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Abstract

For two decades Hungary, like the other Eastern European countries, followed a general policy of establishing and strengthening the institutions of democracy, rule of law, and a market economy based on private property. However, since the elections of 2010, when Viktor Orbán's Fidesz party came to power, Hungary has made a dramatic U-turn. This article investigates the different spheres of society: political institutions, the rule of law, and the influence of state and market on one another, as well as the world of ideology (education, science and art), and describes the U-turn's implications for these fields and the effect it has on the life of people. It argues against the frequent misunderstandings in the interpretation and evaluation of the Hungarian situation, pointing out some typical intellectual fallacies. It draws attention to the dangers of strengthening nationalism, and to the ambivalence evident in Hungarian foreign policy, and looks into the relationship between Hungary and the Western world, particularly the European Union. Finally, it outlines the possible scenarios resulting from future developments in the Hungarian situation.

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The text published here contains only a few footnotes and references. A large part of the research is based on sources in Hungarian language; those are not mentioned here. Further notes with additional explanations and citations, as well as a more complete list of references, including the sources in Hungarian language, are to be found in the extended version of the paper, which is available at the author's website: www.kornai-janos.hu.

Hungary is a small country, poor in raw materials, with a population of only 10 million. No civil wars are being waged on its territory, nor are there any popular uprisings or terrorism. It has not become involved in any local wars, and it is not threatened by immediate bankruptcy. So why is it still worth paying attention to what is going on here? Because Hungary, a country that belongs to NATO and the European Union, is turning away from the great achievements of the 1989–1990 change of regime—democracy, rule of law, freely functioning civil society, pluralism in intellectual life—and attacking private property and the mechanisms of the free market before the eyes of the whole world; and it is doing all this in the shadow of increasing geopolitical tensions.

1. Shifting away from democracy, rule of law, private property and civil society; the obsession with centralization

Let us consider the ensemble of the following countries: Albania, Bosnia-Herzegovina, Bulgaria, the Czech Republic, Estonia, Croatia, Poland, Latvia, Lithuania, Macedonia, Hungary, Romania, Serbia, Slovakia, and Slovenia. All of these now-independent countries reached a crucial turning point in 1989–1990. Prior to these years, they had functioned as independent states or as separate parts of states within the socialist system, ruled by the Communist party. The structure and pace of the transformations varied from country to country. Severe failures occurred in all of them, including Hungary; one step forward was often followed by a period of regression. However, despite the colorful variations, until 2010 the countries all moved in the same *general direction*: progress towards market economy based on the dominance of the rule of law and of private ownership.

Hungary is the first, and so far the only, member of this group of 15 countries which has performed a sharp U-turn and set off resolutely in the opposite direction. In the 2010 elections the coalition formed by Fidesz–Hungarian Civic Alliance with the Christian Democratic People’s Party (henceforth Fidesz for short), led by Viktor Orbán, won a landslide victory. Thus began the turn.¹

By 2010 Hungary had established the fundamental institutions of *democracy*—however, with the U-turn their systematic destruction started. It has already been completed to a significant degree.

In actual practice the executive and legislative branches are no longer separate, as they are both controlled by the energetic and heavy hand of the political leader who has positioned himself at the very pinnacle of power: Viktor Orbán. No worthwhile preparatory work on bills is being done either within or outside the walls of Parliament. Parliament itself

¹A few months after Fidesz took over the government I wrote an article entitled “Számvetés” (Taking Stock—published in Hungarian in 2010; for the English translation see Kornai 2011), which gave a summative overview of the main characteristics of the changes that had already taken place and which could be expected. The volume of literature on Hungarian changes is increasing year by year; it is mainly in Hungarian. I would like to single out the collection of studies in two volumes edited by Bálint Magyar and Júlia Vásárhelyi (2013, 2014), which contain essays by several eminent Hungarian experts in the field.

has turned into a law factory, and the production line is sometimes made to operate at unbelievable speed: between 2010 and 2014 no less than 88 bills made it from being introduced to being voted on within a week; in 13 cases it all happened on the same or the following day. (Scheppelle 2012, European Parliament 2013). Without exception, every single attempted investigation of the background of a scandal that has just broken, which would have been carried out objectively by a parliamentary committee with the effective involvement of the opposition, has been thwarted. "Reliable" people close to the centre of power occupy decision-making positions even in organizations which are not legally under the control of the executive branch and which, in real democracies, should serve as a counter-balance to monitor the executive and legislative branches: in the constitutional court, the state audit office, the fiscal council, the competition authority (the office in charge of enforcing pro-competition laws), the ombudsman's office, and the central statistical office.

The basic institutions of the *rule of law* had emerged by 2010; however, since the U-turn they have been abolished or significantly weakened (Bozóki 2013). The new Hungarian constitution, replacing the constitution accepted by multi-party consensus in 1989, was drafted by a small group within Fidesz, and no wide public discussion ensued. All protests were completely ignored, and the document was dragged through the defective filters of the law factory in very short order. The text abounds with shortcomings, which were pointed out immediately (and in vain) by both local and foreign legal experts (Scheppelle 2013, Halmai 2014). It contained so many clauses serving the immediate political purposes of the people in power that the document, officially called "Fundamental Law," has had to be amended five times. In 2011–2013 the Fundamental Law was complemented by the passing of 32 so-called "cardinal laws," which future parliaments will be able to modify only by a two thirds majority. This collection of laws covers crucially important aspects of the country's life.

One of the fundamental principles of the rule of law is that no-one, not even those who hold the most power, should be above the law. The law must be respected. In Hungary, the situation has changed: the holders of power are able to elevate any decision to the status of law quickly and without hindrance, at the push of a button. They pass retroactive laws, disregarding the prohibition of such legislation which goes back to Roman times. If they wish to arrange especially generous treatment for an individual or an organization, they pass laws using legal tricks which ensure *de facto* favoritism.

