Hungary’s Path Toward an Illiberal System

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The idea of preparing a thematic issue on Hungary goes back one and a half years. The initiative started in February 2014 – shortly before the end of Viktor Orbán’s second four-year parliamentary cycle, precisely two months before the elections. Almost four years of government should be sufficient to evaluate the main goals, achievements, instruments, costs, and consequences of this period. We were fully aware of the fact that the analyses in this volume would – at least partly – address the situation and developments after the parliamentary elections of 2014 as well. The authors were invited to publish on selected issues of Hungarian development covering the past 25 years, with particular attention to the period between 2010 and 2014/15. The main aim of this undertaking is to shed light on several challenging and, to an extent, controversial developments in Hungary. On the other hand, this publication is intended to provide orientation for policy makers, experts and, not least, a wider public interested in the rapidly evolving political, institutional, economic, social, and psychological situation in this EU member state.

There were several reasons for an enhanced interest in Hungary. In political terms, in the spring of 2010 Hungary became the only EU member state with a two-third parliamentary majority for a ruling party (FIDESZ-KDNP) as a result of free and democratic elections. The already weak and continuously weakening position of a fragmented opposition, the emergence of an increasingly apathetic society, and the decade-long deliberate mental contamination pursued by the governing coalition, has raised serious concerns about the sustainability of an EU-conform democratic system. The functioning of democracy under such conditions has become a theoretical and policy-relevant issue for both Hungary and the EU.

In economic terms, the first Orbán government inherited a double crisis management package, introduced by the previous government under Gordon Bajnai. The intention of the package was two-sided. On the one hand, it was supposed
to remedy the consequences of erroneous economic policies and huge budget deficits, accrued between 2002 and 2008 during the Medgyessy and Gyurcsány governments. It has to be emphasized that the roots of policy mismanagement were partly due to the constant fear of Viktor Orbán and his supporters – still in opposition – in Parliament and on the streets. Some of the reforms enforced by the international financial community (in exchange for emergency support by the IMF) had to be implemented under conditions of a permanent “cold civil war”, initiated immediately after Orbán’s electoral defeat in 2002. On the other hand, the management package was to alleviate the effects of the global crisis in 2007, which led to a decline of Hungarian GDP by 6.8 percent (EU average 4.3 percent) and of exports by almost 20 percent.

As a result, the decade-long political fragmentation accompanied by growing social tensions undermined economic growth and competitiveness, which simultaneously became the main obstacle to a proper democratic performance after 2010. Openly changing its previous populist attitude in opposition, the new FIDESZ government in 2010 switched to an economic policy labelled “unorthodox”, by seriously cutting social, health and educational expenditures; all of them indispensable factors for sustainable social cohesion and economic competitiveness. At the same time, an economically irrational and socially inhuman flat personal tax was introduced, and taxes in sectors mainly dominated by foreign companies were drastically increased. As a short-term result, Hungary, for the first time since EU accession in 2004, was able to leave the excessive budget deficit surveillance mechanism. Backed by substantial foreign trade and current account surpluses, partly due to previously obtained competitiveness, yet mostly due to the flow of foreign direct capital before 2010 and, in the last years, to the lack of domestic and foreign investments, the financing of international debt became easier. Finally, huge transfers from the cohesion fund contributed to relatively high economic growth after 2013, even if the pre-crisis performance level has not yet been reached until today. The key uncertainty however, remains the substantially questionable sustainability of the current economic situation.1

Yet, the most important factors attracting international interest to Hungary after 2010 are non-economic issues, such as the rapid deterioration of democratic values, the limitations to media freedom, and the abolition of a checks-and-balances system of key official institutions, from the Constitutional Court through the judiciary system to civil organizations. In the economic context, the new government launched its “freedom fighting” campaign, accusing

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transnational companies, foreign banks, and public utility providers of ignoring “Hungarian national interests”. Neither international organizations made an exception, since the initial attack on the International Monetary Fund, which saw Hungary as a symbol of “successful freedom fighting” – as Hungary had repaid its debt to the Fund – was quickly followed by permanent conflicts with the European Union, placing Brussels on the same level as Moscow or Vienna in the respective state socialist and imperial pasts.2

As often the case in dealing with complex topics, the guest editor, but to an extent also the invited experts, faced several challenges. First, the key subjects to be presented had to be determined. Since a comprehensive presentation of the situation in any country – not least in present-day Hungary – requires a multiple approach in order to provide a balanced and broadly understandable picture, the areas with the most fundamental changes and of international interest, have been identified. Six topics have been selected in the following sequencing.

