

BTI 2012 | Hungary Country Report

Status Index	1-10	8.48	# 12 of 128	
Political Transformation	1-10	8.35	# 17 of 128	↘
Economic Transformation	1-10	8.61	# 11 of 128	→
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scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

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Key Indicators

Population	mn.	10.0	HDI	0.816	GDP p.c.	\$	20029
Pop. growth ¹	% p.a.	-0.1	HDI rank of 187	38	Gini Index		31.2
Life expectancy	years	74	UN Education Index	0.866	Poverty ³	%	<2
Urban population	%	68.3	Gender inequality ²	0.237	Aid per capita	\$	-

Sources: The World Bank, World Development Indicators 2011 | UNDP, Human Development Report 2011. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

The period between 2009 and early 2011 has been a very turbulent one for Hungarian political history. The April 2010 elections featured an unprecedented protest vote, and not only reflected the impact of the current economic crisis but also a cumulative disappointment in the developments of the last two decades. Deep and widespread frustration in recent years has led to a political earthquake – an outburst of protest and anger. Although the elected government was in power for the entire legislative period of four years, political instability ran high. Between 31 January 2009 and 31 January 2011 there have been three governments: (1) the Gyurcsány III government (30 April 2008 – 14 April 2009), (2) the Bajnai government (14 April 2009 – 29 May 2010) and (2) Orbán II government (29 May 2010 onwards). All three governments have been busy managing the impact of the global economic crisis. The Gyurcsány and Bajnai governments were fairly successful and did the bulk of the hardest work. However, the incumbent Orbán government has made a turn towards an illiberal or guided democracy. Thus, this two-year period under review covers two very different subperiods, and this particular study will focus on the Orbán government.

When the government led by Fidesz took office in May 2010, the most painful part of the management of the economic crisis was over. The general economic situation of Hungary was not bad, although the social crisis was still looming large. A new economic crisis has developed because the Fidesz government has tried to meet at least a minimum number of its unrealistic promises regarding the drastic decrease of personal and enterprise taxes. This decrease has created a huge deficit in the budget that has to be covered by other sources: Firstly from special “crisis taxes” on the financial sector and secondly from the “renationalization” of private pension funds. Thus, in this respect Fidesz has turned a budget deficit into a democracy deficit. The most characteristic statement of the government’s political philosophy was made by Lajos Kósa, the acting party president of Fidesz who indicated that Hungary’s constitutionally enshrined

economic system was subject to governmental discretion when he said: “If there is an economic crisis situation, the economic constitutionality can be suspended.”

Fidesz gained a two-thirds majority at the April 2010 elections, so it can change the constitution and enact an entirely new one. Fidesz now firmly controls the public media, and has weakened the system of “checks and balances” envisaged by the constitution. The new president of the republic, the head of the state audit office, the chief public prosecutor and the president of the council supervising the mass media have all been elected or appointed by Fidesz from among its loyal party supporters. Fidesz has seriously curtailed the powers of the Constitutional Court. Its leader has declared that if the court makes any decision against the government’s will, Fidesz will further reduce the competences of the court. Altogether, this has been a deviation from Hungary’s former path towards democratization and Europeanization. The governing party with its huge majority in parliament is busy dismantling the rule of law and eroding the fragile democratic culture.

History and Characteristics of Transformation

Hungary began the socioeconomic and political transformations of the late eighties as a trendsetter among the East-Central European (ECE) countries, leading the way for some years. Although this initial regional advantage was soon lost, Hungary proved to be successful in Europeanization and democratization, becoming a consolidated democracy with a working market economy in the 2000s. However, all the ECE states have gone through a triple crisis: The transition crisis, a post-accession crisis and the global economic crisis. These waves of crises have produced three negatively affected generations. However, there have been great variations in the extent to which the crises impacted on each ECE country. Hungary seemed to manage the transition crisis relatively well, and it was shaken by the post-accession crisis. But there is no doubt that Hungary has been hit harder by the global crisis than its partner states. This implies retrospectively that there were moments in the transition crisis that created larger issues in the later, multilayered post-accession crisis, and have been further aggravated by the global crisis. Namely, the weakest point of the Hungarian transformation has turned out to be its high level of economic inactivity, now the worst in the EU27, with an employment rate scarcely above 50%. This anomie has produced deeply controversial social transformation, since it has split Hungarian society into three parts: The winners, the relative losers and the absolute losers. The far-reaching consequences of this lack of social consolidation are weak social capital and a low level of trust in institutions, with high political corruption and poor governance.

The controversial social transformation has created a sharp contrast between the decades of the patient nineties and the turbulent 2000s, resulting in deep dissatisfaction with the 20 years of democratization. This contrast can be observed in all respects, in economic, political, social and cultural terms. At the beginning of systemic change in Hungary there were high expectations that democracy would produce a Western standard of living. In the first decade patience

predominated and there were no mass demonstrations or any other outbursts of public dissatisfaction. In the second decade, however, patience has been lost to a great extent, and with growing social polarization, social unrest has also increased. In political terms, at the end of the nineties there were already signs of early consolidation, with Euro-Atlantic integration (i.e., with NATO membership in 1999 and with the start of the EU accession negotiations). However, in the 2000s the processes of destabilization and deconsolidation have kicked in. Strong social and national populism became the mainstream politics of the opposition party and reached government level when Fidesz won the April 2010 elections. Between 2002 and 2010, socialist-liberal governments tried, for two government cycles, to cope with the cumulated problems, and eventually failed. In the 2002 – 2006 period the Medgyessy and Gyurcsány governments increased the standard of living significantly and made big efforts towards the social inclusion of marginals, but this resulted in high state indebtedness. Hence, in the 2006 – 2010 the Gyurcsány and Bajnai governments were forced to introduce heavy austerity measures. Although the management of the global economic crisis was fairly successful, mass dissatisfaction and outbursts of populist movements produced a huge protest vote against the Bajnai government in 2010 and also against democratization and Europeanization.

Thus, in the late 2000s Hungary is in a transitory crisis. It faces an uncertain future with ongoing tensions. Despite this, democratization and Europeanization have reached a point of no return in Hungarian history and after this deep crisis the process of re-democratization and re-Europeanization will return with full force.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 10 (best) to 1 (worst).

Transformation Status

I. Political Transformation

1 | Stateness

There is no competition for the state's monopoly on the use of force throughout the entire territory.