Moving on to the juridical branch of the state, the Prosecution Service is a centralized organization in Hungary. In theory, it operates independently from the rest of the government. In practice, however, and that is what is important, the chief prosecutor is chosen by the holder of supreme power, after which there is a purely formalistic appointment by the parliament, which from then on is unable to effectively control him. With a few insignificant exceptions, the investigation of all public scandals and cases of corruption involving individuals close to the present government party has failed to progress beyond the investigative or prosecution phases. The Prosecution Service has, on the other hand, brought its full pow-

ers to bear on other economic scandals and cases of corruption in which people belonging to the current opposition are implicated. Dramatic, spectacular arrests are carried out for the benefit of the cameras, which arrive in droves. Compromising facts are often leaked while investigations are still in progress. No effort is spared to make sure that these cases come to court, though it is true that all too often charges have to be dropped in the prosecution phase, for lack of sufficient evidence; in other cases the charges are rejected by the court. And it is noticeable that the timing of a leak, the bringing of charges, or a court hearing coincides frequently with some event on the political calendar: the mine that will destroy a rival's reputation is detonated just before an election.

We seem to be witnessing a definite attempt by the ruling political group to take control over the courts as well. The President of the Supreme Court, who had been appointed before 2010, was dismissed early, before his mandate expired. A new institution emerged, the National Office for the Judiciary, which from the very start acquired exceptionally wide powers: not only to appoint judges, but also to decide which cases should be heard by which courts. Later, as a result of protests in Hungary and from abroad, the sphere of authority of Office was reduced, but its influence has remained significant. The retirement age for judges was conspicuously reduced from age 70 to 62, below the average age limits, with the result that the older generation was expelled. This affected several judges in leading positions within the judiciary system who had been appointed before the present ruling group came to power, and although this measure was subsequently annulled by the relevant international court, so that the people involved obtained at least moral redress, most of them were not able to return to their previous leading positions.

Numerous members of the judiciary are unable to escape from the intimidating effect of the government's measures. Some cases which come to court have political ramifications, and impartial experts in the field believe that some judgments are biased in ways that favor Fidesz policies. Nobody ventures to express an opinion about the number of cases involved. What is sure, however (and encouraging), is that the ruling regime has not managed to subjugate the judiciary to the same extent as they have done in other spheres.

By 2010 *private rather than state ownership* had become the dominant form of ownership. Since the U-turn, however, private property has become the target of frequent legal, economic and ideological attacks; the weight and influence of the state sector is rising again. The nationalization of private pension funds financed from the obligatory contributions, which was carried out using unique legal tricks, dealt a heavy blow to the principle of respect for private property. A similar form of indirect nationalization took place in the sector of savings and loan cooperatives. The state-owned sector has expanded significantly in the branches of banking, energy, public works, transportation, the media and advertising. In these areas the harsh means of disguised confiscation were not so often applied: property rights were bought instead. In many cases the previous owners were forced into a position where they felt they had no other option but to sell their property to the state, and at a price well below its market value.

Up to 2010, *decentralized mechanisms* played an increasing role in the coordination of various activities. However, since the U-turn the tendency to centralize has become noticeably stronger.

This is primarily true of government administration. One of the major achievements of the change of regime was a significant increase in the powers of local government. The most obvious sign of regression is the fact that schools and hospitals no longer belong to local authorities, but are run from the bureaus of the central government. It is unprecedented—even on a world scale—that a misshapen bureaucratic giant has emerged, making decisions about staffing, curricular, and financial matters in thousands of schools over the heads of teachers, parents and local governments.

The obsession with centralization, which is intertwined in many ways with the aforementioned tendency to nationalize, affects almost all spheres of society: more and more questions are decided at the highest level. A pyramid-like vertical hierarchy has emerged and solidified, with the supreme leader at its summit. Below him, ready to obey his every command, stand his hand-picked henchmen, who owe him unconditional loyalty. Moving on down, we find the next level of the pyramid, and the next: for each position people are chosen for their loyalty to the regime. Commands which take obedience for granted tightly bind each subordinate to his or her superiors. It is only the leader at the top who does not depend on his superior, only those at the very lowest level do not give orders to anyone. Everyone else incorporated into the levels in-between is simultaneously servant and master. It is in their interests to hang on in there, to move further up in the pyramid. Their position is not decided at elections, but depends on winning the trust of their superior by services and flattery, or at least by uncritical obedience. Hundreds of thousands of public employees, including those who work in the state-run educational and health sectors, feel defenseless: few dare to speak up, to protest, because they fear for their jobs. The regime is robust, partly because it can surely count on the fear of the majority of people dependent on it, as well as on the “keep a low profile and obey” mentality.

A very important decentralized mechanism is represented by civil society, comprised of a number of non-market based organizations and associations outside the control of state bureaucracy. In twenty years these have developed too, and have also become a means of scrutiny without which it would be impossible to expose and fight abuses of power. One manifestation of the U-turn is the methodical harassment of civil society. When parliamentary bills are being drafted trade unions and other relevant organizations are not consulted. Or, if the people concerned express their point of view through declarations or demonstrations, their voices are disregarded. The indignant protest of the Norwegian government against the Hungarian government's plans to interfere in their generous offer of assistance to Hungarian civil society is widely known.

2. The relationship between state and market: a distorted symbiosis

When describing the coordinating mechanism of economic activities we cannot apply the metaphor of the U-turn: it would be more precise to call it a *half-turn*. *Market mechanisms* became dominant in Hungary in the first two decades after the change of system, and remained so even after 2010. Just as before, state and market continue to coexist in a symbiosis: there is no modern economy where these two social formations would not coexist and exert reciprocal effects. Every sensible economist is convinced that the state cannot be a passive observer of market processes; the state must set legal limits, regulate the financial sector and certain prices, and interfere in the distribution of income; it must influence production through appropriate macro-economic policies, and so on. The problem is that the inevitable co-existence and interaction of state and market have been seriously distorted in Hungary; symbiosis is subjected to political interests. The change that Viktor Orbán's regime introduced is that now the state impinges on the economy in a much more aggressive fashion than did the governments before 2010: it exerts more efforts to rule over it. This is done in many ways.

We are not talking about a case of "state capture" carried out by a small group of oligarchs in order to establish regulations and pass measures in their own interests. The direction of the process is the reverse. Orbán and the people who are close to him at the peak of political power decide who should become an oligarch, or who should remain an oligarch if he already is one, and how far his sphere of authority should extend. Something similar takes place at lower levels, too. The natural selection of market competition is overwritten by political considerations. "The important thing is that our man should win the public procurement tender, get permission to run a tobacconist's or a casino, obtain tenure of that state-owned piece of land." Tobacconists, casinos and land tenure all work on capitalist principles, but at the same time clientelism, a kind of feudal master-servant dependency, is asserted between the politician/bureaucrat and the capitalist entrepreneur.

