A short-term implosion is not in sight, however, and Fidesz clearly hopes that whatever adverse winds will be blowing, they can weather them at least until the election. For now, the biggest challenge will be to convince the public that the high level of inflation – fuelled by international trends such as rising energy prices and supply shortages as well as the government's massive spending – is a temporary problem rather than a long-term trend that will undermine whatever financial gains they have achieved under Fidesz in recent years.

The Hungarian government's largesse before the election, the huge "dividends" paid to child-rearing taxpayers who will receive a giant refund in February 2022, to pensioners who have started receiving their one-time pension supplements, and to young people who will be exempt from income taxes, will come back as a biting problem for whoever controls the budget after April 2022. Four years is a long time to sort this problem out – this may be the logic that governs the government's approach to this problem. Orbán does not rely on the hope of a four-year grace period alone; he is building a new type of regime in which he and his party are increasingly taking control of all levers of power through informal mechanisms as well as through formal arrangements. The 2022 election will be a test of how advanced and entrenched Orbán's illiberal regime has become.

For the first time in a decade, Fidesz faces a fairly united opposition, which is a sine qua non for even the slightest prospect of ousting Fidesz from power under the prevailing electoral rules. One test of the strength of Orbán's regime will be whether amidst difficult economic circumstances his party can defeat a united opposition in

the electoral battle. This is of course also a test of the strength of his control over the media, the state institutions that oversee elections and election campaigns, as well as the vast amounts of assets, financial and otherwise, which Fidesz can muster in support of its re-election effort.

Orbán's conviction is clearly that he is not in the game of politics to engage in ordinary democratic politics where parties alternate in power, but to build a lasting right-wing regime that dominates Hungary for a long time. What is also clear is that even in opposition Orbán wants to retain control over large segments of the state and the system of governance, which is what he believes the "left" did after ceding power to the democratic opposition in 1990.

One thing seems certain: the Orbán regime will survive in 2022. If it wins the election, it will become further entrenched in power, potentially in ways that might render it irremovable through democratic means. If Fidesz were to lose and to concede, however, then the next four years will be about the latitude any post-Fidesz government will have in managing public affairs, about the extent of its ability to disassemble the Orbán regime's firewall of power from within the government. What has become evident during the current term is that Viktor Orbán's regime cannot be defeated at the ballot box alone. Even in the event of electoral defeat of Fidesz, it must be unrooted bit by bit through the legal and institutional framework that it has created through its twelve years of governing with a supermajority. April 2022 may emerge as a crucial step in this process, but even at best it will only be one step.

2

The Hungarian opposition in 2021

2.1 | With the primaries, the Hungarian opposition has stepped up

The results of the primary held in September and October 2021 constitute a political earthquake in Hungary. The winner, the independent right-wing candidate Péter Márki-Zay, has cast himself as a challenger not only of the Fidesz regime, which he resolutely rejects, but also of the established opposition parties. With several party leaders standing behind him on the stage and applauding, Márki-Zay's acceptance speech immediately seized on his victory to argue that his elevation by the voters constituted a popular desire to overcome the traditional elites and to wrest control from the political parties.

It is unlikely that the representatives of the political parties that had united their forces to organise the primaries were all too happy with these comments, but nevertheless, they could take solace in the fact that the primary process they had come up with has turned out to be a resounding success. The massive turnout defied all expectations. Despite being organised by an NGO without any governmental support or resources, the first round of the primaries drew 632,479 voters – about 8% of the total electorate and almost a quarter of the total opposition tally in 2018. At 18%, turnout was highest in the 11th

district of Budapest, although it was fairly low at under 5% in several rural counties (the lowest was 2.7% in the northeastern county of Szabolcs-Szatmár-Bereg).

This gap had been presaged to some extent by the lower number of candidates in the electoral constituencies of some rural counties, especially in north-eastern Hungary. And although ultimately only two candidates made it into the run-off – whose combined vote total was slightly over half of the first round electorate –, turnout actually increased in the second round to 662,016. Some of the first round voters did stay home as was expected because their preferred candidates had dropped out, estimates said that some 220,000 new voters turned out in the second round, thus increasing the total voter outreach of the primary process to over 850,000.

The first round

The eventual winner Péter Márki-Zay, mayor of Hódmezővásárhely, was only in third place in the first round, trailing seven points behind

Table 1. Results of the first round of the opposition primary for the position of prime minister

Candidate	Percent of the vote	No. of votes
Klára Dobrev (DK)	34.84%	216,248
Gergely Karácsony (Párbeszéd-MSZP-LMP)	27.30%	169,434
Péter Márki-Zay (Independent)	20.40%	126,628
Péter Jakab (Jobbik)	14.08%	87,378
András Fekete-Győr (Momentum)	3.39%	21,050

Source: Elovasztas2021.hu

Budapest mayor Gergely Karácsony, a green-left politician, and 14 points behind Klára Dobrev, the candidate of the left-liberal Democratic Coalition (DK), the largest opposition party in terms of polling figures.

Many analysts had considered Karácsony as the most likely to win the three-way run-off and the most capable of uniting the ideologically disparate coalition, both because of his affable personal style and his experience in running difficult coalitions as mayor in the Budapest district of Zugló and then again in the Budapest city assembly. Even though he trailed Dobrev by 7.5 points, Karácsony seemed likely to draw many of the voters who had backed other candidates in the first round. Although the Democratic Coalition has a very disciplined base, it is also rejected by many as the party of the controversial former prime minister Ferenc Gyurcsány, whose term from 2004–2009 saw a massive collapse in the support of the left and especially his former party, the Hungarian Socialist Party (MSZP).

Withdrawal poker

Given the strong support for Dobrev in the first round and the expectation that her fired-up base would make up a significant portion of the run-off electorate, it seemed a real possibility though, that in a three-way race she might prevail. Karácsony and Márki-Zay immediately entered into consultations about one of them withdrawing to make sure that the opposition candidate for the position of prime minister would not represent the most polarising opposition party. Despite the ideological differences between the conservative independent Márki-Zay and the left-wing Karácsony, they both argued that an opposition victory was their sole focus. Initially, Márki-Zay said that if Karácsony would refuse to withdraw

Table 2. Result of the second round of the opposition primaries

Candidate	Percent of the vote	No. of votes
Péter Márki-Zay (Independent)	56.71%	371,560
Klára Dobrev (DK)	43.29%	283,677

Source: Elovasztas2021.hu

and endorse him in the run-off, he would withdraw himself and support the Budapest mayor. He subsequently retracted that promise, however, and ultimately it was Karácsony who yielded and lined up behind Márki-Zay. The Budapest mayor argued that the prospect of an opposition victory was the most important consideration for him and that this objective – rather than personal ambition – had fuelled his candidacy in the first place. In the standoff over the run-off, he perceived that he could best serve that objective by withdrawing and lining up behind the most promising alternative, Márki-Zay, to make sure that Dobrev would not prevail. This was seen as an important strategic choice given that Fidesz has apparently decided to portray the potential PM candidates as puppets of former PM Gyurcsány, the husband of Dobrev. Ultimately, this move worked and Márki-Zay won by an impressive margin, beating Dobrev by 13.5 points.

Márki-Zay racked up most of his 87,883 vote margin nationally in Budapest, where he was 66,134 votes ahead of Dobrev, and in neighbouring Pest County (much of which is essentially the metropolitan area of Budapest), where his net was 14,465 votes higher than Dobrev's tally. Clearly, many of these voters had supported Karácsony in the first round. Apart from his own home county, Csongrád, the conservative rural candidate Márki-Zay won mostly fairly narrow victories against Budapest-based Dobrev in 7 of the remaining 17 counties, and lost the other 10 (albeit mostly by slight margins).

A wide appeal...

In the second round of the primaries, Márki-Zay clearly succeeded in uniting most of the non-DK electorate behind himself, building a

far-flung coalition of voters, and he obviously energised many people who wanted a change in politics, not only in terms of replacing Fidesz but also in scaling back the influence of the opposition parties. Some 220,000 voters who had not turned out in the first round cast a ballot in the second, many of them on the internet, where Márki-Zay won big (in five of the eight counties where Márki-Zay won, he owed his edge to online votes, and the same was true for several Budapest districts). Whereas Dobrev added only ca. 70,000 votes and 8.5 points to her first round tally, Márki-Zay nearly trebled his votes, suggesting a groundswell of support for a new face in national politics.

To better understand Márki-Zay's strengths and weaknesses, it is worth taking a more nuanced look at the voters whom the opposition needs to win and mobilise in April 2022. It is clearly a sign of Márki-Zay's overarching appeal that despite being a rural conservative, he racked up massive margins against Dobrev in liberal Budapest, showing his ability to appeal beyond his own ideological niche. This ability had been the key to his victory in his hometown, a former Fidesz bastion, as well. In the rural areas, Márki-Zay fared best in those conservative areas where Fidesz is traditionally strong, while Dobrev tended to prevail in those regions (the northeast and southwest of Hungary, as well as Komárom-Esztergom County in the northwest) where the left had been competitive before 2010. Márki-Zay also won all but one of the 18 electoral districts in Budapest, so he proved to be very popular in the capital, but this was especially true of the conservative Buda districts, where the centre-right has been traditionally dominant; here Márki-Zay trounced Dobrev by overwhelming margins.

... but with limitations

This speaks to Márki-Zay's potential ability to win over the segment that are commonly referred to as "Fidesz orphans", conservatives disillusioned with the ruling party's populist brand of conservatism and/or Orbán's cosiness with Putin and Russia. The question is how many seats the opposition could realistically flip by appealing to conservatives. Márki-Zay's results certainly suggest that the four staunchly conservative districts in Buda might be up for grabs in 2022,



maybe along with his own hometown and some other conservative rural towns. And while these might well make the difference in the case of a narrow parliamentary majority for the opposition, even with a Márki-Zay led alliance it seems unlikely that the opposition can cut deep into Fidesz's conservative rural bastions.

A key objective for the opposition will be nevertheless to also take back some of those rural seats that the left had won before 2010, as the likely loosest tiles in Fidesz's rural wall. These typically poorer and less developed rural regions appear to have found Márki-Zay's fiscal conservatism and right-wing economics less appealing and opted for Dobrev. Now the assumption in opposition circles is that many of these voters have no option other than the opposition anyway, and this is true of the vast majority. But if even a few percent of voters in poorer rural areas opt to stay home or decide to reward Fidesz's profligate campaign spending, then that might help the ruling party hold on to enough seats in the formerly left-leaning counties to stave off an opposition majority. In other words, Márki-Zay must find a way to appeal to and energise voters in those areas where Dobrev has defeated him, thus highlighting one of his potential weaknesses as a national candidate.

Still, Márki-Zay is arguably in a stronger position to expand his base than Dobrev would have been, and the energy his victory has engendered – a feat that he has achieved more than once now – could also mobilise former non-voters and young voters who could push the opposition over the edge in a close election scenario. However, what makes his position difficult within the coalition is that he won the candidacy without any political party backing him. This explains why it has also become a priority to Márki-Zay to make sure that a new centre-right political group – which would serve as his political background – will be also formed in the next parliament.

Parliamentary candidates

The opposition parties fared more successfully in the single-member constituencies than in the race for the PM candidacy. In the 106 constituencies, they had agreed to nominate a joint candidate to

run against the ruling party candidate to maximise their chances of victory; part of that agreement was that the candidates for each seat would also be selected by way of a primary, and that took place in parallel with the first round for the PM candidate.

While many seats were competitive, with the overwhelming majority featuring at least two candidates, there were also plenty of deals between the parties to withdraw candidates in some districts in order to get the same concession from the other party or parties in other districts. Unexpectedly, most of these deals were struck between the leading forces of the opposition movement, Jobbik and the Democratic Coalition, previously considered the ideologically most incompatible elements of the coalition. While apart from the mutual withdrawals and endorsements in individual districts not much is known about the arrangement between the two parties, their cooperation might have influenced Jobbik's stunning decision not to endorse Péter Márki-Zay in the second round of the prime ministerial primary after Jobbik chair and candidate Péter Jakab failed to make it into the run-off. Over the years, Márki-Zay had repeatedly made clear that among the opposition parties his views hewed closest to that of Jobbik, and it was clear that the ideological overlap was genuine.

Table 3. Distribution of parliamentary constituency candidacies won by the various opposition parties in the primaries

Party	Total nominations in single-member districts
DK	32
Jobbik	29
MSZP	18
Momentum	15
Párbeszéd	7
LMP	5

Source: *Elovalasztas2021.hu*

In effect, the resulting races in individual constituencies were often between Jobbik and DK candidates and those of other parties, although there were plenty of other cross-agreements between opposition parties. The end result of the seemingly random bargaining process was a delicate balance that left sufficient genuinely competitive races to make the process exciting while at the same time it ensured that each party had sufficient candidates across the country to make it interested in continuing to cooperate.

The biggest winners of the process were MSZP and Párbeszéd, which received a disproportional number of nominations compared to their support in the polls, but none of the parties had any reason to feel that they had been eviscerated in the process. In the event of an opposition election victory, all of the parties will have ample representation in parliament. If Fidesz wins an overwhelming majority of seats again, then MSZP-Párbeszéd and DK will profit the most, since they have the largest number of safe seats already held by the opposition; but this will be a consolation price at best for a much diminished opposition as compared to the hopes right now. If the opposition will wield a majority or at least come close to it, it will mean that Jobbik and Momentum, too, will pick up many seats.

A success overall

Let us also take a look at the primary process overall from the perspective of the opposition. Despite some procedural and political bumps, on the whole the opposition primaries have achieved all they set out to do. Most importantly, they have selected a prime ministerial candidate and 106 parliamentary constituency candidates to lead the opposition into the 2022 election. Without the primaries, finding a candidate with legitimacy in the eyes of the voters would have been difficult if not impossible. Without the legitimacy conferred by a popular vote of this kind, it would have been far more difficult for the parties of the opposition alliance to sell to their voters a candidate with ideological views that starkly contrast their own on many major issues (and all of the candidates would have faced this problem with at least some segments of the ideologically disparate alliance).

Second, for the first time probably since Fidesz came to power in 2010, the opposition has managed to dominate the public agenda for a sustained period – at least in the independent and opposition media. But that's as much as could be hoped for, as a fair and balanced coverage in the pro-government media was obviously not going to happen.