Question
Score

Monopoly on the
use of force
10

The large majority of the population accepts the nation-state as legitimate. However, dual citizenship and the underlying idea of an ethnocultural Hungarian nation have not been shared by all Hungarians. In the 2004 referendum the majority did not support Fidesz's dual citizenship proposal.

State identity
10

The state is still largely defined as a secular order, but the incumbent government has tried to impose religious – mostly Catholic – influence on some public institutions. On 4 December 2010, the Hungarian-Swiss theologian János Wildmann declared in the daily *Népszabadság* that high-ranking church officials have often made party-political announcements and that political parties have frequently used the church for political purposes. For its loyalty, the church gets higher state funding that enables a further extension of the church-related education system and other institutions. Some bishops tend to think that the “Christian course” has returned. (The Christian course was the name of the ideological stance of the authoritarian regime of the interwar period, which used religion to consolidate itself.)

No interference of
religious dogmas
9

The state has a differentiated administrative structure throughout the country which provides all basic public services.

Basic
administration
10

2 | Political Participation

The most recent elections in April 2010 were free and fair. However, on 8 June 2010 the government amended the law on local elections (Act L of 2010), imposing tricky restrictions both on competitiveness and proportionality by: (1) Shortening the deadlines for collecting signatures for candidates and at the same time increasing the necessary numbers of signatures; (2) decreasing the number of seats on the compensation lists (i.e., the lists from which the seats were distributed to compensate for votes lost in individual districts).

Free and fair
elections

9

The result is a drastic decrease in the number of seats won by smaller parties. At the municipal elections the voting support for Fidesz was 56.1% (Hungarian Socialist Party/MSzP 23.2%, Movement for a Better Hungary/Jobbik 14.0%, Politics Can Be Different (Lehet Más a Politika, LMP) 3.2% and others 3.5%) and with a simple majority of votes Fidesz received almost all the available seats. These changes in electoral law have given Fidesz a huge advantage at local elections and have severely disadvantaged the two smaller parliamentary parties (Jobbik and LMP).

At the same time the government has reorganized the national election committee that monitors the elections, stocking it exclusively with Fidesz party followers.

Elected rulers have the effective power to govern. The business elites, multinationals and clergy have some influence on the government decisions but no veto power.

Effective power to
govern

10

The government has partially constrained freedom of association by placing its supporters at the helm of formally independent associations or by withdrawing their financial support.

Association /
assembly rights

9

The resources to support/finance independent associations have been cut back almost by half by the incumbent government and the scheme to fund CSOs has been entirely taken over by the government.

On 11 August 2010, the Fidesz government reorganized all public media – Hungarian Television (MTV), Hungarian Radio (MR), Danube TV (Duna TV) and the Hungarian News Agency (MTI) – into one big holding, the Public Media and Communication Authority (in short, the Media Council – Médiatanács) with one president and four directors appointed for nine years. All are well-known Fidesz followers. The bill on media (20 December 2010) contains restrictions on both printed and electoral media, and has unleashed bitter domestic and international debates.

Freedom of
expression

8

A new media law was passed by parliament on 21 December 2010 and came into force on 1 January 2011. There was a huge wave of protest home and abroad. In the

first days of January, many Hungarian dailies and weeklies appeared with empty covers, claiming: “Press freedom has ceased to exist in Hungary.” Many politicians, media organizations and international policy institutes protested, and this protest wave characterized the first months of the Hungarian EU presidency. It was even discussed officially between Hungarian and EU officials in early January. The EU Commission threatened legal action against Hungary if it refused to incorporate the changes demanded by EU officials. Commissioner Neelie Kroes sent an official letter to the Hungarian government that was published in Hungary only on 31 January 2011 together with a response from Deputy Prime Minister Tibor Navracsics.

In this letter “serious worries” were formulated in some “essential points”: The Commission marked out four problematic issues in the law.

They included a “disproportionate application” of rules on balanced reporting, as well as the fines that can be levied against foreign media outlets, rules on media registration, and provisions in the law that media content may not cause offense to minorities or majorities.

The Commission said the changes agreed would constrain the balanced coverage requirements for broadcast media. In addition, the Commission criticized the power to impose fines on non-resident media outlets for violating the provisions on incitement to hatred.

Reacting to the wave of protests from EU and other international actors, the government modified the law, to clarify, amongst others, when on-demand audiovisual media service providers, media product publishers and ancillary media services would have to register. The initial law had demanded registration before companies were allowed to offer services. Under the new, more EU friendly changes, the media providers would have to register within 60 days of starting up their services in Hungary. The Hungarian government also agreed to change its provisions on causing offense, which the Commission had maintained violated press freedoms under Article 11 of the EU’s rights charter. The agreed changes will narrow the scope of the provisions and limit the risk of bans or fines on media operations in cases of incitement to hatred or discrimination. The media law was amended in the parliament on 7 March 2011. Protests have still continued both at home and abroad because the comprehensively anti-democratic character of the new law has not essentially changed with the amendments. Therefore, the European Parliament condemned the Hungarian media law on 10 March 2011 by a large majority. Protest actions in Hungary reached their peak on 15 March, a national holiday, when an estimated crowd of 50,000 demonstrated against the media law and called for its full withdrawal.

3 | Rule of Law

The executive has an actual monopoly of power, since the checks and balances system has been formally weakened and informally eliminated by the new government. The government used its two-thirds majority to restrict drastically the competences of the Constitutional Court on 16 November 2010. In eight months it has used its two-thirds majority to pass an unprecedented number of legislative changes: 150 acts, 111 parliamentary resolutions, two political declarations and 10 constitutional amendments.

Separation of
powers

7

The political turning point came on October 26 when the Constitutional Court annulled a bill imposing a retroactive 98% tax on severance payments to public sector employees. The Fidesz faction leader immediately answered that parliament would restrict the competences of the Constitutional Court to veto legislative decisions (i.e., paralyze it). This cynical response created uproar not only among the opposition but also in a large circle of experts and government supporters. On this occasion, the ex-president and former head of the Constitutional Court, László Sólyom, declared that this would result in the liquidation of the Constitutional Court. The former Constitutional Court judge, Géza Kilényi said that “Hungary ceased to be a rule of law state.” In all other institutions – the state audit office (ÁSZ), national election committee, the chief public prosecutor’s office (Főügyészi Hivatal), Hungarian financial supervisory authority (PSZÁF), Hungarian competition authority (GVH), etc. – “hostile” takeovers have taken place: the government installed a new, politically loyal leadership that is likely to damage the institution’s independence and constitutional function.