A new term has been introduced into everyday Hungarian: "Fidesz-közeli cég," meaning "a near-to-Fidesz company." Such firms do not belong to the party, but the sole or principal owner of the company is a crony of the political center. Maybe the association began a long time ago, at university or when the party was founded; or an individual's career may have included a succession of political, bureaucratic and business activities. "Crony capitalism" evolves. The intertwining of the worlds of business and politics is a global phenomenon, and provides fertile soil for corruption everywhere. What comes on top of this in Hungary is the social environment created by the aforementioned U-turn: the very organizations which should be fighting, with the authority of the state behind them, against the entanglement of business, politics, and government and against corruption are not independent: they themselves are cogs in the same machinery. A corrupt politician or bureaucrat knows that his powerful political friends will protect him – unlike the "whistleblowers," who take personal risks to unveil corruption. The latter are not sufficiently protected, but often harassed, often becoming victims of "character assassination" campaigns.

Viktor Orbán and those who implement his economic policies are swift to emphasize that if the state needs more revenue this will not be a burden for the people, and there will be no “austerities.” The new tax will be paid by companies, out of their profits. The word “profit” itself has as negative an undertone as it did in the good old days when Marxist political economics was an obligatory subject for study. In addition to the usual forms of taxation, special supertaxes have been used to pillage whole sectors, including banking, telecommunications, insurance, and household energy supply. The effect of special taxes contributes to the fact that the volume of investments by private companies financed from their profits stagnates or barely increases. An unpredictable tax policy, legal uncertainty, and anti-capitalist rhetoric discourage the “animal spirits”: the propensity towards private investment. The extra-ordinary tax burden ensures that the budget is balanced, which is reassuring for the international organizations and credit rating agencies that are extra-sensitive to this indicator, but it does undermine extremely important factors promoting growth and technological development. Moreover, it is not true that the extra burden affects only the companies, as they pass the extra costs on to the consumers whenever possible.

While companies are held to ransom, the individual tax burden based on dividends has been significantly reduced. One of the first measures introduced by the Fidesz government was the abolition of progressive personal income tax, which was replaced by a flat rate of 16 percent, while at the same time value added tax was raised to an unprecedented 27 percent. It is well known that in relation to the income of a given household, these tax rates impose a much greater burden on the living standards of people with low incomes than on those who earn more. Government propaganda proclaims as a great achievement the reduction of household expenditure on utilities through price-cap regulation. In reality, this price-capping policy is far more beneficial for the rich, as the bigger the flat, the more electricity, gas and water it uses, and the more rubbish it produces, the more it saves. We are all too familiar with the consequences of artificially depressing prices from the days of socialism. Companies make a loss, which in the end has to be scraped together by the community of tax-payers.

Restricting the functioning of the price mechanism is an important feature of the general phenomenon which has just been discussed: the state leans heavily on the private sector, using, among other means, administrative micro-interventions, fine-tuning of control, and excessive regulation. Every economist who has studied the theory of market failure knows that appropriate regulation and well-aimed intervention can correct many problems caused by an uncontrolled market mechanism. This theory, however, at least tacitly supposes that the state is at the service of public interests, and that regulation is carried out professionally and without bias. What happens if the levers of regulation are seized by incompetent or even corrupt people? What happens if a state whose masters use the state mechanism to preserve their own power interferes in the economy? Such interventions happen so frequently and affect the coordination process of the economy so deeply that sooner or later the half-turn can become a U-turn in this field as well. The Hungarian developments

should serve as a warning for all those who insist unconditionally on increasing the role of the state, on extending and strengthening regulations, without emphasizing the accompanying dangers.

Fidesz's economic policy cannot win the approval of the conservative economist because of the upheaval that it causes in market mechanisms and the way it threatens private property. At the same time, it arouses the rightful indignation of the liberal economist who is sensitive to injustice in the distribution of income—and not only because of the tax policy mentioned above. The adherents of Keynesian economic policy must not let themselves be deceived by aggregate employment statistics. The revival following the depression is dragging its feet, the private sector is creating few new workplaces. The growing number of people in “public work” is supposed to make up for this. But they are employed for rock-bottom wages, 31-33 percent of the average salary, under degrading circumstances; they are not guided into the employment market this way, on the contrary, they are deprived of the possibility to look for work and kept permanently in their humiliating condition. Poverty and social exclusion are increasing at a dramatic rate. Enlightened societies would never tolerate the tone of voice that is used to stigmatize the poorest, or the way the homeless are chased out of cities by mayoral decree.

Any attempt to squeeze the classification of the Hungarian government's economic policy into boxes labeled “right wing” or “left wing” is off-track. There is no question of the government intending to restore the socialist system, even though some phenomena are surprisingly reminiscent of the socialist era. The Orbán regime is not only compatible with capitalism, but each member of the power pyramid uses the opportunities offered by capitalism to their own advantage. When they launch an attack on banks or other sectors, they immediately conclude a special deal with this or that bank, sign “strategic agreements” with this or that large company in front of television cameras. “Divide and rule!” Instead of the left-right division, let us put the economy into another kind of spotlight: what best serves the survival of the existing power structure, the power of the central will, the interests of the higher levels of the power pyramid, including their financial interests? Suddenly it all falls into place and we know why this new institution or that new law has emerged.

3. Intellectual fallacies and misunderstandings

Hungary's friends abroad—intellectuals, journalists, political and economic analysts, diplomats and politicians who take an interest in the happenings here—do unintentionally fall into various traps or misunderstandings. One of these is to overestimate the value of the letter of the law (Bozóki 2012, Bugarič 2014). At one point, the Fidesz government created a law which failed to guarantee the complete independence of the central bank. Not only the media, but also the competent international organizations exerted pressure on the Hungarian state to change the law. This finally happened. Those who had demanded the change felt they had achieved success. The propagandists in Budapest used it to illustrate how flexible and ready to compromise the Hungarian government is. In reality, what hap-

pened to the law was irrelevant. Having resigned from his position as minister of finance György Matolcsy, who the prime minister publicly dubbed “his right hand,” stepped out of the ministry, walked a few hundred yards and entered the doors of the Hungarian National Bank, as its theoretically independent governor (Barnes and Johnson 2014). Without exception, every single member of the highest body of the central bank, the Monetary Council, was hand-picked by the supreme leader and his advisors; they are all loyal members of the consolidated machinery of power.

