

Cutting on the stealth

With the presentation of the Convergence Programme, Fidesz is adding more specifics to its economic policy approach. In an extraordinary feat of communication, it has successfully embedded austerity measures within its economic programme and used the hubbub surrounding the constitution to divert attention from the less savoury specifics of said programme. This worked, and Fidesz is unlikely to face a backlash on account of implementing budget cuts that appear inconsistent with its rhetoric in opposition.

With all the justified commotion surrounding the new constitution, the boringly titled Convergence Programme 2011-2015 flew almost under the radar. While it did not pass entirely unnoticed, it did get less attention than it ordinarily would have, had it not been timed to fortuitously coincide with the adoption of Fidesz' controversial basic laws.

If you look at the standard calculus of political communication - i.e. pocketbook issues trump symbolically charged, but seemingly less important issues - then this whole scenario was inspired by genius. This is not to say, of course, that the constitution is only a symbolic issue. In fact, it is most likely the most important substantial piece of legislation adopted by Fidesz during this term, and it may shape the Hungarian polity for decades to come.

Too removed to matter

But like other seemingly symbolic issues, such as for example the limitation of the Constitutional Court's power of judicial review and the media law, the constitution, too, appears to be mostly of concern to intellectuals. Though not entirely unconcerned, the public at large appears to embrace the notion that such issues are mostly toys for the political class and the intelligentsia, without much effect on how the daily lives of citizens will shape up in reality. Indeed, some intellectuals also professed this belief in the debate about the constitution and its legitimacy. While it is true that the effect of a constitution on everyday life is at most indirect, it wields enormous influence, especially in the long run.

Be that as it may, for the opposition the synchronicity of events presented a quandary: had it focused more forcefully on the Convergence Programme at the expense of the energy it put into protesting the Constitution, it would have implicitly conceded that the Constitution is not quite as important as it was made out to be.

In terms of communication, Fidesz emerged relatively unscathed from the presentation of the Convergence Programme, in spite of the fact that the ambitiously titled document contains a series of hefty austerity measures. This is impressive because it is worth recalling that upon introducing austerity measures following an election campaign based on denying

such intentions, the Socialist Party's popularity faded in a heartbeat in 2006, and never recovered.

Austerity or not?

With the Convergence Programme, which was meant to flesh out the Széll Kálmán Plan introduced in March, Fidesz has presented a set of measures that mesh well with its ideology. The real one, that is, rather than that of the populist Santa Claus that campaigned against the Socialist Scrooge during the past term. The primary reason for not calling the Convergence Programme an austerity package is that it claims to be something else, which is to some extent true. It is an economic strategy, including among other things plans and projections for GDP growth, budget deficits and national debt until 2015.

So the fair thing to say would be that there is an austerity package in the overall plan. And these measures have some bite. We noted a few weeks ago that the text of the constitution is carefully constructed so as to chip away at citizens' social rights while it claims to uphold them. Fidesz' measures now are further proof that these are not only theoretical ideas that the framers held but also influence public policy.

Some will be hurt

Let us briefly look at some of the more important examples. The two types of unemployment benefits will be rolled into one, and the maximum duration of these benefits will shrink from nine months to a mere three. This is a harsh change, especially in light of the fact that the average unemployed worker seeks a new job for over 18 months - already an improvement over last years' numbers. The notion that the reduction in benefits will inspire a quicker return into employment is plainly unrealistic for many of the jobless, who will experience painful cuts without corresponding opportunities to find placement.

The government has significantly reduced sick pay and seeks to clamp down on fraud in both, employee sick leaves and disability pensions. The latter is particularly important, as the ratio of disability pensions is extraordinarily high in Hungary, where during the mass layoffs of the 90s many largely healthy people retired on disability with the assistance of well-meaning physicians. The question of course is whether the labour market has any use for these people (though quite a few of them are employed without official documentation).

The government also seeks to reduce subsidies for pharmaceuticals by 120 billion forints, though some experts have voiced their scepticism whether such a move is feasible or even rational in light of the probable costs of its adverse effects (and in latest news it appears that the government may be backtracking as well). There are also several more minor

rationalisation measures, which do not seem particularly drastic, though some are squeezing systems that are hard pressed already, such as for instance public transportation.

Not very consistent, but it still works

Some of these measures fly clearly in the face of what Fidesz has stood for over the past few years. One justification advanced is that we are still in crisis, which the government simply must take into consideration. This argument is partially true. Fidesz has inherited a disastrous situation from the previous government, and over the past year it has been dancing on razor's edge trying to reconcile its most ambitious projects with the expectations of those financial market actors whose credits keep the state afloat.

While Hungary's budgetary situation is nowhere near dramatic as it was when Gyurcsány introduced his extremely controversial measures, it is also true that the international environment is far more jumpy because of the defaults that loom across the euro zone. The government clearly had better avoid major provocation, such as spending its way out of Hungary's current stagnation.

Yet, there are also two problems with the crisis-related claim. First, some of the pressure to cut various benefits stems from the introduction of the flat tax (as well as other tax reductions) and the need to balance the revenue losses thus incurred (Matolcsy suggests the flat tax cost the state 500 billion forints, or roughly two percent of GDP and 4% of total budget revenues). The benefits of the tax cut are dubious enough as it is, but when interpreted in light of some of the harsher measures, they seem very unfair. Secondly, Fidesz' has railed aggressively and relentlessly against almost every effort to cut spending in the recent years. One would look in vain for the announcement of the necessity (or even justifiability) of many of the austerity measures adopted now in any of Fidesz' public pronouncements, starting with its campaign manifesto. As recently as a few months ago Orbán still emphasised that austerity would be the worst public policy response in a crisis.

The question, of course, is what impact the austerity will have on Fidesz' popularity. Probably not much, for three reasons. First, its scope is far more limited than the vast austerity packages introduced by the Gyurcsány and Bajnai governments. Moreover, some of the harshest cuts - i.e. unemployment benefits - focus on closely circumscribed groups that many voters feel have been pampered anyway. Second, the cuts have been packaged more wisely as part of an economic programme rather than mere belt-tightening, and their communication has thus far been successful - in part also because of the opposition's reduced capability to pounce on this issue. Third, there is indeed a persistent sense that Hungary is in crisis, and voters' expectation was set at a lower level than it was in 2006, when they were genuinely stunned by the government's actions.