The newly elected President, Pál Schmitt, declared that he does not want to balance the government, but to promote the parliament’s decisions with his signature as speedily as possible. The independence of the National Bank of Hungary has been protected by law, so the government cannot replace the bank’s president and two vice-presidents, but its supervisory board has been replaced by Fidesz supporters headed by the former finance minister from Fidesz (Zsigmond Jári).

Péter Polt, the newly elected public (or general) prosecutor refused to initiate legal procedures in some scandalous cases during his previous term under the first Orbán government. These included the Kaya Ibrahim and Josip Tot cases, now emblematic examples of “phantom firms.” The “phantom firms” were close to Fidesz and had huge debts to the tax office (APEH), but were sold fictitiously, and the taxes were not paid. Polt’s refusal to deal with such cases has been repeated during his new term, since no cases have been initiated against Fidesz-related companies, although many cases have been reported in the press.

The budget council has been reorganized, and its new chairperson is Zsigmond Járαι, minister of finance and later governor of the Hungarian National Bank at the time of the first Orbán government. He has simultaneously been appointed as head of the supervisory body of the national bank, meaning that this “party soldier” now controls both the budget council attached to the parliament and the supervisory body at the bank, exercising pressure on the independent national bank.

The monthly salary of András Simor was cut by the government (despite protests from the European Central Bank), but Járαι’s salary at the bank was more than doubled. At the same time, Járαι’s private bank was exempted from the crisis tax imposed upon other banks under a special legislative act, the “Lex Járαι.”

The new government tried to influence the judiciary. The judges who sentenced the participants in the fall 2006 street riots organized by extreme right forces were convened by a parliamentary committee to explain their judgments. The President of the Supreme Court, András Baka, called this a violation of the judiciary’s independence. The government wants to annul most sentences passed on the rioters. The National Council of Justice is to be reorganized to give the government more control.

Independent
judiciary

8

Office abuse for corruption has become widespread and it has been a key issue in electoral campaigns. The main problem is the lack of sufficient and transparent party financing. Thus, office abuse comes partly from the pressure of filling the party budget, and partly from private efforts to convert political positions into economic gains. There is no doubt, however, that office abuse soared during the last years of the socialist and liberal governments – the most famous case is the publicly owned Budapest Transport Enterprise, which generated a series of court procedures. The government has also used these cases as witch hunts against the leading politicians of the former governments, even if they were not involved in any corruption cases. The Fidesz government has appointed a government commissioner for the “accountability of former politicians” who has accused the former Prime Minister Ferenc Gyurcsány of being involved in misusing public funds and state property.

Prosecution of
office abuse

8

As civic organizations weaken, civil and democratic rights are in retreat. Right-wing organizations and paramilitary grouping (“Magyar Gárda” and others) continue to parade in villages with large Roma communities, intimidating the Roma minority.

Civil rights

8

4 | Stability of Democratic Institutions

There were some earlier endemic weaknesses in the efficiency of democratic institutions, but the latest developments are dismal, as democratic institutions can also work in a non-democratic way if they are headed by party loyalists. The biggest danger for democracy comes from the prosecutor's office, which can protect all office abuses of the government by refusing to initiate legal procedures even in clear-cut cases. This happened to the first Orbán government when Péter Polt was re-elected as chief public prosecutor on 6 December 2010.

Performance of
democratic
institutions

7

Legal uncertainty is high due to the rapidly changing legislation, which includes retrospective legislation, for instance in the imposition of a 98% tax on severance payments to public sector employees.

Several independent public institutions lost their independence after Fidesz supporters were appointed as leaders. For instance, a little-known Fidesz member of parliament was appointed as head of the state audit office and later also became a member of the budget council. As a consequence, the state audit office ceased to effectively supervise government spending.

Most democratic institutions are accepted as legitimate by most relevant actors.

Commitment to
democratic
institutions

8

The right-wing extremist party Jobbik, which was supported by 17% of voters in the 2010 elections, opposes and mobilizes public resentment against ethnic and religious minorities.

5 | Political and Social Integration

The Hungarian party system collapsed at the April 2010 elections because of the robust protest vote. Although the sharp polarization between the main parties of the left and right – MSzP and Fidesz – remained, two new parties (Jobbik, LMP) entered parliament. Thus, volatility was high, and the future of all four parties is uncertain to a great extent. Fidesz wants to be a hegemonic party and tries to attract the voters of the extreme right party, Jobbik. The Christian Democratic People's Party (KDNP) has no nation-wide party organization and does not run independently in elections. It was created artificially within the parliament by Fidesz, who set up a party faction composed of some members of parliament who had been elected on the Fidesz list, led by former party officials from the original KDNP, which had been dissolved after losing the election. The MSzP tries to remain the main challenger, and the new party, Politics Can Be Different (LMP), is an eco-social party with a vague profile and it is not yet ready to accept MSzP as a partner. One of the biggest problems of sustainable democracy in Hungary is that there is no liberal conservative "mass" party. While Poland's political party system

Party system

9

offered a way out of the authoritarian and anti-democratic politics of the Kaczynski twins, no such option currently exists in Hungary (nor is it likely to emerge in the medium term).

Although the participation of the main interest organizations in the related legislation has been legally regulated, the new government delayed convening the National Interest Reconciliation Council (NIRC) until 20 September 2010, thereby violating the rules. At this meeting the prime minister declared that the population had legitimized the government by a two-thirds majority to make decisions without the consent of the NIRC. Thus, interest groups are now unable to mediate between society and politics.

Interest groups
7

In the last 20 years the capacity of the interest organizations to represent societal interests in the political system has been rather low. It has also been very asymmetrical. The business-interest associations have been relatively influential, but the employees' interest associations, (the trade unions, etc) have been very weak, with low membership rates. This situation has changed significantly during the incumbent government, since both types of association have resented the neglect of the NIRC. Business interests associations and trade unions have been unhappy about the new tax law, and especially the crisis tax. Increasing public support and media attention has significantly raised their representative capacity and their role as pressure groups.