According to the letter of the law, every single selection process conforms to various seemingly neutral legal regulations. For example, for one position the current Prime Minister nominates a candidate, the competent parliamentary committee expresses an opinion, and he is appointed by the President of the Republic. For another position the parliament not only expresses an opinion about the candidate, but also makes the final choice. Does this matter? The parliamentary committee, the majority of the complete session of parliament, and even the President of the Republic are all cogwheels in the same machinery of power.

Another important example is how the regime leans on the press, television, radio and other means of telecommunication. This is about nothing less than the independence of the “fourth branch of power,” the liberty of one of the most important checks and balances in a real democracy. The competent bodies of the European Union and the international press dwelled at length upon the question of whether the rights allocated to the centrally appointed media authority were excessive or not. Finally, a few regulations of the law on the media were amended. The critics considered this a victory. Viktor Orbán and his colleagues, however, knew perfectly well that it was irrelevant. What really mattered was the fact that they had put their own people in charge of all television channels and radio stations owned, controlled and financed by the state, who then purged their staffs and turned all of them into the collective mouth-piece of government propaganda. The government or near-to-Fidesz entrepreneurs seized the freely distributed and very popular advertising broadsheets and other free local media products. The state media are obliged to use material provided by the news agency controlled by the government. This is not obligatory for the country's privately owned media, but the latter are offered new state-produced material free of charge, while purchasing news from independent international agencies or trawling the foreign press is expensive. It is hardly surprising that they are reduced to using the free material. Self-censorship, a form of behavior all too familiar from the communist era, is becoming widespread.

There are newspapers, television channels, and radio stations that are both independent and critical of the government. This is very important; it is part of the impartial description of the present Hungarian situation. However, their functioning faces many obstacles—such as during the distribution of broadcasting frequencies, when licenses are granted. Their main source of revenue is advertising, but the government's own agencies, as well as private companies which wish to maintain friendly relations with the political masters, re-

frain from advertising with them. Political bias manifested in the advertising market has been compounded by a discriminative advertising tax piled on top of the existing corporation tax.

No matter how hard the authorities try to subdue the organizations which form public opinion, the IT revolution has made their task more difficult. Stalin was able to surround his empire with almost impenetrable barriers, but nowadays this is impossible: computers, tablets and mobile phones connect the individual with the world, and hundreds of thousands can express their opinions and organize themselves on social networking sites. The Fidesz government would love to find a way to prevent this too. Not long ago it proposed the introduction of an internet tax. Each gigabyte data transfer would have been taxed to the tune of 150 forints (roughly 55 USD cents). Within a few days, mass demonstrations had been organized; images of the protesters circulated in the international press. Viktor Orbán retreated half-way: as I write these lines it is not yet clear if the plan has been abandoned for good or merely postponed. Whatever may happen, the image of tens of thousands of demonstrators raising their mobile phones to the sky has become a symbol. The light from the tiny screens might even have illuminated the clouds of the internet—it will prove difficult for any regime today to raise impassable barriers to the flow of free speech.

Here is another frequent intellectual fallacy: certain recently established Hungarian institutions, or new procedures that have been introduced lately, are similar or even identical to the parallel institutions or procedures of a traditional Western democracy—at first sight. Many changes have been made in the Hungarian judicial system. What is wrong with that? After all, even after these recent changes, in many ways it still resembles the systems of some European countries. The tobacco trade used to consist of small shops competing with each other. Now only the government is allowed to issue a license for the sale of tobacco. What is wrong with that? After all, in Sweden a state monopoly with similar or even greater powers covers the trade in alcoholic beverages.

What we have is a mosaic, many pieces of which are original Hungarian products, while others have indeed been imported from democracies abroad. However, if we look at the mosaic as a *whole*, the outlines of Viktor Orbán's Hungary emerge. It is actually better to move away from the static image of a mosaic to represent the relationship between “part” and “whole.” It is not a fixed state that we have to interpret, but a dynamic process. What we have to recognize is the *direction* that has been followed by each small component of the machinery since the starting point in 2010. From then on, at every new change, we, the observers, must notice which direction the change has taken. In the US, the mandate of the members of the Supreme Court lasts for the rest of their lifetime. There, this regulation has emerged within the framework of a stable democratic order, with many checks and balances in operation. In Hungary, on the other hand, for the first time now the overwhelming majority of members of the Constitutional Court were chosen by the current prime minister—and soon all the members, without exception, will be Viktor Orbán's nominees. If their mandate is extended *right now*, this move, along with other similar moves, will shift the legal status of the country towards irreversible power relations. Thousands (yes, the number

is no exaggeration) of discrete changes, all moving together in the same direction, create a new *system*. Understandably, the Budapest correspondent of a foreign newspaper might write about only one outrageous measure without putting the event into the whole context of Orbán's system. An international organization or a foreign government might be justified in protesting against a specific measure taken by the Hungarian government, and in trying to exert its influence to have this measure modified or withdrawn. This paper is intended to help both those who form public opinion abroad and those who plan and implement global measures that concern Hungary to better understand that more is at stake than a momentary event: this is now a strongly forged system, whose essential properties cannot be altered by partial modifications.

Another intellectual fallacy is the faulty evaluation of the legitimacy of the Orbán government. "Although I don't like what is taking place in Hungary, it seems to be what the Hungarians want." This opinion is further reinforced by the official propaganda, which is busy announcing that the regime won a two-thirds majority for two successive parliamentary cycles; there is no other government in Europe that enjoys such strong support. Yet let us take a closer look at the facts.

Table 1. Results of parliamentary elections in 2010 and 2014: share of Fidesz–KDNP supporters and mandates

Parliamentary election	Fidesz voters		Fidesz deputies
	As a proportion of all the people entitled to vote	As a proportion of all voters	As a proportion of all deputies
2010	41.5%	53.1%	68.1%
2014	26.6%	44.9%	66.8%

Source: The aggregate numbers of votes and mandates published by Nemzeti Választási Iroda (National Election Office—2010a, 2010b, 2014). The 2014 results are calculated including ballots cast abroad (in 2010, dual citizens without permanent Hungarian residency were unable to vote). The figure in the second row of the first column is an estimate calculated by the research institute Political Capital (see László and Krekó 2014).