Yet, even while the pro-government media (which includes the taxpayer-funded public media) was adamant in giving barely any space to a major political event ongoing in Hungary, they could not ignore it altogether: throughout the slanted coverage that sought to portray the primaries in a negative light, the very acknowledgment of the primaries presented a process of genuine competition and contestation to those segments of the public who only consume media controlled by Fidesz. So albeit in a limited fashion, the political innovation that was the opposition primary broke through the fog of pro-Fidesz propaganda in a manner that few other opposition activities had managed in recent years. In fact, Fidesz's own outsize spending on ads against Karácsony and Gyurcsány throughout the primaries demonstrated that although it was not directly involved, it did have an interest in the process and its outcome, too.

Most importantly, the opposition managed to use the primaries to mobilise its own base and to demonstrate to its own voters that with a few months to go until the election, it had major momentum. The two major risks associated with the primaries had always been a lack of interest on the part of the voters and the alliance being so hopelessly divided by the competitive nature of the enterprise that it would fall apart before the election. The first risk clearly did not materialise, if anything, turnout surpassed expectations and proved that the opposition bloc is highly energised. As for the second risk, while there were some painful rifts, it does not appear that these cannot be contained. Clearly, the full impact of the divisions experienced during the heavily contested primary remains to be seen, for the time being the parties involved have done fairly well in subduing their mutually acrimony.



2.2 | What does the opposition offer to Hungary?

Much of the international media coverage, and in fact some of the domestic media, too, have focused on the disparate nature of the Hungarian opposition alliance. That makes sense, given that the parties that have now united to oust the ruling Fidesz party include:

- Jobbik – Movement for a Better Hungary (Jobbik), a party once known as one of Europe’s most extremist far-right movements;
- Hungarian Socialist Party (MSZP), a social democratic party;
- Democratic Coalition, a social liberal party led by former prime minister, Ferenc Gyurcsány, whose team had previously seceded from MSZP;
- Politics Can Be Different (LMP), a formerly anti-establishment green party that came into existence with the goal of rejecting both Fidesz and the “old left”;
- Dialogue (Párbeszéd), a green-left party which seceded from LMP because at the time the majority in the latter were unwilling to cooperate with the old left to oust Fidesz;
- and Momentum, a centrist liberal party supported by urban youths, which, like Jobbik and LMP originally, had also dreamed of reshaping the entire opposition and becoming its leading force over time.

Now they are complemented by the Movement for Everyone’s Hungary (MMM), which backs the joint opposition candidate Péter Márki-Zay, who is a self-professed conservative when it comes to economic policy and tries to appeal to the Fidesz base with a populist tone when it comes to social/cultural issues. So it is true that on the surface these imply deep divisions.

A joint manifesto

Yet much of the constant emphasis on the disparities within the coalition is also exaggerated because in reality the opposition parties

agree on cardinal points when it comes to the future of Hungary. That is one of the reasons why they managed to come up with and release a common programme they entitled “Joint Foundation”. This manifesto talks about the most pressing issues facing Hungary in general terms. Still, it is an indication that when it comes to these issues, most opposition parties share more than just a rejection of Fidesz and Viktor Orbán – they also share certain key values, such as for example a strong commitment to Hungary’s place in Europe.

It is of course impossible to overstate in this context the importance of the shift in Jobbik’s course over the last couple of years. At the level of official party communication and platforms this change is real and consistent. Jobbik clearly has no desire to position itself to the right of Fidesz on most issues, and its communication is at this point unequivocal in its support of Hungary’s EU and western integration and of democracy – in the liberal sense of the word, with the concomitant rule of law and civil rights regimes.

United in diversity

It is true at the same time that as many critics point out, the opposition alliance is not a natural constellation, it is born out of electoral necessity since a fragmented opposition will never defeat the large and united Fidesz base (which is, incidentally, also more diverse than it often seems, united mainly by a belief in the populist appeal of Viktor Orbán). But to put the “unnatural” alliance of parties ranging from the centre-right to the left into a different perspective, what has been formed now is not in essence fundamentally different from either a classical Western European coalition/cooperation agreement spanning an ideologically wide range of parties as one regularly sees in heavily fragmented political systems such as the Netherlands, some Scandinavian countries or Israel, for example, or

from a classic catch-all party with wide appeal such as the Democrats in the United States, which have for decades held together an ideologically disparate coalition of the urban poor, the rural working class, and moderate suburbanites, among other groups.

What's in the programme?

As compared to traditional election manifestos, the opposition's Joint Foundation is relatively short and mostly lays down common sense goals. It is no coincidence that the first chapter in the document, entitled "Free Hungary" focuses on those issues where the consensus among the opposition parties is most pronounced and which are genuinely the most acute challenges in terms of the survival of what remains of democracy and the rule of law in Hungary. The four sections of this chapter revolve around the areas where the opposition parties all differ markedly from Fidesz and where a change in government would likely have the biggest impact. The four sections are "Eliminating Corruption", "Constitutional Legislation", "Media and Press Freedom", and "Municipal Governments". In essence, on these points the parties would drastically reverse the damage done in the aforementioned areas by the Fidesz government and root out the systemic corruption that permeates all aspects of government operations today. While many voters assess that corruption is endemic to politics and that all parties are or will likely be tainted by it, even those parties of the opposition which have some problematic "history" with corruption scandals can legitimately claim that what happens in Hungary today is not part of the "normal" and endemic level of corruption but a whole new dimension that comes fairly close to the definition of state capture. It is no coincidence that in addition to addressing corruption first, the manifesto returns to the issue in the chapter called Successful Hungary (economic policies broadly understood, which features a subchapter on "Public Finances", which also addresses scaling back corruption in public procurement).

Similarly, the overreach of the Fidesz government in terms of its attack on the media in general and its heavy-handed political control of public

service media in particular, along with its blatantly partisan punitive policies against opposition-led municipalities are all areas where the opposition's platform promises nothing more radical than what qualifies as fairly standard common practice in democratic regimes, namely as little central government interference in these areas as possible. What is striking in this sense about the Joint Foundation programme is that these basic principles have to be even clearly laid out.

In a functioning democracy, the central topics of the Hungarian opposition agenda should not need to be the most basic problems addressed by an election manifesto, they should be taken for granted. In this respect, Hungary has moved into a different sphere of reality and the emphasis of the Joint Foundation on issues that are merely part of the political and social consensus in established democratic regimes is a reflection of how far Hungary under Fidesz has drifted away from the western mainstream that for all the obvious flaws the country appeared to be moving towards between 1990 and 2010.

The "common sense" consensus between the parties is not limited to the rule of law and democracy issues, however. Even where the manifesto is more focused on public policy priorities narrowly understood, the difference between the opposition parties was often not as pronounced as it often seemed from the media coverage.

In many areas, there are no major divisions between the opposition parties

Thus, for example, the joint education programme stipulates that educational segregation needs to end, that education needs to serve to equalise opportunities across the board and that the mandatory minimum school-leaving age must be raised back to 18 to avoid students dropping out of the system early and starting to work without vital skills. In the economic programme, the central promise is to restore legal stability and to create fair market conditions without the governmental influence that enriches pro-Fidesz tycoons at the expense of other corporations and consumers and taxpayers alike.

Following the lead of society

There is a strong political consensus in Hungary – Fidesz included, except the government party's policies are not in line with its rhetoric in this area – that the state must do more to reduce inequality, to create equal opportunities and to provide basic levels of welfare to help people out of poverty. Once again, the right-wing party Jobbik, which is strong in many areas outside Budapest where poverty is rampant and where the left used to be well-represented, had focused on these issues already before its centrist turn, in a promise to redistribute a greater portion of the societal wealth and opportunities to rural and small town residents. In view of public opinion and social realities, it was probably not particularly hard for the opposition parties to agree on the principles governing its Chapter on "Caring Hungary", which states that "society cannot leave the elderly, the poor behind; every human being is important and every child is valuable. No one should enjoy privileges. Those who are better off need to contribute so that those who are underprivileged have more opportunities available to them". Even the traditional, more free market-leaning conservatives in the opposition accept that inequality and precarious financial circumstances have become so pronounced and such pressing issues that state intervention is a necessity.

The consensus in the Joint Foundation is mostly not new – even if the candidate stands a little apart

As a traditional conservative in the Anglo-Saxon mould, it is the PM candidate himself who is least committed to the welfare consensus of the opposition alliance. Péter Márki-Zay has repeatedly pointed out that Hungary must live within the means of what its budget revenues allow and that he is wary of promises that a future government will be financially unable to deliver on. At the same time, however, Márki-Zay is also a realist and he has already admitted that he is heading a coalition in which the left plays a major role. That is a reality he must accede to – in addition to the reality that the area where he hails from

and knows best, rural Hungary, also needs the state as an active agent in boosting its development.

If one has followed the official communication of the opposition parties over the last years, predating the time when their official cooperation began to take shape, and in particular their reactions to Fidesz's policy proposals, one can see that many policy priorities outlined in the Joint Foundation were already there. They are simply a reflection of the various public policy deficiencies of the Fidesz government, the vast array of areas from healthcare, education and welfare all the way to building a robust environment for the development of Hungarian small and mid-sized corporations, in which the government has failed to implement meaningful reforms. The Joint Foundation is a negative imprint as it were of Fidesz's failure to use its massive parliamentary majority to set Hungary on a stable economic and social trajectory, to anchor it in democracy, the rule of law and the western alliance system.

The culture wars have been benched

What is mostly absent from the Joint Foundation are the classic culture war issues that have defined Hungarian political life over the past decades far in excess of their actual relevance to people's everyday life. The issues of nationalism vs. internationalism, nativism vs. immigration, traditional understandings of sexual roles vs. the "genderism" and "LGBT lobby", for example, are the discursive terrains where Fidesz feels most comfortable fighting and where the opposition parties are also most likely to be divided, as was apparent in Fidesz's skilful use of the homophobic child protection law in 2021 to drive a wedge between Jobbik and the rest of the opposition.

Thus far, the opposition alliance has made clear that it will no longer fight on Fidesz's ground, and their common manifesto reflects that, in that they mostly gloss over these issues beyond a few widely accepted statements such as the need to "preserve Hungarian national identity".

But on Europe and the commitment to the West, the opposition is drawing a clear line

One classic culture war area where they draw a clear line against Fidesz, however, is Europe and the commitment to the West. Whereas Fidesz has made clear that the future of humanity and thus of Hungary lies with the East, the opposition parties feel that their unequivocal promise to deepen Hungary's integration with the West will resonate with Hungarian voters. While Fidesz has traditionally used cultural wedge issues to polarise Hungarian society and to occupy positions on which a plurality breaks in their favour, the opposition is not shying away from such a fight about Europe. As its chapter entitled European Hungary puts it in its opening statement: "Hungary is a country that is committed to western values, it is a country that has belonged to Europe ever since [state founder King] Saint Stephen".

Their openness to proactively engage Fidesz on Europe stems from both, an ideological commitment to being part of the European project as well as pragmatic considerations since polls show that Hungarians still identify more strongly with the West than with the East, and they are still pro-European in their outlook, despite the enormous amounts that the Fidesz propaganda machine has spent on undermining this widespread sentiment.

Despite Orbán's repeated pronouncements lauding Russia and China, in the run-up to the election Fidesz has become more cautious for now about letting doubts arise as to its commitment to remaining in the European Union. Even as the European Commission appears to have become slightly more confrontational towards Fidesz and appears determined to use the rule-of-law mechanism to compel Orbán to curb corruption, whenever asked by the media leading Fidesz politicians, who normally do not mince words when it comes to lambasting "Brussels", emphasise that Hungary's place is in the EU. Whilst it is worth noting that a growing number of EU member state governments (and some Hungarian pro-Fidesz intellectuals, too) assess that this marriage has become too uncomfortable from

their perspective, that is not the kind of debate that the ruling party wants right now.

Thanks to a recent constitutional amendment (which was actually supported by the opposition) there is likely to be a referendum held on the same day as the election in 2022, about the government's questions concerning the "child protection law", in other words the dog-whistle homophobia which Fidesz wants to use to mobilise its voters to turn out against the "LGBT lobby". Tough anti-"western-liberal" rhetoric is a standard feature of Fidesz communication, but what the governing parties do not want is for the public to feel that they are informally voting about a core issue in the opposition's joint platform: Whether Hungary's place is in Europe. If the perception is that that is at stake in 2022, then the opposition's united stance on Europe, from right-wing Jobbik and Péter Márki-Zay all the way to the leftist parties of the alliance might tilt the balance of a close election in their direction. On this question, the opposition will not be divided.

2.3 | Outlook on the Hungarian opposition in 2022

The 2021 primary elections of the opposition proved to be a success. Besides giving democratic legitimacy to the symbolic unification of the Hungarian opposition, it became widely accepted that the process "purified" the opposition. A few candidates were accused of corruption by their opponents, but none of the accused candidates were able to win.

Moreover, the unexpected victory of Márki-Zay gave a tactical advantage to the opposition, since the government had been heavily campaigning against other PM candidates for months. After the primaries, Fidesz continued its smear campaign, but it turned out to be much harder to frame a right-wing, Catholic, family man as a pro-migration politician or "the puppet of globalist Soros Empire". However, not only the government was unprepared for Márki-Zay's victory. For many opposition voters, it seems controversial that a right-wing, anti-establishment, economically libertarian figure leads the alliance of mostly left-wing and centrist parties. The integration of the non-partisan Márki Zay and his movement into the institutional framework of the opposition also caused operational difficulties.

Despite the immense enthusiasm engendered by the primary, there has been no major increase in the popular support of the opposition, nor a dip in the support of the governing party. The Hungarian public remains roughly evenly divided between opposition and Fidesz supporters, and that is simply not enough for the opposition to win. Due to the electoral system, in order to be the actual favourite to win the election, the opposition alliance needs to pull well ahead of Fidesz. Success depends on whether the alliance will be able to counter Fidesz's negative campaign and proactively set the political agenda with their own issues. It will be an uphill battle for the opposition

as it has to face not only a governing party which has much more resources, but it will have to fight this campaign mostly online and with grassroots activities, given Fidesz's dominance in the legacy media, the very limited availability of billboards advertising for the opposition, and the fact that the Hungarian Mail no longer delivers electoral materials to the households.