The support for democratic norms and procedures is very high but the population considers that the democratic performance of the political system is very low. In the Pew Research Center survey of 2 November 2009, support for democratic principles is higher in Hungary than any other East-Central European country (66% versus 52% in the Czech Republic and Poland) but Hungarian disappointment in the market economy or capitalism is also higher, (34% decrease in Hungary versus 9% decrease in the Czech Republic and Poland, compared to 1991). More than three quarters of Hungarians (77%) are dissatisfied with the way democracy is working in their country.

Approval of
democracy
8

As a result of constitutional changes and "hostile takeovers" by Fidesz supporters of democratic institutions, Hungarian society is deeply divided on the legitimacy of political institutions. However, public and the media attention is increasing in these issues.

There is a very low level of trust in institutions among the population. According to a report by the Societal Research Institute in 2009, it is the lowest in East-Central Europe.

Social capital
7

In social capital, Hungary ranks 55th globally (Legatum). Community involvement is low, pointing to weak social cohesion. However, it does not give a clear idea of the strength of civil associations, since civil society is very asymmetrical in

Hungary. The voluntary organizations in cities and among the middle strata are relatively strong, and in smaller settlements and among the poor they are very weak.

Civil demonstrations organized on Facebook were held against the media law on 14 and 27 January 2011 in Budapest and on 27 January in other large cities.

II. Economic Transformation

6 | Level of Socioeconomic Development

Due to the global crisis, two basic changes have taken place for both the relative and the absolute economic losers. Firstly, the middle strata have been weakened and shrunken to 70 % of their former size. This group as a whole has faced uncertainty, growing unemployment and status inconsistency. Secondly, the poorest strata have fallen further into the trap of social exclusion and become structurally more isolated from the other strata and more state-dependent for their survival.

The overall level of socioeconomic development has generally been characterized by the poverty rate, the level of income inequality and the HDI. In Hungary the Multidimensional Poverty Index (MPI) is estimated by UNDP as 0.003, which means 0.8 million poor people. In 2010 the CIA World Factbook indicated that 12% of population were below the poverty line, an increase from 8.6% in 2009. However this tally is better than that of Slovenia (13%), Poland (17%) and Slovakia (21%) Source: www.indexmundi.com/hungary. In HDI terms, Hungary is at the lower end of the 0.8 – 1.0 range (very high), but within this range is best for education, average for health and worst for income. Altogether, Hungary is at 38th place in 2010, slightly declining from 2008 (UNDP). Hungary's social inequality Gini coefficient is also relatively good, with the country at 25th place in 2010 (also in 2005), while Slovakia and Czech Republic are at 26th place (CIA World Factbook). These figures show that the overall level of socioeconomic development in Hungary has worsened slightly, but is close to the EU average. It has recently declined due to the effects of the global economic crisis.

Question
Score

Socioeconomic
barriers

9

Economic indicators		2007	2008	2009	2010
GDP	\$ mn.	136102.0	154233.5	126631.7	128631.6
GDP growth	%	0.1	0.9	-6.8	1.3
Inflation (CPI)	%	7.9	6.1	4.2	4.9
Unemployment	%	7.4	7.8	10.0	-
Foreign direct investment	% of GDP	51.4	46.8	2.6	-32.6
Export growth	%	15.0	5.7	-10.2	14.3
Import growth	%	12.8	5.5	-14.8	12.8
Current account balance	\$ mn.	-9962.0	-11119.1	-269.0	1416.9
Public debt	% of GDP	66.1	72.3	78.4	80.4
External debt	\$ mn.	-	-	-	-
Total debt service	\$ mn.	-	-	-	-
Cash surplus or deficit	% of GDP	-4.9	-3.8	-4.0	-
Tax revenue	% of GDP	21.8	23.7	23.9	-
Government consumption	% of GDP	21.6	21.8	22.7	21.8
Public expnd. on edu.	% of GDP	5.2	-	-	-
Public expnd. on health	% of GDP	7.5	7.2	7.3	-
R&D expenditure	% of GDP	0.96	-	-	-
Military expenditure	% of GDP	1.3	1.2	1.1	-

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2011.

7 | Organization of the Market and Competition

There are state-guaranteed rules for market competition, but the informal sector is large – an estimated 25% of GDP. State intervention into private business is rare (although see the case of the Hungarian Aluminum Production and Trade Company responsible for the aluminum sludge spill in October 2010. The government arrested the managing director and took control of the company). However,

Market-based
competition
9

government favoritism is rather high for some firms involved in public procurement.

On 2 July 2010, teams of government officials raided the eight biggest public enterprises, dismissing their directors, asking employees to leave their offices and confiscating documents for further investigation.

Fidesz have promised that new economic recovery can be reached without austerity measures, and even that the standard of living can be raised. They maintained that the former government had been weak in handling economic problems but the new government would be efficient. According to Fidesz politicians, the former government had no solid popular support and legitimacy, therefore the national currency (HUF) was weak. They said that under a Fidesz government HUF would become strong and the problems of Hungarian citizens with foreign-currency denominated loans would be solved.

Comprehensive competition laws try to prevent monopolistic structures. The Hungarian Competition Authority (GVH) has punished these efforts (e.g., in the case of a cartel of four construction firms who received a HUF 7.2 billion fine on 9 June 2010). Despite this, the big multinationals have been treated very carefully by successive governments and have enjoyed many privileges.

Anti-monopoly
policy
10

Foreign trade is liberalized within the European Union.

Liberalization of
foreign trade
10

Hungary's banking system is solid and has not been shaken by the global financial crisis. Banks are now unhappy about the new crisis tax imposed by the Fidesz-led government on 16 August 2010.

Banking system
10

8 | Currency and Price Stability

While the largely independent national bank has done a good job of stabilizing the national currency and fighting inflation, the national currency is still volatile and price stability has been lost due to the erratic policy of government. The bank is the only institution in the checks and balances system as yet not occupied by the government. Therefore, it has often been in conflict with the incumbent government (i.e., in the matter of the governor's salary). The European Central Bank criticized the government because it frequently changed the Law on the National Bank and repeatedly commented on the bank's interest rate policy, thereby eroding the national bank's independent status. Due to the government's vague fiscal policy, the national bank had to raise the basic interest rate from 5.25% to 5.75%.

Anti-inflation /
forex policy
9

The government's fiscal and debt policies are inconsistent and insufficient to promote macroeconomic stability. The expert-led, independent fiscal council established to control the budget and investigate the impacts of the crisis has been abolished.