At the last election only every fourth person entitled to vote expressed the wish that Viktor Orbán and his party should govern the country. The others either voted for another political faction or expressed their weariness and disappointment in politics by abstaining. Perhaps some people wished to indicate by staying away that they found the regime repellent, but they did not believe that their vote would bring about any change. Political legitimacy is not a binary variable: no government is simply either legitimate or not—but measured against the continuous scale of legitimacy, support for the Hungarian government is low. The election system itself, introduced after the change of regime, has offered the opportunity for a considerable difference between actual political support and the proportions among the representatives.² That gap has further widened as since the 2010 elections the

²About half of the seats are divided among the parties in direct relation to the proportion of the votes.

electoral laws have been modified seven times. While Fidesz lost more than half a million votes, and the fraction of all eligible voters who voted for Fidesz dropped from one third to a quarter, the regime used legal tricks to maintain a proportion of deputies which is higher than the critical minimum needed to pass laws requiring a two-thirds majority.³

At the 2010 elections Fidesz won the safe two thirds majority necessary for amending the constitution and passing laws of outstanding importance. Although the 2014 elections ensured that the party had a simple majority, with which it could comfortably pass laws of less importance, winning a two-thirds' majority was a close call. Not long before the completion of this study the two thirds' majority was lost. A seat previously held by Fidesz fell vacant because its occupant was given another position, and at the by-elections held to fill the post the independent candidate supported by the opposition won.

It is worth paying attention not only to the parliamentary proportions, but also to the changes in public opinion. According to monthly surveys, at the end of 2014 and the beginning of 2015 Fidesz lost several hundred thousand potential voters. All this questions the validity of the notion quoted above, that 'it seems to be what Hungarians want'.

Another intellectual trap, one that is connected to the misinterpretations that I have just mentioned, is often expressed thusly: "While it is true that the Fidesz regime has abolished many democratic achievements, the present form of government must still be considered a democracy." At this point the debate about what we call "democracy" begins. There is no consensus between academic political philosophers and political scientists. The terminology used by people who are actively engaged in politics is interwoven with elements of political rhetoric. Where the term "democracy" is an honor, the status of democracy is awarded or denied to the Hungarian form of government by the journalist, political analyst, politician or diplomat according to whether they hold a favorable or an unfavorable opinion of the present Hungarian system. The terminological confusion remains even when "democracy" receives a defining attributive. The expression "illiberal democracy" was originally introduced to political science with pejorative connotations, while Viktor Orbán uses the term "illiberal state" with self-assured pride to describe his own system.

Let us look at the set of previous and present historical forms of government that have characterized recent history. In one group we find *democracies*. Members of the European Union before its expansion, the US, Canada, Australia, New Zealand, and Switzerland surely belong to this group, and as far as this article is concerned the question of which other countries might also belong can be left open for the time being. What is sure is that the essential common features exist not only in theoretical texts, but can actually be experienced. "Checks

The other half are allocated in every constituency following the "winner takes all" or "first past the post" principle best known in the British system. This secures a large number of seats for a party that has only a small relative advantage over their rivals in several districts.

³ Compare these figures with German data from 2013. The CDU/CSU received 29.7 per cent of the vote (41.5 per cent of those eligible actually voted). This is only slightly lower than the Fidesz results. But the actual proportions of votes are represented by parliamentary proportions in the Bundestag. Thus, Merkel did not have a majority, and a coalition with the Social Democrats is governing that country.

and balances” are not merely requirements supported by arguments put forward by political philosophers—they really do exist, and their functioning can be experienced by observation. We can say the same about respect for minority rights; there are written and unwritten limits to what the majority, however large it may be, can do against the will of the minority. We could go on listing other important common features.

In the group at the opposite extreme we have *dictatorships*. For me, and for several hundred million other people, this is no abstract theoretical concept: it is a cruel, personally experienced reality. Thirty years ago 28 countries belonged to one kind of dictatorship: totalitarian communism.

In between the two extremes, lies a subset of countries that are neither democracies nor dictatorships, though they bear characteristic features of both. In my own work I have joined other authors in calling them *autocracies*.⁴ This class is made up of a colorful multitude: I would place in it the pre-war regimes of the Hungarian regent Miklós Horthy and the Polish statesman Jozef Pilsudsky, or that of the Argentinean president Juan Domingo Peron in the post-war era. In our own time, besides the Russian president Vladimir Putin, the leaders of Belarus and many Central Asian post-soviet states rule over countries belonging to this subset.

I believe that under Viktor Orbán Hungary has moved from the subset of democracies into the subset of autocracies. I am not talking in the future tense, about the danger of the country becoming an autocracy. The move has already taken place.

To consider Orbán a dictator would be to misunderstand the present Hungarian situation. Hungary today has a multi-party system, opposition parties function legally, newspapers opposing the government can be published. Political opponents are not imprisoned en masse, nor are they liquidated. We know all too well what real dictatorship is; we have experienced it, and what we are experiencing now is different. However, to believe that Orbán is the leader of a democracy, and that although he breaks the rules of democracy from time to time, in the end he still behaves like a democrat, would also be a misunderstanding. I do not even want to raise the question of whether Orbán, in the depths of his heart, is a true democrat or not. This may be an important question for his future biographer, but it is irrelevant for our analysis. We have to investigate what has actually already happened. And what has already happened is enough for us to say that Hungary now belongs to the wide subset of autocratic countries that are “neither democracies nor dictatorships.”

It would be a mistake to believe that Orbán is copying Putin. All autocracies are built on different historical traditions; they have emerged in different domestic and international environments, and the personalities and aspirations of their highest leaders differ. Orbán is not an imitator of others, he is a self-determining personality. This does not alter the fact that both the Putin and the Orbán regimes belong to the same subset of autocracies.

⁴ In the related debates in Hungary, referring mostly to international sources, diverse terms have been in use: for example, “managed democracy,” “Führer-democracy,” or “elected despotism.”