Imre Vörös deals with the Hungarian legal system placing special emphasis on the new Constitution approved by the Parliament in early 2011, which did so without consulting the opposition parties and, more importantly, by omitting a referendum. The critical issue is to what extent the new Constitution is in accordance with basic European values and how a diverging legal environment should be interpreted and addressed.

Attila Ágh investigates the Hungarian party system, with special reference to the roots and potential consequences of the domestic political landscape with the two-third majority of the government coalition, the fragmented opposition, and the increasingly influential extreme right party Jobbik.

The constant as well as changing components of the Hungarian foreign policy are analysed by Károly Banai. The selection of this topic is particularly relevant due to the changing behaviour of the Hungarian government towards the European Union and the US administration (albeit not to NATO), as well as the official proclamation of a new foreign and external economic policy towards the “East”, and, most recently, towards the “South” (Africa and Latin America). The question is raised, why and how the “star pupil” of the newly formed Central and Eastern European democracies suddenly became a laggard, with diminished ability to contribute to solving international problems, and has in fact become more and more a source of problems.

The analysis prepared by András Vértes then provides a comprehensive survey of the economic philosophy of the government, the high-cost results, and the increasing unsustainability of its “unorthodox” economic policy.

Special attention is allocated to the media landscape. Gábor Polyák points to the well-prepared structure of the media dominated by the government and its broad political, ideological and economic alliance network. The campaign of “freedom-fighting” in the political and economic areas has been strongly contrasted with serious limitation of freedom for the media in Hungary.

Bogdan Góralczyk, probably one of the best foreign experts on Hungary, contributes a study highlighting similarities and differences in Polish and Hungarian developments following the accession of both countries to the EU in 2004. His analysis may attract special attention due to the upcoming Polish elections in October 2015, which may prove to have more relevant impacts and consequences on the future of European integration and the EU in general, than, regrettably, Hungarian developments have been able to generate.

All authors agreed to consider, in their respective analyses, the last quarter of a century, starting in 1990. They put their emphasis on the last five years, however. In fact, this period has marked a clear “systemic” change compared to the previous two decades of fostering democratic fundaments, preserving internal and external stability and accountability, as well as continuously building a competitive and open market economy.

Another challenge the guest editor faced stemmed from the interconnectedness of the individual papers dealing with different policy areas. Thanks to the broad vision and experience of all contributors, the volume reveals an interdisciplinary approach. All analyses include statements related to issues addressed in other papers. In view of this, the readers will hopefully be able to familiarise themselves and adequately evaluate the current situation of dominant trends in Hungary’s development pattern.

Finally, and most importantly, the task of combining and successfully balancing a high level of professionalism on the one hand, and the contemporary nature of the topic on the other, presented a challenge. Here, I would like to express my deepest thanks and respect to all authors who were open to various comments in the peer-reviewing process and, with exemplary patience and self-discipline, were ready to make changes and modifications they deemed suitable, at different stages of preparing the final version of the manuscripts.

What is more, developments between launching the initiative in February 2014 to submitting the final version of the manuscript in August 2015 have fundamentally strengthened and justified the idea of preparing a multidisciplinary and thought-provoking volume on Hungary. The FIDESZ-KDNP coalition repeated its two-third majority victory in the parliamentary elections of 2014; and even if it has recently lost this majority, its dominant position in legislation can hardly be questioned. The establishment of an unprecedented alliance between the political and the economic (and media) lobbies, more and
more frequently referred to as “mafia”\(^3\) has continued at the same speed, even if the constellation or participants has altered.

However, the widest resonance for the necessity of a special issue on Hungary was generated by Orbán’s clear preference to “illiberal democracy”, more accurately put as autocracy or the implementation of an authoritarian system, as he himself announced in the summer of 2014 in at the Tusványos summer university in Transylvania, Romania.\(^4\) Since this term correctly describes the entire Orbán system created over the past years, and prepared already previously during FIDESZ’ opposition years, we have opted to borrow it as the overarching title of the volume. Between recent announcements of the possibility or even desirability to reintroduce capital punishment, and official migration policy, including government messages to the Hungarian population instigating hatred against refugees, the essence of “illiberalism” in Hungary can be further underlined. Taking the current dramatic rise in migration into account with its increasing pressure on several EU states, Hungary has exacerbated the situation with its own migration policy, particularly materialised in the fencing erected along the Schengen border between Hungary and Serbia. The impacts of this policy in an already precarious society should not be underestimated, specifically considering a wider European order which is and will remain fundamentally globalized. Obviously, all this has generated widespread concern across Europe and has further undermined confidence in the Hungarian government.