The governing parties are expected to continue their homophobic messaging since their proposed referendum about defending children from "LGBTQ propaganda" will be held together with the parliamentary elections. There is no opposition consensus regarding this topic, since the former far-right, now center-right Jobbik shares conservative views regarding gay rights. As a counter move to the government's homophobic referendum, the opposition proposed several referendum questions – two of which have been accepted by the Supreme Court. The first referendum question aims to prevent the Chinese Fudan University's move to Hungary. The second referendum question is about extending unemployment benefits from 3 to 9 months. Most Hungarians oppose the Chinese university project, but economic issues seem to better resonate to Hungarians' concerns. Policy Solutions researches show that Hungarians consider the high level of living costs and low wages as the most important problems of the country. Some key issues of both sides, such as "LGBTQ propaganda", migration, climate change and democratic backsliding rank low on the problem list of Hungarians.

Meanwhile, the opposition puts a lot of emphasis on democracy issues. A promise of a new constitution and the restoration of the rule of law are key elements of the opposition's program. Although sky-rocketing inflation is high on the political agenda, it has not been a central part

of the opposition's campaign. A lot will depend on to what extent the opposition is willing to shift focus toward material topics and the government's mishandled crisis management. While Márki-Zay's strong anti-corruption stance is highly popular, his fiscal conservative views are less popular in the Hungarian electorate, and the Fidesz communication machine has already started to frame Márki-Zay's statements as the opposition's agenda of economic austerity.

The level of uncertainty regarding the outcome of the 2022 parliamentary elections is very high. However, it is very likely that Fidesz will not be able to gain a two-third, constitutional majority in the parliament again. At the end of 2021, it is also unlikely that the opposition wins with a landslide, and gains a two-third majority in the parliament.

There are three realistic scenarios:

- (1) the opposition wins with a margin large enough to have an absolute majority in the parliament;
- (2) the opposition wins the popular vote with a small margin, but does not have parliamentary majority, and Fidesz stays in power;
- (3) Fidesz wins the popular vote and stays in power.

In the first case, the opposition would take over power, but Fidesz would still have enormous informal power not only through its appointees leading key public offices, but also its media empire (including private outlets and the public broadcaster) and economic hinterland. Replacing the constitution would be tough from a legal and a political perspective, although the opposition seems determined to find a way within the limits of constitutionality.

The second and third scenarios are very similar, as the government would remain in its place. The second scenario would seriously delegitimize the new Orbán government and undermine Hungarians' belief in the democratic credibility of the country. In this case, the



opposition might seriously consider bringing politics to the streets. The third scenario, a landslide victory of Fidesz would lead to wide-scale disenchantment from the opposition and potentially to the complete rearrangement of opposition politics.

It complicates the speculation about future scenarios, that there are other political formations besides the governing Fidesz-KDNP coalition and the joint opposition. The Two-Tailed Dog Party – started as a joke party – is a popular choice for those government critical voters who have strong negative feelings toward one or another member of the opposition coalition. The party has declared that they will coordinate with the joint opposition in which electoral districts they should run for office. However, there will be certainly some overlap between the Dog Party's and the joint opposition's districts because of the electoral law, and this may help Fidesz take control over some districts. The party may be the kingmaker, if it manages to get into the parliament.

Public support for the far-right Our Homeland Movement has been only around 2-3% in the polls, but it is the only political formation in Hungary that took a hard anti-lockdown and anti-vaccination stance. The majority of Hungarians and a vast majority of undecided voters reject vaccine mandates and the popularity of pandemic-related conspiracy theories is rising. Therefore, it is reasonable to assume that Our Homeland has some potential to rise in the polls.

In November 2021, billionaire businessman György Gattyán announced that he would run for Prime Minister. Mr. Gattyán is a controversial person as he made his fortune on the establishment of a pornographic live streaming platform. Gattyán's campaign focuses on the digitalization of Hungary, but according to polls, very few people believe that his intentions are sincere, and it is widely assumed that Fidesz convinced him to run for office to cause disturbance.

The opposition alliance has been fairly disciplined in terms of sweeping its divisions under the rug so far. As soon as the election is over, however, the jostling for influence – be it over the government

or for the dominant position within the opposition – will begin. While some of their interests will continue to be aligned – thus, for example, an early collapse of an opposition-led coalition would likely damage everyone and benefit only Fidesz – the general idea that none of them stand to gain more from infighting will no longer apply. It is distinctly possible that the period between 2022 and 2026 will reshape the entire opposition and it is not inconceivable that the era of fragmentation in the 2010s, which supplanted the bipolar political system before 2010, will be followed by another era of bipolar politics in which the anti-Fidesz coalition is consolidated into less players. Controlling the forces that will vie for influence in such a scenario will be a major challenge, both for the PM candidate as well as for those parties that put the coalition on the whole above their own partisan interests.

3

Hungary's place in the world in 2021

3.1 | Fidesz's place in Europe

Fidesz leaves the European People's Party

The most important development of 2021 at the European party-political level was the rupture between the European People's Party (EPP) and Fidesz. Fidesz's new position in the EU began in March when the EPP successfully voted to alter its internal party rules so that expelling Fidesz would become far easier. This prompted the swift exit of Fidesz from the group, bringing to an end the long and often difficult relationship between Orbán and the EPP leadership, which had only worsened since its official suspension from the party in 2019.

As many analysts agree, the argument about the EPP group's by-laws did not touch on the core of the problem, namely that just as he had no longer felt at home among liberals, Orbán kept moving until he no longer felt at home in the conservative group, either. While the Hungarian PM sold the move to his own base with the argument that the EPP had abandoned conservative values, in truth the real dynamic was that Orbán has never stopped moving ideologically. Over the last decade, he and his party have constantly shifted towards a more rightwing and authoritarian vision of politics and society that has proved irreconcilable with the European outlook that the EPP stands for. It has also turned Fidesz against the European integration project in general, with Orbán relentlessly and openly emphasising that he views the EU as nothing but an economic club with some fringe benefits for the economically less developed members. His declared willingness to stop common policies puts him intrinsically at odds with the EPP, which is committed to strengthening the EU. To wit, the European Commission is currently headed by a pragmatic German conservative, Ursula von der Leyen, whose entire political socialisation is deeply embedded with the integration project to which she is firmly committed.



Making new friends

Now that Fidesz is an independent actor on the European level, it is unimpeded in forging new political alliances across the bloc, and centralising particular issues for the European conservative right. This search for a new political home had three initial potential destinations: the European Conservatives and Reformists (ECR), the Identity and Democracy (ID) group, or the formation of an entirely new political group. Each presented its own positives and negatives for Fidesz, such as the enticing prospect of being much more politically aligned with other members, but also having to concede to potentially being a junior partner in whatever new political family it joined. Fidesz ultimately decided not to immediately join another group, and it has presented the opportunity to court many different political actors on the European right, under the guise of forming a new alliance which would give the Hungarian PM much more power. In reality the formation of a new group appears rather difficult, not only due to significant foreign policy issues between parties such as Poland's PiS and Italy's Lega, but also due to these parties not wanting to lose the dominant positions they currently hold in either the ECR or the ID. However, this has not prevented performative summits and meetings as Fidesz continues its search for new allies. A notable example this year was a summit in April where Orbán hosted Salvini and Morawiecki in Budapest, which appeared to signify a new political conservative European alliance, though it has not borne fruit so far. Orbán has also courted political parties further afield, notably inviting Santiago Abascal, the leader of Spain's far-right Vox party, to Hungary to inspect the southern border fence. In October, Marine Le Pen, president of the National Rally in France, also paid a visit to the Hungarian PM.

Furthermore, media outlets across the EU have reported the Hungarian government taking out entire page advertisements in foreign media. These advertisements have presented Fidesz's vision for the future of Europe, outlining in manifesto form what should be the focus of the EU in the coming decades. This tactic has been noted in Denmark, France, and Spain to name some examples of where Fidesz

is trying to attract more international political sympathy. Similarly, Italy has remained a key target for Fidesz in its alliance-building strategy, and this has resulted in various meetings with the Brothers of Italy Party (Fdi) as well. Courting both Lega and the Fdi illustrates the freedom with which Fidesz now operates on the European right, it is able to establish meaningful relationships with any actor of its choice, regardless of European parliament party affiliation. In July, this new search for political friends produced the 'Joint Declaration on the Future of the European Union', a letter calling for the strong defence of a moral and social traditionalism founded in Christian thought, with the autonomy of nation states at the centre of this vision. It was co-signed by right-wing parties across the continent.

Impact of the anti-LGBTQ+ legislation

The introduction of anti-LGBTQ+ legislation had a significant impact on the Orbán government's foreign relations and the implications for Hungary's international position as well. In what was originally an anti-paedophilia law, that later included an amendment that criminalised the portrayal of 'LGBT+ material' to minors, Hungary created many political enemies. The law brought significant European criticism, which ranged from the Netherland's PM Mark Rutte questioning Hungary's place within the EU itself, to impassioned criticism from Luxembourg's PM Xavier Bettel, who recounted his own personal experience with LGBTQ+ discrimination. This condemnation culminated with von der Leyen labelling the bill a 'shame' that directly contravened the social values that are central to the European Union and the European community. Sixteen EU governments co-signed an open letter that reaffirmed the commitment to European fundamental values in the wake of the Hungarian law.

There were, however, notable omissions from the list of signatories; many governments from post-communist states did not join the vocal criticism of their Western European partners. It is critical to recognise that despite the further alienation from Western European EU countries, Orbán's move would not threaten his local regional alliances, and above all Hungary's position within the Visegrád Four.

It should be noted that for Fidesz, an identity politics split in the EU, and a political fight on these identity terms, sits very well within its European discourse. It helps to materialise an 'us versus them' cultural divide between the post-communist East and Western Europe, whilst simultaneously raising and solidifying Hungary's status in the Eastern EU as a leading member state in this rejection of a Western European 'value imposition.'

A stronger EU enlargement focus

2021 has seen Fidesz give more importance to the issue of EU enlargement. The rotating presidency of the European Council (EC) has been in the hands of Slovenia for the second half of 2021. Janez Janša, the Slovenian PM, is a key ally of Orbán and is regarded to have begun implanting the Orbán illiberal political playbook with regards to academia and academic freedoms. Not only has Slovenia's EC presidency granted Orbán some much needed breathing-space on the EU level as he could expect less criticism from one EU political institution, but it has also presented an important opportunity to pursue a particular foreign policy area. This is because EU enlargement for the Western Balkans has been one of the declared policy areas the Slovenian Presidency wanted to focus on. The Western Balkans have become a key foreign policy area for Fidesz in recent years, and particularly there has been an effort to accelerate the EU accession processes for the region. Hungary holds the EU portfolio for enlargement, and this year its commissioner, Olivér Várhelyi, began openly discussing the decoupling of North Macedonia and Albania's accession in order to accelerate the process. Fidesz has continued to assert through 2021 that rule-of-law conditions should be loosened for Western Balkan accession. It has been suggested that this interest is related to 'diluting' the make-up of the European Union with regards to rule-of-law standards; the more member states who would practice illiberal tendencies, the harder it would be for Brussels to punish Budapest and Warsaw.

This has been accompanied with a clear effort to securitise EU enlargement as a migration issue. In the face of the NATO withdrawal

from Afghanistan, Fidesz has been trying to convince European policymakers that a swift EU enlargement would mitigate any risk of another so-called 'migrant crisis' as seen in 2015. Furthermore, Hungary enjoys considerable friendship with Western Balkan states, and these alliances are only further complimented by what has been a slow accession process filled with more and more sentiments of frustration and disillusionment. To Orbán, not only does the Western Balkans represent a means to refocus the Eastern European agenda around migration issues, but it presents an unique opportunity to transform the European Union in such a way that would bring new members who are politically close to Budapest.

As the EPP gives up, the Orbán conundrum is left for the EU to solve

The split with the EPP group is of course a crucial point in Fidesz and Hungary's ties with the European Union, but it is only a stage in the evolution of a deeper and more critical conflict. As he increasingly openly professes, Viktor Orbán's main problem is not with the EPP but with the EU as such. Although the Fidesz government's workings are often mired in lacking transparency, when it comes to the rejection of European integration obliqueness or vagueness are not something that Viktor Orbán and Fidesz could be accused of. Their hostility has been out in the open for a while now, with Orbán even going as far as comparing Brussels to Moscow, which occupied Hungary for decades and trampled its national sovereignty with tanks in 1956. Just as it was obvious that the tension with the EPP would be unsustainable in the long run, it is also rather obvious now that this kind of tension cannot serve as a basis for a long-term relationship.

There may of course be pragmatic ways to accommodate Viktor Orbán's increasing estrangement from the European vision, for instance a two-lane Europe arrangement, which would please the Hungarian PM. But in the long-run, the ongoing pragmatic accommodation and the constant stretching of boundaries for Viktor Orbán has not worked for the European People's Party, and

it is unlikely to work for the EU. Now that the EPP has essentially abandoned the ambition of coming to some sustainable arrangement with Viktor Orbán, and has essentially passed the buck to the European Commission and the major EU member states, notably Germany, the latter have their work cut out for them in the coming years to accomplish what the EPP could not.

3.2 | Orbán's foreign policy in a global context

An example of a difficult balancing act: Fidesz's relationship with Ukraine

2021 was a curious year, with the faintest glimmer of a division in the ruling party's otherwise consistent pro-Putin foreign policy. The president of the republic, Fidesz founding member János Áder, went to a meeting in Ukraine of the Crimea Platform, a summit of 46 nations hosted by Ukrainian president Vladimir Zelensky. At the summit, the participating countries affirmed their commitment to Ukraine's claim to the peninsula occupied by Russia. Although a diplomatic success, at first glance the Crimea Platform won't make much of a difference since the participating countries have no plans whatsoever to actually physically help Ukraine to reclaim its lost territory.