Hungary is the first of the post-socialist democracies that has joined the autocracies, but there is no guarantee that it will be the only one. The balance of power might shift in other countries in such a way as to turn them into autocracies. There are foreign politicians who see Orbán as a model; there is a real danger that this contagion, leading to the loss of democracy and of the rule of law, will spread.

4. The dangers of nationalism and the “peacock dance”

One of the sources of Viktor Orbán’s support is the fact that many see him as the staunch defender of the sovereignty of the Hungarian state, and of Hungary’s independence. However, anyone who wishes to understand the Hungarian situation must realize that the problem cannot be shrugged off by simply labeling Orbán a nationalist.

Worldwide, we can see two opposing tendencies. Globalization, the internet, the technical ease with which we travel, the emergence of transnational integration are all making the world more international. At the same time, national sentiments within the boundaries of a nation-state or in communities which reach beyond national frontiers but use a common language, and share common historical traditions, still persist; indeed, they are growing ever-stronger.

The change of regime not only brought about internal regeneration, but also coincided with the restoration of Hungarian sovereignty. “Russians go home!” was the first slogan; a happy separation from the East, an expectant turn towards the West. Western exports and imports were becoming more and more significant. Plenty of foreign capital was flowing into the country. Hungary joined NATO in 1999, and became a member of the European Union in 2004. In both cases, the intention to join was confirmed by a referendum, and in the campaigns leading up to these all the parliamentary parties, Fidesz among them, encouraged their followers to support the move. Although counter-opinions have always been present and voiced, for twenty years the *direction* of changes in foreign policy remained clear. Hungary must be an organic part of Europe: it must unambiguously belong to the Western world; it must further strengthen the links binding it politically, economically and culturally to the West.

2010 saw the beginning of a peculiar U-turn in this area as well: clarity has been replaced by ambiguity. This emerges mostly in the rhetoric of official statements. Leading politicians grieve at public meetings about the crisis of world-wide capitalism and Western civilization. The leaders of the regime make use of the anti-EU, anti-American atmosphere; sometimes they go as far as to compare directives from Brussels with the pre-1989 dictates of Moscow. But if yesterday there was talk of the emasculation of the West and of the great things to be expected from the East, today’s discourse will be just the opposite. Orbán is proud of his Janus-face, and considers it a sign of his political shrewdness.⁵ The content and

⁵ Viktor Orbán (2012) said the following: “There is a dance routine in international diplomacy. This dance, this peacock dance [...] has to be performed as if we wanted to be friendly. These are, let’s say, exercises in the art of diplomacy. So we accept two or three out of seven proposals, those two or three that we have

tone of the words change, depending on whether they are intended for the Party faithful or businessmen attending conferences in Munich or Vienna.⁶ It is hardly surprising that both followers and opponents, both Hungarian and foreign observers, are mightily confused.

In the world of foreign policy and diplomacy official or semi-official statements can carry a lot of weight. Hungary is still member of NATO and the European Union; there has never been the slightest hint of any intention to leave either body.⁷ The Hungarian government is happy to receive the plentiful financial support that flows from the EU; the only thing it insists on is full control over its distribution.⁸ (We have already mentioned the real motivating forces and intentions which govern state allocations.) At the same time the representatives of the ruling political regime regularly support Euro-skeptic declarations.

The Hungarian diplomatic corps resolutely attempts (without much success) to establish business relations with various Asian autocracies and dictatorships, from Azerbaijan, Kazakhstan, Uzbekistan and the Arab Sheikdoms to Vietnam and China, pointing out that other countries do the same. This is purely about business; taking a stand for democracy and human rights is another issue. But they sometimes “rise above” this point: recently Orbán called Azerbaijan a “model state” when its dictator was on an official visit to Budapest.

Understandably, other countries take the keenest interest in Hungarian-Russian relations. As we noted earlier, the present Hungarian and Russian forms of government share several features; in this respect both regimes belong to the same subset of autocracies. But now we are not focusing on this similarity, but on the economic connections and relations in foreign affairs between tiny Hungary and huge Russia. In this relationship, how far can the sovereignty of Hungary be maintained; to what degree is it committed now and in the future to its Russian partner? The corollary is another question: how far do these present tendencies endanger Hungary's commitment to the European Union, to NATO, to the Western world?

In order to be able to answer the question, we would need, for example, to know more of the conditions under which in January 2014 the Hungarian and Russian governments reached an agreement over the expansion of the largest Hungarian power plant,

followed already, except they didn't notice, and we reject the remaining two we didn't want, saying 'C'mon, we have accepted the other ones.' This is a complicated game. Unless you insist, I'd rather refrain from entertaining you with the beauty of the details.”

⁶ A characteristic scene of the “peacock dance” is the duplicity shown by Fidesz and the government towards people of Jewish faith. More than once the government has emphatically declared that it will not tolerate anti-Semitism, and if necessary it will defend its Jewish citizens against any kind of attack. At the same time several government measures gravely insult the painful historical memories of Hungarian Jews. For example, it is falsely suggested in various ways that the deportation of hundreds of thousands of Hungarian Jews was forcibly imposed by Nazi Germany, while in fact Horthy's state machinery was actively involved in it.

⁷ A noteworthy exception: the Speaker of the Parliament, a founding member of Fidesz, at one point publicly referred to the possibility of “backing out” of the EU.

⁸ The spectacular new projects inaugurated with pompous ceremonies by political leaders are mostly financed by the European Union or multinational companies.

the Paks nuclear power station. I am not in a position to judge whether this large-scale expansion of Hungarian nuclear power capacity is justified, and if it is, whether the Russian proposal was the most advantageous in technical, financial, and geopolitical terms of the possible alternatives. What many people in Hungary and abroad object to, and with good reason, is the way in which the decision was made. It was not preceded by public debate among experts; the government's plans were pushed through the parliamentary law factory without the least publicity. In this crucial issue, which will have a deep impact on the lives of many future generations, on European integration, on the foreign affairs of the country, on its commitments to its allies, the government confronted the public with a *fait accompli*.⁹

Reflecting on the relationship between Hungary and other countries, the following question must be considered: what can Hungarians who worry about the U-turn, who fear for democracy, for the rule of law and for human rights expect from their foreign friends? A new development may be followed by cries of: "the West won't put up with any more of this." I am afraid many people nourish false hopes. The learning process is painfully slow; it takes years for foreign observers to realize there is anything wrong, and even longer before they put the different elements of the phenomenon into the right context. And comprehension is only the beginning; what else is also needed if awareness is to be followed by some kind of action? This is a task with which international organizations are unfamiliar; they are at loss as to how an allied state can be forced to abide by the rules of democracy. Not many means are available. The European Union is unprepared for a situation where one of its members keeps turning against the value system and formal and informal norms of its community.¹⁰ And let us not forget that Hungary is only one small point on the map of the world; conflicting agendas influence the motion of political forces. The special interests of countries, political groups, social classes and professions pull the main actors in many different directions. Threatening situations more pressing than that of Hungary have proved impossible to solve by peaceful agreements.

