



The Expendables – Fidesz is slicing its coalition

Fidesz' vast political coalition was bursting at the seams right from the start. Now the government has put an axe to large portions of the coalition, by cutting benefits and services that affect hundreds of thousands of citizens. Especially citizens in an economically vulnerable position are likely to turn against Fidesz. Though the political price of these measures will probably be high, Fidesz figures that inaction would be costlier still. It is far from clear whether these measures will give the economy sufficient impetus to balance its detrimental political effects, but Fidesz is finally engaged in some of the far-reaching reforms that economists have demanded.

Prior to the elections, Fidesz had constructed the broadest coalition of voters conceivable. It outperformed the opposition by wide margins in every demographic. What was clear was that this coalition was politically unsustainable. Fidesz had successfully managed to avoid antagonising any major group of voters by defending all and every kind of benefits and supports, promising new ones and pledging to set public finance on a course of sustainability. These commitments were clearly at least to some degree mutually exclusive, and the global financial and economic crisis has rendered Fidesz' various positions even more incompatible with each other.

Though from the very start voters seemed less inclined to believe the “all will be rosy” narrative, even the toned down expectations probably exceeded the reality of what a government (of any colour) could do. Hence the anticipation was that Fidesz would lose support where the commitment to the party was weakest: among the lower classes, the urban populations and in the depressed areas of eastern Hungary – i.e. those groups in which MSZP had amassed its narrow margins of victory in the two previous elections.

Who will hurt first

Still, an open question was which of its commitments Fidesz would renege on and what class of voters its policies would affect adversely – that would inevitably also impact what groups would abandon it first. In terms of the bread and butter issues, most of 2010 showed no clear signs of direction in Fidesz' policies. The government focused on the consolidation of power and institutional takeover, as well as economic measures that were likely to be popular: taxing large (and especially foreign) corporations while lowering income taxes and corporate taxes for SMEs.

Conservative economists who had cringed at the previous government's inability to enact far-reaching reforms were anxious that Hungary was forfeiting its chances of economic consolidation for another four-year term. Now, it seems they might be getting what they longed for: ditching conventional wisdom that its best to get the harshest cuts out of the way first and then pray for the economy to lift all boats before the next national ballot, Fidesz is serving its austerity measures piecemeal.

Conservatives in academia might quarrel with many details, but the fact is that the overall trend of the government's economic policies largely follows the course charted by the

Anglo-Saxon right: a tax cut geared towards high earners and decreasing government outlays for the most vulnerable segments of the population. Let's briefly review these.

Boosting demand for labour

In the hope of simultaneously boosting both supply and demand in the labour market, the government is putting pressure on the inactive segments of the population while it provides incentives for employers to invest and create much needed jobs. It has or will cut a vast array of benefits: sick leave, bonuses for night-time and weekend labour, paid vacation, etc. Workers might also have to work longer (a 44 hour or five and a half days work week) and employers will have more latitude in mandating an unorthodox distribution of working hours; for companies whose working processes depend on orders and/or supplies that arrive unpredictably, this will be a boon, in as far as they cared about existing regulations.

Along with the tax cuts, these measures are supposed to make it more attractive for entrepreneurs to add jobs, as they might help improve productivity – in this sense, they are designed to boost the demand side of the labour market. Yet the problem with the tax cuts is that they have made it cheaper to add high wage jobs, while low wage jobs will cost employers more in light of rising minimum wages and reduced net pay.

And increasing its supply

The government has also been active in increasing demand for jobs. Most painfully, it has consolidated the two types of unemployment benefits into one and has reduced the maximum duration of its provision to three months, down from nine. In addition to saving the exchequer money, this could presumably also pressure the unemployed to find jobs more quickly.

Considering the time it takes for an average unemployed person to find a job (roughly 18 months), it appears unlikely that this will be a successful motivator, however. Moreover, the measure is exceptionally harsh in European comparison. Experts consider six months to be a minimum appropriate time to allow for getting by decently until finding new employment.

The government also seeks to crack down on two major segments of the inactive population: those who illegitimately draw disability pensions and those who – perfectly legitimately – retired early. The first is not very controversial. Many people are frustrated that a disproportionately large segment of the total population has officially received the seal of disability from either too soft-hearted or corruptible physicians in spite of being fit for work. Now they live off the taxpayers, who are understandably irate.

Still, a comparison of the high ratio of disability pensions here with other countries reveals that several hundreds of thousands of people might be affected (the government estimates that some 200.000 people will be herded into the labour market from this group). Their and their families' enthusiasm for the government is likely to be affected as well.

Early retirements might cause a larger stir still. The government's proposal to do away with early retirements in key public services (police and fire-fighters) has already aroused the ire of these groups, leading to highly emotional demonstrations and threats of (unlawful) strikes. Now Fidesz has proposed a constitutional amendment that would make it possible to send back into the labour market persons who retired years ago (because of the back and forth on the issue it is unclear whether Fidesz actually plans to do this, but the amendment has no other use). While voting choices are notoriously complex, it is difficult to imagine that anybody subjected to such a treatment would consider voting for Fidesz.

Alienation Course

To return to the issue raised in the beginning of the article, it appears that the answer to the question which groups of voters will abandon Fidesz first is the "conventional" one: poorer voters have been let go first. Fidesz has decided that society's most vulnerable segments are the most expendable, which is a perception the latter share, too. Politically speaking, there are two ways this may play out.

As a political calculus, it might well work. Building a stable coalition of those profiting from these policies might be enough in itself. Moreover, as we have repeatedly emphasised, Fidesz boasted an enormous buffer at the previous election, much of which it retains at least among certain voters. For all the mistakes and politically offensive things Fidesz has done, the damage is not yet sufficient to lose it the election. And thus far there have been few good news for the government – those, too, may come yet.

On the other hand, this country is not the UK or the US where voters' values aligned reasonably well with an economically right-wing course. Both the values and the economic status of the average voter differ significantly from the countries where such economic policies have persuaded voters. Thus, in the final analysis, Fidesz is taking a risky path politically, but it's definitely not one of certain doom.