Still, among the most surprising moments of the event was the clear commitment by the Hungarian president, János Áder, who likened Ukraine's loss of the Crimean peninsula to the Hungarian losses in Trianon. Given how raw the pain is in Hungary over the Trianon Treaty a century after its harsh and unjust terms were imposed, the comparison by a right-wing politician in Hungary indicates a substantial expression of solidarity with a country with which Hungary has had a fractious relationship recently. For one – as Áder himself pointed out at the meeting – Ukraine is not treating its Hungarian minority well. Second, unlike Áder's pronouncement of solidarity, the real-life, non-rhetorical Hungarian foreign policy conducted by those who are actually in charge of this area is effectively treating the annexation of Crimea as a fait accompli and does not wish to challenge Russian dominion over the region. In fact, Hungary has established itself as the most stalwart defender of the Putin administration within the EU, frequently undermining the bloc's

efforts to coordinate their policies to put up roadblocks in the way of the Russian president's increasingly aggressive and expansionist international politics.

A study in contrasts: Lavrov in Budapest

The contrast between János Áder's empathetic words and the government's foreign policy was immediately put in sharp relief when the Hungarian foreign minister, Péter Szijjártó, met with his Russian counterpart, Sergey Lavrov as part of a recurring pattern of joint consultations to deepen the ties between the two regimes. Under ordinary circumstances, the peaks of the bilateral relations between the two countries are the summits between Orbán and Putin, but these are not ordinary times. In a marked contrast to his government's nonchalant attitude towards the Covid-19 pandemic, the Russian president appears to be acutely aware of the risks of a corona infection and has chosen to scale back personal encounters. This has left his deputies in charge of maintaining ties to lower-level friends such as the Orbán regime.

Referring in oblique terms to the failed Afghanistan invasion and the NATO withdrawal after 20 years from Afghanistan, Szijjártó noted in his statement that "despite the health-related and economic challenges of the past months, and the humanitarian and security-related repercussions of obviously mistaken geopolitical decisions ... everyone needs to recognise that it is time to shift to a period of civilised international cooperation based on mutual respect". This is a strong and curious statement, in many respects. It is true that Fidesz was not an enthusiastic supporter of the Afghanistan mission when the social-liberal government began to send troops to the country in 2003, but that was likely opposition posturing, and a careful one at that. As prime minister in 2001, Orbán had clearly

and unequivocally expressed solidarity with the United States and made clear that in view of the foreign attack on America, an invocation of Article 5 was in order and would be supported by his government. It also bears pointing out that the Orbán government did not withdraw Hungarian troops from Afghanistan, and if it was staunchly critical of the ongoing NATO operation, that was one of the better kept secrets.

A non-supportive environment

More importantly, however, Szijjártó also noted that “despite an international environment that was not really supportive”, Russian-Hungarian ties have achieved “practical and pragmatic accomplishments”. “Not really supportive” is a rather polite way of saying that the core NATO partners, Hungary’s formal allies since we joined the organisation in 1999, as well as the leading EU member states, are deeply disturbed with the Eastern realignment of Hungarian foreign policy. The perception in NATO and EU circles is increasingly that Viktor Orbán is turning Hungarian membership in the respective organisations into a Trojan horse-type operation on behalf of the Russian and Chinese regimes, which makes the Orbán government a security risk for the Western alliance system.

The “practical achievements” announced by Szijjártó and Lavrov are hardly going to alleviate these concerns. Praising Hungary for being the only country in the EU that has authorised the Sputnik V vaccine, Lavrov said Russia would invest in building a Sputnik factory in Hungary. In the meanwhile, the Hungarian state-owned fossil energy corporation MOL is investing in Russia, and the two diplomats also discussed several other cross-investment schemes. Hungary also continues to serve as a major proponent of Europe’s long-term dependence on energy imports from Russia, with Szijjártó pledging that Hungary would conclude a 15-year gas acquisition deal with Russia. In combination with the Paks nuclear plant expansion funded with Russian loans and performed by Russian companies, this will constitute a significant commitment of reliance on Russian supplies and know-how to operate Hungary’s energy infrastructure.

Apart from Hungarian dependence on Russian energy imports, they remain low priority trading partners for one another, and the political ties based on the personal partnership between Orbán and Putin have intensified much more rapidly and far beyond the economic or cultural relations between the two countries. Even with Putin walled up at home, the personal bond between the two leaders persists and has left an imprint on the governmental machine operating below them.

Relations with China – less personal and less ideological

The situation is both similar and different with respect to China. There is no sign of personal relationships playing any major role in the ties between the two countries, but nevertheless said ties are deepening and Hungary appears to play an increasing role in China’s strategy towards Europe. The controversial deal about building the Budapest-Belgrade railway line – the dubiously high costs of which appear to be disproportional given the railway’s expected economic and other benefits – with credits from China was a controversial earlier example. The recent agreement about building a campus for the Shanghai-based Fudan university at a cost to Hungarian taxpayers of 1.8 billion euros – nearly twice the annual higher education spending of the Hungarian government – hits home in different, more sensitive ways, even if the price tag is lower.

The Orbán government has worked relentlessly at fostering and reinforcing resentments against foreigners who are ethnically and culturally different from Hungarians, and now it plans to bring in large numbers of Chinese students, funded with Hungarian taxpayer money at a time when it is well-known and experienced by many that scores of Hungarian students struggle to find affordable housing in overcrowded Budapest. The building of a giant campus to house many foreign students was bound to seem insensitive as long as the government does not take decisive steps to ameliorate the situation of financially less well-off students, many of whom are rural to boot and hence part of the demographic that the government supposedly treats preferably. Ultimately, the government appears to have

realised that it has touched the public’s nerve with the Fudan project and it appears ready to tread more sensitively for now. It would not be the first time that Fidesz is backing out of an unpopular project, nor would it be the last time that it relaunched an unpopular project when it feels unassailable again, for example after another election victory.

The details of individual deals aside, the relationship with China fits into Fidesz’s overall strategic pattern of building ties with like-minded regimes step-by-step, transaction-by-transaction. The overall dynamic of the Hungarian-Chinese relations is different from that of the Orbán-Putin ties for a variety of reasons – including the personal connection, the greater geographical and cultural proximity, and the direct Hungarian dependence on Russian energy imports –, but the overall dynamic of connecting the two countries at the state level by many threads, independently of the organic evolution of private commercial or cultural ties, is the same. And while Orbán sees the Russian political model as one that is more specifically applicable to the Hungarian context, he has also stressed that the Chinese model, too, is attractive to him in many respects, especially the notion of a “work-based society” where the individual is but a cog in the machine of society in contrast to what he perceives as an overemphasis on individualism in the Western liberal model.

After all these years, Orbán’s tightrope act still works

Orbán’s most impressive foreign policy achievement is still his ability to balance Hungary’s position on the tightrope he walks between East and West, and especially the fact that he has not fallen off despite tilting so heavily towards the East that at this point everyone has realised where his innermost loyalties lie. Despite Fidesz’s repeated proclamations that Hungary sees itself as part of the European Union and the Western alliance structure, his actions, the intensifying ties with Russia and China, and the thick intergovernmental cooperation with a number of authoritarian leaders and regimes across the globe, speak louder than the tired and unenthusiastic clichés about pro-Western commitment, especially since the latter are often rhetorically

counterbalanced, too, by an emphasis on the decline of the West and the inevitable rise of the East. Orbán appears to genuinely believe the inevitability of the latter, and one way of interpreting his foreign policy is that it marks a gradual realignment towards the winning side, while trying to avoid a sudden severing of ties with the decaying old partners, whom Hungary still needs in this transitional phase as China comes to dominate the globe.

This leaves Hungary in a curious spot with the United States, especially since Donald Trump has been ousted from office. In Orbán’s ideal world, he would remain friendly with the United States, too, as long as it had a like-minded leader with right-wing authoritarian beliefs and would not interfere with Orbán’s need to court Russia. Although Trump’s position on China was decidedly different from Orbán’s, it was flexible enough to give Orbán the latitude he needed. Superficial as it may have been, the warm relations between the controversial former US president and the Hungarian prime minister were highlighted once again in August, when Trump wrote a letter thanking Orbán for his friendship and support, as well as congratulating him on his interview with the far-right television host Tucker Carlson.

A soured administration

With Biden in the White House, Orbán’s situation vis-à-vis the United States has changed fundamentally, and it is a relationship that seems beyond repair – it will be functional at best, at the level at which US foreign policy will always have to engage rogue regimes that are in cahoots with the strategic opponents of the United States. Orbán, too, appears to have priced in the idea that he cannot do anything to fix the broken ties to the current US administration, or that the price of mending fences would far exceed what he is willing to pay in compromising his foreign policy. His assessment that he could not realistically please the Biden administration probably played a major role in Orbán’s decision to go all in on a Trump victory and to openly root for the re-election of the 45th president – a not unprecedented but nevertheless audacious move with a huge risk of backfiring. Orbán, both daring and cautious, would not have taken this risk had

he not already internally given up on finding common ground with a Biden administration.

And Joe Biden took heed, apparently. Continuing on a tradition of intensely critical comments about Orbán's regime by Barack Obama and Bill Clinton, Biden has also criticised the Hungarian PM, calling him part of a group of totalitarian "thugs" along with the Polish and Belarusian leaders. In a typical reaction, Orbán called this an affront to all Hungarians by someone who is not informed about Hungary. At the same time, the Biden administration has brought in a number of people who are indeed well-informed about Hungary, including Secretary of State Antony Blinken, of Hungarian descent himself, and Under Secretary of State for Political Affairs Victoria Nuland, with whom the Orbán government has long had a fraught relationship.

How much clout does the US have in the CEE region?

What Viktor Orbán has learned over the years, however, is that US influence over the region is limited. The debacles in Ukraine, the persistent Russian influence in Belarus and in the countries of the CIS all make clear to Orbán that whatever difficulties Putin's Russia faces economically, it is still the top dog in this particular region, and unlike Russia, the US neither has the resources nor the inclination to project massive strength into the region. With the rise of China and the strategic shift towards stability in the Far-East Asia, Russian dominance in the region will be highly unlikely to be massively challenged by the US.

Viktor Orbán has found in recent years that he can live with a hostile Washington and a bitter Brussels, and that he can still wring most everything he needs from the European Union whilst also milking the Hungarian-Russian and Hungarian-Chinese ties for all they are worth. To be sure, Hungary has now been removed by the Western countries from the list of reliable allies because clearly it is anything but reliable for its Western partners. To be frank, Viktor Orbán has no Western problem as long as the EU, NATO and the United States have

no real instruments to pressure him. The West has an Orbán problem that it has belatedly recognised, but by now it has metastasised into a Polish, Slovenian, Serbian, etc., problem that will not be swiftly resolved. Orbán's hope that his politics would spread and thereby alleviate the foreign policy pressure that his government faces has paid off so far, and in response he seems more determined than ever to chart his Eastern course while enjoying the benefits of being institutionally embedded with the West.

3.3 | Outlook on Hungary's place in the world 2022

Although the ongoing changes in global politics remain fundamental and massive, in a year dominated by the Covid-19 pandemic they have had little impact on Hungary's place in the world. With the rift between the People's Republic of China and the Western world deepening, and Russia for now clearly positioning itself against the West, the world is closer to a Cold War than ever since the collapse of the Soviet Union. For years, Viktor Orbán has tried a balancing act between Hungary's formal membership in and commitment to the Western alliance system and his obvious sympathy for authoritarian regimes in the East. However, in recent years the Hungarian leader has gradually abandoned all pretence of allegiance to the West and has fully embraced the Putin regime in Russia while he has also sought to intensify ties with China, too, even as the Western powers are preparing for a showdown with the latter.

The past year has been marked by the slow culminations of Fidesz's estrangement from the Western democratic allies whose partnership it had assiduously courted in the 1990s, both as a European liberal party and still after its shift towards mainstream conservatism in the late 1990s and early 2000s. While Fidesz's departure from the centre-right European People's Party (EPP) was clearly the defining moment of its break with mainstream democratic conservatism, in the end it was neither unexpected nor a major bang; Fidesz said goodbye to the EPP in a terse formal notice.

This was followed by increasingly open speculation in pro-Fidesz media – which would not publish anything so portentous unless it was previously approved by Orbán's propaganda centre – about the benefits of HUXIT. This is still mere speculation, of course – and one that Fidesz officially opposes –, but it is a speculation that is

new and was not on the pro-government media's agenda until now. Thus far, Fidesz has been fairly consistent in its foreign policy drift, which has included few open ruptures such as quitting the EPP but a huge number of anti-western measures such as anti-Brussels propaganda, a long series of vetoes of common policies (especially in the realm of foreign policy), fights with the European Commission over a wide variety of issues, especially democracy and the rule-of-law, and so forth.

It is increasingly becoming clear that remaining formally committed to the West and drawing the economic and security benefits of the Western alliances while wholeheartedly aligning itself with the Eastern powers is for now not an unworkable situation for the Orbán government. Although when it comes to the next budget cycle the EU is showing some resolve to pressure the Orbán government, both the strength of this resolve as well as the instruments that the EU actually has are in doubt.

It seems likely that while the European Commission has decided to draw some red lines in its constant fights with Poland and Hungary, it is for now waiting for the coming election in Hungary to see what to do next. Similarly, although the incoming Biden administration has been strong in its criticism of the Orbán government – failing to invite it to the global democracy summit that featured over 100 countries to discuss stopping democratic backsliding – it is clear that Hungary's slide into authoritarianism and into the Russo-Chinese foreign policy orbit is on the backburner in light of more grievous global challenges. Viktor Orbán continues to reap the advantages of being but a minor blip on the radar of US global politics.

The most important development in 2022 that will influence Hungary's place in the world is most likely to be a domestic event: the election in April. Foreign policy has rarely played a major role in Hungarian election campaigns, also because there was a strong consensus in mainstream politics where Hungary stands in the context of global politics. That consensus has been eroded by Fidesz's realignment of Hungarian foreign policy. All polls suggest that for all of Fidesz's talk about the decline of the West, the overwhelming majority of Hungarians would clearly prefer for Hungary to remain allied with the western hemisphere. At the same time, as long as the issue of Hungary's long-term foreign policy orientation does not emerge as a major wedge issue in the campaign, it is easily conceivable that voters might end up endorsing Orbán's further estrangement and eventual divorce from the West simply because they value other issues more or because Fidesz's own pronouncements on the question are either vague (we want to remain a part of the EU but without being ruled by Brussels) or contradictory (we are an eastern nation by heritage and our values align with those of illiberal regimes in the East but we belong with the West) enough to confuse the electorate.