Macrostability
6

In its strategy, the Fidesz government originally wanted to incur a higher budget deficit (about 4% – 7%) in order to meet at least some of its electoral promises of lowering taxes, in the hope that rapid economic growth would absorb most of the deficit. However, at the meeting between Prime Minister Orbán and EU Commission President Barroso on 3 June 2010 in Brussels, Barroso insisted on keeping the level of deficit much lower (2010: 3.8 and 2011: 2.8). This ruined the Fidesz strategy and was a bitter defeat for Orbán.

Hungary has kept some of its economic regional advantages in the microeconomic field, firstly due to its dynamic export capacity and trade surplus with most of the neighboring countries. According to Eurostat figures, the budget deficit is still growing (-4.4% in 2009, -3.8% in 2010), as is public debt (78.4% of GDP in 2009, 78.5% in 2010). The inflation rate fluctuated around 4% from 2009 to 2010.

9 | Private Property

Property rights are usually well protected. However, the “nationalization” of private pension funds on 13 December raised serious questions about the safety of property rights. The government has forced people back to the state pension system and used the resulting funds for covering the budget deficit.

Property rights
9

Hungary had a three-pillar pension system (basic state-funded pension system; mandatory private pension funds- voluntary personal bank accounts). The second pillar was established in 1997 and consisted of private pension funds that paid complementary pensions from the individual contributions accumulated by their members during their working life. The government has abolished this system and overtaken the money set aside for pensions (HUF 3,000 billion) to service state debt and balance the budget. Despite government pressure, out of 3 million members around 100,000 people have remained in the former system. They have been assured that they will get back their original pensions. By January 2011, the Constitutional Court had not yet taken a final decision about all details of this government legislation.

Private companies are viewed as primary engines of production, although the Fidesz government has tried to push some private companies out of public services and to organize public companies instead.

Private enterprise
10

Fidesz tries to protect Hungarian SMEs as in the new state project (Új Széchenyi Terv, ÚSZT). The SMEs are indeed very important in creating work places, but the

situation is very controversial, since many small enterprises are in fact just forms of self-employment, called “forced entrepreneurship” in Hungary.

10 | Welfare Regime

Social safety nets do not cover all risks for all strata of the population. In recent years the gap between society at large and marginals has become more marked, and the reintegration of marginals more difficult, since the trap of social exclusion has been deepened by the global economic crisis.

Social safety nets
9

With the exception of Slovenia, Hungary has spent more than any new member states on social welfare, which has resulted in lower poverty rates. Hungary has not been successful, however, in investing in social integration (i.e., pouring state resources into getting unemployed people back to work, since most unemployed people have low skills and the long-term unemployed have lost their employability).

In principle all citizens have equal access to higher education and public office, and women are equally represented, although they do not get an equal pay. The poor and/or Roma citizens, however, have insufficient cultural capital to gain access to higher education, public office or equal pay. The Gender Inequality Index is 0.382 in Hungary, and Hungary ranks at 36 in world rankings. Women are fundamentally underrepresented in Fidesz and in the Hungarian parliament.

Equal opportunity
8

11 | Economic Performance

Hungary’s GDP sharply declined by 6.7% in 2009, but grew again by 1.1% in 2010. The foreign trade balance is positive and unemployment is around the EU average. Registered unemployment stood at 10.0% in 2009 and 11.1% in 2010, once more showing the social consequences of economic crisis. In 2010, industrial production increased by 10.5%. Hungary has a relatively good productivity rate (GDP/employees) but a much weaker GDP/capita rate, because its economic activity rate is low (around 55%). In 2010, Hungary also achieved a current account surplus for the first time in more than 40 years.

Output strength
8

For the Hungarian economy 2010 was rather successful and dynamic. This achievement has to be separated from the volatile economic policy of the government, which makes the sustainability of this dynamism risky. This policy may still undermine the international competitiveness of Hungarian firms and their current position in the global and European value chain of multinational companies.

12 | Sustainability

Hungary's economic sustainability index was -0.17 in 2010 (rank 21 in the EU27), classified as "in danger," but improving from 2007 (-0.30, "unsustainable," ranked 24th). This index is composed of six domains: Growth; net borrowing index (deficit); gross debt; World Competitiveness Index; Corruption Perception Index; cost of ageing (Fabian Zuleeg, EPC).

Environmental
policy
8

Environmental regulations are in place, but their enforcement is very deficient at times. The "red mud" disaster at Ajka on 4 October 2010 demonstrated all the weaknesses of the system. Although privatization contracts contained environmental clauses, some big factories have neglected these to increase their profits. The environmental supervisory county offices have failed to monitor these dangerous sites properly. On top of this, the Fidesz government has appointed new officers who are not experts and have done a poor job in regular monitoring. Local environmentalists had tried to warn the government about this danger for years. The Veszprém county office was still reporting in June 2010 that the sludge container was in good condition, although – as the professionals concluded after the event – this disaster could have been predicted then. It would have been avoided if the county office had done a good job. This does not alter the high responsibility of the Hungarian Aluminum Production and Trade Company (MAL Rt.), which owns the Ajka plant. It has also neglected its duties, or at least it has not been sufficiently careful in maintaining reservoirs of 30 million tons of poisonous materials. The company denied the toxicity of the sludge and argued that according to EU standards the red sludge was not considered toxic waste. The company also denied that it should have taken more precautions to shore up the reservoir. MAL said in a statement that "According to the current evaluation, the company's management could not have noticed the signs of the natural catastrophe nor done anything to prevent it even while carefully respecting technological procedures." It refused to take any responsibility for the disaster. In fact, the toxic sludge flooded parts of three counties in Hungary, and entirely flooded three settlements, affecting the Rába and Danube rivers. The disaster has killed 10 people and injured at least 120.

The political consequences of this ecological disaster have also been disastrous. Without making any investigations, the prime minister immediately announced that the MAL was fully responsible and its CEO was arrested. Three days later, the court ruled that he must be released. The government has used this case to introduce state control over private property. On 11 October 2010, the Act on the Hungarian Army was amended (new Act: XCIII of 2010), stipulating that in a crisis situation the government can take full control of private enterprises. The legal process on this ecological disaster is still pending, but the government has exploited it in a political

campaign against the “oligarchs” whom it alleges are connected with the previous government.