Several experts, both as contributors to this volume as well as in international and Hungarian fora, rightly raise the question about the EU’s commitment to democratic values and the responsibility for the future of Europe in the context of the Hungarian developments. Certainly, the EU is facing a number of unprecedented challenges. Some are internal ones, such as the Euro crisis, economic recovery and competitiveness, high-level – mainly youth – unemployment, financial imbalances, energy, migration, security, and growing anti-EU movements. Other challenges arise from frustration in the international field, such as the neighbourhood policy based on misguided expectations and perceptions, international relations with Russia, and terrorist threats, among others. Yet, all these problems do not relieve the EU of its obligation to preserve the basic pillars of democracy and rule of law within the 28-member family. For the future of Europe, the stability of democracy (and the unequivocal rejection of any kind of “illiberalism”, let alone autocracy) should be considered as at


least as important as the financial stability of the Eurozone. Moreover, the EU’s credibility is not limited to the member countries participating in the European integration project. Not less important is its external, global credibility toward third countries, both in Europe (mainly towards the Western Balkans and the Eastern Neighbourhood) and in Europe’s wider geographic proximity.

Looking at the European and Hungarian environment at the end of August 2015, I am convinced that this publication provides a comprehensive survey not only on the current situation but, more importantly, on the ongoing political, institutional, economic and psychological trends and their potential outcomes, costs and consequences for Hungary, its geographic neighbourhood and the entire European Union. I am grateful for the possibility to publish this work and to the authors for their contributions. I would strongly recommend this special issue to policy-makers, professionals, business leaders, and financial analysts. Moreover, it would be especially welcome for this issue to reach a wider public interested in and concerned with developments in Hungary and their potential impact on the EU in general, and on regional stability and co-operation, in particular.

Budapest, 31 August 2015
Abstract. The author provides an overview of Hungary’s democratic Constitution of 1989, after sketching its historical development. This Constitution met the requirements of democracy, constitutionality, human rights, and market economy in every respect. It was this constitution with which the Republic of Hungary became a member of the European Union. Hungary’s first Constitutional Court – after having been elected freely by the Hungarian Parliament in 1990 – configured an internationally recognized common practice by virtue of interpreting the Constitution in the course of its application. Inaccuracies could have been mended with constitutional amendments. Instead, in 2011 a new so-called Fundamental Law was decreed with the votes of one single party, the governing party Fidesz. Although this new Fundamental Law corrected numerous defects and shortcomings, it at the same time radically transformed the system of public law, in fact withdrawing from the principles of the rule of law, democracy, and the separation of power. The legislator parried domestic (Constitutional Court, legal literature) and international (Council of Europe, European Union) criticism through serially importing numerous judicial regulation into the Fundamental Law that had previously been annulled by the Constitutional Court. Consequently, this lesion and abuse of Hungarian constitutionalism results not to be a singular, but a systemic problem, affecting the whole realm of Hungarian public law.

Imre Vörös is a Member of and a Professor of Law at the Hungarian Academy of Sciences and formerly acted as one of the first constitutional judges of the Constitutional Court in Hungary.
ATTA LÁG

The Transformation of the Hungarian Party System. From Democratic Chaos to Electoral Autocracy

Abstract. This article describes the developments of the Hungarian party system in two radically different periods, the “democratic chaos” when there was a democratic yet weak government, and the subsequent “electoral autocracy” which saw a semi-authoritarian government. The first party system, between 1987 and 2010, was indeed both democratic and dynamic but because the state was unable to come to grips with the huge complexity of the systemic transformation it was fragile and chaotic too. But as a result of their great dissatisfaction, Hungarians were not ready to defend democracy against the attack of populist forces, so that by 2010 the second party system emerged based on a special version of authoritarianism. It was an electoral autocracy in which the ruling party comes to power through electoral manipulations, and supreme power is concentrated in the hands of very few individuals.

Attila Ágh is Professor of Political Science at Corvinus University, Budapest.
Abstract. The author examines different features of Hungarian foreign policy objectives after the democratic changes in 1989-1990. He explains some of the domestic and foreign policy conditions that have influenced the implementation of those objectives, and highlights positive and negative effects of the existence and disappearance of public support behind the formulation and implementation of Hungarian foreign policy goals. He explains how far Hungarian foreign policy has managed to contribute to the democratic changes in Hungary, but the main focus of the article lies squarely on the question of how the “star pupil”, galloping into the lead amongst the newly formed Central and Eastern European democracies, has suddenly found itself lagging behind.