The situation calls for clarity because the election in 2022 will give the government a mandate to pursue its own foreign policy for four years, which are likely to be fairly vital in terms of Hungary's foreign policy orientation as tensions between the West and its global allies on the one hand, and Russia, China and their allies on the other intensify. In the event of a Fidesz victory, all the costly and dubious projects of Fidesz's eastern orientation, including the Fudan deal, which the government has temporarily shelved due to the project's unpopularity and the Paks nuclear plant expansion deal, will go forward, entangling Hungary at the very least financially with Russia and China for decades. It is up to the opposition to make this choice as clear to voters as possible and to ask citizens where they want to stand in the tensions between East and West during the next few years, and where they envision Hungary to belong in the coming decades. The latter might well be the stake of 2022.



4

Hungary's economy in 2021

4.1 | Overview of the Hungarian economy

Pandemic collapse and slow recovery

The last two years were all about COVID-19. Like other European nations, Covid-19 adversely affected the Hungarian economy. Hungary's economy experienced its highest recorded quarterly recession since WWII during the second quarter of 2020, when real GDP fell by 13.6% year-on-year. The economy began to bounce back in the summer of 2020, yet results have since been mixed at best. Industrial production at first showed a rapid rebound, with the year-on-year output being 60% above at its peak in April 2021. However, it has been on a downward trajectory ever since, actually falling below the already very low base of the previous August and September by the end of the summer 2021.

The apparent reason behind the drop in summer 2021 is the global shortage of semiconductors and other spare parts, accompanied by delays in shipping problems. In contrast with the industry, retail sales surprised to the upside during the same period. The volume of turnover was up by 5.8% year-on-year in September 2021. The expansion was not only due to the low base, as the sector also showed substantial month-on-month growth of 0.6%.

The good employment data may explain part of the continual uptick in retail sales. The unemployment rate was below the pre-pandemic level at 3,9% in September 2021, while employment reached an all-time record, even if we excluded the people working abroad and in the public works program. Despite the positive trends, inflationary pressures may put a damp on consumption in the coming months.

Table 4. Key indicators of the Hungarian economy (2020-2023)

Indicators	2020	2021	2022	2023
GDP growth (%)	-4,7	7.4	5.4	3.2
Gross fixed capital formation	-7.3	7.6	8.4	3.4
Private Consumption	- 1.4	3.6	7.1	3.7
Export	- 5.9	10.9	9.5	8.8
Import	-3.5	7.7	10.3	8.6
Inflation (%)	3.4	5.1	4.8	3.4
Unemployment (%)	4.3	4.1	3.1	2.9
Public budget balance (% of GDP)	-8.0	-7.5	-5.7	-3.8
Gross public debt (% of GDP)	80.1	79.2	77.2	76.4

Source: European Commission Economic Forecast Autumn 2021

The Harmonized Index of Consumer Prices in Europe was only higher in Poland since the start of 2021. Hungary came second in each month since January with a nine-month average inflation rate at 3,6%, more than a full percentage point higher than the third EU member's (Romania's at 2,4% for the same period).

Businesses do not seem to respond to that yet, as their corresponding confidence index reached a two-year high by November 2021. However, the same index for consumers went the opposite direction, presenting the largest fall between two months (from October to November 2021) since the pandemic started.

The government's economic interventions, the liquidity support to companies, the freeze on mortgage payments, and the temporary job protection measures provided after the start of the first lockdown period in 2020 offered only limited protection. According to the IMF, from March 2020 to April 2021, 7,5-10% of GDP was spent on fiscal stimuli, around the average of the advanced economies. Nevertheless, public debt still rose from 65% of GDP to 80,1% by the end of the year, one of the steepest in Europe.

The mirage of dynamic wage growth

In addition to the favorable macro-economic environment and emigration, years of punitive social policies also played an important role in employment growth. In line with the ideology of the "workfare state", the government penalizes 'idleness' to an unprecedented degree. The retirement age gradually increased while the government eliminated early retirement and significantly cut back on disability benefits. The government also cut the duration of unemployment benefits to three months, reduced social benefits, cut sick pay by half, and decreased the public works salary.

Collective bargaining (though not very strong before 2010) has also been undermined. The 2012 new labor code significantly reduced trade unions' rights, made it harder to strike, and improved employers' bargaining position. The government amended the labor code

again in December 2018 upon corporations' request, significantly increasing the maximum amount of overtime. These reforms of the labor market's supply-side increased precarious employment and might depress productivity growth in the long run because they force job seekers to accept jobs below their skill level and allow companies to increase their profit rate by squeezing labor without improving productivity.

During the 2017-2019 economic boom, the increasing labor shortage improved workers' bargaining position, which led to significant wage growth. Although government propaganda does not miss an opportunity to highlight this wage growth, Hungary's performance is the worst compared to the neighboring OECD countries. The 2008 financial crisis significantly depressed the real wage in Hungary, but it grew again in 2009 and 2010. After Viktor Orbán took power, the government embarked on a massive trajectory of internal devaluation, depressing real wage growth until 2016.

After six lost years, the average real wage grew significantly in the 2017-2019 period, but this growth was nowhere near enough to make up for the lag accumulated during the previous six years. The real wage in 2019 was only 11% higher than in 2008, the last year before the financial crisis hit. Real wage increased by 34% in Poland, by 25% in the Czech Republic, and by 24% in Slovakia during the same period. Due to the dismal performance of the Hungarian currency and the limited rise in real wages, Hungary's average per capita purchasing power was 7,643 euros in 2021, which was under 51% of the continent's average purchasing power. In GDP per capita terms, Hungary was overtaken by several of its regional competitors between 2010-2020. While in 2010 Croatia, Estonia, Slovenia, the Slovak and Czech Republics were ahead, by 2020 Lithuania and Latvia also joined them (while Croatia fell back). Thus, Hungary has not shown a robust wage growth during the past decade in cooperative terms.

The minimum wage has more than doubled since 2010, reaching 167,400 HUF (~458 EUR) by January 2021. Despite the seemingly extraordinary rise in absolute terms, relatively speaking, Hungary's

minimum wage increase was not particularly outstanding. Between 2011 and 2021, the average annual rate of change was slightly over 5%, while in the other V4 countries' it was 6% or above, never mind Romania, where the rate reached 12%.

According to Eurostat, Hungary's minimum wage at the beginning of 2021 was the second-lowest in Europe after Bulgaria's rate at 332 EUR. However, the Orbán government increases it in 2022 to 200,000 HUF, which will entail a 19,4% rise. The hike is partly driven by political motivations (elections in 2022) and partly by the economic reality (relatively low minimum wage and high inflation). The change would represent a significant rise, amounting to a minimum wage of around 550 EUR. Nevertheless, Hungary's minimum wage will remain lower than the other V4 countries' minimum wage, overtaking only Romania's amount in the ranking among its neighbors.

Inflation is devaluing wages

The past few years also saw the return of moderate inflation. The consumer price index grew by 2.4% in 2017, 2.9% in 2018, and 3.4% in 2019. Despite the pandemic, inflation ended up reaching 3.4% in 2020 also, while it is projected to rise even further for 2021, reaching 5.1%. The rate of change in consumer prices accelerated at such a pace in the second half of 2021 that the European Commission had to modify its earlier spring projection in November by a full percentage point (1.1% exactly).

The Hungarian economy is open; therefore, import prices play a crucial role in domestic price formation. Higher oil prices were crucial for the increase in 2018. Although external inflation pressures eased in 2019, the inflation rate grew due to the central bank's loose monetary policy. The depreciating exchange rate was the most crucial factor behind the increase in domestic prices in 2019. The Hungarian Forint was already depreciating against the Euro in 2018; this depreciation increased significantly in 2019 and continued across 2020. Hungary was also not spared from the energy crisis of 2021. The price of European natural gas has increased by five times

compared to its January level by October 2021, while the price of oil has doubled. Residential users were spared from being directly affected by these rapid changes as utility prices for natural gas and electricity are government-mandated with a ceiling price. That, however, could not spare them from a trickledown effect, whereby the increased market prices for energy products raised the prices of consumer goods and services.

Fiscal measures remain meager and misdirected

The government budget balance was already showing signs of worsening before the pandemic. The structural balance (-3.8% in 2019) significantly deviated from the Medium-Term Objective set by the European Council (a structural deficit of 1.5% of GDP). As a consequence, Hungary has been under a Significant Deviation Procedure since June 2018. Overall, the Orbán government followed a strictly conservative fiscal policy and maintained a low deficit, which led to a significant reduction in the debt to GDP ratio, decreasing from 72.9% in 2017 to 66.3% in 2019. However, the pandemic required the government to give up on its achievements and increase spending to mitigate the dire consequences of the lockdowns and sudden fallback in the volume of international trade. It, therefore, put together an "economic protection plan." Measures included introducing a very modest form of the Austrian Kurzarbeit (wage supplement for a very few select businesses), loan repayment moratorium, tax benefits for the most affected employees and businesses (especially within the sectors of tourism and hospitality), and several loan programs for firms. The ratio of debt to GDP rose to 80,1% by the end of 2020.

According to the current forecasts, the aftermath of the pandemic, the energy crisis, and next year's election will continue to affect the central budget negatively. After last year's government deficit of 8%, in 2021, it is projected to reach 7,5%, a slight decrease, yet still significant compared to the 2% rates during the years preceding the pandemic. The fiscal measures' overall effect is nevertheless moderate in international comparison. The last time the European

Commission analyzed it in 2020, it estimated a net budgetary impact of 3% of GDP for the year.

Continued dependence on EU funds

Since Viktor Orbán took power in 2010, the role of foreign investment in Hungary's economic dynamism has declined. In parallel, the role of EU transfers has increased. Public investment and domestic private investment took over much of the role of foreign investment. European subsidies represent a significant part of the country's Gross National Income, hovering around 4-5% in the last five years. Between 2011 and 2015, economic growth was 6.8%, with public investment contributing 3.9 percentage points. EU funds made up 43% of public investments on average in the 2004-2010 period (this grew recently to around 50%). According to a recent report of the European Commission, between 2004 and 2020, the European structural and investment funds financed investments in the value of 55.2 billion euros in Hungary. During the EU's new financial cycle for 2021-2027, the country is set to receive around 50 billion euros, of which 7.2 billion will come from the NextGenerationEU program that was designed to help countries recover from the economic shock of the Covid-19 pandemic.

EU funds have recently emerged as a central point of debate between the EU and Hungary. The European Commission and the European Parliament proposed to make the payment of funds conditional on compliance with the rule of law. Orbán is aware that his wiggle room significantly shrinks with this step. In response, in November 2020, Viktor Orbán and his Polish allies threatened to veto the EU budget and the recovery fund, thereby jeopardizing the fight against the pandemic. After receiving assurances that the mechanism would not be applied until the European Court of Justice ruled on its legality, they agreed to accept it. Orbán this way managed to ward off any possible interference the related proceedings could cause during the elections.

Moreover, Orbán hoped to have the chance to spend a substantial part of the funds that were designated to help the country's recovery before the elections already. However, the European Commission has refused to transfer the first installments due to its concerns about what it perceived as extensive corruption among the authorities and policymakers. Negotiations between Brussels and Budapest are ongoing as of December 2021.

The specter of resolution seems distant; thus, the Hungarian government decided to advance the money for itself and borrowed from international financial markets by issuing bonds for 4,25 billion

dollars and 1 billion euros. The Orbán government is confident that it will ultimately come to an agreement with Brussels and receive the funds, thereby repaying most of the foreign currency loans in the same stroke. In the meantime, debt to GDP rose to 80.5% by the end of the third quarter—this is 0.4% higher than at the end of 2020. Should the difference continue to exceed last year's result by the end of 2021, the government would break its own law on financial stability. A rising tendency in debt to GDP between two full years may only be allowed during times of recession, which was no longer the case in 2021.

The reliance on EU funds to finance public investment projects has allowed the government to free up Hungarian taxpayers' money and spend it on supporting businesses (increased financial subsidies, tax reductions and exemptions, partnership agreements). The actual corporate tax paid by the 30 largest companies in Hungary on their income before taxes was 3.6% in 2017. German carmakers are among the biggest winners of these financial subsidies.

Based on the broad support Orbán has received from crucial international political and business allies, it is no surprise that the EU has done little to withhold funds from the country despite severe violations of the rule of law by the government. Only recently, during the second half of 2021, did the Commission finally step-up its requests of greater transparency and measures against corruption in exchange for the NextGeneration EU recovery funds. Some speculate that the recent case involving Pál Völner, Secretary of State for Justice, charged by the Prosecution Service of Hungary in December 2021 with corruption, is part of Orbán's attempts at securing EU funds by demonstrating that the rule of law is upheld in Hungary. Whether this is indeed a serious attempt by the European body to regulate the Orbán government is only likely to become evident after the elections in 2022 (in case, Fidesz wins the elections). Should the EU continue to fail to take a hard line against the Orbán government, it would be a blatant admission of financial interests' predominance over democratic values. The uncertainty surrounding the EU funds also represents a significant risk for

economic recovery, as Hungary heavily depends on the continued availability of European resources.

The Hungarian National Bank leading the fight for recovery, at the price of soaring inflation

On the front of economic policy, the most aggressive responses came from the central bank, the Hungarian National Bank. The central bank has kept a low interest rate (0.9%) throughout the years preceding the crisis and reduced it further in 2020. The central bank also increased the amount allocated to the new round of the Funding for Growth Scheme (FGS), introduced an unlimited collateralized lending facility, and announced a quantitative easing program, buying government bonds on the secondary market, easing the pressure on the central budget. During the 2nd wave of the pandemic, the central bank increased the amount allocated to the SME lending program to HUF 1 trillion (2.15% of GDP) and the corporate bond purchase program, reaching HUF 2 trillion (4.3% of GDP).

