



## Hundred days older, yet hardly any wiser

**Three months into its term, most of the Orbán cabinet's plans for Hungary's future remain shrouded in mystery**

Long before the 2010 elections, few things were as certain as the notion that Fidesz would form the next government with Viktor Orbán as its head. As to what he would do once in office, most were sincerely clueless. Altogether, what was evident was that in opposition Fidesz had supported most if not all new spending proposed by the previous government, demanded fairly significant additional outlays on top, and had comprehensively opposed the much belated efforts to rein in spending. In opposition, Fidesz was everyone's best friend, save future taxpayers.

Yet as the elections neared, Fidesz was extremely tight-lipped about what it would do once it actually took power.

Economic experts of all political persuasions assumed that the previous indiscriminating theoretical generosity was just standard opposition posturing. Fidesz economic policy, it was widely expected, would pick up where it left off around roughly 2000, when the widely acclaimed Attila Chikán was minister for the economy.

And in fact there have been signs to this effect. Changes in the tax code introduced by the government – the most important economic policy change to date – reflect Fidesz' commitment to a key aspect of conservative economic policy, that is easing the tax burdens of the upper and middle classes in the hope that it is primarily the added performance of these strata – encouraged by the gains derived from lower rates of taxation – that will drive the economy forward.

At the same time, one area in which Fidesz is not willing to completely align itself with neoclassical economics is budget discipline. Much of the domestic and international attention during the first hundred days has focused on the government's fluctuating and often contradictory statements on whether it will adhere to the Maastricht Criteria's budget requirements and on how it plans to do it – if the answer to the first question is indeed yes.

We won't recap the back and forth in the government's communication regarding this issue. Instead, let us briefly consider the respective arguments on both sides of the issue. The government is understandably upset about the perceived double standard eminent in the fact that in response to the global crisis, much of the European Union is racking up vast deficits. Even the deficit figures originally envisioned by the Fidesz-government for 2011 would hold up well in international comparison.

For the international institutions on the other hand relaxing agreed upon conditions in an environment when a number of nations are teetering on the brink of bankruptcy – especially in the case of a country that barely escaped default with the generous help of the IMF – could easily backfire in the form of unwittingly green-lighting similar requests. Moreover, experts stress that Hungary itself might easily run into financing problems again, making it a default candidate in spite of its relatively low deficit.

While Orbán may find it unfair that his government is entrapped in the circumstances created by the previous government (conveniently ignoring the fact that Fidesz was a key supporting character in the irresponsible spending spree between 2002-2006), the IMF and EU for their part are less likely to acknowledge that the Hungarian “revolution in the voting booth” necessarily warrants resetting the clock on Hungary’s international obligations.

The result is that for now the government is back to promising a deficit under 3%, but continues to avoid details on where it will enact the necessary cutbacks (or raise the additional revenue). Sooner or later it will have to lift the veil on its plans, but for now the budget process will be delayed and so will the details of the government’s economic policy.

The challenge is vast, especially since the other pillar of the government’s policy would be stimulus-type investments in Hungarian SMEs (the related Széchenyi programme was discussed in the week 32 newsletter). Though they may be less universally beloved by economic experts than the government claims, the truth is that many believe such programmes would indeed help foster Hungarian enterprises that are not easily relocated abroad, and also create much need jobs.

Yet regardless of the advantages, such programmes cost money and that is likely to be available only if it is taken from somewhere else. In his recent speech in Kötöcs, Orbán has essentially admitted that the inevitable and presumably humungous budget adjustments would hurt the vast coalition of lower- and middle-income earners Fidesz has built over the last few years.

That is indeed likely, and given Fidesz’ ideological commitment to the upper- and middle-classes, its belief in the economic driving force and political clout of these classes, our sense is that just as they benefit significantly more from the new tax code, the upper- and middle classes are also less likely to suffer from potential budget cuts. This is about the extent to which the last hundred days have helped shed light on the years to come.