Károly Banai served as Hungarian Ambassador to the Political and Security Committee of the European Union and to the United Nations Offices in Vienna, and from 2007-2009 was chief foreign and security policy advisor to two former socialist Hungarian Prime Ministers. He currently works as a business advisor to a private company in Hungary.
ANDRÁS VÉRTES

The Hungarian Economy. On the Wrong Trajectory

Abstract. Hungary’s economy has lost the past decade. Since the country acceded to the European Union, it has not been able to converge towards the EU average in per capita GDP, whereas the majority of the countries in the Central and East European region have come much closer to it. The general government and the current account balance improved markedly, but in every other field (consumption, investment, competitiveness, attraction of capital, etc.) Hungary’s performance has lagged behind the majority of the countries in the CEE region. This is due both to the former socialist-liberal and the present national-conservative governments. The irresponsible fiscal and unsuccessful reform policy of the former government contributed to the increase of the state debt. The latter government constrained democracy as well as the functioning of a market economy. Nationalisations, market reorganisations, and the deployment of a tax system as a means of punishment have undermined the rule of law and the security of property. As a result, a low growth potential and the widening of inequalities are economic characteristics of Hungary.

András Vértés is Chairman of GKI Economic Research Co., Budapest.
GÁBOR POLYÁK

The Hungarian Media System. Stopping Short or Re-Transformation?

Abstract. As the institutions underlying the rule of law are being rolled back in Hungary, one of the increasingly obvious democratic deficiencies to emerge in the past few years has been a severe deficiency in the public sphere. Various measures enacted by the government have made this deficiency readily apparent. Yet the success of the government’s actions shows that these deficiencies were characteristic of the Hungarian political and social system long before the current government took office. The public sphere’s disorders can be traced back to political, economic, and social factors. The present study reviews the factors and processes that have been shaping the Hungarian public sphere since the 1990s in order to sketch its main characteristics, identify the key features of Fidesz’s media policies, and assess their impact.

Gábor Polyák is an associate professor at the University of Pécs and the leading researcher of the Hungarian think tank Mertek Media Monitor. From August 2015 to August 2016 he is a research fellow in the Law Faculty of the University of Münster.
Poland and Hungary after the 2008 Global Crisis

Abstract. Under an unprecedented political system, created since 2010, the Orbán government in Hungary has been dismantling liberal democracy. But this development has remained relatively unknown to the world – even to Hungary’s neighbour states and countries in the European Union. This study follows the internal political dynamics in both Hungary and Poland in the decade that has elapsed since the EU enlargement of 2004 brought these countries into the European Union. Traditionally Poland and Hungary have stayed close to each other in development. In 2005-07 Poland tried to establish a “Fourth Republic” foreshadowing the types of policy change the Orbán government later espoused. This Polish attempt collapsed, but the ideology is still very much alive.

Bogdan J. Góralczyk is a political scientist and sinologist and is a professor at the Centre for Europe, University of Warsaw. A former diplomat and ambassador, he served as high-ranking diplomat in Hungary through most of the 1990s.
At the end of 1918, Transylvanian Romanians strongly supported the forma-
tion of a “Greater Romania”. Their wartime dream of becoming a part of their
enlarged kin-state, instead of belonging to (Austria-)Hungary, now came true.
Yet, the new “Greater Romania” faced problems of social and institutional in-
tegration. Many Romanians from Transylvania felt they were being treated
as second-class citizens within the new central state. Local Romanian politi-
cians developed a wide range of discursive and practical strategies to address
the specific interests of the former Habsburg regions, on the one hand, and
to pursue their programmatic and personal interests, on the other. Florian
Kührer-Wielach explores these strategies and shows how a new and greater
Transylvania – in comparison with the narrower traditional concept of that re-
gion – was created alongside and within Greater Romania. The political failure
of a mostly “Transylvanian” new state government installed in 1928, he argues,
strongly contributed to the failure of Romanian interwar democracy and its re-
placement by authoritarian rule.

Florian Kührer-Wielach is Deputy Director at the Institute of German Culture and
History in Southeastern Europe at the Ludwig Maximilian University of Munich.

416 pp., De Gruyter Oldenbourg, München 2014, ISBN 978-3-11-037890-0, €54,95