While the government seems to be unfazed by inflationary pressures, the central bank – despite its mandate – is also playing fast and loose in dealing with it. The Matolcsy-led institution has been sending mixed signals to the markets. On the one hand, it has issued several statements on the possible overheating within the economy due to the government's expensive fiscal measures. Nevertheless, on the other, it continued its government bond purchase program, unlimited collateralized lending facility until the middle of December while it also extended the FGS. At the same time, it also introduced a new "green retail lending program" to provide preferential financing for new buildings with at least a BB energy performance rating. The only genuinely substantial measure to counter the rise in inflation has been the gradual rise in the base rate to 2.4%. However, with inflation well above 3%, the real interest rates remain negative. At the same time, the hike also failed to raise investors' confidence in the state of the country's economy as the exchange rate continued to deteriorate, reaching record lows at the end of November 2021.

Table 5. EU expenditures in selected countries (% GNI)

Indicators	2015	2016	2017	2018	2019
Hungary	5.32	5.08	3.43	4.97	4.48
Bulgaria	6.38	5	3.76	3.91	3.61
Poland	3.25	2.61	2.67	3.43	3.26
Czech Republic	4.67	2.86	2.15	2.1	2.51
Slovakia	4.91	3.34	1.97	2.78	2.49
Romania	4.15	4.47	2.59	2.45	2.33

Source: European Commission 2021

Misdirected budgetary support with an eye to the 2022 elections

The budgetary responses have been so far much more limited and skewed heavily towards helping businesses. The European Commission's convergence report labeled the government's budgetary responses as "muted," concluding that "fiscal policy has so far provided a limited cushion against the downturn." The government aimed to keep the budget deficit for 2020 below 2.7% — amounting to severe austerity — but that soon proved to be a delusion as the deficit ended up reaching 8% for 2020. At first, significant part of the government's measures have been financed from the reshuffling of existing budgetary chapters and reserves, while more recently, in 2021 also through extensive borrowing from international capital markets.

The European Commission expects the government deficit to reach 7.5% for 2021. This is amongst others due to additional measures that were introduced in 2021, such as the premium for pensioners amounting to 0.9% of GDP, complete income tax refund for parents adding a further 1% of GDP to the deficit, and an income tax exemption for employees under 25 as well as infrastructural projects financed from the money borrowed through the international markets. These measures are part of the government's attempts to secure a win at the upcoming 2022 elections.

In addition to all that, the construction of the Belgrade-Budapest railway is set to begin in 2022, which is also financed from an international loan from the Chinese government. The loan agreement's exact parameters are unknown, as both governments made them unavailable for public viewing, sealing the contract for at least ten years. Nevertheless, its estimated value is in the region of EUR 1.6 billion. Investigative journalists found out that each 1-kilometer section of the new railway will cost EUR 3.8 million more in Hungary than in Serbia. The government's commitment to China with the infrastructure project is another example of a long line of expensive favors towards the East Asian giant. Its latest manifestation was the decision to take on a further EUR 1.2



billion loan to develop a campus for the Chinese Fudan University in Budapest at the exact place where previously affordable college campuses were planned to be built. The government is so committed to the project that it is carrying on despite general public uproar against it on both sides of the voter base.

Government support—as limited as it may have been—and a loose monetary policy by the Central Bank was necessary to avoid a deep-seated depression due to the pandemic in 2020. In 2021, they have been increasingly adding to the inflationary pressures already exacerbated by high international energy prices and supply-side constraints in primary commodities and value-added goods. While some of the elements of the recovery funding scheme by the two entities were scaled down or eliminated, they were often replaced with other fiscal or monetary measures, which are now causing the economy to overheat.

Continued tension between Orbanomics, democracy and the pandemic's death toll

Orbanomics will also have lasting effects on Hungary's democracy. The government cut the funding of political parties by half in 2020 under the pretext of reallocating money to the coronavirus responses. The 1.2 billion forints (€3.42 million) reallocated is little compared to the budget of the crisis funds. However, it effectively hinders the operation of opposition parties that overwhelmingly rely on state funding as a source of revenue. Bolstered by their oligarchs and the political use of governmental resources, this cut does not affect Fidesz. The government also reduced local governments' budget by centralizing or canceling various taxes, with further selective punitive financial measures targeting communities controlled by the opposition. Despite improving macro indicators, the government decided to uphold the cutbacks for 2022 and divert essential resources away from them, primarily targeting opposition-led cities.

The responses to each pandemic wave so far have concentrated on epidemiological measures, with only limited social or economic policy

intervention. Hungary has emerged as one of the most severely hit countries in Europe based on the number of deaths per population during the three waves of the pandemic so far. The fourth wave seems to only add to this trend as it produced the highest reproduction rate (1.85) in the world and the one of the highest death rates from the disease in Europe by December 2021. The government's defense strategy against the pandemic was narrowed down to a reliance on vaccinations and has so far decided not to (re)introduce lockdown measures. The country employs the most lenient restriction in the EU according to the Oxford Covid Stringency Index.

4.2 | Social reality: no country for poor people

The pandemic had a disastrous effect on society, with large income losses even for many of those still employed. According to a Policy Solutions research in March 2021, 39% of Hungarians experienced income losses during the first year of the pandemic. The government's ideological priorities – helping those who are already better off, aiding the upper-middle class's embourgeoisement, supporting transnational corporations – are reflected in the social and economic policy measures adopted in response to the pandemic. Governmental interventions have prioritized alleviating the financial burden of businesses. Both transnational corporations and the government-friendly national bourgeoisie received generous support.

The financial assistance directly allocated to citizens as well as general social policy has been much more tight-fisted. The measures included

- a debt repayment moratorium for all borrowers, in September 2021 extended until the middle of 2022 for a more limited set of potential claimants;
- a projected increase in the number of public workers and military intake;
- a one-off bonus for health workers;
- the extension of various expiring maternity entitlements;
- the suspension of evictions, confiscations, and tax-related cases;
- a "pension bonus" in November 2021, and a "13th month pension" to be paid out in February 2022;
- and a wage guarantee scheme modeled along Austria's "Kurzarbeit", albeit with a more limited scope, covering part of lost wages for three months under certain restrictive conditions.

The government refuses to extend the record-low three-month unemployment benefit. No new social policy tools have been introduced to ease the burden on those living in poverty. The unemployed and those working in the informal sector do not

receive any additional help. In November 2021, there were 195,000 unemployed, the average length of finding a job was 8,8 months, and at least 34.1% of job seekers were unsuccessful in securing employment for more than a year. This represented a 19.3% increase compared to 2020. Close to half (42.1%) of all job seekers received no financial assistance from the state.

The government's limited appetite for social assistance is also reflected in the fact that it has one of the lowest social benefits expenditure as a percentage of GDP in Europe. Sports, however, has a special place in the heart of the decision-makers as a record-breaking 1.7 billion euros was spent on the field in 2020, with a large share used for the development of private sports club infrastructure.

Health before and during pandemic

Fidesz's response to the COVID-19 pandemic sheds further light on its complicated relationship with health. Health care clearly continues to be a particularly weak spot of the Orbán government. On the one hand, the party restricted access to hospitals to save beds for COVID patients beyond what experts deemed necessary. On the other hand, Fidesz seems not to have shared the skepticism towards medical experts that American, Brazilian and Russian national-populists showed. Although in one crucial aspect, it has maintained its old habits. Access to crucial data regarding the pandemic (e.g., hospital saturation and capacity, vaccination by type and age group, etc.) is limited, and its access requires legal battles with the relevant authorities. This further erodes public trust in the healthcare system and gives rise to unfounded conspiracy theories. It remains to be seen how Fidesz manages the balance between opening the economy and containing the virus. So far, the priority to help businesses instead of people has led to a significant increase in social tensions.

The Euro Health Consumer Index shows that the Hungarian health system's quality is the third lowest in Europe (after Romania and Albania), sliding seven ranks between 2014 and 2019. As a consequence of chronic underfunding, the health infrastructure's quality has declined after 2010, with an increasing number of the wealthy opting for private health care instead. Private out-of-pocket payments accounted for more than one-quarter of health (27%) spending in Hungary in 2018, nearly twice the EU average. The high share of private out-of-pocket payments represents a significant problem for citizens in lower-income brackets. The rise of private out-of-pocket health spending shows a trend of creeping health care privatization. Moves to reduce the number of hospital beds fall into the same category, pushing people towards private health care providers.

The government is well aware of the dire state of the Hungarian health care system. It had to admit to the fact in a non-explicit manner when it took out a 183 million euros emergency assistance loan from the Asian Infrastructure Investment Bank (AIIB) in October 2021 to finance health care expenditures. The underlying contract signed by the Hungarian government details some of the most pressing issues in the system. The document admits that "Hungary's health care expenditure per capita is EUR 1,468, one of the lowest in the EU... Facilities and equipment are out of date, and capacity is lacking. ... The life expectancy gap at age 30 for a person with higher education and a person without higher education is 12.6 years for men and 6.4 years for women, respectively. These disparities can also be seen at the income and geographical levels. ... Many facilities, including hospitals, are more than 50 years old and in need of a structural upgrade."

All in all, the logic of the government's socio-economic responses to Covid-19 corresponds to the logic of Orbanomics: workfare, social divestment, labor flexibilization, and redistribution towards the upper-middle class and the national bourgeoisie.



4.3 | Economic outlook for 2022

Economic growth is likely to continue at a slower pace in 2022-2023. According to the European Commission's current forecast, the GDP will increase by 5.4% in 2022 and 3.2% in 2023. Public finances will continue to deteriorate in 2022 due to the prolonged recovery from the pandemic and the upcoming elections. The budget balance will remain significantly above 3% in the next two years (5.7% of GDP in 2022). Consequently, government debt is set to remain high, going from 65.4% of GDP in 2019 to 80.1% in 2020 and 79.2% by the end of 2021. The European Commission estimates only a slight decrease for 2022 to 77.2% due to continued economic growth. Economic expansion will be partly driven by private consumption, which will double its growth rate from 3.6% in 2021 to 7.1% in 2022. The extraordinary increase is unlikely to be sustained in the longer term as the Commission expects the rate to be 3.7% in 2023, i.e., the year after the election.

As the previous sections showed, the government's priority is subsidizing businesses. Consequently, private investment receives significant policy support, including grants, cheap financing, and tax cuts. Gross capital formation is forecast to grow by 8.4% in 2022 and by 3.4% in 2023. Exports are also forecast to grow (9.5% in 2022 and 8.8% in 2023), contributing significantly to GDP growth in the next two years. The reinvigorated global supply chain activity is an essential factor behind the increased exports, and so is the improved cost competitiveness following the Hungarian Forint's continued depreciation. However, tourism is projected to suffer from the constantly reoccurring waves of the pandemic, representing a significant setback for the Hungarian economy.

The Hungarian economy's long-term potentials are less rosy than the likely vigorous rebound from the corona-induced slump to follow in 2021-2022. Orbán's government realized the need to

balance economic dualism by gradually decreasing transnational corporations' role and increasing domestic value added. Such a shift would be necessary to make economic development future-proof and get Hungary out of the middle-income trap.

However, this recognition did not result in a policy environment that could ensure long-term economic upgrading. The capacity of Hungarian-owned companies to take advantage of global value chains remains exceptionally low. Domestic producers' capacity to innovate declined further after 2010 from an already deficient level. The difference between the productivity of foreign- and domestic-owned companies has also increased slightly since 2010. In parallel, transnational corporations' export structure has also changed adversely, leading to a decline in the Hungarian economy's knowledge intensity after 2010.

For Hungarian-owned companies to increase their productivity and export capacity, they would need to exploit the potential inherent in higher value-added segments of the value chains. Such technological development is knowledge- and resource-intensive and requires long-term planning and commitment to upgrading. Although the government has improved access to capital since 2010, knowledge production and long-term planning have been pushed into the background. The declining quality of education, falling tertiary education financing and enrollment, aggressive intervention into the operation of research institutes and universities have undermined the possibility of building a knowledge-intensive economy.

The 2022 elections will represent a new hope for the opposition to defeat the Orbán government. It will be the first time since Orbán's takeover in 2010 that the opposition will unite its forces behind one candidate, the conservative Péter Márki-Zay, and run in the election

collectively. In the event of an opposition victory, the details of their economic policy proposals are still unknown. Some restructuring will likely occur among the elites; however, on the level of social policy, a great deal of continuation is expected. The potential prime minister has stated its commitment to the current government's family policy, and in general he is in favor of the economic proposals of the right-leaning liberal and conservative member parties of the opposition alliance. Moreover, all participating parties have pledged to introduce the Euro as soon as possible, which – if upheld – is likely to constrain the new government's fiscal space to maneuver.

In the medium to long run, the potential reduction of EU funds would significantly threaten the Hungarian economy. However, it is doubtful that the current quarrel around the rule of law conditionality would threaten Hungary's total income from the EU budget. Furthermore, unused funds in the budget cycle ending in 2020 can be used until 2023. Hungary would also be among the biggest winners of the EU's pandemic recovery fund. Mihály Varga, Minister of Finance, expressed his confidence that the government will fight the pandemic-induced economic crisis without the EU's help if need be. The country's financial position is better than Italy or other severely indebted nations; thus, the government might successfully maneuver in the following months. However, securing access to the EU budget and the recovery fund is crucial for Hungary's economic development, beyond the 2022 elections.

5

The Hungarian society in 2021

5.1 | The state of independent media in Hungary

One of the key lessons of the past decade of democratic backsliding in Hungary involves the multi-faceted ways in which the independent operation of the media can be vulnerable to political pressure. The result of the government's media policy in terms of amassing vast dominance in the media market has been stunning, all the more so because it involved no direct censorship of the kind one is accustomed to in openly autocratic regimes, and without any violent repression of journalism.

Viktor Orbán clearly disdains the idea of himself as someone who suppresses the rights of others to free speech. Since he nonetheless wants his party to benefit from a media market in which the views that are critical of his government are suppressed, his media policy experts had to become creative – and they have successfully delivered in coming up with innovative ways to stifle critical media.

Out in the open

Much of what has happened in the past ten years is not only a matter of public record but has also been the subject of substantial international media coverage. Maybe out of a sense of collegiality among journalists towards their peers in Hungary, the Fidesz government's repression of critical media has been reported about more extensively than the wide array of the abuses of governmental powers in other policy areas.