The new government has prepared draft bills on both secondary and higher education to bring them under more centralized state control, provoking increasing resistance by teachers and parents. Public concern has also been raised by statements made by government officials on increasing the role of the Catholic Church in education. The research and technology sector is fairly advanced but chronically underfinanced. The spending of this sector stalled at around 1% of GDP in the first decade of the twenty-first century. Many contracts signed under the previous government have either been suspended or canceled. The Center for the Support of National Research (NKTF) was shut down.

In recent years the percentage of those leaving the primary school before completion has been increasing rapidly, reaching an estimated average of 5% year by year. Hungary’s low-skilled population totals 24%. Of the 19 countries that are member states of both the European Union and the OECD, Hungary scores above average for the average number of school years completed. But the rate of further or adult education – life-long learning – is very low, since only 9% of the adult population takes part in further education. Similarly, the portion of the part-time employment is very low.

Education policy /
R&D
8

Transformation Management

I. Level of Difficulty

The structural constraints on governance are low because Hungary has been able to rely on a relatively homogenous society, a high level of general education, a skilled labor force, a relatively developed infrastructure and a territory that has not been contested internally or externally. However, social, cultural and political polarization have grown in recent years. The age structure of society and the state of public health have deteriorated, but, on the other hand, the geographical location of the country has become more advantageous with the Balkan enlargement and the West Balkan pre-accession process. The country's infrastructure deficiencies have decreased with highway construction and with the north-south development of gas and oil pipelines (and with the new gas-oil reservoirs).

Structural
constraints

1

In this respect the effects of the global economic crisis have only been transitory constraints.

The reorganization of Hungarian civil society has taken place. The quantitative extension and qualitative development of civil society according to the Western model has been one of the main tendencies of social transformation in Hungary. However, there has also been an opposite tendency towards decline and fragmentation. Hungarian civil society is well organized with many actors, but it is socially and territorially asymmetrical, and over-politicized. In addition, the incumbent government has declared that in order to increase efficiency it will recentralize basic services in education and health care from the self-governing settlements to higher units of state administration. Resistance against the authoritarian efforts of the government has revitalized and mobilized civil society. In December 2010, there were more peaceful civil demonstrations and protest actions than in previous years, although these have so far been limited to some urban strata and intellectual circles.

Civil society
traditions

2

In recent years there have been serious problems in public order and security, including violent attacks on the Roma population. Fidesz promised to restore public order in two weeks, but nothing happened. Politics have become increasingly confrontational and Hungarian society has been deeply divided along political and cultural lines. Recently, however, there have been no violent incidents along ethnic

Conflict intensity

3

lines. The confrontational nature of politics has mostly been apparent in the verbal cultural wars in the media, and in the assignment of public positions to Fidesz followers en masse.

II. Management Performance

14 | Steering Capability

The main strategic priority of the Fidesz government is to consolidate its power for several governmental cycles. All political actions have been subordinated to this goal. However, from time to time short-term moves contradict this long-term priority, because the government's policy planning is very weak. There is a clear contradiction between the well designed political drive to conquer positions of power and the failure to design complex strategies for the country. After a short period of government by Fidesz, the party's haphazard moves to meet the 2011 budget targets have undermined its own long-term goal of consolidating power.

Fidesz's steering capacity has markedly declined. Indeed, the party has showed a sizable capacity for conquering positions of power but very low capacity for policy-making. It is strong on the politics of symbolism (dual citizenship, Hungarian minorities, the Catholic Church) and weak on governing with policy coordination and coherence. Fidesz' politics seem increasingly improvised.

The government has only limited success in implementing its policies. The structure of the present government is responsible for this failure, since it is unable to handle properly the main domestic priorities and to manage the cooperation with other European governments, because it differs wildly from them. Problems of inter-ministerial coordination have hampered the day-to-day implementation of government decisions. This is a small but big government that is overbearing but weak.

The Fidesz government has so far followed trial and error. EU budget regulations, which demand a low deficit be maintained have driven this state of permanent improvisation. Initially the government wanted to spend a lot of money meeting popular expectations for lower taxes and increased public services. However, it had to change course, replacing state deficit with democracy deficit. It began by imposing "crisis taxes" on major foreign enterprises and continued with the "nationalization" of private pension fund assets. Policy learning was not pursued at the level of public administration either. The Act on the Legal Status of (Central) Government Officials on 21 June 2010 (Act LVIII of 2010) introduced the rule that civil servants can be dismissed without any explanation. As a result, hundreds of

Question
Score

Prioritization
7

Implementation
6

Policy learning
6

government officials were fired and replaced by inexperienced, politically appointed newcomers. The Hungarian Development Bank (MFB) was turned over by the government on 2 July 2010 to the Authority of State Assets, which controls about 50 public enterprises. Government officials removed the bank's directors from their positions and ordered all officials to leave their offices immediately, in order to confiscate all documents for further investigation.

15 | Resource Efficiency

The Fidesz government has not used its available resources efficiently. The most damaging case was the dismissal of the leading officials preparing the Hungarian EU presidency, a few months before the presidency commenced. Many public servants were also dismissed for politically motivated reasons. These moves were painted as an effort to enhance the efficiency of government performance by removing low quality personnel and employing new recruits instead. In the event, high quality personnel were sacked while incompetent employees were ushered in. The government plans to dismiss another 20,000 – 25,000 public servants and/or public employees in 2011. The misuse of financial assets is another characteristic example of the government's waste of resources. On 3 June 2010, awkward statements by high-level government officials about the quasi-collapse of the Hungarian economy pushed down the value of the national currency and this situation has been repeated several times since. Many people have lost much money through this weakening of the national currency, and the ensuing uncertainty of the money markets has been still worse. Organizational resources have been lost in many institutions due to the drastic re-organizations. Institutional memory, experiences and practices have vanished.

Since the change of government in 2010, Hungary has had no separate ministry of finance, which is likely to weaken the institutional framework for sustaining budgetary discipline. The ministerial structure is not compatible with EU Council formations. The administrative structure is unbalanced, since the new Hungarian regions (NUTS2) exist only for the EU cohesion policy; the counties are weak and the districts are loose organizations of small regions (*kistérség*) and not administrative units. On 16 November 2010, an act was passed for administrative recentralization, in which counties would become the main subnational administrative units and the traditional districts (*járás*) would also be reorganized. In all counties (19) and in the Budapest, "government offices" will be established on 1 January 2011 led by government commissioners who are Fidesz politicians.