As far as major reform plans in other public policy areas are concerned, they will fortunately not strain the space allotted to our weekly newsletters: nothing so far.

\* \* \*

The other major area where Fidesz has begun to introduce major changes and where it has great – though also unclear – plans are laws requiring a two-thirds majority, most importantly the Constitution, which it plans to redraft in its entirety. Here the question is

how the planned changes will affect the underlying democratic structures and whether the new constitution will serve the purposes of solidifying Orbán's "central political force" that is envisioned to rule Hungary for "15-20 years" (Orbán in Kötöcse in 2009), or whether it will rise above party political interests, as it ideally should.

Since much of what Fidesz does will be interpreted in light of Orbán's 2009 Kötöcse pronouncements, a few considerations are worth nothing. Thought it is extremely ambitious, there is nothing inherently suspect with seeking to stay in power for four-five terms in a row. That is a natural political aspiration.

But in a charged political environment, which moreover suffers from the fact that democratic values are not deeply rooted and democratic institutions are therefore fragile, such statements will inevitably arouse suspicions, no matter who makes them.

Broadly speaking, there are three ways in which such a lengthy period of dominance might be achieved. One is doing a good job in government or at least persuading a majority (or plurality, if that is sufficient) of voters that they should be pleased with their incumbents, for whatever reason.

Two things help: a) if there is a vast structural base for the given party, with many voters inclined to vote for it on ideological or other grounds alone, regardless of actual performance; b) an opposition that keeps disqualifying itself. As far as a solid voter base is concerned, it is undeniable that Fidesz' is the largest in Hungary, but still: party loyalty was not very strong to begin with and, as everywhere else, due to sociological changes it is declining rather than strengthening. As far as the opposition is concerned, they might well do Fidesz the required favour.

The second way to establish long-term dominance is either tweaking the democratic rules or undertaking their total readjustment to serve the interests of the ruling party, i.e. weakening democracy.

Thirdly, one can combine the two, that is strive to govern well but also "keep the gunpowder dry" in case the results do not speak persuasively enough for themselves. Based on its policies thus far, this latter route is the one Fidesz appears to have chosen. Clearly, the possibilities for undemocratic measures are massively circumscribed by our EU membership.

At the same time, as far as the quality of democracy is concerned and the damage that could be done to it, the strength of the EU to prevent such measures should not be overstated, especially since we have seen manifestations of disturbing policies in the region. There is plenty of room for "tweaking" the system to make it more amenable to the governing party.

Very briefly, the following measures suggest such a desire by Fidesz: the increased or total control by Fidesz loyalists of independent oversight institutions that are either meant to

monitor the government (State Audit Office and Constitutional Court, including the rules for selecting the members of the latter) or to oversee the media (Media Council).

Yet an alternative explanation might be – and indeed often is – advanced for all of the above, namely that since these institutions still suffer from the effects of 40 + 12 years of communist and post-communist governance, they must finally be cleansed of this influence to make them balanced. One need not endorse this notion to acknowledge that it is fairly widespread in Fidesz circles. And since independent experts do not exist anyway, the arguments hold further, one might just as well put qualified Fidesz cadres in the newly filled positions (though it is hard to imagine that there are no qualified Fidesz-lawyers and thus a politician/political scientist with hardly any background in law had to be elected to the Constitutional Court).

As far as the modification of the rules pertaining to local elections (described in week 35's newsletter) is concerned, however, there is no logic or argument that might explain how they serve democracy. Drastically limiting ballot access in a country where the rules were to begin with effectively among the most prohibitive in democratic countries, clearly meant to serve the two purposes that it will end up achieving: making local governments overwhelmingly Fidesz-dominated by bolstering the representation of the strongest party and making it much harder for new players to enter politics.

Though they betray a somewhat overwrought desire to control everything, none of these measures by themselves or taken together will have a major impact on national elections. Given that they are the fruits of a mere 100 days in government, however, they highlight a tendency that is certainly worth tracking.