To mention but a few highlights, it included the adoption of a new media law and the creation of a media authority that is dominated by Fidesz alone; discriminatory radio frequency licensing practices; the taking over of critical media by government-funded financial frontmen and oligarchs, who have either shifted the editorial line at the given media outlet or shut it down altogether; a media tax that was initially

tailored to specifically cripple an independent and occasionally critical popular television channel, RTL Klub; the reluctance of large corporations to advertise in independent and critical media for fear of being punished by the government; the highly discriminatory practice of awarding state advertising money, which makes up a substantial and increasing chunk of total advertising spending in Hungary; the refusal of printing companies to print newspapers which the government disdains especially hard, etc. – the list of issues, many of which we have discussed in previous volumes, is long.

Where we stand now

Seen from the perspective of independence, there are broadly three media markets in Hungary today. To understand the difference between these markets, let us borrow an idea introduced in the annual Soft Censorship Report of the media watchdog organisation Mérték Media Monitor. Mérték has broken down Hungarian media outlets into three categories. Pro-government media include media outlets which are either directly controlled by the government through state ownership (i.e. the public service media network), or indirectly through politically pliable owners, usually oligarchs whose wealth is substantially connected to public procurement and government subsidies. The latter have either volunteered to do the government's bidding in return for access to government contracts or were selected by Viktor Orbán and his circle to become part of the new "national capitalist class" because of their well-known political sympathies or personal ties to high-ranking Fidesz officials.

Even many of these were not sufficiently trusted, however, which is why the vast majority of pro-government commercial media are now in the hands of the Central and Eastern European Press and Media Foundation (KESMA), after Orbán decided to force many of his oligarchs

to cede control over their private media businesses to a Fidesz-controlled foundation which now owns some 500 media outlets. KESMA is not only extremely unusual in its form – a foundation that controls immense media assets and is de facto controlled by a party – but is also definitely unprecedented in size. Outside authoritarian regimes, there is no single player in any media market with such dominance (in terms of market share) as KESMA's in Hungary.

Media in this category do nothing but spout government propaganda all day – with varying degrees of sophistication, though generally without much subtlety. There is plenty of evidence to show that many of the news disseminated by these several hundred media outlets are centrally controlled. The thematic focus of newspapers and news shows is very similar and always reflects the government's views as well as its narrative.

Independence under pressure

On the other side of the media spectrum are media that are independent of the government. One must also acknowledge that this segment includes some media that have either an ideological or partisan bias in terms of their editorial line, and some in which parties wield unofficial influence. However, the majority of these media outlets are genuinely independent and critical in their coverage of all political parties.

The increasingly open criticism of Fidesz in large segments of the independent media owes to the journalists' justified perception that many of the government's actions are directed against free media and critical coverage of Fidesz's activities. They perceive, with good reason, that they are targeted by a government that is unwilling to put up with the sheer existence of critical attitudes. In what seems to be a battle for their own professional survival, it is difficult for the media players themselves to remain completely on the side-lines. Moreover, even an objective reporting about the government's actions is bound to sound harshly critical because what the government does in the media sector is often unacceptable regardless of one's ideological

outlook, as long as that is rooted in a fundamentally democratic perspective in which an independent media free of government repression is a *sine qua non*.

Independent media in Hungary suffered a huge loss in 2021, as this year was the removal of Klubrádió from the Hungarian airwaves. Klubrádió represented for many years the largest independent radio station in the country and was widely seen to be a critical space where opposition to the government was freely discussed and debated. The Hungarian Media Council, which is the regulatory body that controls media licensing, refused to renew Klubrádió's license on the grounds that it had repeatedly infringed on registration laws through the late hand-in of particular content lists. However, it has been widely seen as a political act, not only due to the fact many media outlets do not lose their license over minor administrative errors, but also due to the fact that the personnel on the Media Council are Fidesz loyalists and thus the regulator acts as an unofficial arm of the party in its mission to create a politically conservative Hungarian media environment. Previously, Klubrádió had been forced to reduce its transmission from nationwide to solely the Budapest area. Now of course this has been further reduced and it can only transmit online in a digital manner. The human rights commissioner for the Council of Europe tellingly commented on the case as 'another sad day for media freedom'.

Independence under scrutiny

One of the most interesting aspects of the Hungarian situation has been the emergence of what Mérték has termed media outlets that fall into a "grey zone" – they are obviously not pro-government media in the sense that the pro-Fidesz media operate, yet they are dependent on the government in some ways that seems to indirectly shape their coverage, in ways that are difficult for the public to trace. These media in the grey zone were typically formerly critical outlets which are now controlled by owners with ties to the government.

The trend of more subdued and more selective criticism has been clear in the case of Index since the takeover, and it is present in other

grey zone media as well. Nevertheless, these media continue to report critical news and, significantly, they also cover the opposition more or less fairly and give opposition politicians a platform to comment on events from their own perspective, which pro-Fidesz media rarely do. Yet, their position is extremely vulnerable and at the whim of the owners. What all of the grey zone media have nevertheless in common is that they have seen key members of the newsroom quit over time, with a concomitantly sudden or gradual transformation in the editorial line, along with the fact that these media outlets receive government advertising, which is something that independent media hardly ever do.

The Pesti Hírlap story

This was especially conspicuous in the case of Pesti Hírlap newspaper, where the owners' alleged heavy-handed interference into the coverage of the opposition primary resulted in the resignation of the editor-in-chief along with two fellow editors. At the heart of the issue were cover page articles that pushed readers towards supporting the Democratic Coalition's candidate for Prime Minister, Klára Dobrev, the wife of controversial former PM Ferenc Gyurcsány. The biased articles included sharp attacks on her opponent and the eventual winner, Péter Márki-Zay.

At that crucial point in time, Pesti Hírlap's coverage coincided with that of the pro-Fidesz media, which unexpectedly came out in favour of Dobrev against her conservative opponent after portraying her husband and the entire "Gyurcsány Clan" as the archenemies of Hungary for a decade and a half now. It was obvious that the idea behind the "campaign" for Dobrev was Fidesz's perception that she would be the easier candidate to defeat in the general election. Just as it was obvious that due to its audience, Pesti Hírlap was much more likely to reach primary voters than the pro-government media, there is also substantial evidence of a *quid pro quo*. Telex reviewed all but two issues of the free tabloid published between October 1 and November 8 and found an overwhelming dominance of state advertising in the newspaper. Since information about actual prices

for advertisers are not publicly available, Telex could only estimate the revenue based on Pesti Hírlap's list prices. They found that if ads were sold at list prices, 60% of Pesti Hírlap's ad revenues came from the state during that period. For a newspaper that is distributed for free, ads are the main source of revenue.

More subtle control but with access to swing and opposition voters

The emergence of grey zone media is a particularly interesting phenomenon because it marks a whole new direction in Fidesz's approach to media takeover. Previously, the practice was simply to either immediately shut down formerly independent outlets such as Népszabadság or to bring them very swiftly in line by replacing the newsroom with pliant pro-Fidesz journalists.

The grey zone media, by contrast, give Fidesz access to other demographics as well. At the price of avoiding open propaganda, the media outlets provide a platform through which Fidesz can shape the perceptions of voters who are critical towards the government or politically less interested but nonetheless potential voters. Furthermore, grey zone media are also useful fig leaves in the government's international communication, which seeks to emphasise that the Hungarian media landscape continues to be diverse and features critical reporting. And through advertising and other means, the ruling party is willing to put money into sustaining this dubious diversity.

How independent media survives

Which brings us to the key issue facing the remaining independent media in Hungary today: money. Money has been the key instrument which the Orbán government has used to squeeze independent media. The government's policies heavily distort the media market by pumping vast amounts of money into pro-government media, some of which (e.g. the commercial television channel TV2 and the online newspaper origo.hu) feature popular contents in addition to



propaganda, as well as by making clear to major advertisers with a desire to land public contracts that it would be unfortunate if they advertised in “opposition” media. The economic pressure has resulted in a notable shift in the composition and the operation of the independent media outlets. Independent legacy media outlets, which cost a lot to produce and tend to be less popular with younger audiences anyway, have become a rarity and most are eternally in the throes of financial trouble.

The successful examples of independent media today are almost exclusively online media, which mostly survive (and in a few cases thrive) based on paywalls (e.g. 444.hu and hvg.hu) or the support of readers (Telex and Átlátszó are prominent examples of this approach). Their success speaks to the fact that there are still media audiences in Hungary that are willing to pay for independent news, which was unclear in an era when the rising media tend to be free services that fund themselves through advertising.

The willingness of segments of the public to pay for the survival of an independent and autonomous sphere in news coverage is a welcome development. At the same time, one needs to keep in mind that a market in which commercial advertisers are cautious about advertising in independent media and one where a massive amount of state advertising flows to partisan pro-government media outlets is severely distorted and, on the whole, fails to provide the public with balanced and properly informative news coverage.

Massive Fidesz domination

Independent media in Hungary mostly provide a niche product aimed at digitally literate, intellectual, urban and younger audiences. But in a democratic society, independent media coverage cannot be a niche product. How much independent media individual donations and subscriptions can sustain and how many journalists this allows to work on investigative reports is one of the key questions – the answer to which is: not much, not enough. The other major question is what share of the potential media audiences such outlets can

reach. Once again, the answer is that as compared to the total voting public, not nearly enough.

What may be Fidesz's most sophisticated insight thus far in creating the current Hungarian media system is that what may be referred to as brute force, such as the open takeover or shutdown of independent media, is not strictly necessary, at least not at the level of the entire system. But the most important issue for Fidesz is to make sure that where it matters, that is especially in the ruling party's rural heartlands, it controls public information to a massive extent. This has been achieved by the near total domination of the print market, the almost complete takeover of the radio market, as well as the massive Fidesz dominance in the television market – in other words in all of the legacy media.

There is a problem built into this system's long-term viability since those who predominantly consume legacy media are older and declining in number. Fidesz has not been nearly as successful in gaining traction with younger voters who are internet-savvy. For now, however, controlling the market of legacy media gives the government massive control over the information of electorally pivotal voting blocs, specifically older voters and/or rural voters and/or less educated voters. The problem for Fidesz from such a constellation will only become pertinent years from now, when internet usage will become far more pervasive.

By that time, however, Fidesz may well learn how to communicate with younger voters, too. One major development of 2021 was the launching of a series of youth-oriented right-wing social media sites, operated by "hip" influencers who deliver the standard Fidesz narrative with finesse and vitality that is less typical of the established pro-government media.

There is a key message in there for the opposition as well: If it will win a sufficient number of rural districts to attain a parliamentary majority, that will not be the result of media that gets messages across to the pivotal voters in these districts; voters will either vote

based on their own level of satisfaction/dissatisfaction with the prevailing state of affairs or based on their encounters with activists. Of all the ways in which the democratic playing field has tilted towards the government, the regional information monopolies may weigh most heavily.

5.2 | Fidesz goes all in on the LGBTQ issue

The year 2021 has provided a clear answer to the question of whether Fidesz would use the LGBTQ+ issue as a mere temporary diversion or would go all in on the topic and try to treat sexual minorities and their advocates as the migrants of 2021/2022. With the respective announcements in quick succession of a national consultation on the issue and then a referendum, Fidesz made clear during the summer that bashing sexual minorities would be a key part of its electoral campaign.

A sheer necessity

While that may have been the plan that the Fidesz brain trust has entertained all along, the timing – and especially the rapid succession – was also probably influenced by a series of unfortunate events that have tilted against the Fidesz government in June and July (especially the Fudan and the Pegasus scandals), thus making it necessary for the government to balance unfavourable coverage in the remaining media in Hungary that actually still report critical news.

The European Commission has been none too pleased about the homophobic 'anti-paedophilia' bill adopted in June, nor about indications that this was not a passing mood but the onset of a protracted campaign on the part of the Fidesz government. The Commission reacted rapidly by launching an infringement procedure alleging that the law transgressed against fundamental European values. This in itself would hardly irk the Fidesz government since they were banking on the standard European reactions and will keep harping on theme of a "Soros-run" Brussels that seeks to undermine Hungarian sovereignty to pave the way for a sinister attack on Hungarian children. While the European reaction was somewhat stricter than usual, on the whole Fidesz was probably not lying when it said that this was anticipated.

Enter the Pegasus scandal

What was very likely not anticipated by the government, however, was the bombshell revelation by an international consortium of news outlets – many of them leading global newspapers, such as Le Monde in France and Guardian in the UK – that an Israeli software called Pegasus, produced by a company called NSO – was used globally for the surveillance of a wide variety of public figures by infecting their smartphone devices and then accessing all the data on the devices, including phone calls and messages, emails, photos, as well as the camera and the microphones.

Hungary was in a somewhat special place in Europe because many of those who were being spied on with the use of Pegasus were critical journalists, politicians and other public figures, such as the president of the Hungarian Bar Association and other prominent lawyers. Given that NSO fundamentally sells only to customers approved by the Israeli government, it seems very likely that Pegasus was used in Hungary by the government and deployed against some prominent critics (as well as in instances which are more in line with its regular use in other countries, namely to monitor criminals, which indicates a conflation of those who hold critical opinions and those who commit ordinary crimes or engage in terrorism).

Major news

The news made a major splash in the Hungarian media, and the opposition, too, pounced intensely, condemning in ongoing messages the government's spying on their own people. While it is unclear how much of the massive reporting in the remaining independent media broke through into the often carefully insulated media bubbles of

government party supporters since the Fidesz media practically failed to mention the scandal and when it did, it spoke of hysteria or alternatively sought to belittle the issue as one of routine government surveillance.

At the same time, it was clear that after the Fudan issue, there was now suddenly another issue in the limelight with the capacity to damage Fidesz's public standing. The government officials' bumbling communication on the issue (including awkward moves from justice minister Judit Varga, who is one of the government's most ubiquitous spokespersons otherwise) did not help at all. Most Fidesz politicians refused to comment, and the few that did tried to downplay the question or to shift responsibility. Vitally, however, no one flat out denied the allegations.

Government uses LGBTQ+ issue to quickly recentre public discourse

In any case, what was clear was that the Pegasus issue was hurting the government. The government swiftly brought out the heavy armoury on the LGBTQ+ issue, launching a national consultation. In the customary manner of these taxpayer-funded and expensive push polls, the consultation focused primarily on driving home the government's main narrative on the anti-paedophilia law, namely that Soros-led Brussels is coming for Hungarian children, seeking to indoctrinate them and turn them into sexual deviants. This follows the established pattern of blaming Brussels, George Soros and other sinister forces whose activities centre on "undermining" Hungary's sovereignty.