The government fails to coordinate conflicting objectives, although this is the job of the new ministry of public administration and justice.

Efficient use of assets

6

Policy coordination

6

The structure of the present government is very centralized and hierarchical, with four levels (see Acts XLII and XLIII of 20 May 2010). At the first level is Prime Minister Viktor Orbán with his State Secretary, Mihály Varga and his personal spokesman, József Szijjártó. At the second level there are two deputy prime ministers. Tibor Navracsics is the head the ministry of public administration and justice, and Zsolt Semjén is charged with the “national policy” and church affairs. In fact, Navracsics controls inter-ministerial coordination for the entire government, taking the job of the former minister heading the prime minister’s office, and he is the real “second man” in the government. Semjén deals only with symbolic matters such as the presidency of the KDNP and he has a very small office.

At the third level there are seven ministries. Only four are classical ministries: foreign affairs (János Martonyi), interior (Sándor Pintér), defense (Csaba Hende) and rural development (Csaba Fazekas). Three other ministries are “national” super-ministries: the ministry of national economy (György Matolcsy), the ministry of national development (Tamás Fellegi) and the ministry of national resources (Miklós Réthelyi). These super-ministries cover too many portfolios and have no clear profile even after a long period in power. They have fought amongst each other for influence and scarce resources.

The main confrontation is between the ministry of national economy (MNE) and the ministry of national development (MND). The MNE wants to accelerate economic growth at any price, including the increase of the internal consumption and through state subsidies for the construction industry, to solve all Hungary’s problems. This strategy already failed in 2001 – 2002 under the first Fidesz government, and it has also proven dangerous in Spain and Ireland. MND controls EU resources through the national development agency and tries to keep a more balanced budget.

At the fourth level there are state secretaries and under-secretaries. Altogether there are three kinds of state secretaries, chief among whom are the proper or “general” state secretaries who operate as deputy ministers of a sort (27), replacing former “ministers” in the portfolios of health, education and environment. They are still not legally considered to be “junior ministers.” Although they present themselves abroad as “ministers of state,” in Hungary that means “deputy prime minister.” There are also administrative state secretaries (eight) and parliamentary state secretaries (eight) in each ministry. Beyond this, there are dozens of under-secretaries. The entire staff numbers much more than 100, and new state secretaries have been permanently appointed. In this “baroque” government there are fewer ministers but many more of this kind of high officials than in previous administrations. It is no surprise that even after many months they could not cope with the division of labor between the ministries.

The main corruption issue is still the lack of effective regulation for party financing, which means that the parties mainly get resources for their activities from illegal business partnerships. Although “social” corruption is not widespread, “political” corruption is endemic in public procurement. The conflict of interest legislation is still weak; there is no real “wall” between business and politics. Thus, corruption is basically a politics-related issue. It is also responsible for the low trust in the political elite and institutions.

Anti-corruption
policy

7

The municipal level used to be the hotbed of corruption where FIDESZ had a 70% majority even before the October 2010 elections.

16 | Consensus-Building

All political actors and/or parliamentary political parties advocate the goals of democracy and market economy. However, there are deep cleavages over the concepts of democracy and market economy between/among political actors. They can be briefly described as a polarization between the followers of the “strong” state ideal and the “liberal” state, or the majoritarian versus consensus democracy. Hungary has arrived at a crossroad, since the incumbent government’s concept of democracy has evidently been markedly different from that advocated in the last two decades and in the EU. Many analysts home and abroad call the new approach a tyrannical majority or simply majoritarian rule without checks and balances. The government itself has declared that it prefers majoritarian democracy to consensual democracy. Fidesz argues that its two-thirds majority means that the population has empowered the government to carry out any profound changes without consulting stakeholders. On 2 July 2010, the government ordered that its Declaration on National Cooperation (NENYI) had to be put on display in all public institution. This declaration says that in April, Hungary underwent a revolution at the polls (“fűlke forradalom”). It has been target of criticism and jokes by the opposition.

Consensus on goals

8

Jobbik is an extreme right party, although they qualify themselves as national radical party. Their racist and xenophobic attitude is truly anti-democratic, as is their chauvinist-revisionist approach to neighboring countries. The Fidesz government began with a symbolic piece of legislation – the Act on dual citizenship for Hungarians in neighboring countries on 26 May 2010 – to appease the extreme right and to weaken Jobbik’s popular support and appropriate it for themselves. Fidesz and Jobbik are quasi-twin parties; many voters cast split votes for both parties in Hungary’s mixed electoral system, in which the personal vote is combined with the vote for the party list.

Anti-democratic
actors

8

The incumbent government has tried to use and abuse the protests against the socialist-led governments' austerity measures to perform a non-democratic U-turn to cement its power for a long time.

Cleavage /
conflict
management

6

The extreme rightist groups have been demobilized by the incumbent government to a great extent, since it has met their many demands. At the same time, the conflict level with the main interest groups has been significantly increased, beginning with the trade unions. On 4 December 2010, the biggest trade unions demonstrated for the first time in many years against the taxation/income policies of the government, which favored the rich, and against the rapid dismissal of many public servants.

The government has developed dual sociopolitical crisis management. On the one hand, it tries to keep the support of political and social actors by meeting their demands through symbolic gestures and socioeconomic promises. On the other hand, it controls the public media and its own media world, which it has successfully used to blame the previous left-liberal governments for all social evils. However, the limits of this media campaign are already evident.

The governing coalition has largely refrained from consulting with civil society during the legislative process by submitting bills regularly through its individual members of parliament. Such bills no longer need to be discussed with stakeholder groups.

Civil society
participation

7

Social actors have been marginalized not only by the neglect of interest consultation, but also by the re-organization of National Civil Fund (NCA) that distributes state support for civic organizations. The fund's leadership was elected democratically by the organizations themselves, and the redistribution process was considered legitimate. This elected leadership was dismissed by Fidesz and the procedures were changed by the government.