5. The "ideological" sphere

⁹ The Paks power plant is not the only case where this problem has arisen. All too frequently the government, without proper reason, classifies some procedure as secret, and in more than one case it has greatly lengthened the period of secrecy, thus preventing any open debate and ruling out transparency in public affairs.

¹⁰ The Tavares Report commissioned by the European Parliament points out that the "reforms" introduced in Hungary since 2010 do not observe the shared fundamental principles and values of the EU, especially the basic requirements of democracy, rule of law and division of the branches of power, although it would be the duty based on the EU treaty of all member states to observe these. Among the many problems, which are discussed in great detail in the report, the new electoral laws appear as well. The report suggests that a monitoring process should be worked out, not only for Hungary but for other countries failing to meet the European norms as well. This process would reveal problems facilitate reparatory measures (see European Parliament 2013). The Tavares Report drew attention to the problem, but it was not followed by any efficient EU measures.

I have left the survey of the changes which have taken place in the “ideological sphere” to the end. A fundamental characteristic of communist dictatorship is the existence of an “official ideology.” The roots of its ideological history go back to Marx and Lenin, its terminology comes from the language of Marxist-Leninist party seminars. The communist party kept it up-to-date, and adapted it to the propaganda needs of whichever party line prevailed at the time. The citizen, especially the “cadre” with a role in the system, was obliged to accept the ideology; he had to articulate it both verbally and in writing.

Following the fall of the old regime, the dominance of “official ideology” was replaced by *pluralism* in the ideological world. But we can observe a U-turn here too. The government now strives to limit and discredit the principle of pluralism. It tries to force on society those theories, beliefs, and norms of behavior that are part and parcel of its acceptable dogma.

First of all, it aggressively established institutions that promote the execution of the central will. For the world of artists, pluralism and diversity are essential elements. Accordingly, in free societies many kinds of associations and unions, schools and groups co-exist side by side, competing or even fighting with each other. The regime that seized power in 2010 selected a small group and endowed it with powers that would be unimaginable in the West. Their main organization is the Hungarian Academy of Arts (Magyar Művészeti Akadémia). Other organizations and groups do still exist, but the name of this privileged body appears even in the constitution. It was given one of the most beautiful palaces in the capital as its headquarters, and made responsible for distributing the majority of publicly-funded cultural grants, as well as most of the awards and marks of recognition that are accompanied by financial benefits.

In the scientific world, the situation is similar. The Hungarian Academy of Sciences boasts a long history, and although its independence was severely curtailed by the party state under communism, its autonomy strengthened after the change of regime. It used to exercise considerable influence over decisions about which research projects should be funded by the state, through an institution which, like the American National Science Foundation, relied on expert opinion. But the long arm of centralization has reached this institution, too. The National Innovation Office (Nemzeti Kutatási, Fejlesztési és Innovációs Hivatal), a leading state organization, was established. The Academy and other scientific organizations might try to express their opinion before final decisions are taken, but the days of a decentralized, professional, and civil approach to funding allocations are over—the president of the office has sovereign decision-making powers. And who is that president? None other than the minister of education from the first Orbán government.

Turning to the sphere of education: the change of regime made the emergence of a real text-book market possible. The writers and publishers of school books could compete with each other; schools, or even individual teachers, could decide which books to use. Right now, competition is being abolished here too: a mammoth state text-book publishing house has been set up and granted what is effectively a near-monopoly.

What ideas is this increasingly centralized, nationalized, standardized machinery trying to promote? A return to the past is perceptible here too; not to the previous regime with its Marxist-Leninist ideology, but to an earlier ideological past. The official ideas of the pre-1945 Horthy period are being revived in various forms, with increasing strength. It is inadequate to describe these with a handful of concise expressions such as nationalism, chauvinism, ethnic or religious prejudice or a conservative view of the family, because they appear in a variety of shades. Official politicians never make open and extreme declarations that would offend the ears of the civilized world; there are, rather, many covert hints and indirect expressions. But in that muted music, the marching tune for boots can be heard. To the ears of my generation the sound is familiar and frightening.

The images of cultural and academic life and of the world of ideas that I have highlighted here dovetail with the general description of the present-day Hungarian system, which was summarized in an earlier section of this article. This sphere too bears the mark of an in-between state that is “neither democracy nor dictatorship.” The regime is trying to encroach in an increasingly aggressive fashion. Luckily there are large numbers of writers, poets, musicians, film-makers, artists, scientists, teachers and free-thinking intellectuals who will not allow themselves either to be intimidated or bought by money and rewards, and who protect their intellectual autonomy. Any visitor to Hungary can testify that intellectual life is thriving: great artistic works are born and significant scientific advances are made.

6. Potential future scenarios

After the description of the Hungarian situation in the preceding sections, I wish to add a few personal comments. A number of the first readers of the manuscript of this study asked the same question: why do I not discuss the antecedents of the U-turn? Why do I not reveal the *causes* of the reversal?

I realize that there were several important factors behind the reversal: the grave mistakes made by the governments and the political parties functioning within and outside the parliament between 1990 and 2010, the spread of corruption, the trauma caused by the appearance of mass unemployment, the increase of social inequality, and the disappointment of a large proportion of the population after the high expectations brought by the change of system. The maturation of democracy is a long historical process, and Hungary has only just begun.

I also know that if the causes are to be explained, we must go further back than 1990, to the time of the change of system. We would have to dig deeper into the final period of Hungarian socialism, which the West called “goulash-communism”, when the population became accustomed to the paternalism of a heavy-handed regime.