But as tends to be the case, Fidesz's consultation also suavely blended in other issues that were wholly unrelated to the underlying core topic – the alleged desire to foist "gay propaganda" on Hungarian children – and make them seem inextricably linked. Thus, in addition to soliciting citizens' support for the homophobic legislation, the most recent consultation also included questions on the evergreen migration issue; raising the minimum wage; a massive one-time



tax rebate for families with children and the evils of George Soros and Brussels, respectively. Also, citizens were offered the option of agreeing with big banks that extending the moratorium on mortgage repayments is a bad idea or to agree with “some” (aka Fidesz) who say it shouldn’t.

A toxic mix

This fusion of very disparate issues creates the toxic mix which suggests that subsistence issues and financial benefits are inextricably linked to keeping sexual minorities, migrants, Brussels and the vast international Soros-conspiracy at bay. This had worked excellently on the migration issue, which clearly led to a realignment of a small but discernible portion of the electorate towards Fidesz (while it also cost the ruling party some intellectual voters, but the net balance was nevertheless positive and especially fortunate in its geographical distribution), in addition to energising the base. A similar effort has been now underway with regard to the imaginary enemy which the government has identified in gay propaganda.

Appealing to the base

For the 2022 election campaign, Fidesz must tend to its heartland, both in terms of energising its base, which spoils for a fight, as well as appeal to the voters in the rural marginal seats that will be pivotal in the next election. By professing to be against propaganda aimed at children rather than the adult LGBTQ+ community, this campaign is carefully calibrated to appeal to moderate voters who might not go along with traditional gay-bashing but can latch on to the idea that children should not be exposed to propaganda that might make them want to switch their birth gender.

Even if in the net balance Fidesz will not end up adding a single voter to its base on account of this campaign, which is one possibility, every minute when the public discourse focuses on this issue rather than on any of the vast variety of issues that could hurt the government will be a profit for the government. The upcoming referendum on the

issue will put an enormous amount of public funds that can be legally spent on pushing the government’s platform once again.

Referendum and elections on the same day

At the end of 2021, it seems highly likely that the referendum will be held together with the parliamentary elections on the same day. This would of course allow Fidesz to seamlessly blend its “child protection campaign” into the national election campaign, arguing that Fidesz is the only party attuned to the Hungarian national character and preferences and will protect these from “foreign agents”, be they pro-migration or pro-LGBTQ+ lobbying groups, Brussels or George Soros. One way out of this dilemma for the opposition could be a vote on its own referendum questions, which Budapest mayor Gergely Karácsony announced and submitted on the very day that Viktor Orbán announced the government’s questions. The opposition’s questions ask the public to stop Fudan and extend the eligibility for unemployment benefits from 3 to 9 months. Given how a vote on these questions could transform the dynamic of the public discourse and of the election campaign, it would not be surprising if the Fidesz-dominated authorities would delay the process long enough to make it impossible to vote on the opposition’s questions on election day, even as the government’s referendum will go forward. If that seems unfair, that is because it is unfair, but that is the system Fidesz has built over the last decade. The opposition’s job was never going to be easy, and in fact one of the major arguments advanced by opposition politicians is that it has become progressively harder with each election, which makes clear where the regime overall is headed.

5.3 | Outlook on the Hungarian society in 2022

Towards the end of the year an investigative site revealed that in 2020 the speaker of the Hungarian parliament, Fidesz founder and fire-breathing hater of all things opposition-related, László Kövér, had given a closed session speech to the leaders of Hungary’s national security apparatus. In his remarks he said that social divisions were the greatest threat to national security. On that point, he is not wrong.

Neither is Hungarian society out of line with international trends in this respect. The depth of the division and the level of visceral emotions towards the respective other side is huge in Hungary. Despite this being a global phenomenon, Hungary is among the more special cases in that in democratic countries generally most of the activities aimed at heightening social tensions are performed by parties on the fringes, which hope to increase their support through xenophobic, anti-EU or Eurosceptic views, a strong emphasis on order, and a hostility towards the traditional institutional structure of liberal democracy. In Hungary, however, all of these viewpoints are not presented by a marginal player or larger opposition party, they emanate from the very centre of the regime, the propaganda machine installed by Hungary’s ruling party since 2010. Kövér himself is a case in point. In his speech, he emphasised that Hungary is polarised between a side that is committed to national sovereignty and one that seeks to betray and undermine it. The speaker appeared to be calling on the leaders of national security apparatus to help the governing party keep these dangerous elements at bay. Although the military and national security apparatus rarely appear in the context of partisan politics, the numbers of “exceptions” are growing and Orbán’s deep state vision clearly emphasises strong ties between Fidesz and the security apparatus.

The key source of the wedge dividing Hungarians is Fidesz’s propaganda machine, the media concentration, the uniformity of the

narratives and contents disseminated by the vast Fidesz-controlled media empire. All of these are unprecedented in a democratic setting and they raise the legitimate question whether this can even be called a democratic setting. The propaganda machine sets government party voters against opposition supporters, rural residents against urban dwellers, sexual minorities and those who are tolerant towards them against those who see them as threats, etc., and the government clearly has a political stake in deepening these conflicts.

A potential opposition victory would unleash sentiments on the Fidesz side that are difficult to predict but likely to be intense and intimidating. The language used by the propaganda machine in recent months – including the taxpayer-funded public service media which is theoretically bound by law to report objectively – has been suggesting that the opposition is a union of Hungary’s enemies from within and without, and Hungary’s very existence may be at stake if they win. Regime ideologue and cultural czar Szilárd Demeter formulated this most menacingly in his famous comment that “Europe is Soros’ gas chamber”, a metaphor wherein the Hungarian opposition representatives are Soros’ executioners.

The opposition, too, is increasingly bitter, and already back in 2018 it did not take its defeat in a stride but immediately organised a joint protest against the government and the way it was abusing its powers. That was the first major sign that the opposition parties might unite against the ruling party. It is a unity that is based on a negative feeling primarily, that of a rejection of Viktor Orbán and his regime, which is roughly just as pervasive in Hungarian society as the share of those who loathe the opposition. Given the opposition’s reaction in 2018, one major question mark that looms over 2022 is how the many ultras in the Fidesz camp would react if their party lost after 12 years.

So Kóvér is right, the most important challenge for Hungarian society in the near future will be to begin healing the rifts that divide the public. Even without violence, this does rise to the level of a national security risk. Where Kóvér is wrong, however, is that such a healing cannot begin as long as he himself and his ruling party with their extensive propaganda machine portray their opponents as traitors. Fidesz has no interest in changing this, since its electoral success depends on a highly energized base and the latter is a result of a massively divided society. If polarization declines, the huge Fidesz base will become less cohesive and reliable, too.

Cutting off at least public funds for the media efforts to poison Hungarian society into deepening divisions will be a major challenge for 2022, as would governmental action to begin restoring a genuinely independent media by “unfreezing” commercial ads that could flow to politically independent media, dividing state advertising spending fairly, and distributing radio frequencies without partisan criteria, among other things. But an even greater challenge would be to reach out to and reach some kind of national consensus also involving Fidesz supporters all the while the ruling party’s infrastructure of deep power is being disassembled.

From the perspective of the opposition parties and their joint PM candidate, this is the type of problem they wish they were faced with already. Over the past 23 years, Hungarian society has been reshaped in the image of Viktor Orbán’s vision of politics as warfare that is aimed at total domination at best, the destruction of opponents at worst. It would be reasonable to assume that large segments of the public are not ready for a sudden change in this thinking, and that includes significant slices of the opposition bloc, too.

Conclusion

2021 was a year marked by the seemingly endless scourge of Covid-19, which is in its fourth lethal wave as of this writing, combined with emergency powers used in various public policy areas (many of which had little to nothing to do with the pandemic), and the most brazen efforts thus far to privatise the state’s assets and to monopolise into the hands of Fidesz many levers of public power that a new legislature or executive would have no control over. The latter in particular is seen by optimists as a sign that Fidesz is preparing for a potential defeat in the upcoming 2022 election, to make sure that it leaves a lot of safeguards in place to secure its influence over the machine of the state. That may well be the case.

At the same time, in the event of an eventual Fidesz victory it could also be construed as a sign of something even more problematic: another temporary culmination of a trend in which the lines between the government and the state on the one hand, and the ruling party on the other, have become so blurred, the overlaps between these organisations and institutions so entrenched, that it is barely possible to tell where Fidesz ends and the state begins. In other words, with Fidesz in government, this structure is becoming eerily reminiscent of a party state with a façade of elections, which are partially free and unfair.

This is now increasingly Viktor Orbán’s Hungary, a state where all lines of control flow through him personally, and all institutions of power are connected to and dominated by him, either through formal or informal mechanisms. This state is in the European Union because of all the economic benefits of EU membership, but it is not at all clear whether for Orbán that membership would be worth the price of compromising control. Orbán is not ideologically pro-European, for him his regime comes first and second. If the EU should drift into a conflict with Fidesz and Orbán that threaten this regime, then all cards are on the table.

Fidesz has used 2021 to prepare for the 2022 election as well as possible under the circumstances, that is the unpredictability of Covid-19 and its global and domestic economic reverberations. It is making full use of its informal dominance over the Hungarian media, the scope of which is simply unprecedented in democratic regimes. It continues to unabashedly change and refine the election laws to add to the advantages it has already accumulated over the past decade.

Going into 2022, the opposition is better prepared for an election than ever before, but the manifest flaws in its campaign also highlight key problems. Despite years of cooperation now, the opposition parties still struggle with operational difficulties, and this was especially conspicuous in the aftermath of the unexpected success of the primary of the opposition parties, when the joint campaign of the alliance was off to a slow start, which large segments of the public likely noticed.

Fidesz will continue as before

If Fidesz wins the election, then the story in 2022 and beyond is very likely to be one of a continued gradual effort to concentrate and consolidate power, buoyed by a fourth successive election victory and with Viktor Orbán in power for another four years as the longest-serving active head of government in the EU. The already massively blurred boundaries between the ruling party and the state would disappear further, with one possible scenario that they would not be untangled for decades.

Absent another two-thirds majority, further constitutional changes are unlikely, however – thus including speculation about the creation of a presidential or semi-presidential regime in which Orbán would serve as the head of state. But the ruling party would nevertheless use its considerable formal and informal leverage to consolidate the party state further and to squeeze all actors in society that might challenge its power in the future or even criticise it. Fidesz perceives any criticism as opposition activity and thus by

definition as a challenge to its power. Given what we have seen over the past twelve years, anticipating any voluntary restraint on the part of Fidesz seems ill-advised.

Ready or not – what if the opposition wins?

The more unpredictable scenario is the one where despite the odds in Fidesz’s favour and the unfair playing field the opposition nevertheless emerges victorious and takes power. The closest we have to a precedent for such a scenario is Fidesz’s defeat in 2002, which also caught a confident (but far less entrenched) governing party off guard. The reaction at the time was not pretty. Even though the polarisation of public life was less toxic back then, Fidesz ceded power reluctantly and struggled to acknowledge the legitimacy of its defeat.

Although Fidesz ultimately handed over the reins of government, Fidesz politicians were unwilling to acknowledge that being defeated at the ballot box could be simply that, an election victory by the other side. The situation is much worse now. Fidesz’s control over the apparatus of the state is far stronger, and its own belief in its own unique role as the defender of Hungarian society runs far deeper.

In the event of an opposition victory, the best-case scenario is one where Fidesz moves into the opposition but tries to block every move of the government by using its control over public officials entrenched in their positions with two-thirds supermajorities, along with manoeuvres designed to split the fragmented majority. Even if it were to ultimately fail in bringing down a hypothetical opposition-led government before the term of the latter ends in 2026, Fidesz is likely to make life miserable for the new cabinet.

The unpredictability ahead

The challenge for any government elected in 2022 will be huge. Even a re-elected Fidesz would find it difficult to deal with the deep problems it has left or created in many policy areas, not to mention

the burden of its own profligate election spending, the unpredictable risks of further Covid-19 waves and their economic ramifications. These can easily spiral out of control, especially for a vulnerable economy that has followed Viktor Orbán’s strategy of focusing on a few core areas at the expense of diversification, boosting small enterprises and knowledge in society as the foundations of growth.

In addition to all the challenges above, if it were to take the reins of government, the current opposition would also face the deep state and the oligarchy controlled by Fidesz, as well as a deeply disappointed Fidesz base, segments of which may well take to the streets and riot, with or without the tacit approval of the losing party.

Overcoming the deep divisions within Hungarian society through successful public policies and symbolic actions which highlight what unites the Hungarian people will be vital in a potential opposition-led government’s efforts to succeed in such a hostile environment. Arriving at a concord with Fidesz about routine alternation in power will be impossible as long as Viktor Orbán’s views about politics predominate in Hungary’s dominant party. The only way to lighten the devastating weight of the prevailing social divisions is to appeal to society directly, including the less fanatic segments of the Fidesz base. That applies especially to the pragmatic rural supporters of the current governing party; a new government would be well advised to extend them a helping hand to make life easier for the many who are filled with anxieties, real and imagined, fuelled by the Fidesz propaganda machine. This should be complemented with acts of reconciliation and unity despite the backdrop of the battle over control of the state, which will rage on even if Fidesz is no longer officially in power.

The international environment may provide some help for a new government in finding its footing but it is nowhere near potent enough to make up for all the challenges of increasing social polarisation, inequality and wasted opportunities to improve Hungary’s prospects through smart public policy.

“More than a [simple] change in government, less than a regime change” – this Fidesz slogan from 1998, the year of its first election victory, will also apply in 2022 if the opposition were to win the election. But like the first post-transition government between 1990 and 1994, a new opposition-led government, too, would be hobbled on many fronts, with the odds of failure being fairly high.



POLICYSOLUTIONS 

H-1065 Budapest, Révay utca 10., Hungary
Telephone: +36-1-474-87-48
E-mail: info@policysolutions.eu
Website: www.policysolutions.eu