The parliament adopted a Declaration on the National Cooperation (NENYI) on 14 June 2010. Rather than encouraging a dialogue with society, NENYI summarizes the political philosophy of Fidesz, which is also the preamble of the Fidesz-made constitution under the title "National Confession" (Nemzeti Hitvallás). The declaration starts with the slogan: "Let us have Peace, Freedom and Consent". NENYI simply states that current Hungarian history consisted of "46 years of foreign rule and dictatorship," followed by "two troubled decades," and that Hungarians received back their self-rule only when Fidesz won the elections and the new government took office. Thus, Fidesz rule is interpreted as the absolute turning point in Hungarian history, and the new period has been called "the System of National Cooperation." The pillars of the bright future are "work, home, family, health and order." The declaration can be seen as an example of social and national populism.

The present political leadership manipulates the memories of historical injustices as a weapon against political opponents. It did this with both the terror victims of the 1950s and the extreme right demonstrators in October 2006. In the first case, the government argues that its political opponents are in fact responsible for the acts of terror, since they are communists or communist followers (calling all people on the left “komcsi”). In the second case, the government presents the demonstrations as police attacks on peaceful citizens. It has begun a political campaign to intimidate and punish the police officers, judges and political leaders involved for defending law and order against the extremist mob.

Reconciliation
5

17 | International Cooperation

In July 2010, the new government published a strategy for the country’s development, the New Széchenyi Plan (Új Széchenyi Terv, ÚSZT). The final elaboration and official declaration of ÚSZT was made on 14 January 2011. This plan is a framework for all development ideas and it is the base for all official tenders. The national development agency is responsible for its management. The best-known and most debated statement of ÚSZT is that the government will create 1 million new jobs in 10 years.

Effective use of
support
7

The government tries to present itself as a credible and reliable partner but it is not really trusted by many international partners, including the EU leaders, the IMF and the financial community. The government repeatedly acts unpredictably, in some cases “declaring an independence war” against them, for instance against the IMF on 17 July when negotiations were interrupted and the IFI’s delegation left Hungary. The international partners do not believe in the government’s genuine efforts at structural reform.

Credibility
7

The declining confidence of financial markets was signaled by the credit rating agency Moody’s when it downgraded its rating of Hungarian state bonds by two degrees (an unusually large step), from Baa1 to Baa3 in December 2010.

There have been fierce debates in expert circles about how the new corporate taxation rules will influence economic growth and investments. There is an overwhelming view that their impact will be harmful, but it is still unknown to what extent, and how other factors will influence the economic growth (e.g., the general credibility of the country and/or the uncertain business environment because of the permanent improvisations of the government etc).

At formal-legal level, regional cooperation is working well in the V4 framework, and in the V4+2 structure with Austria and Slovenia. This is true in “low politics” like transport and water management. But in “high politics” like dual citizenship, the Fidesz-led government has created tensions with neighboring states – chiefly

Regional
cooperation
8

with Slovakia. The government's decision on 31 May 2010 to introduce the Trianon day (4 June) of mourning has also increased the tensions with the neighbors.

In general, there have been large public discussions about the need for EU interventions into Hungarian domestic politics, and many observers have criticized the EU authorities for their neglect and passivity. In fact, the EU institutions have acted even more cautiously than the "sister" parties of Fidesz, but they have expressed their dissatisfactions several times, not only in the case of media law but also for instance of the "crisis tax."

Strategic Outlook

Political tensions have been running high in Hungary since the entry of the Fidesz government and international criticism has also been increasing. The government tries to avoid austerity measures for the population in the short run by postponing them to the medium run, which will cause serious budgeting problems in future years. As the two-year forecast by the European Commission on 29 November 2010 indicated, although economic growth will be accelerated in Hungary (2010: 1.1%, 2011: 2.8% and 2012: 3.2%), at the same time the budget deficit will become much higher (2010: 3.8%, 2011: 4.7% and 2012: 6.2%). The government has created a huge budget hole that cannot be covered even by the higher income from the modest economic recovery. All in all, the Fidesz economic policy is not trusted in Brussels, and it may also cause serious tensions and dissatisfactions at home.

The opposition is beginning to suggest that the government itself is illegitimate, since it has betrayed its electoral promises, and it has misled the population with the idea of painless crisis management. After the collapse of these false promises, Fidesz will find overcoming the recent political crisis with its far-reaching economic, social and cultural consequences to be an enormous task comparable with the huge systemic change in 1989 – 1990.

Three scenarios can be outlined for Hungary's future:

(1) The hegemonic party scenario: Fidesz redesigns the entire political and socioeconomic structure of Hungary and builds up a strong position as a hegemonic party. The removal of the checks and balances system, administrative recentralization and the "final" constitution are the main factors. A new world vision has been outlined by Viktor Orbán, in which the West (Europe) declines and the East rises, so everyone has to sail with the Eastern wind. Fidesz's return to the Golden Past That Never Was is an unhappy reminder of the interwar ideological stance called the "Christian Course," which has recently been re-formulated by the Fidesz statement that "God is the Master of History." Some EU institutions and international civic organizations are already ringing alarm bells, and there has also been growing resistance in Hungary, so this first scenario is unlikely.

(2) The survival scenario: Despite increasing popular dissatisfaction and a big internal erosion in the Fidesz party, the incumbent government stays in power until 2014 but ends up with a spectacular failure at the next elections. It leaves behind a huge budget deficit, a more polarized political life and truncated institutions led by Fidesz party loyalists. The rebuilding of democratic institutional structures needs a new two-thirds majority. Hungary will face tremendous socioeconomic and political difficulties. Nowadays, this is still the most likely scenario, but a third one is becoming more clear.

(3) The collapse scenario: If the negative factors increase and accumulate, the Fidesz government could collapse in 2011 – 2012 under mounting popular resistance and due to the

growing infights within Fidesz. Structural reforms are delayed and go unspecified, because they risk increasing the internal tension in Fidesz. The EU presidency would be overloaded by domestic crisis. On 2 December 2010, there was a student demonstration at the big universities of Budapest against the limitations of Christian Course competences and in support of democracy. The slogan was “We are the first generation that has been brought up in democracy. We do not want to be the last one!”

Hungary is now in creative crisis due to the mass frustration of the last 20 years. The sobering new perspectives required to overcome it are comparable to the basic changes in 1989 – 1990. Hungary’s development was evolutionary for two decades, and it has been “revolutionary” with U-turns in both democratization and Europeanization in the current period. Hungarian history has been moving in cycles, with more marked turns than elsewhere in ECE. It is high time to design re-democratization scenarios.