An even deeper, older layer of historical memory which shapes today’s way of thinking is the nationalist, racist, anti-Semitic ideology of the autocracy of the Horthy period of 1919 to 1945, with its foreign policy that prioritized the revision of the unjust dismemberment of the country after the First World War, turning Hungary into a loyal ally—to the

bitter end—of Hitler. And we could go on digging ever deeper, investigating contradictory historical traditions that reach back over centuries.

It is not my habit to deal with very complex issues in one or two paragraphs. I prefer to say quite frankly to the reader: do not expect from me here, in this paper, a discussion of the antecedents of the present regime. The answer to my readers' question would require at the very least another separate study, certainly no shorter than the present paper. The best person to write such an article would be a competent Hungarian historian, familiar with political philosophy, political science, and economics, who has a profound knowledge of the past and a keen interest in the present; somebody like Tony Judt, whose books and essays are well known to the American intelligentsia and to many other readers throughout the world.

Another issue raised by several early readers is why I merely list the problems: why do I not outline the steps that should be taken to overcome them? One physician carries out tests using MRI or PET imaging technology, and can establish with a fair degree of certainty whether there is a tumor in the patient's body and, if so, where it is located. Usually, however, it is another physician, or a whole team, who will determine what therapy should be applied, assess the possible risks and side-effects, decide whether the growth should be removed by surgery or treated with radiation or chemotherapy, or whether there is no hope of saving the patient and palliative care is the best course of action. In this study, I am trying to provide a diagnosis. I dare only go this far—no further. Giving political advice is a special profession, which requires different points of view (“Realpolitik”...). It works according to different norms: it may be expedient to offer a distorted image of reality, to cover up problems in order to obtain or hold onto power, or to win supporters, admirers, and followers.

When I was giving lectures in the USA on the delicate and complicated situation of the post-socialist transition, I was always asked the question: what should be done? What can we, your friends, living far away from your region, do? I admire and respect this readiness to act, but it is not my task to answer the question. My paper is only intended to reveal the situation: I wished to contribute to our American and other foreign friends' better understanding of the Hungarian case.

What does the future hold for Hungary? One of the theories of democracy deserves close attention. It does not dwell on how far a certain form of government expresses “the will of the people,” or at least of the majority. It considers democracy primarily as a *procedure* (Schumpeter 2010 [1942], Dahl 1971, Huntington 1991, Kornai 1998). Among its several important characteristics let me highlight one: the democratic procedure makes the dismissal of a government possible, not through the murder of a tyrant, and not through conspiracy, military coup d'état, or bloody popular uprising, but rather in a peaceful and civilized way, through elections which are well-defined in legal terms and include a plurality of competing parties. The feasibility of dismissal is not a sufficient condition for a viable democracy, but it is a necessary one.

It will be some time before we can say for sure whether this minimum condition is met or not. In Sweden it was forty years before the social-democratic government was

dismissed at the 1976 elections. In Britain the conservative party ruled for eighteen years, from 1979 to 1997, before being voted out of office. In both cases the winners of a political competition carried out in a democratic procedure based on fair election rules—offering a chance for victory to all parties—replaced the former government. The historians of the future will give a final answer to the question of whether the minimum condition of democracy described above—namely, dismissal of the government by election—is met in Hungary or not.

The outlook is bleak. Viktor Orbán and his party have “cemented themselves in,” to translate an expression which has become commonplace in Hungary. The repeated modifications made to election laws were intended to favor a Fidesz victory, or rather, to make it an almost absolute certainty.¹¹

Fidesz is prepared for the unlikely but not impossible event of its failing to win a parliamentary majority in the next elections. The 32 cardinal laws can only be modified by a two thirds parliamentary majority, and even in the case of Fidesz’ electoral defeat no such majority would be possible without their participation.¹² The mandates of many key positions, most importantly those of the chief prosecutor, president of the republic, head of the central bank, of the audit office, and of the judicial office, extend beyond the current parliamentary cycle; they can all sit tight, even if the opposition wins. The fiscal council, a body appointed by the present government, but which would remain in office even in case of an election defeat, has not only an advisory role but also the right of veto over the budget submitted by a new government. If that veto is used, the president of the republic may dissolve the parliament and call for new elections. In other words, a few hand-picked men loyal to the present government would be able to overturn the next government.

All of this leads to the logical conclusion that it would probably be extremely difficult to effectively dismiss the government at parliamentary elections. In this sense, the situation that has emerged is nearly irreversible. Historical experience shows that an autocracy can only be brought down by an “earthquake” that rocks the very foundations of the system.

Other future scenarios are also possible. The great events of history cannot be predicted on the basis of mathematical probabilities; every constellation is unique and unrepeatable. The situation could become much worse than it is today. The present Fidesz autocracy could react to the growing protests by hardening the repression, taking the path followed by the Turkish government. Or another succession of events is also possible. Jobbik, the party

¹¹ As we have mentioned earlier, in a February 2015 by-election an independent candidate was elected in the place of the previous Fidesz representative, and with this the two-thirds majority of the reigning party was lost. Although this is an important change, the Fidesz spokesmen claim, not without a reason, that they still have a firm grip on power.

¹² Orbán said in an early interview after taking office: “I will expand the circle of two-thirds laws only at one point: in the field of economic legislation. And let me make no secret of the fact that I would like to tie the hands of the next government in this regard. And not only that of the next, but of the following ten governments” (Orbán, 2011).

of the extreme right, already represents a significant force; more than one city has elected its candidates as mayors. They speak undisturbed in parliament and in the street. What would happen if in a future election Fidesz did not manage to win a parliamentary majority? Would they be prepared to form a coalition with the extreme right? There is a historical precedent: towards the end of the Weimar republic the moderate right-wing conservative party entered into a coalition with Hitler's party; together they constituted a parliamentary majority (Wittenberg 2013, Bugarič 2014).

At the same time, favorable scenarios are not impossible. What if more moderate groups within the ruling party begin to get the upper hand, groups who are ready to stop moving along the wrong track and are willing to turn back in the direction of democracy and the rule of law? What if the opposition, parties, and civil movements pull themselves together? What if new political groups and movements emerge and win over millions? What if somehow, in spite of an electoral system which almost guarantees the defeat of future democratic forces, the tables turn?

Let us not give up hope.

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